

# Second-Party Opinion

## NSW Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the NSW Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Energy Efficiency, Renewable Energy, Environmentally Sustainable Management of Living, Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, Employment Generation and Socioeconomic Advancement and Empowerment - are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 4, 6, 7, 8, 9, 10, 11, 14 and 15.



**PROJECT EVALUATION AND SELECTION** TCorp has established the NSW Sustainability Bond Committee (NSBC) and the Asset Identification Group (AIG), a subcommittee of the NSBC. The two committees include TCorp, NSW Treasury and NSW Department of Climate Change, Energy, the Environment and Water. The AIG is responsible for selecting and evaluating projects in line with the Framework's eligibility criteria, while the NSBC grants the final approval for the selected projects. The AIG also assesses potential material risks and mitigating factors associated with the projects, including their negative environmental and social impacts. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** TCorp's Funding and Sustainability department, with oversight from the NSBC, will manage the bond proceeds, earmarking them against approved projects and assets. TCorp intends to allocate the proceeds within 24 months of issuance. Pending full allocation, net proceeds will be temporarily invested in cash, cash-equivalent instruments, other investment instruments with relevant restrictions or in reducing revolving indebtedness. TCorp has confirmed to Sustainalytics that the other instruments refer to debt, and short-term investment instruments in liquid markets. The temporary investments will exclude GHG-intensive activities. This is in line with market practice.



**REPORTING** TCorp intends to report on bond proceeds allocation on its website on an annual basis until full allocation. Allocation reporting will include details of the bonds issued and their face value amount, a description of the projects and the amount of proceeds invested, the amount of allocation or any reallocation of the bonds' net proceeds to each project and an estimate of the share of financing versus refinancing. TCorp also intends to report on relevant impact metrics. Sustainalytics views TCorp's allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	September 25, 2024 <sup>1</sup>
<b>Issuer Location</b>	Sydney, Australia

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<sup>1</sup> This Second-Party Opinion updates the Second-Party Opinion provided by Sustainalytics on 27 January 2022.

## Introduction

The New South Wales Treasury Corporation (“TCorp” or the “Issuer”) is a government-owned financial services provider for the public sector in the State of New South Wales, Australia. TCorp provides financing for the government, public authorities and other public bodies, and manages government funds, assets and liabilities.

TCorp has developed the NSW Sustainability Bond Framework dated September 2024 (the “Framework”) in cooperation with NSW Treasury and the NSW Department of Climate Change, Energy, the Environment and Water. Under the Framework, TCorp intends to issue green, social and sustainability bonds, and use the proceeds to finance or refinance, in whole or in part, existing and future projects that deliver positive environmental and social outcomes, align with and contribute towards meeting the UN SDGs and to support the NSW Government’s environmental and social objectives. The Framework defines eligibility criteria in six environmental and five social areas:

The Framework defines eligible projects under the following environmental categories:

1. Clean Transportation
2. Sustainable Water and Wastewater Management
3. Green Buildings
4. Energy Efficiency
5. Renewable Energy
6. Environmentally Sustainable Management of Living, Natural Resources and Land use, Terrestrial and Aquatic Biodiversity Conservation

The Framework defines eligible projects under the following social categories:

7. Affordable Basic Infrastructure
8. Access to Essential Services
9. Affordable Housing
10. Employment Generation
11. Socioeconomic Advancement and Empowerment

TCorp engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).<sup>2</sup> The Framework will be published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of TCorp to understand the sustainability impact of its policies, processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. TCorp representatives have confirmed (1) they

<sup>2</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>3</sup> The NSW Sustainability Bond Framework is available on New South Wales Treasury Corporation’s website at: <https://tcorp.nsw.gov.au/tcorp/institutional-investors/sustainability-bonds/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

understand it is the sole responsibility of TCorp to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TCorp.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warranty or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TCorp has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the NSW Sustainability Bond Framework is credible, impactful and aligns with the SBG and the four core components of the GBP and SBP. TCorp may align the use of proceeds with the Climate Bonds Taxonomy<sup>5</sup> and comply with the sector-specific technical criteria for those categories subject to the relevant Sector Criteria of the Climate Bonds Standard.<sup>6</sup> This refers to the categories of Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Energy Efficiency, Renewable Energy, and Environmentally Sustainable Management of Living Natural Resources. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - All of the 11 eligible categories are aligned with those recognized by the GBP and SBP. They are: Clean Transportation; Sustainable Water and Wastewater Management; Green Buildings; Energy Efficiency; Renewable Energy; Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation; Affordable Basic Infrastructure; Access to Essential Services, Affordable Housing; Employment Generation; and Socio-economic Advancement and Empowerment. Sustainalytics believes that investments in the eligible categories are expected to contribute towards the NSW Government's environmental and social objectives.
  - TCorp has established a two-year look-back period for refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Under the Clean Transportation category, TCorp may finance or refinance electric zero direct emissions passenger or light commercial vehicles and public transport, such as electrified rail, rolling stock, light rail and buses, that may align with the Low Carbon Transport Criteria of the Climate Bonds Standard.<sup>7</sup> Additionally, TCorp may invest in infrastructure dedicated to: i) infrastructure for eligible rolling stock, railway lines and networks; ii) stations dedicated to zero direct emissions vehicles or transport; and iii) public infrastructure for walking and cycling.

<sup>5</sup> Climate Bonds Initiative, "Climate Bonds Taxonomy", at: <https://www.climatebonds.net/standard/taxonomy>

<sup>6</sup> Climate Bonds Initiative, "Sector Criteria", at: <https://www.climatebonds.net/standard/sector-criteria>

<sup>7</sup> Climate Bond Standard Initiative, at: <https://www.climatebonds.net/standard/the-standard#:~:text=The%20Climate%20Bonds%20Standard%20and%20Certification%20Scheme%20is,the%201.5oC%20warming%20limit%20in%20the%20Paris%20Agreement>

- TCorp has confirmed that eligible projects under this category include refinancing the Sydney Metro City and Southwest metro project which aims to use zero-emissions electricity for its operations.<sup>8</sup>

Sustainalytics considers TCorp's clean transportation investments to be in line with market practice.

- In the Sustainable Water and Wastewater Management category, TCorp may invest in sustainable and resilient infrastructure, including: i) infrastructure for clean or drinking water; ii) wastewater recycling and treatment;<sup>9</sup> iii) water distribution and storage; iv) flood mitigation measures; and v) nature-based solutions, such as naturalization of waterways to improve biodiversity, carbon sequestration outcomes and water supply. Sustainalytics notes that TCorp may align relevant projects under this category with the climate change mitigation and adaptation components of the Water Infrastructure Criteria of the Climate Bonds Standard,<sup>10</sup> Sustainalytics notes that: i) climate change adaptation activities under this category, such as urban drainage systems, river training flood mitigation projects and nature-based solutions require vulnerability assessment and adaptation plans. TCorp has confirmed that the projects<sup>11</sup> included under this category have a vulnerability and adaptation plan in place; and ii) integrated water and power plant with fossil fuel operations are excluded under the Framework.
- Under Green Buildings category, TCorp may invest in sustainable and resilient commercial, residential and government buildings aligned with the Buildings Criteria of the Climate Bonds Standard<sup>12</sup> or NABERS 4.5 stars or above. Sustainalytics considers these certification schemes to be credible and impactful. TCorp may also invest in building upgrades that improve energy, water and waste efficiency in alignment with the Climate Bonds Standard or NABERS 4.5 stars or above, which is in line with market practice.
- Under Energy Efficiency, TCorp may finance LED and other efficient lighting upgrades. Sustainalytics considers to be in line with market practice.
- Under the Renewable Energy category, TCorp may finance: i) smart grid equipment for supply networks to integrate renewable energy sources; ii) solar PV systems; and iii) battery storage for renewable energy sources. Sustainalytics notes that TCorp may align battery storage and smart grid network projects with the Grids and Storage Criteria of the Climate Bonds Standard,<sup>13</sup> and considers the projects to help increase energy efficiency and renewable power generation in Australia. Sustainalytics considers expenditures under this category to be in line with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use and Terrestrial and Aquatic Biodiversity Conservation categories, TCorp may invest in: i) conservation of national parks, including initiatives to help protect and conserve threatened species and land conservation, coastal biodiversity and ecosystems restoration, waterways, coastline and estuaries protection; ii) restoration of forests affected by bushfires; and iii) land acquisitions for national parks. TCorp confirmed to Sustainalytics that: i) the restoration of bushfire will consist of species well-adapted to the site local conditions, and ii) the conservation of threatened species and land conservation will not include financing the elimination of invasive species or chemicals substances such as pesticides. Sustainalytics notes that TCorp may align forestry activities financed with the mitigation and adaptation components of the Forestry, Land Conservation and Restoration Criteria of the Climate Bonds Standard,<sup>14</sup> as well as PEFC-certified sustainable forest management plans and Australian Standard for Sustainable Forest Management under the Responsible Wood Organisation<sup>15</sup>. Sustainalytics considers this to be in line with market practice.
- Under the Affordable Basic Infrastructure category, investments may include affordable basic infrastructure for households related to clean drinking water, sewers, sanitation, mass transport, energy and green recreational spaces.
  - Infrastructure for energy may include solar panels on top of social housing or remote microgrids dedicated to transmission, distribution, storage and generation of solar, hydro or wind energy. TCorp confirmed it may also include the financing of

<sup>8</sup> NSW Government, "Sustainability Report", (2023), at: <https://www.sydneymetro.info/media/document/41561>

<sup>9</sup> The Framework excludes from the eligible wastewater treatment projects: i) wastewater treatment driven by fossil fuel, and ii) treatment of wastewater from fossil fuel operations, such as fracking.

<sup>10</sup> Climate Bonds Initiative, "Sector Criteria - Water Infrastructure", at: <https://www.climatebonds.net/standard/water>

<sup>11</sup> TCorp has confirmed that projects under this category, include Sydney's Water Health Improvement Programme: <https://www.sydneymetro.com.au/water-the-environment/what-we-are-doing/current-projects/managing-stormwater/improving-waterway-health-across-sydney.html>

<sup>12</sup> Climate Bonds Initiative, "Sector Criteria - Buildings", at: <https://www.climatebonds.net/standard/buildings>

<sup>13</sup> Climate Bonds Initiative, "Sector Criteria - Electrical Grids and Storage", at: <https://www.climatebonds.net/standard/electrical-grids-and-storage>

<sup>15</sup> The Australian Standard for Sustainable Forest Management under the Responsible Wood Certification System recognised through the Programme for Endorsement of Certification Scheme (PEFC).

- transmission and distribution infrastructure to connect areas with substantially inadequate access to energy to the existing grid.<sup>16</sup>
- Mass transport infrastructure may include construction and upgrades of roads in remote areas or targeting underserved groups. For example, road upgrades under the Roads to Home Program<sup>17</sup> targeting specific Aboriginal communities located in remote areas of NSW to improve their access to essential public services, such as waste collection, postal, emergency and transportation services.
  - Green recreational spaces may include improving access to National Parks. Sustainalytics notes that individuals are not charged park entry fees, and there is a National Parks Concession Pass<sup>18</sup> for veterans and people with disabilities to enter with vehicles.
  - Sustainalytics positively notes that TCorp's financing of basic infrastructure and infrastructure renewal to provide clean drinking water, sewer and sanitation, and connectivity through roads is limited to areas that currently lack this infrastructure, such as small towns and areas where existing systems are unable to support population growth. Sustainalytics views these investments as socially impactful.
- Under the Access to Essential Services category, TCorp may include investments in public healthcare services, including the purchase of vaccinations, medications, and hiring and training of medical personnel, and educational facilities and vocational training services.<sup>19</sup> Investments may also include upgrades to public transport stations to make them accessible to people with disabilities and limited mobility such as the elderly, caregivers with prams, among others. Additionally, TCorp may also include investments that aim to improve access to emergency services.
- Upgrades to public transport stations may include expenses related to improving compliance with the Disability Standards for Accessible Public Transport 2002,<sup>20</sup> including installation of ramps, accessible car spaces and toilets, tactile features and handrails, guides for the visually impaired, barrier-free access and doorways, improved lighting and signage<sup>21</sup> and lifts in stations where no other accessibility improvement can be made (even if the lifts may be available for all users other than those with accessibility needs). Sustainalytics considers the upgrade of public transport stations to be impactful in improving access to public transport for people with disabilities and limited mobility, and views these investments as socially impactful.
  - Emergency services related investments may include the enhancement of the New South Wales' Government Radio Network. The aim for such investments is to improve access to public safety radio communications for the New South Wales state's first responders and emergency service agencies, such as public safety, fire services and ambulance. Expenses may include installation of new radio sites, upgrades and consolidation of existing radio assets,<sup>22</sup> as well as enhancements to allow interagency and multi-state sharing of information (interoperability) amongst emergency service agencies in accordance with the State's Critical Communications Enhancement Program.<sup>23</sup> Sustainalytics has been advised that this is central to implementing the recommendations from several high-level NSW government inquiries into public safety incidents including: NSW Bushfire Inquiry 2020, Inquest into deaths arising from the Lindt Café siege 2017, Inquiry into Violence against Emergency Services Personnel (2017) and Bega Valley Fires Independent Review (2018). TCorp has communicated to Sustainalytics that the programme aims to improve the public safety radio coverage for the general public in vulnerable situations, expanding the radio network's coverage from 80% to 99.7% of population

<sup>16</sup> TCorp confirmed to Sustainalytics that energy mix in NSW is not exclusively from renewable energy. The potential project will intend to expand the grid to areas where there is inadequate access, but will not be dedicated to connecting the supply side of fossil fuel power plant or sources.

<sup>17</sup> NSW Government, "Roads to Home", at: <https://www.planning.nsw.gov.au/Policy-and-Legislation/Aboriginal-land-use-planning/Roads-to-Home>

<sup>18</sup> NSW Government, "Concessions, rebates and assistance", at: <https://www.service.nsw.gov.au/transaction/apply-for-a-national-parks-concession-pass>

<sup>19</sup> Eligible public health, educational and vocational services will be accessible to all regardless of ability to pay.

<sup>20</sup> Australian Government, Federal Register of Legislation, at: <https://www.legislation.gov.au/Details/F2005B01059>

<sup>21</sup> Eligible lighting and signage are in compliance with Australian Standard 1428.2, which sets out design requirements for buildings and facilities for access for people with disabilities. More information is available at: <https://ablis.business.gov.au/service/wa/australian-standard-as-1428-2-design-for-access-and-mobility-enhanced-and-additional-requirements-buildings-and-facilities/17522>

<sup>22</sup> TCorp has specified that the associated radio towers and equipment are mostly powered by solar with the exception of few in remote or rural areas with unsuitable climatic conditions that rely on fossil fuel. Additionally, fossil fuel powered generators may be used as a backup in case of emergencies. Sustainalytics recognizes the State's endeavour to limit the use of fossil fuel and encourages the Issuer to exclude expenditures related to fossil fuel backups from the Framework.

<sup>23</sup> NSW Government Telco Authority, "Critical Communications Enhancement Program (CCEP)", at: <https://www.telco.nsw.gov.au/ccep/ccep-home>

in New South Wales. This includes vulnerable communities who live in areas without such coverage and thus lack adequate access to emergency services.

- Sustainalytics recognizes that extending and enhancing radio networks supporting certain services has potential benefits including those in vulnerable communities described above. However, expenditures in the New South Wales' Government Radio Network project may also serve law enforcement agencies, Sustainalytics considers to be a deviation from socially impactful expenditures.
- Under the Affordable Housing category, TCorp may finance or refinance projects related to building, upgrades or maintenance of social housing. The financing may include a variety of social housing initiatives that aim to provide rental housing to homeless people,<sup>24</sup> low-income households,<sup>25</sup> Aboriginal communities<sup>26</sup> and victim survivors of domestic violence<sup>27</sup> at affordable rates. Sustainalytics notes that rents of social housing are set either as a discount (e.g. 20-25%) on market rent or as a percentage (e.g. 25-30%) of a household's income, subject to variability of a household's individual circumstances.<sup>28</sup> Sustainalytics views these investments as socially impactful.
- In the Employment Generation category, TCorp may finance or refinance youth employment programmes and vocational education and training programmes under the NSW Government Programmes for vocational and education training,<sup>29</sup> such as Homes NSW Apprenticeship, Traineeship and Cadetship Program targeting people who have experiences of social disadvantage or face barriers to entering the workforce, such as aboriginal and Torres Strait Islander people; women, people with disabilities and people who live in social housing. Sustainalytics considers such investments to be socially impactful.
- Under the Socioeconomic Advancement and Empowerment category, TCorp may finance or refinance NSW Government programmes to reduce homelessness and increase stability for children. Examples of such programmes include: i) Specialist Homelessness Services Program;<sup>30</sup> ii) Homeless Youth Assistance Program;<sup>31</sup> and iii) Permanency Support Program.<sup>32</sup> These programmes aim to provide housing support to homeless people or to help vulnerable children to grow up in a stable and secure environment. Sustainalytics views this to be socially impactful.

#### Project Evaluation and Selection:

- TCorp has established the NSW Sustainability Bond Committee (NSBC) and the Asset Identification Group (AIG), a subcommittee of the NSBC. The committees are formed by TCorp, NSW Treasury and NSW Department of Climate Change, Energy, the Environment and Water.
- The AIG is responsible for selecting and evaluating projects in line with the Framework's eligibility criteria, while the NSBC grants final approval for the selected projects. The AIG also assesses potential material risks and mitigating factors associated with the projects, including their negative environmental and social impacts. For additional detail, see section 2.
- Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.

#### Management of Proceeds:

- TCorp communicated to Sustainalytics that the Funding and Sustainability department will manage the bond proceeds, earmarking them against approved projects and assets following NSBC approval. TCorp's Finance department will monitor the receipt and payment of proceeds against the existing asset pool using an internal reporting system.
- The Issuer intends to allocate the proceeds within 24 months of issuance. Pending full allocation, net proceeds will be managed by TCorp's Funding and Sustainability department and

<sup>24</sup> The Together Home Program aims to support homeless people into a stable accommodation. NSW Government, Department of Communities and Justice, "Together Home", at: <https://www.facs.nsw.gov.au/housing/help/ways/are-you-homeless/together-home>

<sup>25</sup> According to the NSW Government, people earning more than 50% but less than 80% of the NSW or Sydney median income are described as being on a low income. NSW Government, Department of Communities and Justice, "About affordable rental housing – Who are very low to moderate income earners?", at: <https://www.facs.nsw.gov.au/providers/housing/affordable/about/chapters/who-are-very-low-to-moderate-income-earners>

<sup>26</sup> Aboriginal social housing projects aim to meet the housing needs of Aboriginal populations on very low or low income across New South Wales, with specific identity and income eligibility requirements. NSW Government, Aboriginal Housing Office, at: <https://www.aho.nsw.gov.au/download?file=544331>

<sup>27</sup> Building Homes for NSW project includes the target to provide homes to women and children who are survivors of domestic violence. NSW Government, Building Homes for NSW, at: <https://www.nsw.gov.au/departments-and-agencies/homes-nsw/building-homes-for-nsw>

<sup>28</sup> NSW Government, Department of Communities and Justice, "About affordable rental housing – How are affordable housing rents set?", at: <https://www.facs.nsw.gov.au/providers/housing/affordable/about/chapters/how-are-affordable-housing-rents-set>

<sup>29</sup> NSW Government, "Vocation and educational training", at: <https://www.nsw.gov.au/education-and-training/vocational>

<sup>30</sup> NSW Government, "Homelessness Services", at: <https://www.facs.nsw.gov.au/providers/homelessness-services/our-programs>

<sup>31</sup> NSW Government, "Homeless Youth Assistance Programme", at: <https://www.facs.nsw.gov.au/providers/homelessness-services/our-programs>

<sup>32</sup> NSW Government, "Permanency Support Program", at <https://dcj.nsw.gov.au/service-providers/oohc-and-permanency-support-services.html>

will be temporarily invested in cash, cash equivalent instruments, other investment instruments with relevant restrictions or in reducing revolving indebtedness. TCorp has confirmed to Sustainalytics that the other instruments refer to debt, and short term investment instruments in liquid markets. The temporary use of proceeds will exclude GHG-intensive activities.

- Based on the established tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Reporting:

- TCorp commits to report on bond proceeds allocation and impact of projects on its website on an annual basis until full allocation.
- Allocation reporting will include: i) details of the bonds issued and their face value amount; ii) a description of the projects and the amount of proceeds invested; iii) the amount of allocation or any reallocation of the bonds' net proceeds to each project; iv) the proportion of estimated project costs financed by the bonds; v) the assets or projects eligible for refinancing; and vi) an estimate of the share of financing versus refinancing.
- TCorp communicated to Sustainalytics that impact reporting will include relevant environmental impact metrics, where available, such as GHG emissions (emission savings or offsets in tCO<sub>2</sub>e), number of total passenger trips, removal of litter and sediment (in tonnes) and number of new schools opened.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

### Alignment with the Sustainability Bond Guidelines 2021

Sustainalytics has determined that the NSW Sustainability Bond Framework aligns with the SBG and the four core components of the GBP and SBP.

## Section 2: Sustainability Strategy of New South Wales Government

### Contribution to the New South Wales Government's sustainability objectives, goals and performance

As a government-owned financial service provider, TCorp aligns with the policy direction of the NSW Government, which focuses on the following environmental and social areas.

In 2023, the NSW Government adopted the Climate Change (Net Zero Future) Act 2023<sup>33</sup> which outlines guiding principles for the NSW Government to address climate change. The Act includes the following targets: i) reduce emissions by 50% below 2005 levels by 2030, ii) 70% below 2005 by 2035 and iii) to achieve net zero by 2050.<sup>34</sup> The Net Zero Commission, established through the Climate Change Act, is responsible for monitoring, reviewing and reporting on the government's commitments and progress towards its emissions reductions targets and to provide independent and expert advice on how to approach climate change.<sup>35</sup>

To reduce emissions from the transport sector, in 2022 the NSW Government published its Future Transport Strategy, which includes goals to achieve net zero emissions from its operations and fleet by 2035, and support the transport sector in achieving net zero emissions by 2050.<sup>36</sup> In addition, in 2021 the NSW Government developed the NSW Electric Vehicle Strategy to accelerate the development of electric vehicles (EV) and EV infrastructure in New South Wales.<sup>37</sup> The NSW Government also aims to electrify the government's passenger vehicle fleet procurement by 2030, with an interim target of 50% EV procurement by 2026 (2021 baseline).<sup>38</sup> In addition, NSW Government's Electricity Infrastructure Roadmap outlines the government's 20 year plan to develop state-wide Renewable Energy Zones, which will combine renewable energy generation, storage and delivery to homes.<sup>39</sup> The NSW Government also has programmes focused on nature restoration and protection and waste reduction, including the: 2022-2027 blue carbon strategy,<sup>40</sup>

<sup>33</sup> NSW Government, "Climate Change Act 2023", (2023), at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/climate-change-net-zero-future-act-2023>

<sup>34</sup> Ibid.

<sup>35</sup> NSW Government, "Net Zero Commission", at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/net-zero-commission>

<sup>36</sup> NSW Government, "Future Transport Strategy", (2022), at: <https://www.future.transport.nsw.gov.au/documents/future-transport-strategy>

<sup>37</sup> NSW Government, "NSW Electric Vehicle Strategy", (2021), at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/electric-vehicle-strategy>

<sup>38</sup> NSW Government, "NSW Electric Vehicle Strategy", (2021), at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/electric-vehicle-strategy>

<sup>39</sup> NSW Government, "Electricity Infrastructure Roadmap", at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/major-state-projects/electricity-infrastructure-roadmap>

<sup>40</sup> NSW Government, "Blue Carbon Strategy", at: <https://www2.environment.nsw.gov.au/topics/water/coasts/blue-carbon-strategy>

which provides a roadmap to restore coastal and marine biodiversity and ecosystems; and the ) Waste and Sustainable Materials Strategy 2041<sup>41</sup> which presents targets such as: i) reducing the total waste generated by 10% per person by 2030; ii) achieving an 80% average recovery rate from waste streams by 2030; iii) reducing litter by 60% by 2030 and plastic litter by 30% by 2025; and iv) halving the amount of organic waste sent to landfill by 2030.<sup>42</sup>

To advance the actions on social objectives, in 2018, the NSW Government established its 20-year infrastructure investment plan, the State Infrastructure Strategy 2018-2038,<sup>43</sup> which aims to support social inclusion and improve living standards, while also improving the use of resources, energy efficiency and climate resilience. As part of the plan, the government commits to promote a wide range of environmental and social initiatives including improving water supply and wastewater treatment, facilitating a low-emission energy supply, upgrading hospitals, enhancing investments in educational infrastructure and increasing social housing supply. Through its Building Homes for NSW programme,<sup>44</sup> the Government has announced a 2024-2025 AUD 6.6 billion (USD 4.3 billion) budget to deliver more social housing, improve maintenance of public housing and support homelessness services, with specific targets including: i) building 8,400 new public homes, prioritizing women and children escaping from family violence; ii) delivering 21,000 affordable and market homes; iii) repair 30,000 public homes in need of repair; and iv) repairing 3,500 Aboriginal Housing Office homes.<sup>45</sup> The NSW Government's 2024-2027 plan for NSW Public Education<sup>46</sup> includes targets to: i) increase enrolment and participation in preschool for all children; ii) deliver the NSW Aboriginal children early childhood education programme; iii) provide schools with staff and specialist needed; iv) enhance vocational training education and training and schools; v) improve access to post-school pathways, including university, training and working for all students.<sup>47</sup> The NSW Regional Health Strategic Plan 2022-2032 includes the following strategic priorities to: i) strengthen the regional health workforce; ii) enable better access to safe, high quality and timely healthy services; iii) keep people healthy and well through prevention, early intervention and education; iv) keep communities informed, build engagement and seek feedback; v) expand integration of primary, community and hospital care; and vi) harness and evaluate innovation to support a sustainable health system.<sup>48</sup> Through its 2023-2026 Women's Strategy<sup>49</sup> the NSW Government focuses on fostering i) economic opportunities and advancement for women; ii) health and well-being, through for example safe communities, understanding of women's and girls' health needs; and iii) participation and empowerment, through rebuilding connections and engaging with communities.

Sustainalytics is of the opinion that the NSW Sustainability Bond Framework is aligned with the NSW Government's overall sustainability strategy and initiatives and will further the NSW Government's action on its key environmental and social priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include: i) land use and biodiversity loss associated with large-scale infrastructure projects; ii) emissions, effluents and waste generated during construction; iii) occupational health and safety; and iv) community relations.

Sustainalytics is of the opinion that TCorp is able to manage or mitigate potential risks through implementation of the following:

- To address land use and biodiversity loss associated with large-scale infrastructure, the New South Wales Environmental Planning and Assessment Act 1979 No 203<sup>50</sup> and the Environmental Planning and Assessment Regulation 2021 No 759<sup>51</sup> establish an environmental impact assessment method. This

<sup>41</sup> NSW Government, "Waste and Sustainable Materials Strategy 2041", at: <https://www.epa.nsw.gov.au/your-environment/recycling-and-reuse/strategic-direction-for-waste-in-nsw/waste-and-sustainable-materials-strategy>

<sup>42</sup> Ibid.

<sup>43</sup> NSW Government, "State Infrastructure Strategy 2018-2038", at: <https://www.infrastructure.nsw.gov.au/sis-2018>

<sup>44</sup> NSW Government, "Building Homes for NSW", at: <https://www.nsw.gov.au/departments-and-agencies/homes-nsw/building-homes-for-nsw>

<sup>45</sup> New South Wales, "Housing 2041", at: <https://www.planning.nsw.gov.au/sites/default/files/2023-03/housing-2041-nsw-housing-strategy.pdf>

<sup>46</sup> NSW Government, "Plan for NSW Public Education", (2023), at: <https://education.nsw.gov.au/content/dam/main-education/about-us/strategies-and-reports/plan-for-nsw-public-education/plan-for-nsw-public-education-booklet.pdf>

<sup>47</sup> New South Wales, "NSW Public Education", at: <https://education.nsw.gov.au/about-us/strategies-and-reports/plan-for-nsw-public-education>

<sup>48</sup> NSW Regional Health Strategic Plan 2022-2023, at: <https://www.health.nsw.gov.au/regional/Publications/regional-health-strategic-plan.pdf>

<sup>49</sup> New South Wales, "2023-2026 Women's Strategy", at: <https://www.nsw.gov.au/women-nsw/nsw-womens-strategy-2023-2026/strategy-brief>

<sup>50</sup> NSW Government, "Environmental Planning and Assessment Act 1979 No 203, current version for 1 January 2024", at:

<https://legislation.nsw.gov.au/view/html/inforce/current/act-1979-203>

<sup>51</sup> NSW Government, "Environmental Planning and Assessment Regulation 2021 No 759", (2021), at: <https://legislation.nsw.gov.au/view/pdf/asmade/sl-2021-759>

method assesses potential environmental, social and economic impacts of proposals for state significant projects before they can be approved. Moreover, the Biodiversity Conservation Act 2016 No 63<sup>52</sup> sets out biodiversity assessments requirements for any development or activity in New South Wales that requires assessment or approval under the Environmental Planning and Assessment Act 1979 No 203. Additionally, the NSW Government has other environmental planning instruments in place to mitigate environmental risks, such as the State Environmental Planning Policies, Local Environmental Plans and Development Control Plans.<sup>53,54,55</sup> Furthermore, TCorp communicated to Sustainalytics that in the process of project evaluation and selection, the AIG will conduct an initial review of proposed eligible projects and assets, which includes outlining a project's potential social and environmental risks and risk mitigation measures.

- With regard to emissions, effluents and waste generated during construction, the Protection of the Environment Operations Act 1997 No 156<sup>56</sup> regulates air emissions, water pollution, noise and waste, including construction and demolition waste. Specifically, the act sets standards for the management and disposal of waste to protect the environment and human health, including requirements for waste containment, treatment and disposal methods. Additionally, the New South Wales' Protection of the Environment Administration Act 1991 No 60<sup>57</sup> establishes a framework for the protection, restoration and enhancement of environment quality. The act focuses on pollution reduction, harmful waste elimination, air quality improvement, recycling, monitoring and reporting of environmental quality, and prosecution for environmental offences.
- Regarding occupational health and safety, the Work Health and Safety Act 2011 No. 10<sup>58</sup> provides the legal framework to protect health, safety and welfare of workers in New South Wales. The Act mandates that employers, or anyone falling under the definition of "person conducting a business or undertaking", have legal obligations to manage hazards and workplace risks. Additionally, the Work Health and Safety Regulation 2017<sup>59</sup> complements the act by providing specific requirements such as managing general OHS risks, addressing specific workplace hazards and implementing control measures.
- With respect to community relations, the Local Government Act 1993 No 30,<sup>60</sup> strengthened by an amendment in 2016,<sup>61</sup> requires local councils to engage with their communities in the development of plans, policies and programmes. Moreover, public and stakeholder participation is mandated in environmental planning and assessments through public hearings, consultations and community participation plans.<sup>62,63</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TCorp has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>52</sup> NSW Government, "Biodiversity Conservation Act 2016 No 63, current version for 24 May 2024", at: <https://legislation.nsw.gov.au/view/html/inforce/current/act-2016-063>

<sup>53</sup> NSW Government, "State Environmental Planning Policies", at: <https://www.planning.nsw.gov.au/policy-and-legislation/state-environmental-planning-policies>

<sup>54</sup> NSW Government, "Local planning and zoning", at: <https://www.planning.nsw.gov.au/plans-for-your-area/local-planning-and-zoning>

<sup>55</sup> NSW Government, "Development Control Plans", at: <https://www.planningportal.nsw.gov.au/DCP>

<sup>56</sup> NSW Government, "Protection of the Environment Operations Act 1997 No 156, current version for 3 April 2024", at: <https://legislation.nsw.gov.au/view/whole/pdf/inforce/2024-06-24/act-1997-156>

<sup>57</sup> NSW Government, "Protection of the Environment Administration Act 1991 No 60, current version for 3 April 2024", at: <https://legislation.nsw.gov.au/view/whole/html/inforce/current/act-1991-060>

<sup>58</sup> NSW Government, "Work Health and Safety Act 2011 No. 10, current version for 24 June 2024", at: <https://legislation.nsw.gov.au/view/whole/html/inforce/current/act-2011-010>

<sup>59</sup> NSW Government, "Work Health and Safety Work Health and Safety Regulation 2017, current version for 21 June 2024", at: <https://legislation.nsw.gov.au/view/whole/pdf/inforce/2024-06-24/sl-2017-0404>

<sup>60</sup> NSW Government, "Local Government Act 1993 No 30, historical version for 1 March 2024 to 30 May 2024", at: <https://legislation.nsw.gov.au/view/whole/pdf/inforce/2024-05-27/act-1993-030>

<sup>61</sup> NSW Government, "Local Government Amendment (Governance and Planning) Act 2016 No 38, current version for 15 December 2018", at: <https://legislation.nsw.gov.au/view/whole/pdf/inforce/2024-06-21/act-2016-038>

<sup>62</sup> NSW Government, "Environmental Planning and Assessment Act 1979 No 203, current version for 1 January 2024", at: <https://legislation.nsw.gov.au/view/html/inforce/current/act-1979-203>

<sup>63</sup> NSW Government, "Environmental Planning and Assessment Amendment Regulation 2018, No 66", at: <https://legislation.nsw.gov.au/view/pdf/asmade/sl-2018-66>

### Section 3: Impact of Use of Proceeds

All 11 use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

#### Impact of clean transportation in New South Wales

The transport sector accounted for 30% of total energy consumption in New South Wales in 2022,<sup>64</sup> increasing four percentage points in the preceding decade.<sup>65</sup> Moreover, the population of New South Wales is expected to grow from 7.7 million in 2016 to 9.9 million by 2036, leading to a projected increase of 113% in train trips, 48% in bus trips, and 30% in car trips by 2036.<sup>66</sup> In this context, investments in smart, connected and resilient infrastructure are essential across New South Wales to accommodate population growth and ensure public access to sustainable transportation modes.<sup>67</sup>

The NSW Government has committed to achieving net zero emissions by 2050, with interim targets to reduce greenhouse gas emissions by at least 50% by 2030 and 70% by 2035, compared to 2005 levels.<sup>68, 69</sup> To support these targets, Transport for NSW has developed a Future Transport Strategy.<sup>70</sup> This strategy aims to invest in battery-electric buses, support the transport sector in adopting electric buses, cars, trucks, trains and develop wider footpaths and cycle lanes.<sup>71</sup> Between 2015 and 2023, New South Wales transport entities invested more than AUD 82 billion (USD 55.2 billion) in transport infrastructure.<sup>72</sup> In its 2024-2025 budget, the NSW Government has committed to deliver AUD 119.4 billion (EUR 74.4 billion) in infrastructure investments over the following four years, with significant funding allocated to investments in essential transport infrastructure and technology upgrades.<sup>73</sup>

The Sydney Metro City and Southwest is one of the key initiatives being developed by the NSW Government to deliver fully accessible fleets, and an eligible project under the Framework.<sup>74</sup> The project aims to be carbon neutral from construction to operation, emphasizing resource efficiency by reducing water use, energy consumption and waste at all stages.<sup>75</sup> More specific targets of the project include: i) reducing by at least 20% carbon emissions associated with construction, when compared to business as usual; ii) reducing by at least 15% the environmental footprint of all materials compared to business as usual; iii) sourcing at least 30% of the water used in construction and operations from non-potable sources.<sup>76</sup> The Sydney Metro has also implemented a Construction Environmental Management Framework, addressing the management of environmental impacts, including soil and water quality, waste management, flora and fauna, stakeholder and community involvement.<sup>77</sup> Additionally, the project received ISO 140001 certification for its Environmental Management System.<sup>78</sup>

Given this context, Sustainalytics considers that TCorp's investments in infrastructure and improving access to transport are expected to support the NSW Government's efforts in reducing the transport sector's GHG emissions and improving access to transport in New South Wales and Australia more broadly.

<sup>64</sup> Australian Government, Department of Industry, Science, Energy and Resources, "Table E: Australian energy consumption, by state and territory, by industry, energy units", (2023), at: <https://www.energy.gov.au/publications/australian-energy-update-2023>

<sup>65</sup> Australian Government, Department of Climate Change, Energy, the Environment and Water, "Energy Consumption", (2021), at: <https://www.dceew.gov.au/climate-change/publications/national-greenhouse-accounts-2021/state-and-territory-greenhouse-gas-inventories-annual-emissions#daff-page-main>

<sup>66</sup> Infrastructure NSW, "Building Momentum State Infrastructure Strategy 2018-2038", (2018), at: [https://insw.sis.visualise.today/documents/INSW\\_2018SIS\\_BuildingMomentum.pdf](https://insw.sis.visualise.today/documents/INSW_2018SIS_BuildingMomentum.pdf)

<sup>67</sup> Ibid.

<sup>68</sup> NSW Government, "Net Zero Plan Stage 1: 2020-2030", (2020), at: <https://www.energy.nsw.gov.au/sites/default/files/2022-08/net-zero-plan-2020-2030-200057.pdf>

<sup>69</sup> NSW Government, "The Climate Change (Net Zero Future) Act 2023", at: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/climate-change-net-zero-future-act-2023>

<sup>70</sup> NSW Government, "Future Transport Strategy", (2022), at: <https://www.future.transport.nsw.gov.au/documents/future-transport-strategy>

<sup>71</sup> Ibid.

<sup>72</sup> NSW Government, "NSW Budget 2024-25", at: <https://www.budget.nsw.gov.au/sites/default/files/2024-06/Budget-Paper-No.1-Budget-Statement-Budget-2024-25.pdf>

<sup>73</sup> Ibid.

<sup>74</sup> NSW Government, "Sydney Metro Review", (2023), at: <https://www.nsw.gov.au/media-releases/sydney-metro-review>

<sup>75</sup> NSW Government, "Sustainability Report 2023", at: <https://www.sydneymetro.info/media/document/41561>

<sup>76</sup> NSW Government, "Sustainability Report", (2023), at: <https://www.sydneymetro.info/media/document/41561>

<sup>77</sup> Sydney Metro, "Environmental management", at: <https://www.sydneymetro.info/sustainability/environmental-management>

<sup>78</sup> Ibid.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the NSW Sustainability Bond Framework are expected to help advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Clean Transportation	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
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
Green Buildings	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
Energy and Resource Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in 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
Environmentally Sustainable Management of Living, Natural Resources and Land use, Terrestrial and Aquatic Biodiversity Conservation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Affordable Basic Infrastructure	6. Clean Water and Sanitation	6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	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	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
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
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
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
Socioeconomic Advancement and Empowerment	1. No poverty	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. Reduce Inequalities	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 has developed the NSW Sustainability Bond Framework under which it may issue green, social and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects that deliver positive environmental and social outcomes, align with and contribute towards meeting the UN SDGs and support the NSW Government’s environmental and social objectives. Sustainalytics considers that the projects eligible under the NSW Sustainability Bond Framework are expected to provide positive environmental and social impacts.

The NSW Sustainability Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the NSW Sustainability Bond Framework is aligned with the overall sustainability strategy of TCorp and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 1, 3, 4, 6, 7, 8, 9, 10, 11, 14 and 15. Additionally, Sustainalytics is of the opinion that TCorp has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that TCorp is well positioned to issue green, social and sustainability bonds and that that NSW Sustainability Bond Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021 and the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

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