

Second-Party Opinion NSW Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the NSW Sustainability Bond Framework is credible, impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Clean Transportation, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Energy Efficiency and Renewable Energy, (v) Affordable Basic infrastructure, (vi) Access to Essential Services, (vii) Affordable Housing, (viii) Employment Generation, (ix) Food Security, and (x) Socioeconomic Advancement and Empowerment—are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Sustainalytics considers that the eligible projects will lead to positive environmental and social impacts while advancing the UN Sustainable Development Goals (SDGs) 1, 2, 3, 4, 6, 7, 8, 10 and 11.



PROJECT EVALUATION / SELECTION The Asset Identification Group (AIG), led by Treasury, will identify and assess potential eligible projects. After the initial selection, NSW Sustainability Committee (NSC) which consists of cross-functional representatives from NSW Treasury Corporation (TCorp), NSW Treasury including NSW Office of Social Impact Investment (OSII) and NSW Department of Planning, Industry and Environment, will approve the projects based on eligibility criteria. The NSC is chaired by TCorp and the projects are reviewed at least on an annual basis. Sustainalytics views NSW's project selection and evaluation process as aligned with market practice.



MANAGEMENT OF PROCEEDS TCorp will manage and track the net proceeds using internal reporting systems in which the proceeds of green, social and sustainability bonds will be earmarked for allocation. The unallocated proceeds will be temporarily invested in cash or cash equivalent instruments, other investment instruments with relevant restrictions, or used to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to eligible assets. This process is in line with current market practice.



REPORTING TCorp intends to publish a "NSW Sustainability Bond Programme Annual Report" for all outstanding bonds issued under the NSW Sustainability Bond Programme. The reporting will include (i) details of the projects being financed, (ii) allocation of bond proceeds to projects financed, (iii) the expected environmental and/or social impacts, (iv) qualitative and quantitative impact performance measures of the nominated projects and assets, and (v) alignment with ICMA principles and the UN SDGs. Sustainalytics views the frequency and content of TCorp's allocation and impact reporting as aligned with market practice.

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Issuer Location	Sydney, Australia

Report Sections

Introduction.....	2
Sustainalytics' Opinion.....	3
Appendices.....	11

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Introduction

New South Wales Treasury Corporation (“TCorp” or the “Issuer”) is the financial service provider for the New South Wales (NSW) public sector. TCorp provides financing for the government and public authorities and manages governmental funds, assets and liabilities.

TCorp, in cooperation with NSW Treasury, NSW Office of Social Impact Investment, and the NSW Department of Planning, Industry and Environment (DPIE) has developed the NSW Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and/or sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects that deliver positive environmental and/or social outcomes, align with and contribute towards meeting the UN SDGs and to support the NSW Government’s environmental and/or social objectives. The Framework defines eligibility criteria in four green and six social areas:

Green Bond Eligible Categories

1. Clean Transportation
2. Green Buildings
3. Sustainable Water and Wastewater Management
4. Energy Efficiency and Renewable Energy

Social Bond Eligible Categories

1. Affordable Basic infrastructure
2. Access to Essential Services
3. Affordable Housing
4. Employment Generation
5. Food Security
6. Socioeconomic Advancement and Empowerment

NSW engaged Sustainalytics to review the NSW Sustainability Bond Framework, dated September 2019, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of TCorp’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the NSW Sustainability Bond Programme. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the NSW Sustainability Bond Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The NSW Sustainability Bond Framework is available on NSW’s website at: www.tcorp.nsw.gov.au

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NSW Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the NSW Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), and Sustainability Bond Guidelines 2018 (SBG). Sustainalytics highlights the following elements of the NSW Sustainability Bond Framework:

- Use of Proceeds:
 - The use of proceeds of the NSW Sustainability Bond Framework – (i) Clean Transportation, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Energy Efficiency and Renewable Energy, (v) Affordable Basic infrastructure, (vi) Access to Essential Services, (vii) Affordable Housing, (viii) Employment Generation, (ix) Food Security, and (x) Socioeconomic Advancement and Empowerment – aligns with those recognized as impactful by the SBG. Sustainalytics believes that TCorp's use of proceeds in green, social and/or sustainability projects can deliver positive environmental and/or social outcomes and support the NSW Government's environmental and/or social objectives.
 - Sustainalytics highlights that the NSW Sustainability Bond Framework's green use of proceeds will align with the Climate Bonds Taxonomy³ and comply with sector-specific technical criteria⁴ for those categories for which Climate Bond Standards (CBS) are available. This includes clean transportation, sustainable water and wastewater management, green buildings, energy efficiency and renewable energy.
 - Sustainalytics positively highlights that TCorp's green project financing for transportation is limited to fully electric transportation modes for public transport, bus rapid systems that align with CBI standards, electric and fuel cell vehicles, electric charging infrastructure as well as public walking and cycling infrastructure, which Sustainalytics considers to be aligned with a low carbon trajectory.
 - The framework enables TCorp to use part of the proceeds to finance energy efficient buildings and building upgrades, aligned with CBI standards and recognized third-party standards, such as NABERS. The framework also enables TCorp to finance building upgrades that increase energy, water and waste efficiency aligned with CBI standards. Furthermore, the framework further allows for investments in LED and other efficiency lighting upgrades, smart grid supply networks to integrate renewable energy sources, rooftop solar and battery storage. Sustainalytics considers the projects to help increase energy efficiency and renewable power generation in Australia.
 - The framework enables TCorp to finance sustainable and resilient water infrastructure, including wastewater recycling and treatment, urban drainage and other flood mitigation measures as well as water distribution and storage, such as naturalization of waterways to improve biodiversity, carbon sequestration outcomes and water supply. Sustainalytics highlights that water projects financed will align with the mitigation and adaptation criteria of the related CBI standards, mitigating related environmental risks.
 - TCorp's social categories focus on the provision of access to healthcare, education, affordable housing, food security and basic infrastructure. Sustainalytics welcomes TCorp's targeted approach limiting financing to;
 - Public healthcare and educational facilities and services, (ii) Social housing, (iii) Employment programs for youth,
 - Breakfast clubs at under-privileged schools, and
 - Public infrastructure for households related to clean drinking water, sewers, sanitation, mass transport and energy. While Sustainalytics acknowledges that underprivileged groups can be addressed through the broader public, Sustainalytics encourages TCorp

³ The Climate Bond Taxonomy available at: <https://www.climatebonds.net/standard/taxonomy>

⁴ Sector specific criteria of the Climate Bond Standards available at: <https://www.climatebonds.net/standard/sector-criteria>

- to transparently disclose how the financed projects address population groups that currently lack these services.
 - Sustainalytics positively highlights that TCorp’s financing of basic infrastructure and its renewal is limited to those areas that currently lack this infrastructure, such as smaller towns or for areas where the current sanitation systems are unable to support population growth.
 - Moreover, basic infrastructure for energy is limited to energy supply from renewables, such as solar panels on top of social housing or remote renewable microgrids.
- TCorp will also consider the financing of public transportation projects under its social categories. Sustainalytics notes that TCorp did not include an emission threshold for public transport social projects in the framework, which is considered a limitation. TCorp confirmed to Sustainalytics that all projects need to submit an assessment that includes speaking to social and/or environmental impacts, and in this instance, emission levels are considered at the individual project level. Sustainalytics encourages TCorp to disclose the emissions of the public transport projects financed in their annual reporting.
- Project Evaluation and Selection:
 - Potential eligible projects will be assessed by the AIG, led by Treasury, and presented to the NSC for further approval of project selection and evaluation. The NSC is comprised of cross-functional representatives from TCorp, Treasury (including OSII) and DPIE, to ensure that there is sufficient subject matter expertise to meet the obligations inherent within the NSC Charter. The final project evaluation and selection process will be coordinated by the NSC, chaired by TCorp, and include the provision of oversight of the allocated proceeds. This process is in line with current market practice.
- Management of Proceeds:
 - TCorp’s Green, Social or Sustainability Bond proceeds will be managed and monitored by TCorp through internal reporting systems and earmarked for allocation against approved projects and assets. Pending the full allocation of proceeds, net proceeds will be managed by TCorp’s Finance department and might be temporarily invested in cash or cash equivalent instruments, other investment instruments with relevant restrictions, or to reduce the indebtedness of a revolving nature. TCorp intends to fully allocate the proceeds within 24 months. Sustainalytics considers that the TCorp’s management of proceeds process is aligned with the market practice.
- Reporting:
 - TCorp has committed to report on bond proceeds allocation and impact of projects on an annual basis for all outstanding green, social or sustainability bonds. The reporting will include (i) details of the projects being financed or refinanced, (ii) the expected environmental and/or social impacts, (iii) qualitative and quantitative impact performance measures of the nominated projects and assets, and (iv) alignment with ICMA principles and the UN SDGs. Depending on the project or asset, impact metrics could include, among others: energy saved per year, energy consumption reduced, reduction of air pollutants, water saved or recycled, and number of people with access to improved health facilities.
 - Sustainalytics views TCorp’s scope of reporting to be aligned with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that TCorp’s green and social bond proceeds align to the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Principles 2018. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of the Framework to NSW's sustainability objectives and goals

Sustainalytics has a positive view of the NSW Sustainability Bond Framework and its alignment with the NSW Government's sustainability policies and strategies due to the following efforts:

- In 2016, the NSW Government adopted the NSW Climate Change Policy Framework,⁵ which defines the government's role in reducing greenhouse gas (GHG) emissions and mitigating climate change impacts through two key objectives: (i) achieving net zero emissions by 2050, and (ii) making NSW more resilient to a changing climate. As part of the framework, NSW commits to improve its energy and resource efficiency while protecting vulnerable communities from the impacts of climate change.
- The NSW Government released the Future Transport Strategy 2056,⁶ including objectives aimed to reduce emissions from the transport sector through more efficient vehicles and enhanced public transportation services. Moreover, the NSW Government aims to achieve a low emission supply and increase the renewable energy mix for the transport sector.⁷
- In 2018, the NSW Government established its 20-year infrastructure investment plan, the State Infrastructure Strategy 2018-2038,⁸ which aims to support social inclusion and improve living standards, while also improving resource, energy efficiency and climate resilience. As part of the plan, the government commits to promote a wide range of environmental and social initiatives, including water supply and wastewater treatment, facilitating low emission energy supply, upgrading hospitals, enhancing investments in educational infrastructure, and increasing social housing supply.
- As part of the Premier's Priorities, the NSW Government commits to enhance quality of life of the community through the implementation of targets such as to; (i) increase the proportion of public school students in the top two NAPLAN⁹ bands (or equivalent) for literacy and numeracy by 15% by 2023, (ii) decrease the proportion of children and young people re-reported at risk of significant harm by 20% by 2023, (iii) reduce preventable visits to hospital by 5% through to 2023 by caring for people in the community, and (iv) increase the proportion of homes in urban areas within 10 minutes' walk of quality green, open and public space by 10% by 2023.¹⁰

Sustainalytics is of the opinion that TCorp is well positioned to issue green, social and sustainability bonds and considers that these bonds will contribute to achieving environmental and/or social goals of the NSW Government.

Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by the GBP, SBP and SBG, Sustainalytics also recognizes that the eligible categories might have potential environmental and social risks such as workers' health and safety, environmental impacts related to renewable energy infrastructure, air, water, and soil pollution from construction activities, biodiversity loss from land use change as well as risk related to community relations. Moreover, social categories in general can include risks of increasing inequality if not targeted at the right target population. Sustainalytics considers associated risks to be mitigated by the following regulations:

- Sustainalytics recognizes that projects and assets under the green categories will align with the respective CBI standard, which includes mitigation and adaptation requirements, mitigating risk related to environmental risks of the green projects financed.
- Regarding social projects, the categories either define clear target populations or, financing is limited to public institutions and services accessible and affordable also for underserved or disadvantaged groups.
- TCorp confirmed to Sustainalytics that all major infrastructure projects are subject to planning and environment legislation applying principles of ecologically sustainable development, whereby NSW requires the effective integration of social, economic and environmental considerations in decision-making processes. Beside the legislation mentioned below, NSW also has environmental planning instruments in place that mitigate environmental risks from large scale land change, such as the State Environmental Planning Policies, Local Environmental Plans and Development Control Plans.

⁵ NSW Climate Change Policy Framework is available at: <https://www.tcorp.nsw.gov.au/resource/nsw-climate-change-policy-framework-pdf>

⁶ NSW's Future Transport Strategy 2056 available at: <https://future.transport.nsw.gov.au/>

⁷ NSW Future Transport Strategy 2056 available at:

https://future.transport.nsw.gov.au/sites/default/files/media/documents/2018/Future_Transport_2056_Strategy.pdf

⁸ NSW State Infrastructure Strategy 2018-2038 available at: <http://www.infrastructure.nsw.gov.au/sis-2018>

⁹ NAPLAN tests students in reading, writing, language conventions, including spelling, grammar and punctuation, and numeracy. |

¹⁰ NSW Premier's Priorities available at: <https://www.nsw.gov.au/improving-nsw/premiers-priorities/>

- The Environmental Planning and Assessment Act 1979 (NSW) establishes the NSW framework for sustainable development, planning and environmental protection. The Environmental Impact Assessment method under this Act assesses potential environmental, social and economic impacts of proposals for state significant projects before they can be approved.
- NSW's Protection of the Environment Administration Act 1991 sets out the framework for the protection, restoration and enhancement of the quality of the environment. The act focuses on pollution reduction, harmful wastes elimination, air quality, recycling, monitoring and reporting of environmental quality, and prosecution for environmental offences.
- NSW's Biodiversity Conservation Act 2016 defines the biodiversity assessment requirements for any development or activity that requires assessment or approval under the Environmental Planning and Assessment Act 1979. Moreover, the Commonwealth Government's Environment Protection and Biodiversity Conservation Act 1999 creates the national scheme for environment and heritage protection and biodiversity conservation, ensuring activities that involve matters of national environmental significance are required to comply with the EPBC framework.

Based on the above, Sustainalytics is of the opinion that regulatory requirement and TCorp's selection of eligible projects will help mitigate environmental and social risks.

Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are recognized as impactful by SBG. Sustainalytics has focused on categories below where the impact is specifically relevant in local context.

Importance of clean transportation and increasing access to transport in New South Wales

TCorp intends to use proceeds for clean transportation and increasing public access to transport through the financing of a variety of projects and activities including electrified public transport, electric and fuel cell vehicles, and bus rapid transit systems (green) and other public mass transport (social), which will provide important social and environmental benefits to the state. In NSW, the transport sector accounts for 45% of energy consumption, making it the second largest source of GHG emissions (2016), with the majority of GHG emissions coming from road transport.¹⁵ Moreover, energy consumption from the transport sector increased by 6% over the last decade.¹¹ The NSW government set six visions for a state-wide transport system for 2056 including advancements in mobility technology and emissions reduction such as through the use of electric vehicles.¹²

Given the large share of energy consumption and GHG emissions from the transport sector in NSW, Sustainalytics views that green, social and/or sustainability bonds issued by TCorp that supports the NSW Government's investments in clean transportation projects can help to reduce GHG emissions in the respective sector and thus, contributing to meeting the NSW government's net-zero emissions targets.

Beyond the positive environmental benefits of investments into clean transportation, there is a clear need for investments to improve access to affordable transport infrastructure in NSW. In a Government assessment of infrastructure challenges, congestion on the metropolitan road networks and public transport services that improve speed, reliability and frequency were identified as two of the key regional issues that matter most.¹³ NSW has estimated a population growth of 2 million people from 2010 – 2030 (7 million to 9 million)¹⁴ and is estimating 113% more train trips and 30% more car trips by 2036 compared to 2018.¹⁵ Furthermore, in Australia, rural and remote areas have low levels of public transport access, leading to ongoing difficulties associated with access to transport, which is experienced by specific sub-groups in the population, such as, families with young children, people with a disability and Indigenous Australians.¹⁶ As such, investments into smart, connected and resilient infrastructure are needed across NSW to accommodate the growth in population and ensure public access to sustainable modes of transportation.¹⁵ Based on this, Sustainalytics views green, social and/or sustainability bonds issued by TCorp that supports the NSW Government's

¹¹ Energy Consumption: NSW State of the Environment: <https://www.soe.epa.nsw.gov.au/all-themes/human-settlement/energy-use>

¹² Future Transport Strategy 2056: <https://future.transport.nsw.gov.au/plans/future-transport-strategy>

¹³ NSW Gov., "Infrastructure challenges", (2012), at: http://www.infrastructure.nsw.gov.au/media/1132/sis_report_section20_print.pdf

¹⁴ NSW Gov., "Infrastructure challenges", (2012), at: http://www.infrastructure.nsw.gov.au/media/1132/sis_report_section20_print.pdf

¹⁵ NSW Gov., "Delivering Infrastructure", (2018), at: <https://www.nsw.gov.au/improving-nsw/premiers-priorities-2015-2019/delivering-infrastructure/#why-is-this-important-to-the-people-of-nsw>

¹⁶ Australian Government, Institute of Family Studies, The relationship between transport and disadvantage in Australia, August 2011 <https://aifs.gov.au/cfca/publications/relationship-between-transport-and-disadvantage-austr>

investments into improved access to transport and transport infrastructure as providing important social benefits for the state.

Importance of sustainable water and wastewater management in New South Wales

Water and wastewater supply management has become a critical environmental and social issue for NSW in recent years.¹⁷ From droughts and flood protection to providing safe and affordable drinking water, the state faces a number of challenges.¹⁸ For example, in NSW's State Infrastructure Strategy, the assessment of infrastructure capability identifies the quality of the regional water systems and flood mitigation to protect people, communities and economies as two key issues that "matter most to fix".¹⁴ As an asset intensive industry, creating, renewing and managing water infrastructure assets to maximize asset life is a key function for the industry, indicating the importance of investing into sustainable water and wastewater management assets.¹⁹

Metropolitan areas, such as Sydney, have seen significant capital investments into the improvement of water and wastewater assets and are considered relatively well positioned to deal with some of these challenges. However, the non-metropolitan urban sector by comparison has not seen the same increases in infrastructure spending and is facing increased challenges for which it is not well prepared to handle. For example, regarding irrigation, in certain areas it has been determined that it will not be possible to meet increased demand for irrigation by investing in new dams, but rather through investing into on- and off-farm water efficiency infrastructure to maintain and/or increase production with less water. Additionally, regarding drainage and flood management, local government investments were insufficient to maintain and renew ageing infrastructure. Moreover, increased climate variability, frequency and intensity of storm events are predicted to increase, and thus further exacerbating these issues. Similarly, insufficient investments into affordable and safe drinking water have led to increased water quality issues. NSW Health issued 23 water quality alerts in NSW between January 2013 and January 2016 – the most for any state in Australia. Studies indicate that by increasing water use efficiency and investing into water supply treatment plants, it is possible to improve water security in these areas.²⁰

Given this context, Sustainalytics positively views TCorp's financing of projects and activities on behalf of the NSW Government, that will facilitate sustainable and resilient infrastructure for clean and/or drinking water, improved wastewater treatment, and a variety of flood defence mechanisms, can have positive social and environmental benefits in the state of NSW.

Importance of providing access to essential services in New South Wales

Despite the national prosperity in Australia, some population groups still face barriers related to participation at work and difficulties in accessing services, including healthcare, education, affordable housing and employment. A lack of access to these essential services can lead to increased poverty and cause higher vulnerability to financial shocks.²¹ In this context, access to such services are important aspects for building sustainable and resilient societies.

Increasing access to quality, affordable healthcare

The NSW Government recognizes that some people and communities in NSW face barriers to access the care needed.²² As a result, multiple policy reforms have been developed to address the issue. For example, in 2014, the NSW government launched the *NSW Rural Health Plan: Towards 2021* to ensure regional and rural people in NSW have access to the care on time.²² The plan outlines three directions and corresponding strategies related to improving access to affordable and quality healthcare for rural communities through integrated rural health services, such as eHealth, strengthening rural health infrastructure and enhancing the rural health workforce.²² Some of the specific strategies include increasing the Aboriginal health workforce in rural areas, implementing best practice models in rural settings to expand and support the delivery of high quality health services and implementing eHealth solutions in rural areas to improve access to services and enable the integration and connection of health services.²² By investing into affordable public hospitals, health care

¹⁷ Infrastructure Partnerships Australia, "Water Infrastructure – Issues & Reform Options", (2017), at: <http://infrastructure.org.au/wp-content/uploads/2017/06/NSW-Coalition-Reform-Options-FINAL-FINAL.pdf>

¹⁸ Australian Water Association, "Water Security for All Australians", (2017), at: https://www.awa.asn.au/documents/Water_Security_for_all_Australians.pdf

¹⁹ GHD, "NSW Infrastructure Capability Assessment", (2012), at: http://www.infrastructure.nsw.gov.au/media/1157/ghd_insw_water_baseline_report_jan_2012.pdf

²⁰ Australian Water Association, "Water Security for All Australians", (2017), at: https://www.awa.asn.au/documents/Water_Security_for_all_Australians.pdf

²¹ DFAT, "Report on the Implementation of the Sustainable Development Goals", (2018), at: <https://dfat.gov.au/aid/topics/development-issues/2030-agenda/Documents/sdg-voluntary-national-review.pdf>

²² NSW Rural Health Plan: Towards 2021: <https://www.health.nsw.gov.au/rural/Publications/rural-health-plan.pdf>

facilities, health care coverage and financial services, TCorp can contribute to important social benefits to the state of NSW and increase access to quality and affordable healthcare.

Improving access to education

Given the important role of education for building a skilled workforce, reducing inequalities, and ensuring a country's competitiveness, facilitating access to education is considered as necessary.²³ Although higher education is a major contributor to the development of a skilled Australian workforce,²⁴ the NSW government continues to focus on addressing the rights of all citizens to share in its benefits. In this regard, the NSW Government's priorities include key strategies with a focus on student wellbeing and teaching quality; such as (i) ensure quality early childhood education, (ii) improve student outcomes, (iii) enhance student wellbeing, (iv) strengthen teaching quality and school.²⁵ Given this context, Sustainalytics considers that green, social and/or sustainability bonds issued by TCorp that supports the NSW Government's investments into infrastructure related to public sector education, including schools, universities and vocational training, will provide important social benefits to NSW and improve access to education.

Importance of Food Security

In 2011-12, the poverty rate for NSW's children under 15 was 13.8%.²⁶ Disadvantaged children are more likely to experience health problems and behavioural issues as well as lower levels of educational attainment and food insecurity.²⁶ In fact, Australian children are more likely (22%) to experience food insecurity than adults (15%).²⁷ In that context, the NSW government recently announced additional funding for the "School Breakfast 4 Health" program, ran by the Foodbank NSW & ACT (FBNA). The program provides healthy breakfasts to underprivileged schools across the state.²⁷ Given the importance of food security, Sustainalytics considers green, social and/or sustainability bonds issued by TCorp that supports the NSW Government's investments in the "School Breakfast 4 Health" program to help reduce food insecurity amongst underprivileged population groups.

Socioeconomic advancement and empowerment

Reducing homelessness

On the other hand, access to safe and secure housing is a basic human right.²⁸ Between 2011 and 2016, the number of people experiencing homelessness increased by 33.8% in NSW, 20 percent more than the national increase (13.7%).²⁹ Over the same period, the NSW homelessness rate rose from 40.8 to 50.4 persons per 10,000 inhabitants.²⁹ Homelessness has multiple origins, ranging from domestic and family violence to poverty and unemployment; however, lack of social housing is the main cause in the case of NSW.³⁰ The state is committed to halving the number of people living in the street by 2025.³⁰

Sustainalytics considers green, social and/or sustainability bonds issued by TCorp that supports the NSW Government's investments into affordable social housing programs, to contribute to positive social benefits to NSW which can help support homeless people, reduce homelessness and improved access to housing.

The importance of permanency for children

In NSW, the number of children in foster care rose from 10,623 in 2006 to 18,659 in 2016.³¹ As a result, the NSW Family and Community Services ("NSW FCS") launched the Permanency Support Program in 2017, which is a cooperation of government and non-government partners, and which provides tailored services to vulnerable children to help them grow up in stable and secure homes.³² The programme achieved a 44% reduction in the number of children entering out-of-home care in two years.³³ As such, Sustainalytics considers green, social and/or sustainability bonds issued by TCorp to support the NSW Government's investments in the NSW FCS program to help to reach the state's objective of doubling the number of out-of-home children or at risk of becoming so, in safe and permanent home by 2023.³³

²³ World Economic Situation Prospects 2018 available at: https://www.equipsy.org/images/WESP2018_Full_Web_2.pdf

²⁴ Review of Australian higher education available at: <https://www.voced.edu.au/content/ngv%3A32134>

²⁵ NSW's priorities on education available at: <https://education.nsw.gov.au/our-priorities>

²⁶ Parliament NSW, "Child disadvantage in NSW: recent findings", (2014), at: <https://www.parliament.nsw.gov.au/researchpapers/Documents/child-disadvantage-in-nsw-recent-findings/Child%20disadvantage%20in%20NSW%20-%20recent%20findings.pdf>

²⁷ Foodbank, "Foodbank NSW & ACT applauds the NSW government's announcement of \$8 million for school breakfasts", (2019), at: <https://www.foodbank.org.au/school-breakfast-program-funding/?state=au>

²⁸ Article 25. 1. of the Universal Declaration of Human Rights, (1948), at: <https://www.un.org/en/universal-declaration-human-rights/>

²⁹ Parliament NSW, "Homelessness in NSW: Electorate Statistics", (2018), at:

<https://www.parliament.nsw.gov.au/researchpapers/Documents/NSW%20Homelessness%20by%20SED%20-%20Key%20Statistics.pdf>

³⁰ Michael, L., (2019), "NSW Pledges to Halve Rough Sleepers by 2025", at: <https://probonoaustralia.com.au/news/2019/02/nsw-pledges-halve-rough-sleepers-2025/>

³¹ Family and Community Services NSW, "About the Permanency Support Program", (2017), at: <https://www.youtube.com/watch?v=o6sxb4PEphg>

³² <https://www.facs.nsw.gov.au/families/permanency-support-program/about>

³³ NSW Government, "Increasing permanency for children in out-of-home care", (2019), at: <https://www.nsw.gov.au/improving-nsw/premiers-priorities/increasing-permanency-for-children-in-out-of-home-care/>

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings Energy Efficiency Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Affordable Basic infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Affordable housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to essential services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	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
Employment Generation	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people

		and persons with disabilities, and equal pay for work of equal value 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
Food Security	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
Socioeconomic Advancement and Empowerment	1. No poverty 10. Reduce Inequalities	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

TCorp, in cooperation with NSW Treasury, NSW Office of Social Impact Investment, and the NSW Department of Planning, Industry and Environment has developed the NSW Sustainability Bond Framework under which it intends to issue green, social and sustainability bonds and use the proceeds to finance existing and future projects that deliver positive environmental and/or social outcomes, align with and contribute towards meeting the UN SDGs (1, 2, 3, 4, 6, 7, 8, 10 and 11) and to support the NSW Government’s environmental and/or social objectives. The Framework defines eligibility criteria in four green and six social areas, namely (i) Clean Transportation, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Energy Efficiency and Renewable Energy, (v) Affordable Basic infrastructure, (vi) Access to Essential Services, (vii) Affordable Housing, (viii) Employment Generation, (ix) Food Security, and (x) Socioeconomic Advancement and Empowerment. Sustainalytics conducted an assessment of the use of proceeds and considers the projects financed to be impactful and in line with the GBP, SBP and SBG. In addition, TCorp’s processes for project selection, evaluation, management of proceeds and reporting are aligned with market practice.

Based on the above, Sustainalytics considers the NSW Sustainability Bond Framework to be credible, robust and impactful and aligned with the GBP, SBP and SBG.

Appendices

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	TCorp
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Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	NSW Sustainability Bond Framework
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Review provider's name:	Sustainalytics
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Completion date of this form:	September 2019
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Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	
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Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The use of proceeds of the NSW Sustainability Bond Framework – (i) Clean Transportation, (ii) Green Buildings, (iii) Sustainable Water and Wastewater Management, (iv) Energy Efficiency and Renewable Energy, (v) Affordable Basic infrastructure, (vi) Access to Essential Services, (vii) Affordable Housing, (viii) Employment Generation, (ix) Food Security, and (x) Socioeconomic Advancement and Empowerment – aligns with those recognized as impactful by the SBG. Sustainalytics believes that TCorp use of proceeds in green, social and/or sustainability formats can deliver positive environmental and/or social outcomes and support the NSW Government’s environmental and/or social objectives.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |

- | | |
|--|---|
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Potential eligible projects will be assessed by the AIG, led by Treasury, and presented to the NSC for further approval of project selection and evaluation. The NSC is comprised of cross-functional representatives from TCorp, Treasury (including OSII) and DPIE, to ensure that there is sufficient subject matter expertise to meet the obligations inherent within the NSC Charter. The final project evaluation and selection process will be coordinated by the NSC, chaired by TCorp, and includes providing oversight of the allocated proceeds. This process is in line with current market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

TCorp's Green, Social or Sustainability Bond proceeds will be managed and monitored by TCorp through internal reporting systems and earmarked for allocation against approved projects and assets. Pending the full allocation of proceeds, net proceeds will be managed by TCorp's Finance department and might be temporarily invested in cash or cash equivalent instruments, other investment instruments with relevant restrictions, or to reduce the indebtedness of a revolving nature. TCorp intends to fully allocate the proceeds within 24 months, which is aligned with market practice. Sustainalytics considers that the TCorp's management of proceeds process is aligned with the market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

TCorp has committed to report on bond proceeds allocation and impact of projects on an annual basis for all outstanding green, social and sustainability bonds. The reporting will include (i) details of the projects being financed or refinanced, (ii) the expected environmental and/or social impacts, (iii) qualitative and quantitative impact performance measures of the nominated projects and assets, and (iv) alignment with ICMA principles and the UN SDGs.
Sustainalytics views TCorp's scope of reporting to be aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other *(please specify)*:

Frequency:

- Annual
- Semi-annual
- Other *(please specify)*:

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Others: |

- Reduction of air pollutants (e.g. reduced particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)).
- Climate Bonds Initiative climate change vulnerability assessment score
- Number of eligible buildings that received third party verified green building certification
- Renewable energy generated (MW)
- NABERS energy, waste, water and indoor air quality ratings
- Energy saved per year (e.g. % of annual energy or MWh/year or GJ/year)
- Energy saved due to building retrofits or design (e.g. MWh/year or GJ/year)
- Intake of students at new facilities as % of relevant population
- % of students who feel that the physical environments at their schools are safe, welcoming and supportive
- % of stations that are wheelchair accessible
- % decrease in street homelessness from a base year
- % of homeless clients who have achieved sustained accommodation
- Number of clients assisted by homelessness services
- Increase in number of children in safe and permanent homes from a baseline
- No. of children restored to families
- No. of adoptions
- No. of guardianships
- Average length of stay in out of home care
- No. of people with access to improved health facilities
- Decrease in preventable hospitalisations from base line
- % of on time treatment across all triage categories

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): NSW confirmed Sustainalytics that its annual report will be reviewed as part of NSW's ongoing assurance process | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.tcorp.nsw.gov.au/html/sustainabilitybonds.cfm>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|---|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input checked="" type="checkbox"/> Certification |
| <input checked="" type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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