

## Case study

# The value of sustainability



Christine Turner



George Boulous

While the projects and assets funded by the NSW Sustainability Bond Programme make an appreciable and positive difference to the everyday lives of the people of NSW, the programme's success also enhances the sustainability journey for participating organisations.

Sydney Water has had assets included in each issuance to date. Christine Turner, its Operating Licence Lead, Customer Delivery, said being included in the programme helps Australia's largest water utility demonstrate how it is championing sustainability and a circular economy mindset.

"My vision has always been to give nature and the environment a more prominent voice within Sydney Water," Ms Turner said. "At a conference several years ago, I learned about how green bonds can help in transitioning to a low carbon economy and improve environmental performance, so when I heard about the NSW Sustainability Bond Programme being launched, I thought it would be valuable to explore further.

"Beyond reconfiguring Sydney Water's debt, we wanted to unlock further value from the services we provide through new sustainable finance mechanisms. It was also a great opportunity for us to showcase our sustainability credentials to a broader audience, particularly in the financial sector, and demonstrate how a water utility is helping to address the UN Sustainable Development Goals (SDGs)."

Sydney Water's Manager of Corporate Finance, George Boulous said being part of the inaugural issuance showed "true foresight" in how the organisation was implementing and embedding sustainability practices. "We had already looked at environmental and social issues, but how these interact with financial sustainability was one we had yet to fully explore," he said.

"Sydney Water has taken its sustainability activities further by incorporating circular economy principles into everything we do. As a water utility, overseeing a resource vital for future generations, we have an important role to play in shaping a low carbon future by mitigating the impacts of climate change as well as protecting and enhancing the environment."

So far, Sydney Water has 9 assets earmarked against the 4 issuances to date – Lower South Creek Treatment Program, Green Square Trunk Stormwater Improvement and 7 stormwater naturalisation and improvement projects.

"We put forward 'green' projects that showcase our approach to renewable energy, energy efficiency, pollution prevention and control, sustainable stormwater management, climate change mitigation, and circular economy adapted production technologies that recover resources from waste streams," Ms Turner said.

"The approach to stormwater asset renewal is a great example. We reimagined this through a naturalisation lens, which gave Sydney Water and our stakeholders the opportunity to rethink water infrastructure by incorporating more natural and innovative design solutions. It's part of our desire to maximise the value of our natural capital and extent of our green assets that also increases the lifespan of our assets and improves resilience to climate change.

"Even further, these types of assets produce a variety of other benefits like water quality improvements, reduced carbon emissions, recreational opportunities and habitat protection."

## How government entities can participate

Sydney Water described the process to get its assets considered for inclusion in the programme as “streamlined, well-structured and easy to implement” with a clear and robust framework and the valuable role played by the Asset Identification Group (AIG) work is instrumental in delivering new assets.

Ms Turner commented: “Ultimately, any successful process comes out of collaboration and, to that end, the Office of Energy and Climate Change’s (OECC’s) Environment and Heritage Group has been an enormous help; they’ve worked with me to ensure Sydney Water’s documentation meets all asset eligibility criteria set by the Climate Bonds Standard are met and that we can provide the evidence to support the claim. We also deeply value the great support from TCorp and NSW Treasury.

“Sydney Water already has vigorous processes in place internally generating large amounts of verified information. Our aim is to keep things simple; our reporting team across Sydney Water really helps home in on the most relevant information that demonstrates the value of the assets and the outcomes being sought. This is an extraction exercise from our information database and repurposing this information to put forward to the programme reinforces our environmental performance and stewardship efforts and puts a spotlight on how that has improved over time.”

Having taken over the leadership of the AIG in 2019, NSW Treasury’s Office of Social Impact Investment (OSII) says there are several criteria that need to be satisfied for projects seeking inclusion into the programme.



Dr Aleksandra Simic



Nic Tan

Head of OSII, Dr Aleksandra Simic, says larger projects, with an estimated total cost of \$25-50mn are given priority by AIG. “But, in addition to growing the programme, we are also looking to diversify the asset pool, so we can demonstrate how the government is aligning the state’s financial activities with more sustainable outcomes across a wide range of initiatives,” she said.

In engaging with NSW Government entities and organisations, AIG members (which also include TCorp and the OECC) identify eligible green and social assets and projects that meet several threshold criteria:

- Currently underway (or have been completed within the previous 2 years)
- Wholly or partially funded by state debt
- Address or mitigate a specific environmental/social issue and/or seek to achieve positive environmental/social outcomes
- Have established (or have ability to establish) timely, robust and accurate data collection to enable annual impact reporting.



Waterway Naturalisation and Stormwater Improvement, Cooks River.  
Photo courtesy of Sydney Water.

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“To assess the eligibility of projects we are guided by the NSW Sustainability Bond Programme Framework, which sets out our core principles and the global standards we align to,” Dr Simic said.

“Regardless of the size of assets, we apply the same focus on transparency and disclosure. There is a clear signal that quality data on assets and projects is required to participate in the programme and a key part of that is encouraging participating entities to adopt more outcome-oriented measures.

“It’s important for us to stay abreast of global developments in impact reporting standards. We give consideration to how best to apply the standards within a local context and consider if there are alternatives better suited to Australia.”

The 2 components of identification and reporting have become more closely linked as the programme has evolved. “Through our work, we’ve found that NSW Government agencies are doing a lot of work in sustainability and we can support them to capture and present impact indicators in a way that meets investor expectations,” OSII Associate Director Nic Tan said. “Working with agencies we look to leverage the data they already collect or can collect to enable participation in the programme. As the programme matures we are looking for opportunities to embed our reporting requirements earlier in the process of design and delivery of assets/projects.”

The programme has diversified NSW’s investor base, while also contributing to the UN SDGs but OSII also has the aim of “raising the bar” across the NSW Government family in achieving transparent and verifiable outcome reporting. “By showcasing the sustainability work of participating asset owners, we can encourage and support other government asset owners to adopt robust reporting practices,” Dr Simic said.

Mr Tan added: “What we are looking to do here is give investors an opportunity to contribute to the actions government is taking towards a sustainable future. It’s about supporting sustainability practices and seeking alignment on priorities. Data is a very powerful form of evidence in support of this, so we are pleased to see a lot of agencies making the effort to tell their story in a way that investors understand.”

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## About TCorp

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$101 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$124 billion. It is rated Aaa (Stable) by Moody’s, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

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