25.4.14 FITCH CREDIT RATING

Doc ID: 2410655

Report Author:	Paul Morris, Chief Financial Officer Saskia Righarts, Group Manager - Business Support
Reviewed and authorised by:	Peter Kelly, Chief Executive Officer

Public Excluded

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the *Local Government Official Information and Meetings Act 1987.*
Sub-clause and Reason:	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

1. Purpose of Report

To consider approving the credit rating from Fitch Ratings.

Recommendations

That the Council

A. Receives the report and accepts the level of significance.

B. Accepts and adopts the draft credit rating from Fitch Ratings at AA with stable outlook.

---

2. Background

Council can currently borrow 175% of defined revenue. Based on this year's revenue this equates to $138M debt cap. With the uncertainty around the future of the delivery of three waters (whether it will be delivered in house or by a council-controlled organisation), staff were directed to investigate obtaining a credit rating. With a credit rating, council can borrow up to 280% of their revenue from the Local Government Funding Agency. Based on this year's revenue, this would equate to $220M for this Council. Council currently has $40 million of debt, which is anticipated to increase by $5 million each month to the end of this financial year.

3. Discussion

Council engaged Fitch Ratings in October 2024. Since then, Fitch Ratings have been working through the process to analyse Council's financials and determine the credit rating. Fitch Ratings required the latest financials for the 2025-34 Long-term Plan which slightly delayed the process. Fitch have completed their assessment, and their credit rating assessment is AA with a stable outlook. The indication is the rating is typical for local government. See attachment for their report.

For the 2025/26 and 2026/27 financial years council is anticipating to require $131M in 2025/26 and $141M in 2026/27. While the credit rating is likely not needed in the next two financial years (bar a significant natural disaster), it is very close to the debt caps. If waters delivery remains with the Council from 2029/30 the current debt headroom would be insufficient, and we would likely consistently breach current debt caps over three years.

Once the future delivery of waters is known, it may be that Council is able to discontinue its credit rating. If Council was to not to agree to the credit rating at this time, Council could go through the process again at a later date if required at an approximate cost of $60,000.

4. Financial Considerations

The cost to obtain the proposed rating from Fitch Ratings has been accounted for in this year's budgets. There is an annual cost of $60,000 to have this rating if it is agreed by Council. While Council has this rating, it can lower its financing costs by 0.3%.

5. Options

<u>Option 1 – (Recommended)</u>

Approve the credit rating of AA stable outlook from Fitch Ratings.

Advantages:

- Ensures the Council will have sufficient debt headroom if waters delivery remains in council or if Council was to have to respond to a significant natural disaster.
- Net debt will be cheaper by 30 basis points. This equates to $30,000 per $1.0M of new debt borrowed and on current projected debt levels by year end will save $240,000 moving into the LTP. This has been factored into our LTP budgets going forward.

Disadvantages:

- There is an annual cost in the region of $60,000
- It might be unnecessary expenditure if Council does not ultimately require the additional debt headroom.

<u>Option 2</u>

Do not approve the credit rating of AA stable outlook from Fitch Ratings.

Advantages:

- Will save an annual cost of $60,000.

Disadvantages:

- The Council may have to go through the process to obtain a credit rating again in the future.
- The Council would need to revisit its LTP which is based on obtaining a credit rating. This would cause delays in our ability to set our rates and ultimately cost more in audit fees as the work done to date would need to be re-done.

- Borrowing in the future would be more expensive for Council by $30,000 per $1.0M of borrowing. This would need to be reflected in the LTP.

6. Compliance

Local Government Act 2002 Purpose Provisions	This decision promotes the economic wellbeing of communities, in the present and for the future by ensuring Council has sufficient debt headroom.
Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.	Yes.
Considerations as to sustainability, the environment and climate change impacts	There are no considerations as to sustainability, the environment and climate change.
Risks Analysis	By accepting the credit rating, there is a risk that Council may not require the extra debt capacity and the annual cost is not warranted.
Significance, Consultation and Engagement (internal and external)	This decision does not reach the threshold for community engagement or consultation.

7. Next Steps

Pending Council approval, Central Otago District Council's rating will be publicly notified by Fitch Ratings. From this date, Council is eligible to obtain further debt if required.

8. Attachments

Appendix 1 - FitchRatings - Initial Rating Letter ⇩

March 14, 2025

Central Otago District Council
PO Box 122
Alexandra, 9320
New Zealand

To Whom It May Concern:

Re: Initial Rating Letter for Central Otago District Council

Fitch (see definition below) assigns the following ratings.

Central Otago District Council	LC LT IDR	AA	New Rating
	LC ST IDR	F1+	New Rating
	SCP	aa	New Rating

RATINGS KEY	OUTLOOK	WATCH
Positive		
Negative		
Evolving		
Stable		

You should notify your business relationship manager at Fitch if you wish to publish the rating. Fitch will then publicly disseminate the resulting rating and the rating will be monitored. Should you not request that the rating be made public, the rating will be point-in-time only or, subject to agreement with Fitch, monitored on a non-public basis.

Applicable Criteria: International Local and Regional Governments Rating Criteria

Fitch assigns Local-Currency Long-Term Issuer Default Rating (IDR) of 'AA' with Stable Outlook, and Local-Currency Short-Term IDR of 'F1+'.

Derivation Summary
The Long-Term IDR is driven by 'aa' Standalone Credit Profile (SCP), which reflecting 'High Midrange' risk profile and 'aa' category

Fitch Australia Pty Ltd
Suite 15.01, Level 15, 135 King Street, Sydney, 2000
T + 61 2 8256 0300 | www.fitchratings.com | F + 61 2 8256 0301
ABN 93 081 339 184

financial profile, without asymmetric risks or extraordinary support factors from upper-tier government that affect the rating.
The Local-Currency Short-Term IDR is ‘F1+’ because the Local-Currency Long-Term IDR lies between ‘AAA’ and ‘AA-’, according to Fitch’s International Local and Regional Governments Rating Criteria.

KEY RATING DRIVERS

Risk Profile: High Midrange
The council’s ‘High Midrange’ risk profile reflects a combination of ‘Stronger’ and ‘Midrange’ assessments for the six underlying key risk factors. The assessment reflects Fitch’s view that there is a low risk of an unexpected weakening in the council’s ability to cover debt service with the operating balance over the scenario horizon – the fiscal year ending June 2025 (FY25) to FY29 – due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: ‘Stronger’
The council's fiscal framework demonstrates strong financial autonomy and revenue stability, with a 4.7% CAGR in adjusted total revenue from FY19-24, primarily driven by stable property-based rates revenues. Over the last five years to FY24, rates have accounted for an average of 77% of adjusted operating revenue, with valuations typically assessed every three years. The council sets rates based on revenue requirements for planned expenditures, derived from the budgeting process of the annual and long-term plans (LTP), thereby limiting revenue volatility.

Revenue Adjustability: ‘Stronger’
The council is authorized to levy rates and fees for public services, as specified in relevant laws and regulations, granting it discretion over these charges. Through a consultation process, the council incorporates ratepayers' opinions into their annual plan, which includes adjustments to rates, user charges, and fees. Despite having quantified limits on these revenue sources, the council can exceed these limits to accommodate rising expenditures.

Expenditure Sustainability: ‘Midrange’
We anticipate that capital expenditures will drive overall expenditure growth, especially in the water sector and roading, which together accounted for 47% of unadjusted total expenditure in FY24. By the end of 2025, the council expects more clarity on potential changes to water assets, which could alter service delivery mode to either in-house or an independent service provider. Personnel costs are generally non-cyclical, while capital expenditures are more variable, depending on infrastructure needs to maintain facilities and support population growth.

Expenditure Adjustability: ‘Stronger’
The council operates under a statutory obligation to deliver balanced budgets, which inherently curbs the risk of significant or prolonged budget deficits. The council's fiscal structure is characterized by a moderate proportion of fixed costs, such as essential services and personnel expenditures. While personnel costs are relatively inflexible, the council has the flexibility to adjust other expenditures in response to rising costs compared to the planned budget.

Liabilities and Liquidity Robustness: ‘Stronger’
A rapid increase in debt since 2022, primarily due to water sector investments, raised net debt to total revenue to 29% as of FY24, well below the borrowing limit of 175%. The council's leverage was lower than other New Zealand councils, with total debt to equity at 2%/3% in FY23/FY24, compared to 17% for New Zealand councils in FY23. Although we expect the council's debt to grow at a fast pace over the next five years (CAGR of 31% from FY24-29), their total debt to equity should remain lower than that of other councils.

Liabilities and Liquidity Flexibility: ‘Midrange’
The primary funding source is the LGFA, offering favorable terms, while retaining the ability to diversify through bank loans, commercial paper, and bonds. The council's treasury policy mandates maintaining available financial accommodation—comprising term debt,

Fitch Australia Pty Ltd
Suite 15.01, Level 15, 135 King Street, Sydney, 2000
T + 61 2 8256 0300 | www.fitchratings.com | F + 61 2 8256 0301
ABN 93 081 339 184

FitchRatings

committed loan facilities, and available cash—at a minimum of 110% of existing external debt, which was exceeded at 142% in FY24. As of FY24, the council had NZD14.8 million in cash, covering 42% of total debt or 148% of short-term debt obligations.

Financial Profile: 'aa' category

Fitch categorizes Central Otago District as a 'Type B' LRG under our criteria because its annual debt-service requirements are largely covered by its revenue and cash flow. The payback ratio, measured by net adjusted debt to operating balance, increased to 1.9x in FY24 from 0.8x in FY23, with expectations for further debt growth due to rising capital expenditure. The operating margin is projected to rise to 22% by FY29 from 18% in FY24, exceeding the 18% five-year average (FY20-24), driven by timely rates adjustment to manage rising costs. This implies a payback ratio of 6.7x by FY29 without significant risk from the debt service coverage ratio, resulting in an 'aa' financial profile.

Quantitative Assumptions – Issuer Specific

- Rates increase at CAGR of 10% in FY24-29, lower than 14% in FY24 and but higher than CAGR of 8% in FY19-24;
- Adjusted operating revenue to grow at CAGR of 7.6% in FY24-29, lower than CAGR of 8.2% in FY19-24, reflecting slower growth in rating units than historical level;
- Adjusted operating expenditure CAGR of 6.8% in FY24-29, reflecting average 4.6% annual growth in personnel cost. Other operating expenses to expand faster than personnel cost given increased level of service to provide;
- Debt to increase by CAGR of 31% reflecting a growth in capital expenditure at 9.8% CAGR.

Disclaimer and Limitations

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or issuer or obligor in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken.

Fitch Australia Pty Ltd
Suite 15.01, Level 15, 135 King Street, Sydney, 2000
T + 61 2 8256 0300 | www.fitchratings.com | F + 61 2 8256 0301
ABN 93 081 339 184

Fitch Ratings

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

RATINGS ARE NOT A RECOMMENDATION OR SUGGESTION, DIRECTLY OR INDIRECTLY, TO YOU OR ANY OTHER PERSON, TO BUY, SELL, MAKE OR HOLD ANY INVESTMENT, LOAN OR SECURITY OR TO UNDERTAKE ANY INVESTMENT STRATEGY WITH RESPECT TO ANY INVESTMENT, LOAN, SECURITY OR ISSUER. RATINGS DO NOT COMMENT ON THE ADEQUACY OF MARKET PRICE, THE SUITABILITY OF ANY INVESTMENT, LOAN OR SECURITY FOR A PARTICULAR INVESTOR (INCLUDING WITHOUT LIMITATION, ANY ACCOUNTING AND/OR REGULATORY TREATMENT), OR THE TAX-EXEMPT NATURE OR TAXABILITY OF PAYMENTS MADE IN RESPECT OF ANY INVESTMENT, LOAN OR SECURITY. FITCH IS NOT YOUR ADVISOR, NOR IS FITCH PROVIDING TO YOU OR ANY OTHER PARTY ANY FINANCIAL ADVICE, OR ANY LEGAL, AUDITING, ACCOUNTING, APPRAISAL, VALUATION OR ACTUARIAL SERVICES. A RATING SHOULD NOT BE VIEWED AS A REPLACEMENT FOR SUCH ADVICE OR SERVICES.

SUBJECT TO THE LIMITATIONS SET FORTH IN THE PARAGRAPH IMMEDIATELY BELOW, NOTHING IN THIS LETTER SHALL LIMIT OUR RIGHT TO PUBLISH, DISSEMINATE OR LICENSE OTHERS TO PUBLISH OR OTHERWISE DISSEMINATE THE RATINGS OR THE RATIONALE FOR THE RATINGS. SHOULD YOU CONSIDER OUR OPINION IN UNDERTAKING ANY ACTION, YOU ACKNOWLEDGE THAT OUR OPINION IS SUBJECT TO BOTH (i) THE ANALYTICAL PROCESS AND LIMITATIONS DESCRIBED IN THIS LETTER AND (ii) THE PROVISIONS OF "UNDERSTANDING RATINGS - LIMITATIONS AND USAGE" ON THE FITCH RATINGS DEFINITIONS PAGE LOCATED AT HTTPS://WWW.FITCHRATINGS.COM/SITE/DEFINITIONS. IN ADDITION, DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS AS THEY MAY RELATE TO THE RATINGS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings in any offering document in any instance in which US, UK or any other relevant securities laws require such consent. Fitch does not consent to the inclusion of any written letter communicating its rating action in any offering document. You understand that Fitch has not consented to, and will not consent to, being named as an "expert" in connection with any registration statement or other filings under US, UK or any other relevant securities laws, including but not limited to Section 7 of the U.S. Securities Act of 1933. Fitch is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933, nor has Fitch performed the roles or tasks associated with an "underwriter" or "seller" under this engagement.

The ratings described above are point-in-time. Unless you request these ratings to be made public or monitored as described above, they will not be monitored by Fitch and therefore will not be updated to reflect any changed circumstances or information that may affect the ratings assigned. In the event the rating becomes a monitored rating, it will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Fitch Australia Pty Ltd
Suite 15.01, Level 15, 135 King Street, Sydney, 2000
T + 61 2 8256 0300 | www.fitchratings.com | F + 61 2 8256 0301
ABN 93 081 339 184

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between Fitch and any user of the ratings.

In this letter, "Fitch" means Fitch Australia Pty Ltd together with any successor in interest.

Private ratings assigned herein shall be valid and effective only if this rating letter contains a "Fitch Ratings" digital watermark and, if available, an Agreement ID number is included in this letter which matches the Agreement ID number set forth in your fee agreement.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact Paul Norris, Director at +61 2 8256 0326.

Sincerely,

Fitch Australia Pty Ltd

Fitch Australia Pty Ltd
Suite 15.01, Level 15, 135 King Street, Sydney, 2000
T + 61 2 8256 0300 | www.fitchratings.com | F + 61 2 8256 0301
ABN 93 081 339 184

FitchRatings

Dodd-Frank Rating Information Disclosure Form

1. Ratings

Symbol, Number, or Score in the Rating Scale used by Fitch as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

Each credit rating for which this disclosure form is applicable is listed in the table below. Refer to Rating Performance section for the history of each listed credit rating. For a discussion of Fitch's rating scales and their modifiers, please see Credit Rating Scales on Fitch's website.

Entity/Instrument	Rating Action	Rating Type	Rating Code
Central Otago District Council	New Rating	Local Currency Long Term Issuer Default Rating	AA/Rating Outlook Stable
Central Otago District Council	New Rating	Local Currency Short Term Issuer Default Rating	F1+

FitchRatings

Dodd-Frank Rating Information Disclosure Form

2. Procedure/Methodology

Version of the Procedure or Methodology used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

The methodology used to determine each reportable credit rating listed in this disclosure form is presented below with its effective date. Click on a link to view a cited criteria report.

International Local and Regional Governments Rating Criteria (eff. 16 Aug 2024)(include rating assumption sensitivity)

FitchRatings

Dodd-Frank Rating Information Disclosure Form

3. Methodology Assumptions & Principles

Main Assumptions and Principles Used to Construct the Rating Methodology used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

The major principles and assumptions used in developing the methodology by which each credit rating listed in this disclosure form was assigned are discussed below, organized by the criteria cited in the private rating letter.

International Local and Regional Governments Rating Criteria (eff. 16 Aug 2024)

Principles

The major principles applied in developing and maintaining the rating methodology for LRGs are:

Relative Risk: Our ratings reflect a relative vulnerability to failure or default among issuers and a relative measure default for obligations of such issuers. As such, they do not attempt to predict a cardinal failure or default rate for a given rating level.

Asymmetric Risk: The credit risk we address is asymmetric. Creditors face limited or no upside on stronger performance by a rated entity, with the possibility of full losses if the issuer's performance weakens to the point of default on its obligations.

Blend of Financial and Operating Risk: Our methodology gives due consideration to the Operating risks that create and support the financial performance of the issuer and its rated obligations.

Forward-Looking: Our methodology looks at the future performance of the rated entity. Historical and current performance is used to help inform Fitch's view of future performance and where appropriate construct sensitivity analyses and anticipate financial and operating trends.

Assumptions

Major assumptions embedded in the methodology are:

Overall Assessment: the risk of failure or default is captured in an assessment of an issuer's risk profile and its debt sustainability metrics as indicated by its leverage and coverage. Entities having stronger risk profiles and debt sustainability metrics will be less risky and therefore typically rated higher than entities that display weaker characteristics. They would have a higher standalone credit profile and, subsequently, higher IDR ratings absent significant mitigants, such a rating floor, or constraints, such as sovereign cap.

The weighting of each key factor in determining the final rating will typically be issuer specific and may vary over time reflecting changes in the institutional and economic backgrounds and an issuer's specific risk profile.

Qualitative and quantitative rating factors will not be viewed in isolation as they are often inter-connected.

Certain other risk factors may affect the risk of default associated with an issuer. For example, absent significant mitigating factors, issuers with poor governance or weak accounting frameworks will be considered higher risk and therefore rated lower than issuers without such risks. Such risks affect ratings asymmetrically, with adequate features neutral to risk of default and negative characteristics indicating a relatively higher default risk.

The external environment for issuers will remain consistent with expectations, included in a forward looking and through-the-cycle scenario based on historical trends and currently available information over a typical rating horizon. In particular we assume that issuers will continue to operate normally (ie collect their revenue, provide their services) albeit potentially displaying some moderate short-term volatility consistent with an economic downturn of reasonable depth and duration in the relevant country.

Peer comparison: assessments are informed with analysts' knowledge of the local, regional and national operating environment for subnationals, compared with key performance indicators of one or more peer group of entities, and combined to form a rating recommendation.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

Prepared pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173).

FitchRatings

Dodd-Frank Rating Information Disclosure Form

4. Rating Limitations

Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

Specific Limitations Relevant to Ratings Assigned Using the Primary Credit Rating Scale and Financial Institution Ratings

The following specific limitations relate to issuer default scales, ratings assigned to corporate finance obligations, ratings assigned to public finance obligations, ratings assigned to structured finance transactions, ratings assigned to global infrastructure and project finance transactions, ratings assigned for banks and non-bank financial institutions (Viability Ratings, Government Supporting Ratings, Shareholder Supporting Ratings, Derivative Counterparty Ratings, Ex-government Support Ratings, as well as historical Support Ratings and Support Rating Floors) and Insurer Financial strength (IFS) ratings.

•The ratings do not predict a specific percentage of default likelihood or failure likelihood over any given time period.
•The ratings do not opine on the market value of an issuer's securities or stock, or the likelihood that this value may change.
•The ratings do not opine on the liquidity of an issuer's securities or stock.
•The ratings do not opine on the possible loss severity on an obligation should an issuer (or an obligation with respect to structured finance transactions) default, except in the following cases:
o Ratings assigned to individual obligations of issuers in corporate finance, banks, non-bank financial institutions, insurance and covered bonds.
o In limited circumstances for U.S. public finance obligations where Chapter 9 of the Bankruptcy Code provides reliably superior prospects for ultimate recovery to local government obligations that benefit from a statutory lien on revenues or during the pendency of a bankruptcy proceeding under the Code if there is sufficient visibility on potential recovery prospects.
•The ratings do not opine on the suitability of an issuer as a counterparty to trade credit.
•The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default or in the case of Viability Ratings (VRs) on its relative vulnerability to failure. For the avoidance of doubt, not all defaults will be considered a default for rating purposes. Typically, a default relates to a liability payable to an unaffiliated, outside investor.
•The ratings do not opine on any quality related to a transaction's profile other than the agency's opinion on the relative vulnerability to default of an issuer and/or of each rated tranche or security.
•The ratings do not predict a specific percentage of extraordinary support likelihood over any given period.
•In the case of Government and Shareholder Support Ratings, the ratings do not opine on any quality related to an issuer’s business, operational or financial profile other than the agency’s opinion on its relative likelihood of receiving external extraordinary support.
•The ratings do not opine on the suitability of any security for investment or any other purposes.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

5. Information Uncertainty

Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

The rating committee noted no material limitations on reliability, accuracy, and quality of the data relied on to determine any credit rating listed in this disclosure form.

The rating committee noted no material limitations on the scope of historical data or on the accessibility to certain documents or other information that would have better informed any credit rating listed in this disclosure form.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

6. Use of Third-Party Due Diligence

Use of Third Party Due Diligence Services as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

Fitch did not use third party due diligence services for asset-backed securities (as defined in Paragraph (d)(1) of SEC Rule 17g–10) in determining any credit rating listed in this disclosure form.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

7. Servicer/Remittance Reports Use

Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating as Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

Fitch uses periodic servicer or remittance data in the surveillance or monitoring of Structured Finance, Structured Credit and Covered Bond ratings.

Servicer or remittance reports are not commonly used in other rating sectors. For the applicable sectors, servicer or remittance reports are typically received monthly and occasionally quarterly. These reports are used to review asset and transaction cash-flow performance. The data are compared with initial expectations, peer performance and trends. Material variances are reviewed as to cause and significance and to determine whether a more detailed review of the rating is warranted; otherwise a rating review is performed at a minimum, annually.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

8. Data Relied Upon

Obligor, Issuer, Security, or Money Market Instrument Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

The information relied upon to determine credit ratings of the type listed in this disclosure form is described below, organized by the applicable criteria cited in the private rating letter.

International Local and Regional Governments Rating Criteria (eff. 16 Aug 2024)

We rely for our ratings on comprehensive annual financial reports prepared by the entity and, when available, audited by a credentialed auditing firm or the state auditor, transaction documents for public issues, public statements, presentations and other ad hoc disclosure made by issuer management, annual and interim budget documents prepared by the entity, economic data provided by third-party sources such national statistical offices, web searches of media and other independent reports, and relevant legal opinions. Discussions with the entity's management are also important inputs into our ratings.

Public disclosure is supplemented by additional information provided directly by issuer management, which may take the form of more frequent or confidential updates of information disclosed publicly and/or specific non-public information considered analytically important. It also usually includes initial and subsequent drafts of offering documents, legal opinions where relevant, and information collected and released by government agencies or industry groups. Meetings are generally held with members of issuer management and its advisors to discuss the information provided and to understand any assumptions used in the preparation of the information.

In conducting surveillance, Fitch works with the most recent information available. Public disclosure will generally be predictable in its timing; periodic updates of other information will typically be timed to coincide with a scheduled review, or ad hoc, in response to changing conditions. This supplemental information can provide periodic insights, but its provision is subject to the discretion of the rated entity. Historical time series information provides important insight but the most recent information typically has a greater weighting in the prospective rating opinion.

Fitch undertakes a reasonable investigation of the factual information relied on in accordance with the relevant rating methodology and criteria as far as is possible from information from independent sources, to the extent such sources are available.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

9. Information Quality

Overall Assessment of the Quality of Information Available and Considered in Relation to the Quality of Information Available in Rating Similar Obligors, Securities, or Money Market Instruments as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

The quality of the information relied on to determine each credit rating listed in this disclosure form was consistent with the quality observed in rating similar obligors, securities, or money market instruments.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

10. Conflicts of Interest

Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

Fitch Ratings was paid to determine each credit rating listed in this disclosure form by the obligor, issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated.

With respect to each credit rating listed in this disclosure form, based on the most currently available data, any person who paid for such rating did not pay Fitch for any services other than determining credit ratings during Fitch’s most recently ended fiscal year.

No rating action listed in this disclosure form was the result of a look-back review conducted pursuant to section 15E(h)(4)(A) of the Securities Exchange Act (15 U.S.C. 78o-7(h)(4)(A)) and 240.17g-8(C)).

FitchRatings

Dodd-Frank Rating Information Disclosure Form

11. Potential Rating Volatility

Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

Potential Rating Volatility

Factors that could, individually or collectively, lead to positive action/upgrade:
- Reassessment of the Central Otago District Council's Risk Profile to Stronger
- Structural improvement in its payback ratio towards 5.0x under the rating case

Factors that could, individually or collectively, lead to negative action/downgrade:
- Reassessment of the Central Otago District Council's Risk Profile to Midrange
- Structural deterioration in its payback ratio towards 9.0x under the rating case

Best/Worst Case Rating Scenario

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best-Case/Worst-Case Measures under the Rating Performance page on Fitch's website

For additional information about the performance of Fitch's ratings over time, please see Transition & Default Studies under the Rating Performance page on Fitch's website.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

12. Rating Performance

Information on the Historical Performance of the Credit Rating, the Expected Probability of Default and Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

There is no eligible rating history.

Fitch credit ratings do not reflect a specific cardinal probability of default or loss given default.

Prepared pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173).

FitchRatings

Dodd-Frank Rating Information Disclosure Form

13. Sensitivity to Assumptions

Sensitivity of the Credit Rating to Assumptions Made by Fitch as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

For a discussion of the major assumptions made by Fitch in determining the announced credit ratings, along with examples that illustrate the effect of the violation of those assumptions, where determinable, please see Sensitivity to Assumptions under the Regulatory Affairs page on Fitch's website.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

14. Representations & Warranties

Representations, Warranties and Enforcement Mechanisms Available to Investors as Required by Paragraph (a)(1)(ii)(N)(1) of Rule 17g-7

The reporting of representations, warranties, and enforcement mechanisms does not apply to any of the credit ratings listed in this disclosure form.

FitchRatings

Dodd-Frank Rating Information Disclosure Form

15. Attestation

Attestation as Required by Paragraph (a)(1)(iii) of Rule 17g-7

With respect to each credit rating listed in this disclosure form, Harry Hu, who served as committee chair and is thus a person with responsibility for each credit rating action announced in the private rating letter, states that to the best of their knowledge:

• No part of the credit rating was influenced by any other business activities;

• The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated and any relevant credit enhancement; and

• The credit rating was an independent evaluation of the credit risks of the obligor, security, or money market instrument and any relevant credit enhancement.

/s/ Harry Hu
/14 March 2025 04:07 AM ET/

FitchRatings

Dodd-Frank Rating Information Disclosure Form