

Recovery and growth

Annual Report 2020



About this report

This is the second annual report of the NSW Sustainability Bond Programme. The report will continue to be published on an annual basis over the life of the Programme. The report provides an overview of the Programme, our governance and certification/assurance, and how bond proceeds were utilised, including dollar amounts and details of each project. The report is intended to cover the Programme as a whole, while highlighting last year's bond issuance and the projects/assets brought into the asset pool that year.

All dollar amounts quoted are Australian, unless otherwise noted.

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Feedback

We welcome your feedback on our report to help improve future editions – please contact Nic Tan, Associate Director at the Office of Social Impact Investment on +61 2 9228 3191 and the Head of Marketing at TCorp on + 61 2 9325 9325.

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Year in review

Largest sustainability bond issued in Australia

- Issued the inaugural 5-year \$1.8bn Sustainability Bond in November 2019
- First Australian semi-government authority to issue a sustainability bond
- Transaction is the largest single sustainability bond issue to date in the Australian dollar market

Contributed to NSW communities and people

- Earmarked five sustainable water and wastewater management programmes to be refinanced by the Sustainability Bond: Green Square, Astrolabe Park, Strangers Creek, Powells Creek and Cooks River
- Earmarked two social programmes designed to improve access to essential services to be refinanced by the Sustainability Bond: Transport Access Program and Public School Infrastructure
- The new projects add to the three projects that were included in the 2018 inaugural Green Bond

Strong governance maintained

- Guided by NSW Sustainability Bond Framework, which has been reviewed by Sustainalytics
- Aligned to NSW Government’s sustainability policies and goals
- Asset pool overseen by the NSW Sustainability Committee
- Sustainable Finance Steering Committee established by NSW Treasury to drive and deliver on a sustainable finance agenda for the state of NSW

Awards and recognition

- Won five industry awards both locally and globally for the Sustainability Bond issued in November 2019

Diversified our investor base

- The Sustainability Bond issued in November 2019 attracted seven new investors and 14 repeat investors from the 2018 Green Bond
- The NSW Sustainability Bond Programme continues to attract investors to the ESG market, including offshore investors

FY19 assets align with the following SDGs





Post fire regrowth in Timbillica, NSW.
Picture courtesy of Alex Pike, Department of Planning, Industry and Environment.

A message from NSW Treasury



In reflecting on another highly successful year for TCorp's Sustainability Bond Programme, I can't help but think back to a time before its 2018 launch and the work that went into devising it.

While instruments such as green bonds had been widely issued in other jurisdictions, the TCorp move to establish this Programme was ground-breaking for Australia – and the result of close and sustained collaboration between Treasury, TCorp, the Department of Planning, Industry and the Environment and the Office of Social Impact Investment.

The goal was to develop a Programme that would stand the test of time. In consultation with these bodies and guided by the UN Sustainable Development Goals and ICMA principles, TCorp developed a framework that gave local and global investors the confidence that this Programme would deliver on its mission and objectives. It remains one of the most rewarding initiatives in which I've ever been involved.

Having now joined NSW Treasury from TCorp, I am delighted that the partnership is stronger than ever, and I applaud the work all stakeholders have done together to evolve the framework. It underpins a Programme that continues to meet market, stakeholder, community and investor expectations, based on sound governance principles and leveraging global best practice.

For its part, NSW Treasury has sharpened its focus on contributing to the whole-of-state approach to sustainability, creating a small dedicated sustainable finance team to collaborate across the NSW Government family. Its remit includes examining all relevant environmental, social and governance issues that could drive significant financial impacts, risks and opportunities for the state of NSW, such as climate change.

In seeking to better understand how climate change will affect the NSW economy and the NSW Government's fiscal position over the next 40 years, NSW Treasury will also be looking to incorporate climate change modelling into the Intergenerational Report to be published in early 2021. This will be the first such report in Australia, and one of the first globally, to include modelling of the key risks of climate change on the long-term fiscal and economic outlook. This is another example of how NSW Treasury and the wider work of the

Sustainability Bond Programme is aligned with and builds upon the state's key net zero emissions initiatives.

This Programme has delivered on two key metrics – provide an opportunity for investors to allocate capital to positive outcomes and diversify the investor base. The latter is particularly important in the COVID era where virtually all major economies are looking to raise targets for debt funding.

The Sustainability Bond Programme remains a relatively small part of overall funding and is unlikely to overtake the mainstream program in the short term. This is because there is a need to earmark assets to the bonds issued, and there needs to be a level of rigour and analysis before such assets are included in the pool. That pool of assets will grow over time but only if the level of transparency and detail of reporting can be achieved to maintain the Programme's integrity and maintain investor confidence.

Having said that, this sector is no longer niche, and corporations and governments are paying ever closer attention to sustainable finance and its implications. We must keep moving the narrative forward and, to that end, the establishment of NSW Treasury's Sustainable Finance Steering Committee and the release of NSW Government's Net Zero Plan Stage 1: 2020-2030 are good examples of relevant key initiatives.

In closing, my thanks go out to all of the passionate and dedicated people across TCorp, NSW Treasury and the rest of the NSW Government family who have devoted themselves to the highest standards of transparency and accountability and delivered a truly world-class Programme, the benefits of which will be felt by the people of NSW for generations to come.

Katherine Palmer

Executive Director, Financial Risk Management,
NSW Treasury

A message from TCorp



TCorp's remit is to create a stronger NSW. In a year like no other, there has never been such a need to help drive recovery and growth.

Drought, bushfires, floods and COVID-19 have had considerable impact on the NSW economy in 2020. TCorp was called upon to play its part in underpinning the NSW Government's agenda as it focused on community health and safety, along with programmes to support individuals and businesses.

It was, with hindsight, the perfect time for the first issuance under our Sustainability Bond Programme to have a social dimension, with projects aimed at making a positive impact across the population by enhancing accessibility to transport infrastructure and increasing investment in education.

TCorp's total funding task in FY20 was substantial and while the Sustainability Bond Programme issuances are relatively smaller, they are no less significant. The concept of green and sustainable bonds is still developing in the Australian market but we are seeing increased investor interest in our Programme. These bonds are scarce in the market and were tightly held by investors even while market conditions were weakening significantly in March this year where we witnessed net selling.

While TCorp's Sustainability Bond Programme remains the largest in Australia and occupies a unique space among semi-government authorities, we are mindful of safeguarding the governance of the Programme and the integrity of the asset pool. This is essential in order to align with NSW Government policy and objectives as well as global metrics such as the United Nations Sustainable Development Goals, ICMA principles and, where appropriate, Climate Bonds Certification.

Importantly, our Programme also reflects the growing desire by very large institutional investors, such as Australia's major superannuation funds to invest in areas that accord with their mission and values – and those of their members. We have a great many conversations with investors to ensure we can deliver outcomes that align with their values. They too understand the positive impact such investment strategies can bring to the growth and recovery agenda.

With this year's issuance and the inclusion of social assets in the bond, we attracted a similar number of investors as the inaugural Green Bond issuance in

2018 (56 for this bond, compared to 57 for the Green Bond) and attracted seven new investors to the Programme, further diversifying our investor base.

The TCorp team is delighted with the level of international recognition our Sustainability Bond Programme has received, with five awards. I'm particularly proud of the Environmental Finance Bond Award where the TCorp bond competed against European issuers. This positions NSW as being at the forefront of sustainability initiatives and further enhances our global credibility.

Those awards, and the success of the Sustainability Bond Programme in general, are the result of hard work from many dedicated people across the NSW Government family. The Programme, and its robust governance and reporting frameworks, would not be possible without the collaboration of NSW Treasury, the Department of Planning, Industry and the Environment (DPIE) and the Office of Social Impact Investment (OSII), ably assisted by the NSW Sustainability Committee, the Asset Identification Group and the Reporting Group.

Issuances under this Programme are a whole-of-government transaction and everyone involved with the Programme is very proud to work on achieving outcomes that align with the NSW Government's goals and the Premier's priorities. We are enormously grateful for the flexibility afforded us through the Sustainability Bond Framework to be able to incorporate a range of green and social assets.

The work of the members of the NSW Sustainability Committee, DPIE, OSII and, of course NSW Treasury has been crucial in being able to deliver on the Programme and our issuance this year. Each and every one of us is passionate and committed to making a difference for the people of NSW.

Fiona Trigona
Head of Funding & Balance Sheet,
TCorp

Sustainability and resilience in NSW

State policy and initiatives

With a population of close to eight million and Australia's largest state economy, the NSW Government is committed to maintaining a strong economy, improving the quality of life for the people of NSW and protecting the environment. Integral to this is embedding environmental, social and governance (ESG) factors into decision-making for the state. The government has continued to demonstrate leadership and focus in achieving this through various initiatives and policies that will complement and further support the Sustainability Bond Programme. Below we highlight some of these initiatives and policies.

Sustainable Finance Steering Committee

NSW Treasury established the Sustainable Finance Steering Committee in 2020, reinforcing and elevating precursor efforts to drive and deliver a sustainable finance agenda for the state of NSW. The Steering Committee will work collaboratively with cross-sector representatives from government agencies and businesses to formulate and implement this agenda, which aims to catalyse action to responsibly manage the risks and opportunities posed by climate change to the NSW state balance sheet. The Steering Committee builds on and supports the ongoing whole-of-government work, including the Department of Planning, Industry and Environment's Climate Risk Ready NSW programme.

NSW 2040 Economic Blueprint

Launched in 2019, the [NSW 2040 Economic Blueprint](#) outlines a plan for NSW to invest in a positive future with a range of aspirations including producing the nation's first trillion-dollar economy, supporting healthy, productive people and creating a sustainable environment. The Blueprint identifies climate change as the primary driver for negative impacts on our natural environment and points to the necessary transition to non-fossil fuel technologies, including hydrogen. This position will inform the state's investment strategy, working with the local market and international investors to grow the economy with sustainable projects, emerging industries and energy sources.

Net Zero Plan Stage 1: 2020-30

Released in March 2020, the [Net Zero Plan Stage 1: 2020-30](#) aims to fast track emissions reductions over the next decade in NSW. This Plan will help the NSW Government diversify revenue and funding to support public environmental outcomes, build and steward markets to grow our environmental goods and services sector, mobilise new partnerships to fund and deliver shared environmental values, attract new investors, and help our economy align with global trends.

NSW decarbonisation innovation study

In August 2020, the NSW Chief Scientist & Engineer released the report '[Opportunities for prosperity in a decarbonised and resilient NSW](#)'. The report provides guidance to the NSW Government, businesses, investors and communities on the major prosperity and economic opportunities for NSW that arise from decarbonisation and climate change adaptation. The report identifies opportunities that:

- Are the most technically feasible based on current or foreseeable future technologies
- Are the most economically feasible without long-term dependence on external incentives and
- Have the potential to increase economic productivity and incomes, create jobs, and grow industries and exports.

20-year waste strategy

The Department of Planning, Industry and Environment is leading the development of a [20-year waste strategy](#) for NSW. Once completed, it will provide a long-term strategic focus where communities, industry and all levels of government are working together to build resilient services and markets for waste resources. Key to enacting this will be changes in use and reuse patterns, supported by new technologies and appropriate waste and resource recovery systems. The 20-year waste strategy will contribute towards NSW's realisation of a circular economy in which resources are valued by keeping products and materials in use for as long as possible.

State public education

The NSW Government's vision for the state public education system is to be Australia's best and one of the finest in the world, as set out in the [Strategic Plan 2018-2022](#). The strategy focuses on [six priority areas](#) to prepare young people for rewarding lives as engaged citizens in a complex and dynamic society. The priority areas include:

- Improving school performance
- Improving teaching quality
- Strengthening school leadership
- Improving school infrastructure
- Building career pathways beyond school and
- Making the NSW public education system a great place to work.

Social housing

[Future Directions for Social Housing](#) is the NSW Government's 10-year plan to drive better outcomes for social housing tenants. The strategic plan is underpinned by three priority areas: more social housing; more opportunities, support and incentives to avoid and/or leave social housing; and a better social housing experience.

eHealth in NSW

The NSW Government's [eHealth Strategy 2016–2026](#) maps the vision for a digitally enabled and integrated health system delivering patient centered health experiences and quality health outcomes. This will be achieved via investment in seven key areas: core clinical systems; integrated care solutions; workforce and business management systems; data and analytics; access to information; infrastructure, security and intelligence; and innovation.

Resilience NSW

Demonstrating the NSW Government's commitment to economic, social and environmental sustainability and cross-sector collaboration, [Resilience NSW](#) was created in 2020 to be the lead disaster management agency for NSW, responsible for all aspects of disaster recovery and building community resilience to future disasters. The agency oversees and coordinates emergency management policy and service delivery with a focus on social, economic, infrastructure and natural environment outcomes.

The recovery agenda

A conversation with Commissioner Shane Fitzsimmons, Resilience NSW

The 2021 NSW Australian of the Year, Shane Fitzsimmons AFSM was the calm, collected and empathetic face of NSW's response to the 2019-20 bushfire crisis as the Commissioner of the NSW Rural Fire Service. In April 2020, Shane was appointed Commissioner of Resilience NSW and Deputy Secretary Emergency Management. Resilience NSW will lead and coordinate disaster management and recovery, learning from experience to drive strategies and investment to reduce risk and build resilience of NSW communities.



What makes Resilience NSW unique from other government agencies?

Resilience NSW has been created to lead the whole-of-government effort, starting from prevention right through to recovery. By taking the learnings from the past year in dealing with drought, bushfires, floods and COVID-19, we will be championing a coordinated approach across any disaster.

There has never been a more important time to make sure that communities devastated by natural disasters and pandemic get the help they need to rebuild and recover.

We have seen huge collaboration across government this year, united by a vision to support the people of NSW. There have been a lot of initiatives; cross agency taskforces were quickly established to respond to multiple disasters and the capability of Service NSW was harnessed to stand up a dedicated customer care model. That was initially put in place for bushfire assistance but has also supported the COVID recovery. People are agnostic about which part of government helps them, they just want a clear, easy-to-access pathway to information and assistance.

Our vision is for resilient communities, that means people feel confident in preparing for and responding to disasters, as well as being supported during the recovery and healing process.

What are the key priorities for Resilience NSW over the next three months?

The principal mandate when the agency was stood up was recovery, recovery, recovery. This is not a simple task given the compounded impacts of a decade-long drought, floods, storms, bushfires and now the pandemic. There has been a substantial amount of work done, but we all know that recovery will take many years and we are committed to supporting that.

We coordinated the largest bushfire clean up ever seen in our state. Over 3,600 properties were cleared, providing 1,000 jobs – and 99% of those contracts went to local subbies. We are providing over 200 temporary accommodation pods allowing people to stay on their properties while they rebuild.

There have been grants to small businesses, primary producers and individuals as well as targeted industry support, running into hundreds of millions of dollars. We have also put systems in place to ensure help is available locally for people across regional NSW.

In August, the NSW Government accepted all 76 recommendations of the NSW Bushfire Inquiry Report, with further work to be done on specific timelines to give communities assurance that changes will be made to keep them safe. Resilience NSW has been tasked with leading the coordination and implementation of the Inquiry's recommendations and this is a critical piece of work for the state.

We're a brand new, executive agency and one of our short-term priorities is to form up our detailed remit and organisational structure. So far we've done a huge amount of engagement across government and the private sector to ensure that Resilience NSW will be a meaningful addition. I'm pleased that the establishment of the new agency has been well embraced, recognising the need for continued, coordinated efforts with a keen focus on planning, preparation, emergency management and recovery.

What does success look like for Resilience NSW?

Our vision is to create resilient communities across the state, and to play an assurance role to government about the resilience of those communities. No single agency has played that role before; this single assurance point is a consistent theme coming out of both the NSW Bushfire Inquiry and Royal Commission. We will develop a framework to model risk and identify resilience priorities across NSW to shape major infrastructure investment, along with critical infrastructure and land use planning decisions.

We are also committed to the Premier's priority of people only needing to tell their story once – not to a whole range of government departments. To ensure better outcomes for people who make contact through evacuation centres, disaster welfare assistance points, recovery centres, the bushfire customer care line, council led community outreach programs, or through non-government partner agencies, Resilience NSW will champion the development of tools. This will mean people won't have the trauma of having to share their experience on multiple occasions, and can access assistance swiftly.

There are four key outcomes we will target:

- **People** feeling confident and prepared. They are empowered to manage their risk and supported to recover, have clear, consistent information on risks and warnings, what to do and how to get help
- Enabling **local communities** to manage delivery with the right support, in local context
- **Critical infrastructure and industry** collaboration to minimise risk of disruption and quickly resume social and economic activity
- Ensuring the **state government** acts in a joined-up way to build resilience, flex to crises and minimise risk to achieving the desired outcomes for NSW.

What do you see as the relationship between resilience and sustainability?

Delivering on the outcomes Resilience NSW has set for itself will contribute to more than just disaster preparedness and an ability to recover quickly, they will make NSW an investment destination of choice. Feeling resilient rather than vulnerable drives confidence – and investment relies on confidence.

Communities, investors and stakeholders can rely on the knowledge that NSW is continuously striving toward being a safer place to live, work and invest. We are committed to learning, especially from the lessons that have come out of everything the state has been through this year. From bushfires to floods, drought to storms, all against the backdrop of COVID, have shown us that we need a sustained focus on planning, preparedness, emergency management and prevention that apply across the spectrum of disasters and adverse events.

The NSW Sustainability Bond Programme

Overview

The NSW Sustainability Bond Programme provides investors with the opportunity to be part of a more sustainable future by helping to finance projects that support positive and transparent economic, social and environmental outcomes for the community. Further, it supports the NSW Government's long-term environmental and social objectives, as well as Australia's ongoing commitment to meeting the United Nations Sustainable Development Goals (UN SDGs).

A sound governance architecture underpins the Programme and includes the NSW Sustainability Committee which is primarily guided by the [NSW Sustainability Bond Framework](#). Oversight of the projects that are included in the asset pool and allocation of the bond proceeds against this pool is undertaken by the NSW Sustainability Committee and includes representatives from NSW Treasury (including the NSW Office of Social Impact Investment), TCorp, and the NSW Department of Planning, Industry and Environment.

Under the Programme, TCorp can issue green, social and/or sustainability bonds. Each issuance's classification is determined based on the primary objectives of the underlying projects.

In November 2019, TCorp issued its inaugural 5-year, \$1.8bn Sustainability Bond, which introduced two social and five new sustainable water and wastewater management assets into the Programme. This transaction represents the first issuance of a sustainability bond by an Australian semi-government authority and complements the 10-year, \$1.8bn Green Bond issued in 2018. At the date of publication of this report, this transaction is the single largest sustainability bond issue in the Australian dollar market. In September 2020, this bond was increased by \$300mn via tender bringing the total amount on issue to \$2.1bn.

Under the Programme, TCorp continues to offer Green Term Deposits to the NSW local government sector. The net proceeds from these deposits are earmarked against the same pool of eligible assets as the Green Bond, with Climate Bonds Certification received in August 2019.

The formidable rise of sustainable investing in Australia and overseas

The total value of impact investment products offered to Australian investors has risen by approximately 250% over the past two years – from \$5.7bn at 31 December 2017 to \$19.9bn at 31 December 2019, according to [Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020](#) by Responsible Investment Association Australasia (RIAA). Green, social and sustainability (GSS) bonds dominate the value of impact investment products at \$17bn or 85% of the Australian market. Survey respondents indicated a desire to increase their allocation towards impact investments by more than fivefold to \$100bn over the next five years.

The global impact investing market remains dominated by sovereign, supranational and agency bonds. The unprecedented impact of COVID-19 throughout 2020 has led to the further development of the GSS bond market. While the green bond market is still the largest by issuance volume, a [June 2020 ICMA Quarterly Newsletter](#) stated that the socioeconomic impacts arising from the COVID-19 pandemic have seen growth in social (+155%) and sustainability bonds (+65%) across the globe to combat the crisis.

With the recent increase in investment and demand for social assets, the International Capital Markets Association released an update to its Social Bond Principles in June 2020 to provide additional guidance for issuers and investors as the social and sustainability bond market develops, alongside the more mature green bond market.

The vision for the NSW Sustainability Bond Programme is to:

lead the way in sustainability bonds in Australia and demonstrate pathways to mobilise capital to support projects with positive environmental and/or social outcomes.

The aim for the Programme is to:

- Seek ways for finance to contribute towards meeting the UN SDG outcomes
- Support the development of the wider sustainable finance sector
- Draw upon and contribute to global best practice in the discipline of impact and outcomes measurement, reporting and transparent disclosure of sustainability outcomes
- Highlight and influence the embedding of sustainability practices through the lifecycle of government assets and programmes
- Inspire innovative cross-government solutions to NSW's most pressing environmental and social problems
- Provides a mechanism for investors to contribute capital that supports the environmental and social objectives of the NSW Government to diversify TCorp's investor base
- Contribute to NSW Treasury's focus on delivering a sustainable fiscal environment, enabling better outcomes.

What are green, social and sustainability bonds?

These bonds are defined by the International Capital Markets Association:

- Green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (GBP).
- Social bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (SBP).
- Sustainability bonds are bonds where the proceeds will be exclusively applied to finance or refinance, a combination of both Green and Social Projects. Sustainability bonds are aligned with the four core components of both the GBP and SBP.

How can the proceeds of our green, social and sustainability bonds be utilised?

The NSW Sustainability Bond Framework was developed by the NSW Sustainability Committee to govern how TCorp may issue 'use of proceeds' bonds in green, social and/or sustainability formats under the Programme. This framework is supported by the internal procedures, processes and controls of the respective agencies represented in the committee and details the overarching goal of demonstrating how bonds will be earmarked to finance or refinance projects and assets that:

- Deliver positive environmental and/or social outcomes
- Align with and contribute towards meeting UN SDGs
- Support the NSW Government's environmental and/or social objectives.

The Sustainability Bond issuance

Helping the NSW Government deliver on green, social and sustainable infrastructure



In 2019, the NSW Government committed to Australia's largest ever infrastructure investment programme, at the time valued at \$93.4bn. This programme coincided with heightened investor demand both locally and, in particular, globally for sustainable debt. Moody's estimates the size of the global sustainable debt market was US\$323bn in 2019 and forecasts it to increase to US\$400bn in 2020¹.

The Programme continues to evolve and TCorp is proud to leverage the successes to date across the NSW Government.

Delivering financial impact

TCorp successfully issued the largest sustainability bond in Australia to date, the \$1.8bn March 2025 Sustainability Bond. TCorp was able to issue the bond without incurring a new issue premium, given the strong participation from investors.

The bond attracted 56 investors, seven of them new to TCorp, helping to further diversify the investor base. The results of the issuance show that investors are interested in high quality, sustainable investing over the longer term and increasing their understanding of the NSW Government's social and environmental policies.

In September 2020, this bond was increased by \$300mn via tender resulting in one of the most liquid sustainability bonds on issue in Australia.

During the COVID-19 pandemic, the Green and Sustainability bonds issued by TCorp have been held tightly by investors due to lack of supply and strong demand.

Collaboration

The issuance of this bond would not have been possible without the support and collaborative work across the NSW Government family. This includes the recent Sustainable Finance Steering Committee established by NSW Treasury to accelerate the delivery of the sustainability agenda across the NSW Government.

Details of the initial bond issuance in November 2019 and the results are detailed in Tables 1 and 2. This bond was increased by \$300mn in September 2020 via tender as detailed in Table 3.



Table 1: Description of the November 2019 Sustainability Bond

Bond Type:	Sustainability
Coupon:	1.25%
Size:	\$1.8bn
Currency:	Australian Dollar
Maturity:	20 March 2025
Pricing Date:	14 November 2019
ISIN:	AU3SG0002025
Lead Managers:	Australia and New Zealand Banking Group Limited Merrill Lynch (Australia) Futures Limited National Australia Bank (Arranger)
Assurance Provider:	EY
External Verification:	Sustainalytics
Project Categories:	Clean Transportation; Sustainable Water and Wastewater Management; and Access to Essential Services

Key characteristics:

- Guaranteed by the NSW Government.
- New South Wales was rated Aaa (Stable) by Moody's and AAA (Negative) by Standard & Poor's at the time of issuance.*
- Sustainalytics provided a [Second-Party Opinion](#) on the NSW Sustainability Bond Framework confirming alignment with the 2018 Sustainability Bond Guidelines.
- EY has provided a post-issuance [Independent Reasonable Assurance Report](#) in relation to this annual report which is attached in Appendix 1.

A [Term Sheet](#) with full details of the Bond is available for investors.²

* On 7 December 2020, Standard & Poor's revised its rating for New South Wales to AA+ (Stable) from AAA (Negative).

Table 2: Results of the November 2019 Sustainability Bond issuance

Total amount allocated	\$1.8bn
Total amount of bids received at final price	\$2.545bn
Total amount on issue	\$1.8bn
Yield allocated	1.245%
Exchange for physical (EFP) vs 3-year futures	43.5bps

TCorp was able to further diversify our investor base attracting seven new³ investors for the Sustainability Bond. This bond also attracted 14 repeat investors from the 2018 Green Bond.

Chart 1: Investor type

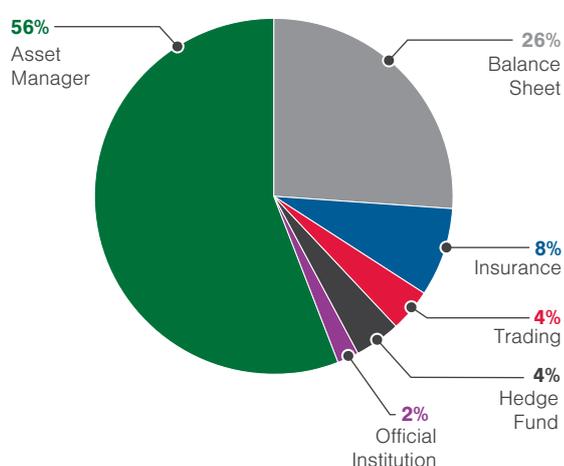
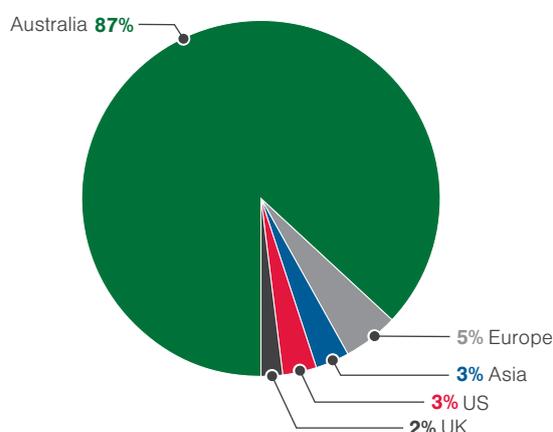


Chart 2: Geographic breakdown



Source: TCorp

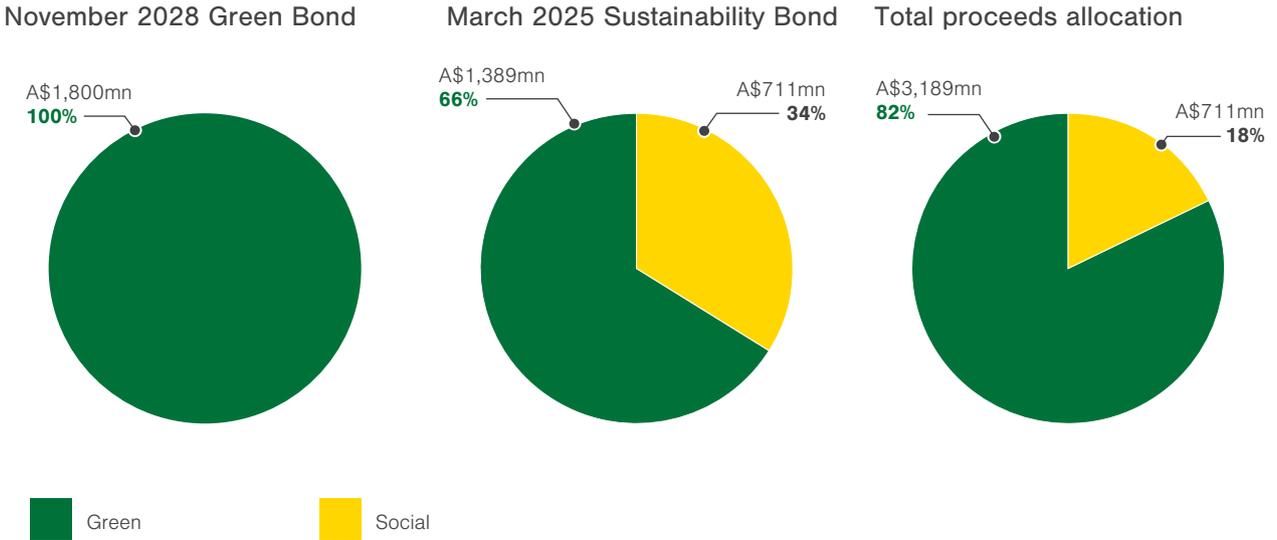
Table 3: Results of the September 2020 increase to the Sustainability Bond

Total amount allocated	\$300mn
Total amount of bids received	\$1.721bn
Total amount on issue after increase	\$2.1bn
Weighted average yield	0.424%
Weighted average accepted spread (EFP vs 3-year futures)	19.875bps

Evolution of the NSW Sustainability Bond Programme

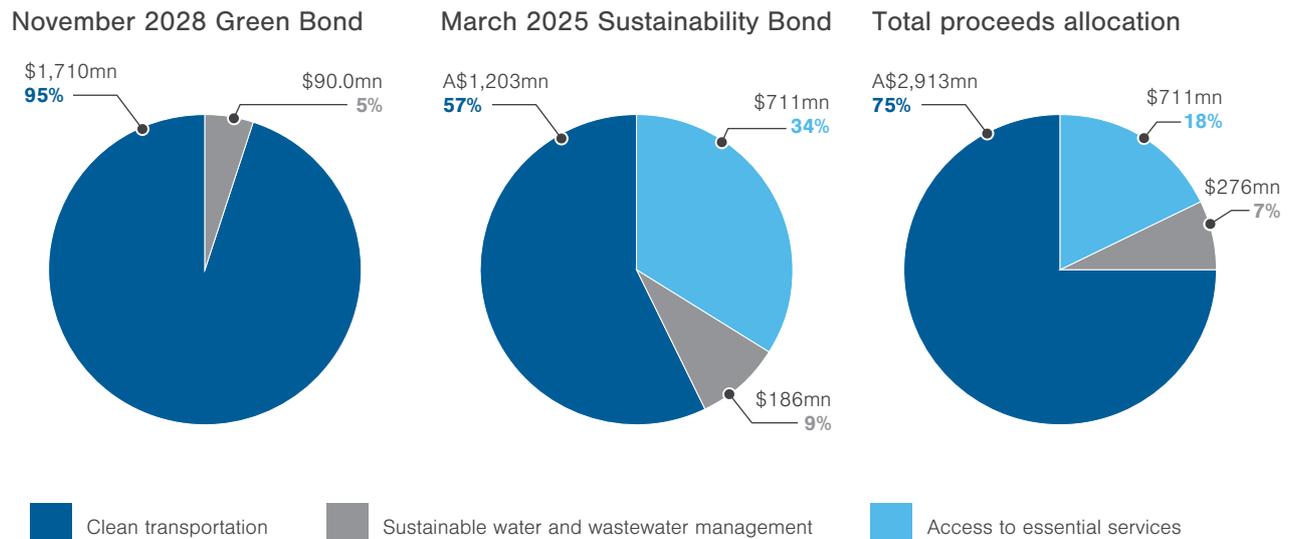
Since inception, the Programme has evolved from an entirely green asset pool in 2018 to the first programme in Australia to introduce both green and social assets. At the time of issuance, the 2019 Sustainability Bond was the largest of its kind in the Australian dollar market and introduced five water naturalisation and stormwater improvement assets and two social assets, a Transport Access Program and Schools Infrastructure Programme, to the asset pool. The asset pool will evolve and encompass more green and social themes over time as the Programme and GSS market continue to develop.

Chart 3: Allocation of proceeds by project type



Source: TCorp

Chart 4: Allocation of proceeds by ICMA category



Source: TCorp



How proceeds of the Sustainability Bond were utilised

Through the work of the NSW Sustainability Committee, the net proceeds raised by the issuance of the Sustainability Bond were earmarked to two new social projects designed to improve access to essential services and five new sustainable water and wastewater management projects, in addition to the assets included in the Green Bond issued in 2018.

Access to essential services

Public school infrastructure



\$502mn of the Sustainability Bond has been allocated towards School Infrastructure NSW (SINSW) within the Department of Education.

SINSW is delivering once-in-a-generation school buildings, major upgrades and maintenance strategies that will ensure every school-aged child has access to high quality education facilities at their local public school.

As part of this, the Sustainability Bond issued in 2019 has allocated \$334mn to the construction of nine new schools and \$168mn to upgrade facilities at 19 existing schools to ensure quality, modern and fit for purpose infrastructure. The works spanned regional and metropolitan NSW and provided 580 new teaching spaces.

This approach prepares the NSW Government to meet future demand for education in parts of NSW where school-aged populations are growing, and to improve the learning experience at existing schools. As a result, NSW schools will continue to be safe and reliable places for learning, built sustainably and increase community pride. This will be evidenced by students' sense of belonging and improved learning.

For the NSW Government, meeting the future educational needs of our students is more than building classrooms. Our kids' education means everything to us – they are the next leaders, the future workforce and the foundation of communities for generations to come. New schools and upgrades provide flexible learning spaces to enable contemporary teaching practices and play spaces to support our students. Recognising the importance of schools, local communities will also be able to make use of school facilities.

NSW Department of Education

Transport Access Program (TAP) – Tranche 3



\$209mn of the TCorp Sustainability Bond has been allocated towards Tranche 3 of the Transport Access Program (TAP 3).

The TAP is Transport for NSW's largest programme with a specific focus on improving access to public transport for people with disability and including those with limited mobility. The TAP is a series of projects to upgrade existing public transport infrastructure across train and ferry networks to meet the requirements under the Australian Disability Standards for Accessible Public Transport 2002 (DSAPT). The work on TAP 3 started in 2018-19 and is expected to be completed by 2022-23. The TAP 3 will include infrastructure upgrades to 58 train stations.⁴

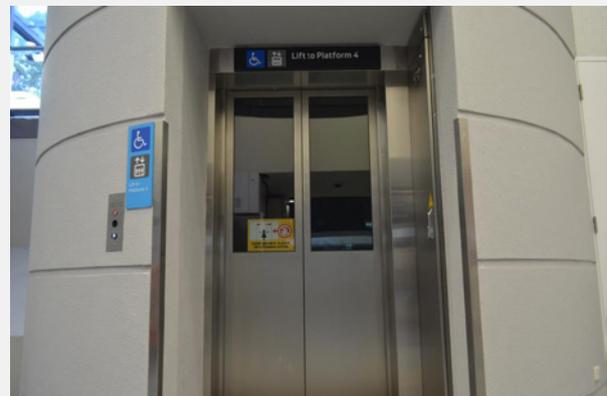
In 2018 there were 1.35mn people across NSW with a disability or 17% of the population. Of these, 31% reported difficulties using public transport.⁵ People who do not identify as having a disability may also have access requirements at various stages in their lives. This includes people travelling

with young children in prams or people with temporary injuries. Older people can also face a range of challenges when using public transport, with the share of NSW residents aged 65 and older projected to increase from 15% in 2017 to 21-23% by 2066.⁶

Meeting DSAPT standards will allow for better access to broader community life, including education, employment and recreation. At the end of 2019-20, with four stations upgraded under TAP 3, close to 59% of the Sydney Trains, Regional Trains and Intercity Trains network was accessible to people with physical disability and limited mobility. At the completion of TAP 3, 73% of train stations are expected to be wheelchair accessible.

The TAP 3 will include upgrades to 13 regional train stations. The upgrades will support Transport for NSW's *Regional NSW Services and Infrastructure Plan*, which recognises regional cities as central hubs for services, employment and social interaction. The work seeks to improve DSAPT compliance at locations underlying the "hub and spoke" transport network, as set out within the *Future Transport Strategy 2056*.

TAP 3 example works



Pictures courtesy of Transport for NSW.

Sustainable water and wastewater management

Improving liveability and the health of our waterways through stormwater naturalisation and revitalisation: Cooks River, Astrolabe Park, Powells Creek & Strangers Creek



\$73mn of the TCorp Sustainability Bond has been allocated to improving liveability and the health of waterways through stormwater naturalisation and revitalisation.

Growing urbanisation and densification of development within our cities has meant that urban water infrastructure must increasingly provide multiple services for the community. Cooks River, Astrolabe Park, Powells Creek and Strangers Creek required renewal as the concrete banks had deteriorated. Reimagining stormwater asset renewal through a naturalisation and revitalisation lens provided the opportunity to rethink the role water infrastructure can play through innovative, integrated design solutions.

Naturalisation replaces the steep, deteriorated, concrete panels with gently sloped riverbanks which are stabilised with sandstone and native plants. Additionally, constructed wetlands such as those installed at the Cooks River and Astrolabe Park, help to improve the quality of stormwater discharged into the local waterway.

The environmental benefits of stormwater naturalisation and revitalisation projects include renaturalised waterways and wetlands, with some sections containing the reintroduction of threatened saltmarsh vegetation, improved water quality, as well as reduced erosion and flood mitigation. The wetlands create unique habitats that improve the biodiversity of the area including a variety of birds, frogs and turtles. By incorporating water and greening into the local landscape, these projects also show a great uplift in community benefits and social amenity with more trees, plants and open space, new cycle and walking paths, sitting areas and signposted viewing platforms.

Sydney Water engaged and collaborated with a broad range of stakeholders and community groups including local residents, businesses, councils and universities. The local communities were highly supportive of naturalising the waterways and remain committed to engaging in ongoing protection and management.



Awarded for excellence

Powells Creek and Cooks River

naturalisation projects have been awarded for excellence in asset management and sustainable management. They feature freshwater wetlands and natural habitat for birds and wildlife, with fauna passageways that link the Cup and Saucer Wetland to the Cooks River and the Mason Park Wetland to Powells Creek. The environmentally friendly natural riverbanks host a variety of native plants which were chosen to emulate local ecological communities.

New boardwalks, interpretive signs, seating and picnic areas, and shared pathways for cyclists and pedestrians allow the community to enjoy these open spaces.

Naturalisation project before and after example: Cooks River



Pictures courtesy of Sydney Water.

Green Square Trunk Stormwater Improvement



\$63mn of the TCorp Sustainability Bond has been allocated towards improving stormwater infrastructure at Green Square where urban renewal is transforming Sydney’s oldest industrial heartland.

The Green Square Trunk Stormwater Drain Project was a collaboration between Sydney Water and the City of Sydney Council to construct a 2 kilometre underground stormwater drain within a densely populated part of inner Sydney. Capable of carrying 30,000 litres of water per second from Zetland to an existing stormwater system at Alexandra Canal, the stormwater drain increases the resilience of the stormwater system, mitigating the risk of flooding during heavy rain periods for the growing number of residents in this area.

In an area of Sydney which experiences widespread flooding, the Green Square Trunk Stormwater Drain Project will have significant environmental and social benefits for flood mitigation, water recycling through stormwater harvesting and water quality improvement. The Green Square project will benefit an estimated 61,000 new residents by 2030, and deliver key environmental and socioeconomic benefits such as:

- increased safety of the local community
- a reduction in drinking water demand in residential buildings^{7,8}
- improved water quality⁹
- enabling future development and growth in 30,500 new dwellings.

Green Square – Excellence in Asset Management

The Green Square Trunk Water Stormwater Improvement project was the Winner of the 2019 Infrastructure Project Innovation Award at the 2019 New South Wales Water Awards (and finalist in the national awards). The project was selected for showcasing the way urban water resources can be utilised, managed and how climate change plays an increasing role in the efficient management of water.



Picture courtesy of Sydney Metro.

Shining a light on the social elements of green assets: Metro North West¹⁰

Northwest Workforce Development and Industry Participation (WFDIP) Program

Metro North West, the first stage of Sydney Metro, is the first fully automated metro rail system in Australia. It delivered 36 kilometres of new metro rail and a reliable public transport service to a region with the highest car ownership levels per household in Australia.

While environmental benefits and climate-change resilience were embedded in the design, construction and operations of the Metro North West, Sydney Metro's holistic approach to delivering sustainable infrastructure means fulfilling its social responsibilities as well.

This was achieved by establishing at the onset the Northwest Workforce Development and Industry Participation (WFDIP) programme and working with industry and government to ensure its implementation. The WFDIP collaborative model, which has since been utilised by wider government, enabled the Sydney Metro Northwest contractors to deliver significant outcomes which supported jobs,

skills and diversity, including employment for:¹¹

- 76 people with disabilities
- 2,943 people from culturally and linguistically diverse backgrounds
- Over 3,000 young people under 25
- Over 1,000 long-term unemployed
- Over 250 young people not in education, employment or training.

In 2018, \$1.6bn of the Green Bond, and in 2019 and 2020, \$1.1bn of the Sustainability Bond was earmarked to the Sydney Metro Northwest project.

Supporting the positive environmental and social outcomes for NSW in FY20

Clean transportation

19,880,567
passenger trips

on public transport (Metro North West line* & Newcastle Light Rail)

100%
offset



of operational electricity needs by solar power (~49 GWh), avoiding GHG emissions by 39,933 tCO₂-e (Metro North West line)**

Sustainable water and wastewater management

100%
of biosolids
recovered***



from wastewater beneficially reused (Water Recycling Plants)

Removed
~300m³ of litter

and ~300 tonnes of combined sediment and litter from installed stormwater quality improvement devices (Waterway naturalisation and stormwater improvements)

Access to essential services

580
new teaching
spaces created

(Public school infrastructure programme)

4

Disability and
mobility access



upgrades completed at train stations (Transport Access Program)

* Sydney Metro Northwest project.

** Calendar year data.

*** ~6,655 tonnes.

**Social benefits of the Metro North West line
– increased employment opportunities**

During the construction of the Metro North West line, the establishment of the Northwest Workforce Development and Industry Participation program enabled employment for:

76 people with disabilities

2,943
people from culturally and linguistically diverse backgrounds

Over 3,000
young people under 25

Over 1,000
long-term unemployed

Over 250
young people not in education, employment or training

NEW SOUTH WALES

Sydney

AUSTRALIAN CAPITAL TERRITORY

VICTORIA

Reporting: NSW Sustainability Bond Programme assets

The tables below outline the assets earmarked against the 2018 Green Bond and inaugural Sustainability Bond issued in November 2019 and increased in September 2020.

Impact reporting is an important and ongoing process. The NSW Sustainability Committee has assigned a Reporting Group to oversee this process and meet regularly throughout the year with asset owners. The impact indicators in Tables 6 to 8 are intended to capture global principles on green and social bonds impact reporting. For assets under construction or in early stages of operation, the impact indicators related to operations contain estimates. Where assets are already operational, impact indicators related to operations contain actual data for FY20, unless otherwise stated. The impact indicators have not been pro-rated for the share of project financed by TCorp debt.

Information on project costs have been provided by the relevant NSW Government entities and NSW Treasury.

Table 4: Use of proceeds statement

Project name	Delivery partner	ICMA GBP or SBP category	Estimated project cost (\$mn)	Share of project financed by TCorp debt (%)	TCorp debt expended on projects as at 30 June 2020 (\$mn)	Cumulative Green Bond proceeds allocation (\$mn)	Cumulative Sustainability Bond proceeds allocation (\$mn)	Total proceeds allocated (\$mn)
Sydney Metro Northwest	Sydney Metro	Clean transportation	7,354 ¹²	58	4,206	1,610	1,103	2,713
Newcastle Light Rail	Transport for NSW	Clean transportation	359 ¹³	100	340	100	100	200
Lower South Creek Treatment Programme	Sydney Water	Sustainable water and wastewater management	354	100	294	90	50	140
Green Square Trunk Stormwater Improvement	Sydney Water	Sustainable water and wastewater management	73	86	63	n/a	63	63
Waterway Naturalisation and Stormwater Improvement	Sydney Water	Sustainable water and wastewater management	73	100	73	n/a	73	73
Transport Access Program – Tranche 3	Transport for NSW	Access to essential services	859	100%	209	n/a	209	209
Public School Infrastructure	Department of Education	Access to essential services	Commercial-in-confidence	Commercial-in-confidence	Commercial-in-confidence ¹⁴	n/a	502	502
Total			9,574	59%	5,688	1,800	2,100	3,900

Table 5: TCorp debt unutilised as at 30 September 2020

Description	\$mn
TCorp debt expended on projects as at 30 June 2020	5,688
TCorp Green Bonds allocated as at 30 September 2020	1,800
TCorp Sustainability Bonds allocated as at 30 September 2020	2,100
TCorp Green Term Deposits allocated as at 30 September 2020	0
Net position – TCorp debt unutilised	1,788

Table 6: Impact indicators – Clean transportation

Project name	Project description	UN SDG	Indicator
<p>Sydney Metro Northwest</p> 	<p>Metro North West is the first stage of Sydney Metro – the largest urban rail infrastructure investment in Australian history.</p> <p>A new high frequency single deck train system connecting Sydney's growing North West with Chatswood.</p> <p>First fully automated metro rail system in Australia, delivering 36km of new metro rail, and eight new and five upgraded railway stations.</p> <p>The line is estimated to provide public transport travel time savings of 10 to 30 mins between popular destination pairs along its route.¹⁵</p> <p>Status: Operational as of May 2019.</p> <p>Target population: General population in Sydney's main statistical area with highest car ownership per household.¹⁶</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>13 CLIMATE ACTION</p> 	<p>18,892,378 total passenger trips.¹⁷</p> <p>100% of grid electricity required for operations (48.7 GWh) is offset by renewable energy through the voluntary surrender of LGCs, avoiding GHG emissions of 39,933 tCO₂-e.¹⁸</p>
<p>Newcastle Light Rail</p> 	<p>A 2.7km system providing a frequent and reliable travel option throughout the city centre, with capacity to transport 1,200 people per hour. The project is a key part of the programme to revitalise Newcastle's city centre.</p> <p>Status: Operational as of February 2019.</p> <p>Target population: General population.</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>13 CLIMATE ACTION</p> 	<p>988,189 total passenger trips¹⁹ and 199,565 million passenger-kilometres.</p> <p>2,509 tCO₂-e total emissions.²⁰</p>

Table 7: Impact indicators – Sustainable water and wastewater management

Project name	Project description	UN SDG	Indicator
<p>Lower South Creek Treatment Programme: Quakers Hill and St Marys Water Recycling Plants Process and Reliability Renewal</p> 	<p>The upgrades to the Lower South Creek water recycling plants aim to increase resilience and liveability for over half a million people in Western Sydney by 2040 and have achieved the highest design sustainability rating from ISCA for a water infrastructure project.</p> <p>Working towards a circular economy, innovative thermal hydrolysis technology will produce a higher grade of stabilised biosolid, an organic product that is used as a nutrient rich soil conditioner.</p> <p>By harnessing waste to create energy, the new facilities will also provide on-site thermal energy recovery and electricity generation post-upgrades.</p> <p>Status: Upgrades under construction, expected completion in 2021.</p> <p>Target population: General population.</p>	  	<p><i>Operations (current)</i></p> <p>100% (or ~6,655 tonnes) of biosolids recovered from wastewater beneficially reused.²¹</p> <p><i>Operations (post-upgrades)</i></p> <p>42% estimated reduction in GHG emissions during construction and across its 50 year operation.</p>
<p>Waterway naturalisation and stormwater improvement</p> 	<p>Replacement of deteriorating concrete sections with sandstone and stabilisation of banks with native plants, trees and rocks.</p> <p>Naturalising the stormwater channels increases the asset life from approximately 80 to 150+ years.</p> <p>Naturalisation and restoration works improve water quality, mitigate flooding, increase amenity and liveability, as well as provide greater park access for the community.</p> <p>Status: Completed in stages up to March 2019 with vegetation establishment periods of 24 months and ongoing maintenance.</p> <p>Target population: General population.</p>	   	<p><i>Infrastructure</i>²²</p> <p>3.8km of waterways naturalised and rehabilitated and over 2 hectares of constructed wetlands built.²³</p> <p>Over 5.5 hectares native vegetation gain²⁴ with more than 300,000 local natives planted including trees, shrubs, grasses, saltmarsh and in stream aquatic species.</p> <p>3.4km of paths and cycleways constructed, around 18 seats installed, and interpretive signage provided.</p> <p><i>Operations</i></p> <p>Removal of ~300 cubic metres of litter²⁵ and 289 tonnes of combined sediment and litter.²⁶</p>
<p>Green Square Trunk Stormwater Improvement</p> 	<p>Construction of a 2 kilometre underground stormwater drain from Zetland to the existing stormwater system at Alexandra Canal.</p> <p>The project significantly reduces flooding in the area, improves water quality and enables future development projects in Green Square.</p> <p>Demand for drinking water is reduced through the harvest and purification of 900 kL/day of stormwater at full capacity – the equivalent of 150 Olympic swimming pools of stormwater every year.²⁷</p> <p>Status: Completed October 2019.</p> <p>Target population: General population.</p>	   	<p><i>Infrastructure</i></p> <p>350 metres of shared paths and cycleways built, connecting to other pathways in the area.</p> <p><i>Operations</i></p> <p>Removal of ~27.8 tonnes of combined litter and sediment.²⁸</p>

Table 8: Impact indicators – Access to essential services

Project name	Project description	UN SDG	Indicator
<p>Public School Infrastructure</p> 	<p>New builds and major upgrades that will provide school-aged children with access to high quality education facilities at their local public school.</p> <p>The new and upgraded schools aim to improve the way classrooms are designed, creating open-planned, interactive and multipurpose indoor and outdoor spaces that include state-of-the-art technology.</p> <p>Status: Ongoing.</p> <p>Target population: Children.</p>	<p>4 QUALITY EDUCATION</p>  <p>10 REDUCED INEQUALITIES</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>Infrastructure</p> <p>9 new schools and major upgrades at 19 schools.</p> <p>580 new teaching spaces created,²⁹ bringing the total for the State to 41,372.³⁰</p> <p>Operations</p> <p>86% of primary and 65% of secondary public school students reporting a sense of belonging, expectations for success and advocacy at school.³¹</p> <p>16,779 enrolments,³² with the total for the State of 822,219.³³</p>
<p>Transport Access Program – Tranche 3 (TAP 3)</p> 	<p>Upgrade of train stations across the Sydney Trains, Regional Trains and Intercity Trains network to improve accessibility for people with disability and including those with limited mobility.</p> <p>The initiative will provide a better experience for public transport customers by delivering accessible, safe and integrated transport infrastructure.</p> <p>Status: Underway, due for completion 2023.</p> <p>Target population: People with disabilities and limited mobility; and parents with prams.</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>10 REDUCED INEQUALITIES</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>Infrastructure</p> <p>4 train station upgrades completed.³⁴</p> <p>Construction³⁵</p> <p>89% (or 1,609 tonnes) of construction waste recycled.</p> <p>43 trees removed and 158 trees planted as offsets.</p> <p>Operations</p> <p>58.6% of NSW train stations accessible to people with physical disability and limited mobility.</p>

Awards and acknowledgments

During the financial year, TCorp won five industry awards in financial markets innovation and expertise for the \$1.8bn 1.25% March 2025 Sustainability Bond issuance.

Environmental Finance Bond Awards 2020

TCorp received international recognition, winning the London-based Environmental Finance Sustainability Bond of the Year Award in the supranational, sub-sovereign and agency category. These awards are given for thought leadership, innovation or best practice and celebrate the leading green, social and sustainability bond deals in the market.



The Asset Triple A Infrastructure Awards 2020

These awards recognise deals in Australia and New Zealand that have made a difference in the infrastructure space and are adjudicated by The Asset’s Board of editors. We were awarded Green Project of the Year for our Sustainability Bond issuance.

KangaNews Awards 2019

These awards recognise excellence in the Australasian debt markets and are based purely on the votes of market participants. KangaNews conducts thorough and intensive polling of participants in the Australian and New Zealand debt markets.

We received two Australian market deal awards:



FinanceAsia Achievement Award 2019

The Sustainability Bond was also awarded the Best Sustainable Finance Deal – Financial Institution by FinanceAsia. The transaction represents the largest AUD-denominated sustainability bond to date; TCorp’s strong brand led to the bond being oversubscribed, closing with more than \$2.5bn in demand.



About TCorp

We work in partnership within TCorp and across the NSW Government family to achieve significant financial impact over the long term to create a stronger NSW.

TCorp provides best-in-class investment management, financial management, solutions and advice exclusively to the NSW public sector. With over \$100bn of funds under management, TCorp is a top five Australian asset manager and is the central borrowing authority of the state of NSW, with a balance sheet of \$112bn. In FY20 we raised a record \$27.8bn of funding.

To benefit NSW – our purpose

Created by the Treasury Corporation Act 1983, we are the financial services provider for the New South Wales public sector. Our remit under the Act is “to provide financial services for the benefit of the Government, public authorities and other public bodies”.

We have the same legal capacity, powers and authorities as a company under the Corporations Act 2001 (Cth), which allows us to raise and manage money to help the NSW Government and, ultimately the people of NSW. Our powers to borrow, invest and undertake financial management transactions are regulated under the Government Sector Finance Act 2018.

TCorp is a part of the state of NSW and our dividend is invested back into the state for the benefit of its people. We have a long and proud history of partnering with the NSW Government family, and assisting them in meeting their objectives through:

- providing finance for the government and NSW public authorities
- managing or advising on management of government and public authority assets and liabilities
- accepting funds for investment from the government and public authorities investing funds
- managing assets and liabilities.

TCorp is the only public sector organisation that acts as both a fund manager and a government central borrowing authority, and can combine both functions for the benefit of our clients.

A strong client focus

Having strong alignment with our clients and a deep understanding of their financial challenges, we seek to be a trusted partner to create solutions that have a positive, lasting impact. We achieve this through a combination of:

- Building close relationships with the NSW public sector, allowing us to navigate, coordinate and facilitate information across government, enabling responses and decision-making.
- Market knowledge and long-standing private sector relationships with partners, local and global banks and fund managers, we provide an informed, holistic financial picture, advising our clients and stakeholders accordingly.
- Demonstrated expertise in financial and investment management and advice.

Our mission

To provide best-in-class financial management, solutions and advice to the NSW Government family.

References

- 1 Moody's Investors Service Research Announcement: https://www.moody.com/research/Moodys-Green-social-and-sustainability-bond-issuance-to-jump-24--PBC_1212910
- 2 Investor Term Sheet, New South Wales Treasury Corporation. www.tcorp.nsw.gov.au/resource/Term%20Sheet%2020%20March%202025.pdf
- 3 Investors who have not previously purchased TCorp bonds.
- 4 The list of stations is available at www.transport.nsw.gov.au/projects/current-projects/tap-3
- 5 Australian Bureau of Statistics, 4430.0 - Disability, Ageing and Carers, Australia: Summary of Findings, 2018, available at www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4430.02018?OpenDocument Data Cube for NSW Table 1.1,1.3 and 19.3.
- 6 Australian Bureau of Statistics, 3222.0 - Population Projections, Australia, 2017 (base) – 2066, available at www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3222.0
- 7 This contributed to the Green Square Town Centre being awarded a 6-star green-star communities rating, certifying the highest standards in governance, livability, economic prosperity, environment and innovation. See City of Sydney News, 21 May 2019, 6 Stars for Green Square Town Centre. <https://news.cityofsydney.nsw.gov.au/articles/6-stars-for-green-square-town-centre>
- 8 Ibid. Saves drinking water through a new harvesting system to divert stormwater from the drainage system to a water recycling plant in Green Square.
- 9 Has, to date, the largest gross pollutant traps available in Australia to treat stormwater runoff and improve water quality in the Cooks river. See Architecture News, 7 November 2019, *New stormwater drain under Sydney's Green Square to reduce flood risk*. www.architectureanddesign.com.au/news/new-stormwater-drain-under-sydney-s-green-square-t
- 10 The project encompassing the construction of Metro North West metro line is referred to as Sydney Metro Northwest.
- 11 Northwest Workforce Development and Industry Participation (WFDIP) Program 2020, Sydney Metro. www.sydneymetro.info/sites/default/files/SM-Northwest-Workforce-Development-%28WFDIP%29_WEB.pdf
- 12 Excludes public-private financing costs.
- 13 Excludes Wickham Transport Interchange.
- 14 For Public School Infrastructure, details of the underlying assets and the total amount expended is commercial-in-confidence. For the purposes of the use of proceeds table, the total proceeds allocated (\$502mn) has been included in the TCorp debt expended as at 30 June 2020 and estimated project cost for this asset.
- 15 Travel time savings calculated as the difference between Metro North West travel times (derived from Opal card data) and baseline travel times from public transport routes prior to completion of the Metro North West.
- 16 ABS, 2016 Census.
- 17 Trips are measured by tap on/off activity. Includes school travel using concessional cards, trips paid for using contactless payment cards and single tap-on or tap-off. Excludes activity from transport concession entitlements, integrated ticketing for major events and fare non-compliance. In the period July 2019 to February 2020, there were, on average, ~2,000,000 passenger trips per month. Due to COVID-19, average passenger trips decreased to just over 700,000 per month in the period March 2020 to June 2020.

- 18 Electricity consumption data is reported for calendar year 2019 to align with the Sydney Metro administrative process for surrendering large-scale generation certificates (LGCs). GHG emissions avoided calculated using the NSW Department of Planning, Industry and Environment energy emissions intensity factor of 0.73 kg CO₂-e/kWh for scope 2 emissions and the Commonwealth Department of Environment and Energy factor of 0.09 kg CO₂-e/kWh for scope 3 emissions.
- 19 Trips are measured by tap on/off activity. Includes school travel using concessional cards, trips paid for using contactless payment cards and single tap-on or tap-off. Excludes activity from transport concession entitlements, integrated ticketing for major events and fare non-compliance. In the period July 2019 to February 2020, there were, on average, ~107,000 passenger trips per month. Due to COVID-19, average passenger trips decreased to just over 34,000 per month in the period March 2020 to June 2020.
- 20 From electricity purchased to operate stations, traction power and a depot. Converted using a full cycle emissions factor for NSW grid electricity of 0.82 kg CO₂-e/kWh (comprising of a NSW Department of Planning, Industry and Environment energy emissions intensity factor of 0.73 kg CO₂-e/kWh for scope 2 emissions and the Commonwealth Department of Environment and Energy factor of 0.09 kg CO₂-e/kWh for scope 3 emissions).
- 21 Biosolids are beneficially used for agricultural and horticultural purposes.
- 22 Figures are for Cooks River, Astrolabe Park, Powells Creek and Strangers Creek.
- 23 Two constructed wetlands at Astrolabe Park and Cup and Saucer Creek, Cooks River.
- 24 Vegetation gain is the cumulative total area of natives planted or vegetation rehabilitated through site restoration activities.
- 25 Litter is made up of items including rubbish, plastic and glass bottles, and organic matter.
- 26 Sediment and litter removed from installed stormwater quality improvement devices, including litter booms, trash racks and gross pollutant traps.
- 27 <https://www.flowsystems.com.au/green-square/>
- 28 Litter and sediment removed from installed stormwater quality improvement devices, primarily gross pollutant traps.
- 29 337 teaching spaces created across 9 new build projects and 243 new or upgraded teaching spaces created across 19 major upgrade projects.
- 30 Number of teaching spaces is for permanent teaching spaces across all NSW schools, demountable teaching spaces are not included in this figure.
- 31 The Tell Them from Me survey, which helps the NSW Department of Education track students' and parents' experience of their school context. The survey measures have been chosen for their strong correlation with student wellbeing. Source: NSW Department of Education, Annual Report 2019. p.14. <https://education.nsw.gov.au/about-us/strategies-and-reports/annual-reports>.
- 32 Total number of enrolments across 28 schools (9 new builds and 19 major upgrades) as at April 2020.
- 33 Number of enrolments for all NSW public schools as at April 2020.
- 34 North Strathfield (Sydney Network), Hazelbrook (Intercity Network), Glenbrook (Intercity Network) and Kingswood (Sydney Network).
- 35 Figures are for the four station upgrades completed by the end of June 2020.

Appendix 1 – Independent Reasonable Assurance Report



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Independent Reasonable Assurance Report to the Executive and Management of Treasury Corporation of NSW ('TCorp')

Assurance Conclusion

Based on our reasonable assurance procedures, as described in this statement as of 11 December 2020, in our opinion TCorp's bond process in relation to its 2018 and 2019 Sustainability Bonds, inclusive of its Sustainability Bond Framework and nominated projects and assets, meets the project identification, project minimum criteria, management of proceeds, and reporting requirements of the ICMA Sustainability Bond Guidelines and the CBI Climate Bond Standard (inclusive of sectoral criteria) in all material respects. Further, based on our procedures, in our opinion TCorp's 2020 Impact Report meets the requirements of the ICMA Sustainability Bond Guidelines, and TCorp's self-declared criteria stated in TCorp's Sustainability Bond Framework, in all material respects.

Scope

Ernst & Young ('EY') has performed a reasonable assurance engagement in relation to TCorp's 2018 and 2019 Sustainability Bonds, Sustainability Bond Framework and TCorp's 2020 Sustainability Bond Impact Report in order to provide an opinion as to whether, as of 11 December 2020, the Subject Matter detailed below, meets in all material respects the Criteria presented below.

Subject Matter and Criteria

Subject Matter	Criteria
TCorp's Sustainability Bond process, as described in TCorp's Sustainability Bond Framework that sets out: <ul style="list-style-type: none"> ▶ Policies and procedures related to the use of proceeds and management of proceeds raised from the Bond. ▶ Processes for project evaluation and selection for inclusion in the Bond. ▶ Procedures for reporting on the use of proceeds and environmental performance of the Bond. 	<ul style="list-style-type: none"> ▶ The Climate Bond Standard ('CBS') v2.1 ▶ The Climate Bond Standard Sector Eligibility Criteria for Low Carbon Transport ▶ The Climate Bond Standard Sector Eligibility Sector for Water Infrastructure ▶ The International Capital Market Association's ('ICMA') Sustainability Bond Guidelines ('SBG'), comprising the Green Bond Principles ('GBP'), and the Social Bond Principles ('SBP') ▶ TCorp's own internal policies and procedures, as documented in TCorp's Sustainable Bond Framework

<ul style="list-style-type: none"> ▶ The structure of, and disclosures within TCorp's 2020 Sustainability Bond Impact Report ▶ The asset values disclosed within TCorp's 2020 Sustainability Bond Impact Report ▶ The impact data disclosed within TCorp's 2020 Sustainability Bond Impact Report (to the extent that they were disclosed correctly) 	<ul style="list-style-type: none"> ▶ The International Capital Market Association's ('ICMA') Sustainability Bond Guidelines ('SBG'), comprising the Green Bond Principles ('GBP'), and the Social Bond Principles ('SBP') ▶ TCorp's own internal policies and procedures, as documented in TCorp's Sustainability Bond Framework
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Management Responsibility

The management of TCorp ('Management') is responsible for the collection, preparation and presentation of the subject matter in accordance with the Criteria, and for maintaining adequate records and internal controls that are designed to support the Green and Sustainability Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the Criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000').

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Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, these procedures were not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Approach

The assurance procedures we undertook included, but were not limited to:

- ▶ Assessing policies and procedures established by TCorp related to the issuance of the 2018 and 2019 Sustainability Bonds
- ▶ Confirming eligibility of nominated projects for inclusion in TCorp's 2018 and 2019 Sustainability Bonds against the Use of Proceeds Criteria within the CBS, SBP and GBP
- ▶ Interviewing selected business unit and group level personnel to understand key issues related to TCorp's policies and procedures
- ▶ Reviewing selected performance information for nominated projects, and documentation supporting assertions made in the subject matter
- ▶ Reviewing the impact report and checking that its structure and disclosures met the requirements of the framework, that asset values were disclosed accurately, and that individual impact data had been appropriately transcribed from the associated links in the 'source of information'.
- ▶ Checking the accuracy of calculations performed
- ▶ Confirming internal systems and processes were functioning as indicated and obtaining supporting evidence
- ▶ Confirming the maximum potential value of debt to understand the basis and integrity for the value of the bond
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ Seeking management representation on key assertions

Limitations

There are inherent limitations in performing Assurance; for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000 and the Climate Bond Standard is subjective and could be interpreted differently by different stakeholder groups.

Our assurance was limited to TCorp's 2018 and 2019 Sustainability Bonds and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 11 December 2020, after issuance of TCorp's 2018 and 2019 Sustainability Bonds.

Use of Report

Our responsibility in performing our assurance activities is to the Executive and Management of TCorp only, and in accordance with the terms of reference for this engagement, as agreed with TCorp. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the 2018 and 2019 Sustainability Bond assurance is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third-party purpose.

Our Independence and Assurance Team

In accordance with APES 110, we can confirm we have met the requirements of the Code of Ethics for Professional Accountants, including on independence. Our team has the required competencies and experience for this assurance engagement.

Ernst & Young

Adam Carrel
Partner
Perth, Australia
11 December 2020

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