



# Te Pūkenga

Te Pūkenga - New Zealand Institute of Skills  
and Technology

## **Social Finance Framework**

February 2021

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## 1. Overview

For Te Pūkenga - New Zealand Institute of Skills and Technology (**Te Pūkenga**), sustainability is a fundamental part of its business. Te Pūkenga has a mission to equip students with the necessary education and skills for them to enter and excel in their respective industries.

This document has been developed to demonstrate how Te Pūkenga may issue and manage sustainable finance products on an ongoing basis (**Framework**).

### 1.1. Introduction to Te Pūkenga

In April 2020, Te Pūkenga was established as part of the New Zealand Government's Reform of Vocational Education.

The Reform of Vocational Education is the most significant set of changes for the tertiary education sector in more than 25 years. The reform encompasses seven key changes designed to create a strong, unified, sustainable vocational education system that is fit for the future of work, and that delivers the skills that learners, employers and communities need to thrive.

One of those key changes was the creation of Te Pūkenga, which brings together the existing 16 institutes of technology and polytechnics into one organisation, and over time will develop the capability to support work-based, campus-based and online learning as a unified system. As New Zealand's largest tertiary education provider, Te Pūkenga will ultimately have the national and regional reach to become a long-term skills training partner for firms and industries, enabling learners to move between workplaces and other educational offerings and locations as their needs change.

Across the 16 subsidiaries (educational institutions highlighted in Appendix 1), Te Pūkenga is comprised of approximately 70,000 students, 3,700 academic staff and 4,300 non-academic staff for a nationwide educational footprint. The North Island makes up approximately 70% of equivalent full-time students (**EFTS**), with Auckland and the far north contributing 19%, Wellington 19% and the Central North Island 30%. The South Island makes up approximately 30% of EFTS, with Christchurch and Dunedin contributing 20% collectively. There are currently around 2,500 on-campus certificates and diplomas offered across multiple disciplines, including Business, Engineering, Design, Construction, and Infrastructure.

On 1 April 2020 the Crown established a contingency fund of \$50 million in addition to the \$10 million in equity it injected into Te Pūkenga. The Crown will continue to make the contingency fund available to Te Pūkenga until 31 December 2022.

Te Pūkenga will establish an internal group funding structure as part of its treasury function. This approach means Te Pūkenga will raise external finance and on-lend it to subsidiaries that require it. Any external debt currently held by Te Pūkenga subsidiaries will be refinanced via borrowings through this facility. A small portion of borrowing will also be used by Te Pūkenga for head office purposes.

As part of the commitment to sustainability, this Framework will be used to finance or refinance projects, assets and expenditure that deliver positive social outcomes, align with and contribute towards meeting the United Nations Sustainable Development Goals (**SDGs**), and to support the sustainability objectives as further set out in this Framework.

### 1.2. Te Pūkenga and Sustainability

As New Zealand's largest tertiary provider, Te Pūkenga aims to give students the right vocational skills to get into an industry they're passionate about through its partnerships with firms and industries. Guidelines of how this will be done is illustrated in their 'Transition Pathway', which includes six Transformation workstreams and three Core Capabilities workstreams. An example of this is the Māori Partnerships and Equity workstream (Mana Ōrite), which will deliver collaborative approaches with Māori and embed Te Tiriti o Waitangi Excellence Framework throughout all Te Pūkenga activities. Another workstream is the Network Collaboration workstream (Whātui Mahi

Tahi) with an objective to respond to training skills and needs development resulting from COVID-19.

Te Pūkenga is set up in a way to honour the Government's commitment to Te Taumata Aronui partnership between Maori and the Crown. A priority of this institution is to ensure that those groups who were under-served, and learners with disabilities and special needs, in the previous education system are better recognised. Instead of Institutes of Technology and Polytechnics competing against each other, they are now working together. This historic reform is a step forward to a growing economy.

Te Pūkenga is centred on inclusivity and equity for all learners and their whānau. Aiming to ensure systems and services work well for Māori; and respond with excellence to the priorities of Māori learners and their whānau, and to the wider aspirations of hapū and Māori hāpori throughout Aotearoa; in accordance with Te Tiriti o Waitangi. Te Pūkenga intend to facilitate Māori succeeding as Māori throughout vocational education. Along with ensuring the unique needs of ākonga, including Māori, Pacific Peoples, disabled and other under-served learners, are met through co-design with learners, their whānau and stakeholders.

Sustainability is embedded within our purpose and is clearly set out in section 315 of the Education Training Act, which is the statutory function to be complied with. This includes the following functions:

- **education and training:** to provide or arrange, and support, a variety of education and training, including vocational, foundation, and degree-level or higher education and training;
- **improve outcomes –connectivity & life-long learning:** to improve outcomes in the tertiary education system as a whole, including (without limitation) by making connections with schools and other organisations involved in tertiary education and by promoting and supporting life-long learning;
- **improve outcomes –Māori learners:** to improve outcomes for Māori learners and Māori communities in collaboration with Māori and iwi partners, hapū, and interest persons or bodies;
- **research:** to conduct research, with a focus on applied and technological research;
- **regional focus:** to be responsive to, and to meet the needs of, the regions of New Zealand and their learners, industries, employers, and communities by utilising the national network of tertiary education programmes and activities;
- **consistency and collaboration:** to improve the consistency of vocational education and training by using skill standards and working in collaboration with workforce development councils; and
- **other functions:** to carry out any other functions consistent with the role as a tertiary education institution

Te Pūkenga recognises the UN Sustainable Development Goals, which were established in September 2015 to form an agenda to achieve sustainable development by the year 2030. The SDGs consist of 17 goals and 169 targets, that were established to address the world's most pressing environmental and social challenges including quality education, reduced inequalities, and climate action.



Te Pūkenga recognises the role that organisations can play to achieve these targets, and through this Framework, demonstrates alignment of its activities to achievement of the SDGs, including the following targets:

#### **SDG 4: Quality Education**

- 4.3 - By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
- 4.4- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 4.a- Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all

#### **SDG 8: Decent Work and Economic Growth**

- 8.6- Substantially reduce the proportion of youth not in employment, education or training

#### **SDG 10: Reduced Inequalities**

- 10.2- By 2030, empower and promote social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

## **2. Social Finance Framework**

This Framework sets out the anticipated process, criteria, and guidelines under which Te Pūkenga intends to borrow, issue and manage Social Loans and/or Bonds (**Social Debt**) on an ongoing basis. Social Debt under this Framework will directly contribute towards sustainable development and achievement of the SDGs by financing or refinancing, projects, assets, and activities that fall within the Social Debt Eligibility Criteria defined in this Framework.

Social Debt drawn under this Framework will be issued in alignment with the following standards, principles, and guidelines, as they may be updated from time to time (**Market Standards**):

- **Social Loans** will align with the Asia Pacific Loan Market Association Social Loan Principles (SLP)<sup>1</sup>;
- **Social Bonds** will be issued in alignment with the International Capital Markets Association Social Bond Principles (SBP)<sup>2</sup>.

The above Market Standards are voluntary and accepted as best practice for issuance and management of social debt in the global capital markets.

In accordance with the Market Standards, the Framework follows the four key pillars outlined further in sections 3-6 below, and the recommendation for external review.

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

## **3. Eligibility: Use of Proceeds**

This section sets out the Eligibility Criteria for the utilisation of Social Debt proceeds.

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<sup>1</sup> <https://www.aplma.com/en/documentation/best-practice-guidelines>

<sup>2</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

The net proceeds from Social Debt drawn, issued and managed by Te Pūkenga, will be allocated (directly or notionally) to finance or refinance:

- Lending provided to the Subsidiaries listed in Appendix 1; or
- Operating expenditure (in maintaining its function of New Zealand's largest tertiary education provider),

that meet the Eligibility Criteria outlined below and support our sustainability objectives (together the “**Eligible Activities**”).

It is expected that a portion of the Social Debt will be allocated to finance new Eligible Activities, and a portion will be applied to the refinance of existing Eligible Activities.

### 3.1. Eligibility Criteria

The proceeds of Social Debt will finance or refinance lending, projects, assets, activities, and expenditure which provide clear social benefits, comply with the Market Standards, do not fall within the Excluded Categories (Section 3.2), and meet the following Eligibility Criteria.

Eligible Categories (as per the SLP and the SBP)	Eligibility Criteria
<b>Access to essential services: Education</b>	<p>Projects, assets, expenditure, and activities that enable and expand access for youths and adults to education and vocational training facilities, and its supporting infrastructure.</p> <p>This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>- Educational infrastructure. The acquisition, development, expansion and operation of infrastructure and equipment that supports educational and vocational training services. This includes tertiary campuses, technology, equipment and machinery, student housing, or other educational or training infrastructure.</li> <li>- Teaching, curriculum development, programmes, and services to facilitate education, training, vocational, and tertiary educational schemes, which are all broadly accessible to the public. This includes educational grants and scholarships.</li> </ul>
<b>Socioeconomic advancement and empowerment</b>	<p>Projects, assets, expenditure, and activities that support:</p> <ul style="list-style-type: none"> <li>- Equitable access to education and vocational training facilities, services, resources, and opportunities.</li> <li>- Equitable participation and integration into the education and employment market and broader society, including long term reduction of income inequality. For example, the Māori Partnerships and Equity workstream to ensure equitable outcomes are achieved for Māori, and other mentorship programmes.</li> <li>- People from marginalised/underrepresented groups advancing their socio-economic position. This may include financial education programs, educational grants, or scholarships.</li> </ul>
<b>Employment generation</b>	<p>Initiatives, programmes, and services to generate employment, or prevent and/or alleviate unemployment stemming from socioeconomic crises. For example, training programmes for individuals to access employment.</p>

The above list may be expanded over time as the Market Standards are updated and the global market develops.

Eligible Activities will aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially, but not exclusively, for a defined target population(s), including, but not limited to, those set out below:

- Underserved, owing to a lack of quality access to essential goods and services (including education);
- Excluded and/or marginalised populations and/or communities;
- People with disabilities;
- Undereducated;
- Unemployed;
- Women and/or sexual, gender and ethnic minorities;
- Living below the poverty line;
- Migrants and/or displaced persons;
- General population who may benefit from access to education, vocational training and essential services;
- Vulnerable youth or other vulnerable groups.

### 3.2. Excluded categories

Te Pūkenga is committed to not knowingly using the proceeds of its Social Debt to finance or refinance projects and assets included in the following exclusionary criteria:

1. Manufacture or wholesale of tobacco products;
2. Ownership or operation of gambling enterprises;
3. Production or distribution of adult entertainment materials;
4. Manufacture or retail sale and distribution of weapons and small arms;
5. Transportation of live cattle;
6. Whaling;
7. Predatory lending activities;
8. Production or refining of palm oil;
9. Extraction or refining of fossil fuels; and
10. Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated.

## 4. Due diligence: Process for Project Evaluation and Selection:

The asset evaluation and selection process will ensure that the proceeds from Social Debt is allocated to finance or refinance Eligible Activities that are compliant with the Eligibility Criteria outlined above.

Te Pūkenga has formed a Social Debt Committee (**Committee**) which will oversee the selection of the Eligible Activities and holds ultimate responsibility of this Framework and ongoing conformance with it and the market standards. The Committee intends to comprise of members of the Treasury team at Te Pūkenga. Membership of the Committee is designed to ensure there is sufficient subject matter expertise to meet the obligations set out in this Framework.

The Committee will manage the identification, evaluation, and selection of Eligible Activities. In determining eligibility, the Committee will take into account the following:

- Lending from Te Pūkenga to any of the 16 subsidiaries outlined in Appendix 1, with a definable purpose that aligns to the Eligibility Criteria in Section 3 of this Framework.
- Whether the Eligible Activities deliver positive social benefits that are consistent with strategy and social objectives of Te Pūkenga;

- Conformance with this Framework and the relevant Market Standards. And where the Committee chooses, whether the assets comply with any other principles, standards, methodologies or tools that are or become commonplace and respected in the market; and
- Application of the professional judgement, discretion and sustainability knowledge of Te Pūkenga.

The Committee is the arbiter of asset proposals and substitution determinations. The pool of Eligible Activities may be replenished as the existing Eligible Activities are repaid or otherwise disposed of, non-Eligible Activities are removed, or additional Eligible Activities are identified, confirmed as eligible, and funded.

## 5. Allocation Procedures: Management of Proceeds

Te Pūkenga has implemented an internal reporting process to track and report on the allocation of Social Debt proceeds. This will ensure that all Eligible Activities in the Social Debt are appropriately identified with periodic monitoring reports provided to the Committee.

Te Pūkenga intends to maintain a balance of Eligible Activities that have a value at least equal to the original principal amount of the respective Social Debt, at the time of issuance.

To ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, Te Pūkenga will maintain a register that contains all Eligible Activities being (re)financed by the Social Debt and their respective values. Where lending is provided to a subsidiary whose entire operation and function is to deliver on the above Eligibility Criteria, then the full entire value of the loan will be considered an Eligible Activity.

The proceeds of Social Debt will be:

1. Earmarked to finance or refinance projects and assets that meet the Eligibility Criteria;
2. Managed by the Committee. Pending the allocation of any Social Debt proceeds, Te Pūkenga will temporarily invest the balance of unallocated proceeds with an amount equal to the balance of the proceeds in:
  - a. Cash, or cash equivalents, within a Treasury function
  - b. Other investment instruments that do not include greenhouse gas intensive projects or assets which are inconsistent with the delivery of a low carbon and climate resilient economy; or
  - c. Apply the unallocated balance to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursement to a proposed Eligible Activities.

Te Pūkenga will ensure funds are disbursed to Eligible Activities within 24 months of the Social Debt issue date and will not invest unallocated proceeds in Excluded Categories detailed above.

## 6. Reporting

Te Pūkenga intends to make information available as follows:

Item	Frequency
Framework	Once off: Prior to issuance of any Social Debt under this Framework, or for subsequent issuances if the Framework is amended.
Pre-Issuance of Social Debt: External Review	Once off: Sought prior to the first issuance of any Social Debt under this Framework (may be sought again if the Framework changes or if additional Social Debt requires it).
Post-Issuance of Social Debt: External Review	May be sought following the issuance of any Social Debt under this Framework.
Update Report	Provided annually, capturing any outstanding Social Debt.

Te Pūkenga will provide the above reporting to the Lender(s) annually or upon request and may choose to make publicly available.

In line with Market Standards, Te Pūkenga intends to disclose the following within annual Update Reports:

- **Allocation Reporting:** Summary of the Eligible Activities being financed or refinanced from the Social Debt, including the description, value and amounts disbursed or unallocated.
- **Eligibility Reporting:** Confirmation that the Eligible Activities meet the relevant eligibility requirements, including information on the asset characteristics, performance, and compliance with this Framework and Market Standards.
- **Impact Reporting:** Te Pūkenga will endeavour to provide qualitative and/or quantitative reporting of the social impacts of the Eligible Activities (where applicable). Subject to the nature of the Eligible Activity and availability of information, Te Pūkenga will look to utilise the impact reporting guidelines as detailed within the Market Standards (as may be updated from time to time). Refer to Appendix 2 for a summary of potential impact reporting indicators.

Te Pūkenga may remove Eligible Activities from its allocation reporting when no allocations to eligible disbursements have taken place in the reporting period, or if the underlying loans have been repaid.

## 7. External Review

Te Pūkenga will obtain pre-issuance assurance from Ernst & Young to confirm:

- alignment of the Framework with the relevant Market Standards; and
- alignment of the Eligible Activities with the Framework and Market Standards.

The assurance report will be provided to Lender(s). Te Pūkenga may continue to obtain post-issuance assurance on an annual basis, or as deemed necessary.

## 8. Continuous Improvement:

As the Market Standards and the global sustainable finance markets continue to evolve, so too will our approach as it seeks to adapt to the changing environment. Te Pūkenga may update this Framework over time, to remain in line with market best practice.

For the ongoing enhancement of Social Debt within Te Pūkenga, we welcome feedback and input from stakeholders as this will support Te Pūkenga to deliver on its sustainability objectives and meets the needs of lenders, stakeholders, and investors.

## Appendix 1: Te Pūkenga Group (Subsidiaries)

Subsidiary	Location
Ara Institute of Canterbury	Christchurch
Eastern Institute of Technology	Hawkes Bay
Manukau Institute of Technology	Auckland
Nelson Marlborough Institute of Technology	Nelson
Northland Polytechnic	Whangarei
Otago Polytechnic	Dunedin
Southern institute of Technology	Invercargill
Toi Ohomai Institute of Technology	Taupo
Tai Poutini Polytechnic	Auckland
The Open Polytechnic of New Zealand	Wellington
Unitec Institute of Technology	Auckland
Universal College of Learning	Palmerston North
Waikato Institute of Technology	Hamilton
Wellington Institute of Technology	Wellington
Western Institute of Technology at Taranaki	New Plymouth
Whitireia New Zealand	Wellington

## Appendix 2: Impact Reporting

Te Pūkenga may implement annual impact reporting based on contemporary market practice and consistent with the guidance maintained and developed by the ICMA SBP [Impact Reporting Working Group](#).

Te Pūkenga will endeavour to report against all indicators of chosen categories but note that not all may be applicable to all of its Eligible Activities and will be subject to availability of information and confidentiality requirements. Examples of relevant metrics Te Pūkenga could include are noted below.

Eligible Social Categories (SLP)	Reporting Project	Example Reporting Metrics or Impact Criteria
Access to Essential Services	Example: Construction of education facilities	<ul style="list-style-type: none"> <li>- Number of students enrolled</li> <li>- Number of students qualified</li> <li>- Number of teachers trained</li> <li>- Number of education facilities and/or initiatives</li> <li>- Number of people provided with access to educational services</li> <li>- Number of certified or graduated students</li> <li>- Number of students from Māori and Pasifika communities</li> <li>- Access to students with disabilities</li> </ul>
Socio and economic empowerment	Example: Activities that foster success integration of disadvantaged groups in the education system	<ul style="list-style-type: none"> <li>- Change in unemployment rate within disadvantaged groups</li> <li>- Change in number of students from disadvantaged communities</li> <li>- Percentage of the population who have completed their tertiary education</li> </ul>
Employment generation	Example: Post-qualification employment programmes	<ul style="list-style-type: none"> <li>- Number of jobs created and/or retained</li> <li>- Percentage of students gaining employment post qualification</li> </ul>