

## Financial Markets Conduct (Christchurch City Holdings Limited Sustainable Bond Offer) Exemption Notice 2021

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, being satisfied of the matters set out in section 557 of that Act, gives the following notice.

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### Notice

#### 1 Title

This notice is the Financial Markets Conduct (Christchurch City Holdings Limited Sustainable Bond Offer) Exemption Notice 2021.

#### 2 Commencement

This notice comes into force on 13 October 2021.

#### 3 Revocation

This notice is revoked on the close of 12 October 2026.

#### 4 Interpretation

(1) In this notice, unless the context otherwise requires—

**Act** means the Financial Markets Conduct Act 2013

**CCHL** means Christchurch City Holdings Limited

**financial reporting obligations**, in relation to CCHL, means requirements imposed under—

- (a) the Act or another enactment, to prepare group financial statements in relation to CCHL or its group for the most recently completed accounting period, to have those statements audited, and to lodge or register those statements; and

- (b) any listing rules of the NZX Debt Market that provide for financial statements to be released to the market for a more recent interim accounting period than the period referred to in paragraph (a)

**NZX Debt Market** means the NZX Debt Market operated by NZX Limited as a licensed market

**Principal Terms Sheet** means a document that—

- (a) contains the key terms of the Sustainable Bond Offer; and
- (b) is the principal means by which the terms of a Sustainable Bond Offer are communicated to investors; and
- (c) is prepared by or on behalf of CCHL.

**Regulations** means the Financial Markets Conduct Regulations 2014.

**Sustainability Framework** means CCHL’s sustainable finance framework that sets out how CCHL intends to issue and manage bonds or loans (or other accepted financing instruments) with proceeds notionally allocated for assets or activities identified by CCHL as delivering positive environmental or social outcomes

**Sustainable Bond** means a debt security offered for issue by CCHL that has a Sustainable Status

**Sustainable Bond Offer** means an offer by way of issue by CCHL of Sustainable Bonds

**Sustainable Status** means, in relation to any debt securities, that

- (a) those debt securities are labelled, referred to, or marketed as “sustainable bonds”, “sustainability bonds”, “green bonds”, “social bonds” or similar terminology; and
  - (b) the proceeds of issue of those debt securities are intended by CCHL to be applied in accordance with the Sustainability Framework
- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

## 5 Exemptions for Sustainable Bond Offer

CCHL is exempt from Parts 3, 4, and 7 of the Act in respect of a Sustainable Bond Offer, if—

- (a) the Sustainable Bonds have attached to them identical rights, privileges, limitations, and conditions as existing quoted debt securities issued by CCHL, except for having a different redemption date, interest rate, and Sustainable Status; and
- (b) that class of existing quoted debt securities have been quoted on the NZX Debt Market at all times during the 3-month period before the time of the Sustainable Bond Offer; and
- (c) trading in that class of existing quoted debt securities on the NZX Debt Market was not suspended for more than a total of 5 trading days during the 3-month period referred to in paragraph (b); and
- (d) it is a term of the Sustainable Bond Offer that CCHL will take any necessary steps to ensure that the Sustainable Bonds are, immediately after the issue, quoted; and
- (e) the market rules of the NZX Debt Market contain continuous disclosure provisions.

## 6 **Application of exemptions in clause 5**

The exemptions in clause 5 do not apply if—

- (a) the Sustainable Bond Offer is made within 3 months after a change to the essential nature of CCHL's business; or
- (b) the Sustainable Bond Offer is made within 3 months after a transaction for which CCHL has provided disclosure to the NZX Debt Market as if it were listing on that market; or
- (c) the Sustainable Bond Offer is made in connection with enabling—
  - (i) a change to the essential nature of CCHL's business; or
  - (ii) a transaction for which CCHL will be required to provide disclosure to the NZX Debt Market as if it were listing on that market.

## 7 **Condition that CCHL must give notice to NZX and be in compliance with continuous disclosure and financial reporting obligations**

- (1) The exemptions in clause 5 are subject to the condition that CCHL must not offer the Sustainable Bonds, or issue those products, unless CCHL—
  - (a) has, at a relevant time, provided a notice to NZX Limited in accordance with subclause (2) for the purpose of the information in the notice being notified to the NZX Debt Market; and
  - (b) is, as at the date of the notice, in compliance with its continuous disclosure obligations; and
  - (c) is, as at the date of the notice, in compliance with its financial reporting obligations.
- (2) The exemptions in clause 5 are subject to the condition that CCHL must take all reasonable steps to ensure that the notice under subclause (1)(a)—
  - (a) states that an offer for issue is being made to investors in reliance upon an exemption in clause 5; and
  - (b) states that the notice is provided under subclause (1)(a); and
  - (c) states that, as at the date of the notice, CCHL is in compliance with the continuous disclosure obligations that apply to it in relation to the existing quoted debt securities; and
  - (d) states that, as at the date of the notice, CCHL is in compliance with its financial reporting obligations; and
  - (e) sets out the information (if any) that is excluded information as at the date of the notice; and
  - (f) in the case of the existing quoted debt securities, sets out the information that would (if the existing quoted debt securities had had the same redemption date, interest rate, and Sustainable Status as the Sustainable Bonds) be—
    - (i) required to be disclosed under a continuous disclosure obligation; or
    - (ii) excluded information.
- (3) The notice must contain information under subclause (2)(e) and (f) only to the extent to which it is material information within the meaning of section 59 of the Act.

(4) In this clause,—

**excluded information** means information to which a continuous disclosure obligation would apply but which has not been disclosed under such an obligation as a result of an exclusion in, or a waiver given under, the listing rules for the NZX Debt Market

**existing quoted debt securities** means the existing quoted debt securities referred to in clause 5(a)

**relevant time**, in relation to a Sustainable Bond Offer, means—

- (a) a time within the 24-hour period before the offer is made; or
- (b) an earlier time required by NZX Limited.

## 8 Condition to correct defective notice

(1) This clause applies if—

- (a) the notice given under clause 7 is defective; and
- (b) CCHL becomes aware of the defect in the notice—
  - (i) in the case of subclause (3)(a)(i) or (ii), within 12 months after the Sustainable Bonds are issued; or
  - (ii) in the case of subclause (3)(a)(iii), before the Sustainable Bond Offer closes.

(2) If this clause applies, the exemptions in clause 5 are subject to the condition that CCHL must, within a reasonable time after CCHL becomes aware of a defect, provide to NZX Limited a notice that sets out the information necessary to correct the defect for the purpose of the information being notified to the NZX Debt Market.

(3) The notice is **defective** if—

- (a) there is—
  - (i) a statement in the notice that is false or misleading or is likely to mislead; or
  - (ii) an omission from the notice of information that is required to be contained in the notice by clause 7; or
  - (iii) a circumstance that has arisen since the notice was given but before the offer closes that would have been required by clause 7 to be disclosed or otherwise contained in the notice if it had arisen before the notice was given, and the circumstance is not so disclosed or contained in the notice; and
- (b) the matter referred to in paragraph (a) is materially adverse from the point of view of an investor.

## 9 Condition to include statement in Principal Terms Sheet

(1) The exemptions in clause 5 are, in respect of Sustainable Bonds offered by CCHL to another person (**B**), subject to a further condition that—

- (a) CCHL must ensure that:
  - (i) a statement under subclause (2) is included at the front (in a prominent position) of the Principal Terms Sheet and every document provided to B that contains the key terms of the Sustainable Bond Offer; and
  - (ii) the information under subclause (3) is included in the Principal Terms Sheet provided to B; and

- (iii) it has provided the Principal Terms Sheet to NZX Limited for the purpose of the Principal Terms Sheet being notified to the NZX Debt Market; and
  - (b) if the Principal Terms Sheet is not provided to B, CCHL must not accept an application, or issue the Sustainable Bonds to B, if a statement under subclause (2) and the information under subclause (3) was not, before the application was made, given to B or delivered or sent to B's address.
- (2) The statement referred to in subclause (1)(a)(i) must—
- (a) clearly identify the Sustainable Bond Offer as an offer of debt securities that have attached to them identical rights, privileges, limitations, and conditions as certain existing quoted debt securities issued by CCHL, except for having a different redemption date, interest rate, and Sustainable Status; and
  - (b) contain a statement to the effect that CCHL is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited for the purpose of that information being made available to participants in the market and that that information can be found from a specified link or URL (being a link to or a URL for the page of the Internet site maintained by NZX Limited that relates to the Sustainable Bonds or CCHL); and
  - (c) provide a list that identifies the existing quoted debt securities referred to in clause 5(a) (where the securities are identified by reference to the interest rates and redemption dates of those securities and in any other way that CCHL thinks fit); and
  - (d) contain a statement to the effect that investors should look at the market price of the existing quoted debt securities referred to in clause 5(a) to find out how the market assesses the returns and risk premium for those debt securities; and
  - (e) contain a brief description of how the proceeds of the issue of the Sustainable Bonds are intended to be applied.
- (3) The information referred to in subclause (1)(a)(ii) is:
- (a) a statement that explains whether a failure to maintain the Sustainable Status would constitute an event of default or other breach of the contractual terms of the Sustainable Bonds; and
  - (b) a brief description of circumstances that may lead to the Sustainable Bonds losing the Sustainable Status; and
  - (c) a brief description of any third-party assurance engagement and any certification relating to the compliance of the Sustainable Bonds with the Sustainability Framework; and
  - (d) a brief description of the Sustainability Framework, a statement to the effect that investors should read the Sustainability Framework and a link to or URL for the page or section of the internet site where the Sustainability Framework is located; and
  - (e) a statement to the effect that there is a risk that if the Sustainable Bonds cease to have Sustainable Status under the Sustainability Framework the price at which the Sustainable Bonds can be sold may be affected.

**10 Condition about information that must be included in Principal Terms Sheet or Sustainability Framework**

- (1) The exemptions in clause 5 are subject to the condition that CCHL must ensure that the information in subclause (2) is included in—
  - (a) the Principal Terms Sheet; or
  - (b) the Sustainability Framework.
- (2) The information is—
  - (a) a description of the basis for the Sustainable Bonds being labelled or marketed as ‘sustainable’, ‘sustainability’, ‘green’ or ‘social’ or similar (as applicable); and
  - (b) a summary of the outcomes relevant to the Sustainable Bonds that the Sustainability Framework aims to achieve and the circumstances that CCHL is aware of that exist or are likely to arise that significantly increase the risk these outcomes are not achieved; and
  - (c) a description of how and when the outcomes relevant to the Sustainable Bonds that the Sustainability Framework aims to achieve are to be measured and reported on under the Sustainability Framework; and
  - (d) a description of the nature of the underlying companies, assets, activities or projects for which funding from the Sustainable Bonds may be notionally allocated under the Sustainability Framework; and
  - (e) a summary of the governance processes under the Sustainability Framework, including the extent to which CCHL’s board has oversight over it; and
  - (f) a summary of the circumstances that CCHL is aware of that exist or are likely to arise that significantly increase the risk that the Sustainability Framework may not be complied with; and
  - (g) a description of the approach CCHL intends to follow in relation to notification and reporting to investors if non-compliance with the Sustainability Framework is identified by CCHL or through third-party assurance; and
  - (h) a description of any material potential consequences, in CCHL’s view, of non-compliance with the Sustainability Framework by CCHL; and
  - (i) a description of the material circumstances that, in CCHL’s view, may constitute a loss of Sustainable Status and how this is expected to be reflected in the labelling or marketing of the bonds under the Sustainability Framework; and
  - (j) a description of the approach CCHL intends to follow in relation to notification and reporting to investors (including as to method and timing) if the Sustainable Bonds lose their Sustainable Status; and
  - (k) a description of any third-party assurance engagement, including its purpose and frequency under the Sustainability Framework; and
  - (l) if third-party assurance has not been undertaken with the frequency described in the Sustainability Framework, a statement to that effect; and
  - (m) if certification is not provided by a third-party assurance engagement, a statement to that effect; and
  - (n) if a holder of the Sustainable Bonds will or may be liable to make further payments or to pay fees or charges relating to the Sustainable Status, a brief description of the nature of that liability or of those fees or charges; and

- (o) if any amounts are paid or agreed to be paid, or any benefits are given or agreed to be given, to any third-party assurance provider in connection with any third-party assurance engagement or certification obtained in connection with the Sustainable Bond Offer or the issue of the Sustainable Bonds, by, or on behalf of CCHL or an associated person of CCHL, the name of the third-party assurance provider, a brief description of the nature of those amounts and benefits and an estimate of the total of such amounts or total value of such benefits.

Dated at Wellington this 21<sup>st</sup> day of September, 2021.



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Sarah Vrede  
Director of Capital Markets  
Financial Markets Authority

## Statement of Reasons

This notice comes into force on 13 October 2021 and is revoked on the close of 12 October 2026.

The notice exempts Christchurch City Holdings Limited (**CCHL**), subject to conditions, from the disclosure, governance, and financial reporting requirements in Parts 3, 4 and 7 of the Financial Markets Conduct Act 2013 (the **Act**) in relation to offers of 'sustainable', 'sustainability', 'green' 'social', or similar bonds (**Sustainable Bonds**) issued under CCHL's sustainability framework (**Sustainability Framework**). The Sustainability Framework sets out how CCHL intends to issue and manage bonds or loans (or other accepted financing instruments) with proceeds notionally allocated for assets or activities identified by CCHL as delivering positive environmental or social outcomes.

The exemptions are similar to an exclusion in clause 19 of Schedule 1 of the Act for offers of the same class as financial products that are quoted on a licensed market (**the same class offers exclusion**). CCHL is not able to rely on the same class offers exclusion because the sustainable features of the Sustainable Bonds are rights, powers, privileges or limitations that attach specifically to the sustainable bond, making these of a different class from CCHL's existing quoted debt securities that do not have sustainable status. The exemptions only apply to bonds that would be of the same class as existing quoted debt securities issued by CCHL, but for the sustainable status of the bonds.

The exemptions are subject to conditions that are consistent, as far as practicable, with the requirements of clause 19 of Schedule 1 of the Act and clauses 19 to 22 and clause 46 of Schedule 8 of the Financial Markets Conduct Regulations 2014 (which relate to the same class offers exclusion). The exemptions are also subject to additional conditions that are not included in the same class offers exclusion. These additional conditions require (among other things):

- key information about the 'sustainable' status of the Sustainable Bonds to be provided to investors in the principal terms sheet; and
- certain additional information about the 'sustainable' status of the Sustainable Bonds to be included in the principal terms sheet or the Sustainability Framework.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 557 of the Act, considers it appropriate to grant the exemptions because—

- the exemptions promote innovation and flexibility in the financial markets by facilitating the offer of a different type of bond which may fund investments that generate positive environmental and social benefits. This enables investors to access a product that might otherwise not be made available, responding to growing investor demand for products that integrate non-financial factors. This supports the growth of NZ's green, social and sustainability bond market and is consistent with NZ's transition to an integrated financial system that looks beyond financial returns:
- additionally, providing relief from the requirements of Parts 3, 4 and 7 of the FMC Act will enable CCHL to offer the Sustainable Bonds at lower cost, providing a viable option to raise funds using this type of bond as an alternative to 'conventional' bonds. The higher costs of compliance with the requirements of the Act that would apply (but for the exemptions), are not necessary because the Sustainable Bonds will have identical terms to existing quoted debt securities issued by CCHL, other than the interest rate, redemption date, and the sustainable status:
- the conditions of the exemptions create tailored disclosure requirements for the Sustainable Bond offering that particularly focuses on the sustainable status of the bonds. This means information about the sustainable status of the bonds will be clearly presented to investors in a



transparent manner that enables investors to readily identify the differences between the Sustainable Bonds and existing quoted debt securities issued by CCHL. In these circumstances, the FMA is satisfied that the exemptions are desirable in order to promote the purposes of the Act, specifically by ensuring timely, accurate, and understandable information is provided to assist investors to make confident and informed decisions relating to the Sustainable Bond offering:

- given the exemptions apply only to bonds with identical rights, privileges, conditions and limitations as existing quoted debt securities issued by CCHL except for the interest rate, redemption date, and the sustainable status of the bonds, and in view of the exemptions being granted on an equivalent basis to the same class offers exclusion, with modifications limited to the addition of conditions requiring information be provided about the sustainable status of the bonds, we are also satisfied that the exemptions are not broader than reasonably necessary to address the matters that give rise to them.