Financial resilience, stability and impact

NEW SOUTH WALES
TREASURY CORPORATION
ANNUAL REPORT 2020

How to read this report

This annual report was prepared in accordance with the NSW Treasury Annual Report Compliance Checklist. The sections About TCorp, Corporate performance and Operations overview include letters from the Chair and Chief Executive, TCorp aims and objectives, management structure, a summary review of operations, management and activities, and highlights for financial year 2020.

The Governance section includes our governance framework, risk management and compliance framework, human resources overview, other required disclosures, financial statements and appendices.

All dollar amounts quoted are Australian, unless otherwise noted.

Electronic copies of current and previous reports are available at www.tcorp.nsw.gov.au.

To assist readers in navigating this report, an index is provided on page 164.

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Feedback

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Cover photo

An iconic ferry, crossing Sydney Harbour on a foggy morning.
Photographer: Steve Christo

Contents

History

1983

Treasury Corporation Act 1983 establishes TCorp as a central borrowing authority for the state to issue its own bonds and attract investors to NSW.

Mid 1980s

TCorp develops different types of bonds to attract offshore investors to NSW.

1988

TCorp launches TCorpIM Funds, facilitating investment on behalf of NSW entities and departments.

1996

Debt management and advisory activities grow significantly in response to the NSW Government's establishment of state-owned corporations in the utilities sector.

2009

TCorp's prudent approach to risk management results in it navigating the global financial crisis without credit losses. It generates a record dividend for NSW and significant interest savings for clients.

2015

Funds amalgamation results in funds under management growing to $72bn, with the State Super Defined Benefit and Insurance and Care NSW (icare) investments combining with TCorp.

2016–17

TCorp successfully retires a significant amount of state debt as a result of the NSW Government's electricity asset transactions.

2018

TCorp launches the inaugural green bond under the NSW Sustainability Bond Programme raising $1.8bn, the largest of its type ever issued in Australia.

TCorp launches NSW Generations Fund with an initial $10bn investment—the world's first dual-purpose sovereign wealth fund that supports intergenerational equity.

Funds management volumes increase to over $100bn, placing TCorp in the top five asset managers in Australia and within the top 100 globally.

2019–20

TCorp issues largest sustainability bond to date in Australia, raising $1.8bn during catastrophic bushfires.

Record $27.8bn funds raised in debt markets to support the state through bushfires and the COVID-19 pandemic.

2020 Year in review

Delivering substantial benefits for the NSW public sector

$1.8bn
Absolute investment returns

$1.1bn
Client risk hedged primarily through interest rate swaps

$35.9mn
Savings through rationalising service providers

$262.6mn
Local government loans approved to fund projects

$27.8bn
Longer-dated bonds issued to a diversified investor base

$1.8bn
Inaugural 2025 sustainability bond issued in Australia

Providing a resilient base

$103.0bn
Assets managed on behalf of NSW public sector

$99.5bn
TCorp's balance sheet

$74.9mn
Profit before tax generated

$75.5mn
Dividend returned to the state

Generating cumulative positive returns and a focus on the long term

Returns since funds amalgamation 1 July 2015

$24.9bn
Cumulative absolute investment returns

>$70.9mn
Savings on manager fees and other investment management costs

$4.1bn
Cumulative investment returns over clients' objectives

Message from the Chair

On behalf of the Board, I am pleased to present the 2020 TCorp Annual Report.

The year was one of two halves. Initially, NSW faced major environmental challenges of drought, bushfires and floods. At that time, global markets, particularly equities, were buoyant; TCorp had been set a significant funding target for the financial year by the NSW Government of $13bn and this was raised to $17bn in December. We demonstrated our expertise in meeting this objective, with 90 per cent of the revised target raised by February. On the investment management side, we continued to build resilient, well-diversified portfolios for our clients.

From March onwards, NSW—like the rest of Australia and major economies overseas—had to deal with the COVID-19 global pandemic. The state went into lockdown; businesses shut down, people lost their jobs and equities markets globally recorded the steepest declines in living memory. Debt markets became dislocated and froze.

State revenues declined sharply, and the government presented TCorp with a host of new challenges to meet the funding and investment needs of the NSW Government family, supporting the economy and community. I speak on behalf of every other TCorp Board member in expressing pride that the TCorp staff stepped up and responded at every turn.

Overnight, TCorp staff were required to work from home. It is testament to the development of a flexible workplace strategy and TCorp's robust IT capability that this proved to be a seamless transition, allowing staff to work remotely without any operational issues.

Delivering whole-of-government solutions

Due to state revenue shortfalls caused by COVID-19, we raised an additional $10bn of debt in April/May, an exceptional feat at any juncture but even more so in a time of market turmoil and a 100 per cent remote workforce. TCorp needed to innovate with new types of debt issuance at a time when debt markets were highly stretched and we worked very closely with our colleagues at NSW Treasury, the Reserve Bank of Australia (RBA) and the other state semi-government authorities.

During the period of economic shutdown, TCorp continued its close work with the NSW Government family, collaborating and contributing in a range of new ways. We worked with NSW Treasury and the Treasurer to provide useful insights, and subject matter experts engaged early with the government on strategies for reopening the economy. We were not the sole provider of this advice, however we were very happy to make a contribution. This type of activity is not part of our usual mandate, but we have the responsibility and capacity to draw upon our own analysis and that of our network, to package that up and offer it to government. Our goal was to help inform and influence the debate within government and TCorp would be delighted to provide more thought leadership in the future.

We also assisted with the procurement of much-needed personal protective equipment for the state, leveraging our global reach and international knowledge in foreign exchange hedging and made active decisions in our tail risk hedging programmes (financial insurance to guard against rare investment market events), generating nearly $600mn in additional investment returns for our clients.

Culture and resilience

The cultural review project embarked upon in 2019 remains ongoing and its value became evident early in the pandemic. TCorp's people had the right mindset to deal with an entirely new way of working and developed the playbook for COVID-19 operations in real time. Across the business, we acted with agility and responsiveness—with no significant operational errors—to meet the needs of our clients and the government.

There was no manual to respond to this crisis; staff members across the business rose to the challenge, took on more responsibility, showed initiative in leveraging their skills, acting with courage, and had a positive impact. None of our business as usual activities were disrupted and we received positive feedback from clients on our proactive and responsive approach over this period.

Financial results

Looking at the financial metrics, almost all of our investment portfolios showed positive returns over the past year which, given the volatility in markets in February and March, is an exceptional result. It's a credit to our people that the funds have shown such resilience.

Absolute returns generated across all client portfolios totalled $1.8bn. Looking at a longer time horizon, our five year returns look very good with absolute returns of $24.9bn, exceeding clients' objectives by $4.1bn. These positive returns have been achieved through a thorough assessment of our clients' risk appetites and working with them in partnership to ensure they understand the risks they take.

We have also been able to extend the term borrowings for all our clients as interest rates have fallen and we were able to continue to support smaller NSW Government entities, particularly local councils.

TCorp's own balance sheet and profit and loss statement remains on budget and we achieved our issuance programme despite volatile market conditions—a great outcome.

Staff acknowledgment

The performance of TCorp staff this year has been uniformly excellent, with a number of highlights.

I would like to make mention of TCorp's Executive and People team who did an incredible job in ensuring everyone was fully supported, resulting in strong staff engagement in highly challenging work environments. Also, the Technology team for getting the organisation ready to work seamlessly and responding very quickly when more bandwidth was required.

TCorp's Financial Markets team raised twice the amount of funds identified by the NSW Government at the start of this financial year and the Investment Management team has provided financial resilience to the state and clients.

Our Client team stayed very close to our clients, particularly during the initial weeks of lockdown, helping them navigate through the market volatility. And of course, all of our operations were underpinned by the efforts of our support teams.

Government acknowledgement

TCorp is proud to support the NSW Government's ongoing strategy of driving efficiency and improved performance aimed to benefit the people of the state today and into the future. The government's strong leadership and response in managing the fallout of COVID-19 is another sign of that.

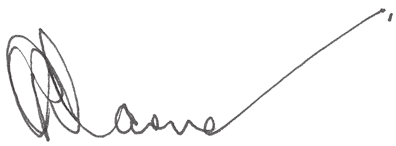
Board acknowledgement

Effective 30 September 2019, Mr Phil Chronican retired from the Board after nearly 10 years of service, with the last three years as Chair. On behalf of the Board, I extend my thanks for his dedicated service and wish him well in the future.

I would also like to acknowledge Mr Rob Whitfield, a former NSW Secretary of the Treasury, who is retiring from the TCorp Board after five years. Mr Whitfield has had an enormous impact and I thank him for his energy and commitment to TCorp and NSW.

This is my final message as Chair of TCorp and, I am privileged to hand the baton to Mr Michael Dwyer, who has a strong focus on both clients and outcomes, and I wish him well in this role.

The Board and everyone at TCorp have a common purpose, and that is to support the citizens of NSW. To achieve that, we need to be outwardly focused and we must not rest on our laurels. TCorp has shown itself to be a trusted partner across the NSW Government family and we will continue to demonstrate our value and impact as widely as possible.



Peter Warne

Chair

Message from the Chief Executive

A key element of TCorp's remit is to create a stronger NSW, and we do this by having a significant impact on the financial outcomes for the state.

Financial year 2020 had two major parts; first, what was required before the pandemic, and second how TCorp could support the NSW Government once the effects of COVID-19 became evident. It is fair to say that our role went beyond our traditional fund raising and investment management activities to supporting the NSW Government family in a true partnership.

As NSW went into lockdown, TCorp focused on how we could work more effectively—not just among our internal teams to deliver on the challenges we had been set—but also across governments, our institutional peers and counterparts in other states, the Reserve Bank of Australia (RBA) and other central financing authorities.

There was a true spirit of cooperation and pragmatism; when equity markets dropped 35 per cent in a matter of days and debt markets seized up, it placed great pressure on all market participants to work hard and in collaboration.

COVID-19 has showcased public and private sector institutions working exceptionally well together with a team spirit. Everyone rolled up their sleeves and worked together in a calm and measured way to get sensible outcomes.

Local and global partnerships

We raised $27.8bn for the year—the biggest level of issuance in TCorp history. This would not have been possible without the deep relationships we have across global capital markets and the highest level of trust and respect TCorp has with and for entities such as the RBA and our panel banks to free up and support debt markets and restore investor confidence.

During the first six months of the financial year, we partnered closely with NSW Treasury, the NSW Office of Social Impact, the NSW Department of Planning, Industry and Environment, NSW Department of Education, and Transport for NSW to focus on the issuance of our inaugural sustainability bond, meeting the NSW Government's ambition to further demonstrate the state's sustainability credentials. The $1.8bn bond was issued in November, and the money raised was targeted to social and green initiatives including projects such as water filtration and wheelchair accessibility for railway stations. These outcomes demonstrate the impact for the people of NSW and fuel the passion of our committed team working in debt markets. The bond has received a number of local and global industry awards.

Financial stability and resilience

TCorp recorded a pre-tax profit of $74.9mn and the dividend returned to the NSW Government was $75.5mn. Our approach remains that the better we manage client monies, the more we can generate extra returns, delivering value over and above the dividend we return to the government.

I am pleased to report that, despite the highly volatile equity and debt markets as a result of COVID-19, all bar one of our funds produced positive returns for our clients, due to our careful and patient building of well-diversified and resilient portfolios over the long term. We have employed risk mitigants such as foreign currency exposure management, allocation to defensive assets like government bonds and cash and further diversification into non-equity growth assets. This means that we have managed portfolios within clients' risk expectations and have been able to provide liquidity when it was needed. In the last year we have added $1.8bn of absolute returns for our clients and over the last five years we have added almost $25bn. These returns all contribute to the overall financial health of the state as they assist our clients in delivering against their objectives.

Returns are always important but TCorp is also committed to running an efficient operation as well as identifying ways of making the cost of investing for our clients lower. I am proud that, in this financial year, we were able to deliver an additional $35.9mn of savings and since funds management amalgamation five years ago, there have been approximately $70.9mn of annualised savings on manager fees and other investment management costs.

TCorp's balance sheet grew to $99.5bn and our strategy of working to achieve a strong liquidity position helped NSW to retain its AAA rating, which has been reconfirmed by all major ratings agencies.

On the client side, we executed a complex foreign exchange hedging solution for contracts worth hundreds of millions of dollars related to Australia's biggest public transport undertaking to date, the Sydney Metro City and Southwest project.

TCorp's lending programmes provide value across the state particularly in regional areas and we approved a record number of loan applications, worth over $262.6mn to 22 councils. For the first time, our lending facility was opened to all NSW councils for a six month period, as part of the Office of Local Government's COVID-19 stimulus package. We increased our local government lending portfolio to over $843mn, funding a diverse range of projects including disability housing, stockyards and libraries.

Thriving remotely

When lockdown hit, the TCorp team was able to turn on a coin and go from having the majority of our people in the office all the time to the complete opposite.

While we didn't contemplate quite as dramatic a scenario when we moved into our current premises two years ago, we designed the office environment and systems, including IT platforms, software and hardware, for maximum workplace flexibility. The TCorp team adapted quickly and professionally but the transition would not have been easy for many of our people; my heart goes out to those team members with additional care responsibilities. It must have been a huge challenge, but they were able to maintain their focus on work and didn't miss a beat.

TCorp had embarked on the biggest IT implementation in its history, 18 months in the planning, and moved the entire investment management system to a new platform just days before we all moved to remote working. We had no significant operational errors and we are conscious of maintaining the highest quality approach to cyber security.

In partnering with the NSW Government family, several TCorp employees gained further career opportunities:

- Fourteen employees were offered internal career opportunities either through sideways moves or career advancements
- Three employees undertook secondments in the NSW public sector, and as part of a reciprocal agreement, we welcomed two secondees from NSW Treasury.

Our thanks

The first half of 2020 has been one of the most difficult work environments for all TCorp staff and I would like to share my deep thanks to teams across the business for stepping up and delivering outstanding results for the state and people of NSW. Our people remain focused on achieving our clients' long-term goals.

I must also thank our colleagues across the NSW Government, particularly the Treasurer and his office, the public service, and, of course, NSW Treasury. I would like to extend a warm thank you to clients across the NSW Government family for their support during COVID-19.

Finally, I offer my thanks to all the families of the people mentioned here. The past year in NSW has been challenging on so many fronts, yet it has also shown the resilience of humans and that has been truly inspiring.

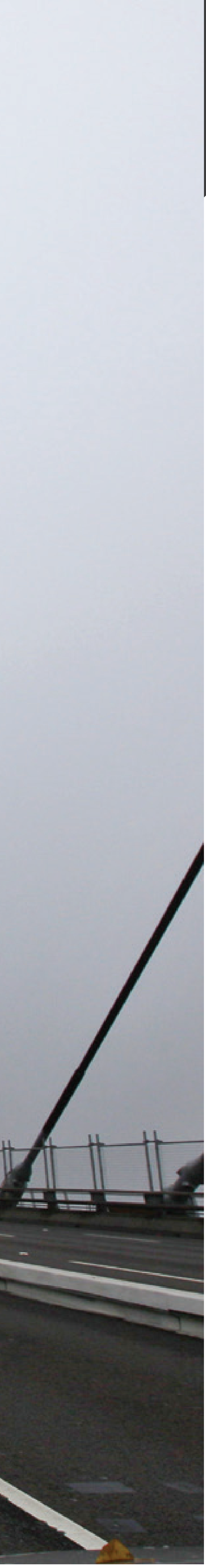
Outlook for 2020–21

Looking to the year ahead, there will be a high degree of uncertainty in financial markets and the community at large owing to COVID-19. I am however confident that we are well placed to meet new demands, and we will continue to pull together within TCorp, across the government family and with our external stakeholders to deliver a positive financial impact for the benefit of the people of NSW.

David Deverall

Chief Executive

A fogged in Anzac Bridge shrouds Blackwattle Bay and the inner west of Sydney, NSW



Section 1

COVID-19: Demonstrating impact

COVID-19: Demonstrating impact

TCorp aims to have a significant positive impact on the financial outcomes for the state of NSW and, by extension, its people. COVID-19 brought TCorp's role into sharp focus, to support the NSW Government in its ambition to shore up economic activity and maintain stability.

There was a need for TCorp to evolve beyond its traditional remit of fund raising and investment management, to join with the NSW Government family and wider national stakeholders, including the Reserve Bank of Australia and semi-government authorities in other states, in a true partnership.

The pandemic has put enormous pressure on all public and private sector institutions to work together to respond to the many challenges.

This section outlines TCorp's response, detailing the range of activities undertaken in the second half of financial year 2020, at the height of the first wave of the pandemic.

Supporting the state's economic response

Reporting its first cases of COVID-19 in late January, NSW saw a rapid increase in numbers in the following month. In its response to halt the spread of the virus, the NSW Government shut down the economy by imposing Stage 3 restrictions. This resulted in sharp declines in economic activity and the state's revenues were adversely affected.

TCorp supported the state government's economic response to COVID-19 by helping it purchase critical personal protective equipment (PPE) during the first wave of the pandemic, sharing thought leadership on the economy and when and how it might reopen. We raised $10bn in funds to cover revenue shortfalls while also delivering nearly $600mn in returns for the state through selling down derivative positions (used as a form of financial insurance on behalf of clients) as protection against market downturns.

Helping in the procurement of PPE during the COVID-19 pandemic

The state faced a serious and time-critical challenge to secure a large amount of PPE for use across the NSW public sector.

The State Emergency Operations Controller (SEOCON), led by the NSW Police Commissioner, was managing the government's response to the COVID-19 crisis and tasked with overseeing the procurement of PPE. We advised SEOCON on managing foreign exchange risk and ensured the transactions were completed in a timely and secure manner. We saved the state millions of dollars in transaction costs and helped it purchase hundreds of millions worth of PPE.

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Devising thought leadership on the economic impacts of COVID-19 and the road to recovery

We produced a series of thought pieces from February 2020 onwards to help inform NSW Treasury on key issues, outlining options to assist in formulating their response to the economic impacts of COVID-19. The TCorp Economics team analysed various scenarios and wrote papers covering areas including the federal fiscal stimulus, models for shutting down and restarting economies, and the amount of debt the state government could raise.

Our papers informed and encouraged the government to focus its thinking, by pausing and stepping away from immediate policy concerns to consider, discuss and decide next steps to best position the economy for a rebound. We shared our analysis on the financial costs of shutting down the economy as well as market sentiment.

TCorp has contributed to a dialogue that helps the government to give the people and businesses of NSW the confidence to emerge, resume daily activities where possible, and spend, underpinning economic recovery and the ability for NSW to flourish in the longer term.

We shared our analysis on the financial costs of shutting down the economy as well as market sentiment.

Delivering financial impact through the COVID-19 pandemic

Record-breaking $10bn raising in one month replenishes NSW Government shortfalls.

Over the months of April/May this year, we raised a record $10bn in the debt markets to provide finances to support the government's projected $9bn revenue gap resulting from COVID-19. Debt markets had frozen in March, and in response, we engaged with the RBA to explain the circumstances facing the semi-government sector. We also partnered with our peers in each state and territory to present a single voice to the RBA. As a group, we sought the RBA's support in buying semi-government bonds and shortly afterwards, it announced it would do so.

We set about the $10bn funding task with speed and discipline, and took opportunities in the markets as they arose, becoming the first semi-government issuer to reopen the primary market.

We set about the $10bn funding task with speed and discipline, and took opportunities in the markets as they arose, becoming the first semi-government issuer to reopen the primary market. As markets improved during April and May, we issued a number of major transactions in Australian dollars and euros, appealing to both local and offshore investors. European and Japanese investors, in particular life insurance companies, also started to purchase TCorp bonds.

Delivering $600mn to help the NSW Government meet pension payments and insurance claims

We manage funds for two major clients worth $69bn and use a form of financial insurance to guard against rare investment market events, known as tail risk hedging (TRH).

The COVID-19 pandemic induced swift and significant market volatility from March onwards. As the fall in listed equity markets accelerated, we decided to begin selling down some of the derivative positions we held. Through this process, we were able to monetise i.e. realise cash—to the value of $572mn—the equivalent of 95% of the construction cost of the Northern Beaches Hospital in Sydney.

This additional liquidity was used to meet scheduled benefit payments to superannuants and insurance claimants and maintain the portfolios' agreed long-term risk-return profiles. A significant portion of the TRH programmes remained active beyond March to provide a level of continued protection for the funds.

Read the full case study on each project in the following pages.

CASE STUDY 1:

Helping the COVID-19 frontline

In a fiercely competitive market driven by COVID-19, the state government faced a serious and time-critical challenge to secure a large amount of personal protective equipment (PPE) for use across the NSW public sector.

The issue was compounded by a need to source offshore vendors, many of whom required upfront deposits in US dollars. The State Emergency Operations Controller (SEOCON), led by the NSW Police Commissioner, was managing the government's response to the COVID-19 crisis and tasked with overseeing the procurement of PPE. SEOCON needed help in managing foreign exchange risk and ensuring the transactions could be completed in a timely and secure manner.

TCorp's role

TCorp was in a unique position to assist. We came to SEOCON's attention because of our expertise and relationships—previously we had worked with stakeholders from NSW Health to help them manage foreign exchange risk associated with offshore procurement and had established relationships across NSW Treasury and NSW Health.

Given the fast moving situation, close coordination across the various stakeholders was critical; NSW Treasury invited TCorp to the State Emergency Operations Centre (SEOC) in Homebush, taking a seat alongside the NSW Police Commissioner, representatives from NSW Health, NSW Treasury, NSW Police and staff from multiple agencies.

Frontline health care worker testing for COVID-19 in Lilyfield, Sydney, NSW

Our approach

Once overseas vendors were shortlisted, we worked closely with SEOCON and NSW Health to advise, streamline and implement the necessary foreign exchange transactions.

TCorp worked with NSW Health, NSW Treasury, banking partners and vendors to ensure payments were made to secure time-critical contracts.

This included:

- Undertaking a variety of hedging activities
- Providing advice on scrutinising vendors by undertaking Anti-Money Laundering (AML) and Know Your Client (KYC) checks
- De-risking payments which enabled the state to pay rapidly, within much shorter timeframes than usually possible
- Providing safe and secure methods of payment (to reduce the risk of fraudulent activity)
- Helping to establish an appropriate approach to governance and control.

A crucial aspect was that NSW had to demonstrate to vendors in China that it had funds available for payment and it could be trusted to make them. TCorp's experience, reputation and reach led to a variety of approaches, including leveraging our AAA credit rating and showing vendors we had money in local US dollar accounts, demonstrating our ability to pay. We also worked with NSW Health to pay agreed amounts on time.

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The short and long-term impacts on and value to the state of NSW

Financial impact

Once a purchase contract was agreed, TCorp hedged the associated market risk and generated millions of dollars in transaction cost savings for the first month of purchasing activity. We helped the state purchase a significant amount of PPE.

Our combination of client knowledge, market knowledge, pricing ability, and legal and structuring skills brought together the necessary components to make the payment aspect of the procurement process run smoothly.

> TCorp hedged the associated market risk and generated millions of dollars in transaction cost savings for the first month of purchasing activity.

Risk expertise

The state would not have ordinarily undertaken purchases of this size in such a compressed timeframe. Our market knowledge and expertise in managing the technical complexities of foreign exchange, expansive global banking relationships, combined with rigorous compliance processes came to the fore, and we completed the transactions in a quick, safe and efficient manner.

We provided new pathways to purchase a significant amount of PPE to give NSW a competitive advantage in a global market fight for medical equipment.

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Partnership and relationships

TCorp helped the NSW Government family to provide a viable solution at speed in a period of emergency, partnering with all relevant stakeholders to quickly determine joint solutions and implement them.

Our existing relationships, plus the ability to navigate, coordinate and facilitate information sharing across government, enabled rapid responses and decision-making.

External relationships were also critically important; TCorp worked with our global banking partners to evaluate transactions and access secured methods to provide funding, providing not only additional market intelligence but presenting a variety of options to ensure safe payment and minimise the possibility of fraudulent activity.

CASE STUDY 2:

COVID-19 and the road to recovery – thought leadership

The NSW Government's initial response to COVID-19 in early February 2020 was driven by health concerns, devising and implementing policies to restrict the spread of the virus and shoring up medical systems. Policymakers also had to make significant and unprecedented decisions on when and how to instigate lockdowns. This was followed in March by massive federal and state fiscal support to households and businesses.

When COVID-19's Effective Transmission Rate fell below one shortly after, the NSW Government's next challenge was how to reopen the economy while minimising the risk of a second wave of infections.

Inform and think ahead – sharing thought leadership insights

To effectively raise debt and manage money for the state of NSW, TCorp observes market movements and trends both locally and globally. Importantly, we have access to the views of our various partners, the banks, fund managers, investors, economists and analysts. Reflecting on information from these sources, we produced a series of thought pieces from February 2020 onwards to help inform the NSW Treasury on key issues, outlining options to assist in formulating the response to the economic impacts of COVID-19.

George Street, Sydney, NSW

The TCorp Economics team analysed a range of scenarios and wrote papers covering areas such as federal fiscal stimulus, models for shutting down and restarting economies, and the amount of debt the state government could raise. Table 1 overleaf gives an overview of this work.

> ...we produced a series of thought pieces from February 2020 onwards to help inform the NSW Treasury on key issues, outlining options to assist in formulating the response to the economic impacts of COVID-19.

Impact to the state of NSW and beyond

Financial impact

Our papers have informed and encouraged the government to focus their thinking, by pausing and stepping away from immediate policy concerns to consider, discuss and decide the next steps to best position the economy for a recovery. We shared our analysis on the financial costs of shutting down the economy as well as market sentiment.

Partnership

Our papers assisted colleagues in NSW Treasury and the Premier's office prepare for questions from the National Cabinet. We also helped them think through policy responses in short timeframes, drawing from overseas experiences, and assisted the government to make critical, informed decisions during a period of unprecedented crisis.

We are contributing to a dialogue that helps the government to give the people and businesses of NSW confidence to emerge, resume daily activities where possible, and spend, underpinning an economic recovery and the ability for NSW to flourish in the longer term.

In helping the government to achieve a better economic outcome for NSW and Australia, this should make it easier to raise funds for the future of NSW as well as deliver improved risk-adjusted returns for our clients on whose behalf we manage investments.

> Our papers have informed and encouraged the government to focus their thinking, by pausing and stepping away from immediate policy concerns to consider, discuss and decide the next steps to best position the economy for a recovery.

Table 1: TCorp thought leadership February – May 2020

Title	Summary
Commonwealth fiscal stimulus is far too timid	To prevent the economy from potentially falling into a depression, we said initial Commonwealth Government packages—worth $17bn and $66bn—were inadequate and argued for an urgent increase, delivered within weeks, not months. When the third package was announced—worth an additional $130bn—we agreed that was appropriate.
The economic impact of a "Stop then restart" strategy to combat COVID-19 would likely be much smaller than trying to "flatten the curve"	After examining experiences of countries overseas that were slow to respond to the pandemic, we outlined the case for stopping the economy quickly and then kickstarting it as soon as community health measures would allow to minimise the loss in economic activity.
Funding deficits and the appropriate role for state fiscal policy during global crises	We evaluated TCorp's ability to fund the state's additional financing requirements for 2019/20 and 2020/21 through a range of scenarios, given current market conditions. We concluded that TCorp could develop strategies to achieve the state's targets.
Reopening the economy: how to prevent a recession from becoming a depression	As the virus rate fell, we developed a framework for identifying the sectors of the economy that should be opened and in what order. We devised a matrix identifying sectors that have the greatest economic impact and the smallest health risks. We indicated the desirability of a phased approach to the removal of restrictions, guided by our own experience as well as that of other countries.
Planning for recovery	We recommended the introduction of a recovery agenda to identify new growth priorities and the opportunities available to the private sector, boosting confidence, acting as a catalyst for stronger growth, and helping governments cope with COVID-induced higher debt levels.

CASE STUDY 3:

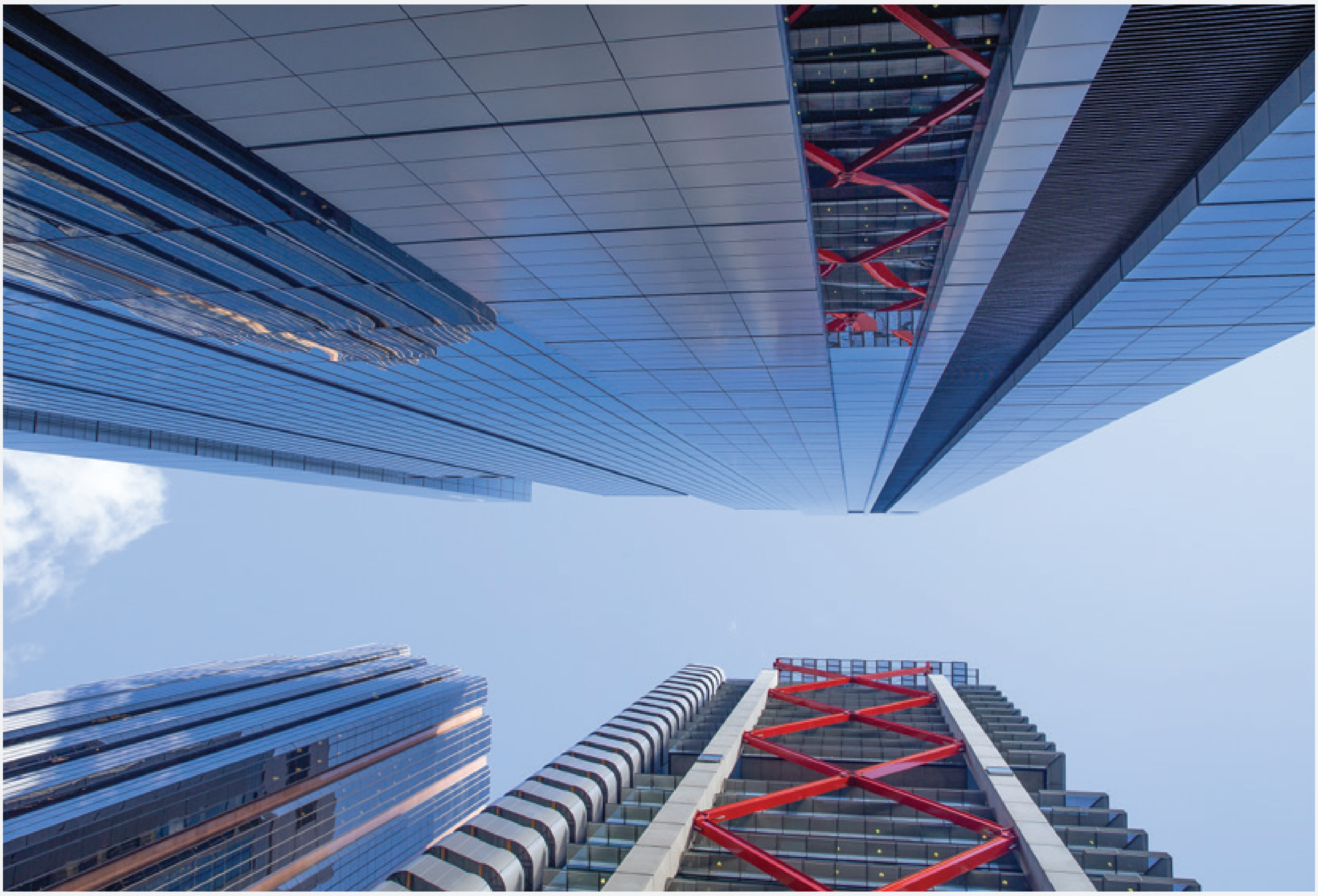
Record-breaking $10bn fund raising

At the beginning of March 2020 and the onset of the COVID-induced economic shutdown, the state government was facing a severe revenue loss.

At the same time, it needed to provide a fiscal stimulus to support the economy and quickly quantify its ongoing operating expenses to get through the pandemic. Based on NSW Treasury modelling, TCorp was asked to raise a further $10bn by 30 June 2020, almost double its original funding task for the financial year.

Following the shutdown of global economies in March 2020, debt markets became dislocated and froze, making funding extremely challenging. TCorp had liquidity at hand to support Treasury initially, but term funding was required to achieve the increased funding target.

In mid-March, the Reserve Bank of Australia (RBA) embarked on a form of quantitative easing (QE), and announced that it would be looking to support Commonwealth Government Bonds by purchasing them in the secondary market.



Office towers in the central business district, Sydney, NSW

> We set about the $10bn funding task with speed and discipline, and took opportunities in the markets as they arose, becoming the first semi-government issuer to reopen the primary market.

Working with peers to harness the support of the RBA

We knew from our experience of the Global Financial Crisis where the semi-government sector was frozen out of the market for three months, that it was critical to secure the support of the RBA. Shortly after the QE announcement, we engaged with the RBA to explain the situation facing the semi-government sector and the challenges of raising funds in the capital markets. We also partnered with our peers in each state and territory to present a single voice to the RBA. As a group, we sought the RBA's support in buying semi-government bonds and shortly afterwards, it announced it would do so.

We set about the $10bn funding task with speed and discipline, and took opportunities in the markets as they arose, becoming the first semi-government issuer to reopen the primary market. As markets improved during April and May, we issued a number of major transactions in Australian dollars and euros, appealing to both local and offshore investors. European and Japanese investors, in particular life insurance companies, also started to purchase TCorp bonds.

Value to the state of NSW

Partnership

Partnering with key external stakeholders—NSW Treasury, our clients, the banks, the RBA and the semi-government sector—resulted in freeing up and supporting the market to restore investor confidence.

Since the onset of the pandemic, TCorp has hosted weekly meetings with the RBA and semi-government authorities to discuss the state of the market and identify any required support. Our relationships with peers have been critical in securing funds for each state during this unprecedented period.

Demonstrating the value of relationships, we were able to move quickly and capitalise on opportunities, and draw on our knowledge, market contacts and investor base. We are very close to the market and highly attuned to market moves, and our contacts help us uncover opportunities. The strong connection with, and support from, our dealer panel banks has also been essential during the COVID-19 fallout.

Impact

The $10bn we raised since March 2020 has helped NSW Treasury meet the forecast revenue gap as a result of the pandemic. It now has ample liquidity to meet the needs of the state. Part of the funds raised will be used for the stimulus package and the remainder for operating expenses or infrastructure, to meet NSW's financial requirements.

> The $10bn we raised since March 2020 has helped NSW Treasury meet the forecast revenue gap as a result of the pandemic. It now has ample liquidity to meet the needs of the state.

CASE STUDY 4:

Investment strategies deliver almost $600mn in returns

To balance the competing constraints of return objectives, sharp equity market sell-offs, and maintaining sufficient liquidity for our major clients, we use a form of financial insurance to guard against rare investment market events—tail risk hedging (TRH).

Even when markets are highly stressed, TRH programmes are designed to help the funds to continue to meet their return objectives by cushioning the impact of severe market downturns, net of the financial cost associated with their purchase.

A partnership approach

TCorp worked with two of our major clients to gain a deep understanding of their unique business needs and investment risk appetites. Together, we created bespoke solutions for each fund, and operated within agreed financial budgets and risk constraints, aligned with our long horizon investment process.

Hickson Road underneath the Sydney Harbour Bridge, NSW

How tail risk hedging works

A TRH programme provides funds with significant cash payments if equity prices fall substantially.

It is important to balance the amount of protection with cost. TRH programmes are designed in concert with other strategic portfolio risk mitigants (such as broad diversification, holding foreign equity assets unhedged and disciplined portfolio rebalancing) to be well-targeted, aligned to client outcomes, and offer value for money over the long term.

Through that process we determined that the return objectives would more likely be achieved by the ongoing inclusion of TRH programmes. Both funds already had these overlay programmes in operation for more than five years. In consultation with our clients, they approved an annual budget for TCorp to invest in a range of derivative (put option) strategies designed to hedge against severe market downside risk.

TCorp implemented these TRH programmes using a mix of internal and external investment expertise. This approach provided control, alignment, and cost-effective, real-time "sense-checking" on the value-add each strategy provided.

The programmes performed as intended during this period, smoothing overall fund returns and providing valuable liquidity (putting real cash back into portfolios) as a result of the decision to "monetise" the TRH strategies which provided significant support to fund outcomes.

Through this process, we were able to monetise i.e. realise cash—to the value of $572mn—the equivalent of 95% of the construction cost of the Northern Beaches Hospital in Sydney.

The impact on and value to the state of NSW

TRH helped major clients to be well-positioned during the COVID-induced swift and significant market volatility. The TRH programmes performed as intended during this period, smoothing overall fund returns and providing valuable liquidity (putting real cash back into portfolios) as a result of the decision to "monetise" the TRH strategies which provided significant support to fund outcomes.

The rapid and deep sell-off in late February and March 2020 saw the value of the portfolio of options held soar as volatility spiked and market panic set in. In considering the significant increase in the value of the programmes for each fund, TCorp made an active decision to sell down portions where there were large increases in the price of the options held. The strategic pre-positioning of these TRH programmes over the prior 12 months was vital in value being realised for major clients.

As the falls in listed equity markets accelerated we determined the market had moved into a "tail event", the exact market environment these programmes were designed to protect. As a result, we made the decision to begin selling down some of the derivative positions. Through this process, we were able to monetise i.e. realise cash—to the value of $572mn—the equivalent of 95% of the construction cost of the Northern Beaches Hospital in Sydney.

This additional liquidity was used to meet scheduled benefit payments to superannuants and insurance claimants and to maintain the portfolios' agreed long-term risk-return profiles, with a significant portion of the TRH programmes remaining active beyond March to provide a level of continued protection for the funds.


The Sydney Harbour Bridge, looking towards Kirribilli, Sydney, NSW

Section 2

About TCorp

About TCorp

TCorp provides best-in-class investment management, financial management, solutions and advice exclusively to the NSW public sector. With $103.0bn 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 $99.5bn.

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 unique: it 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.

Our objectives

TCorp's three key objectives for financial year 2020:

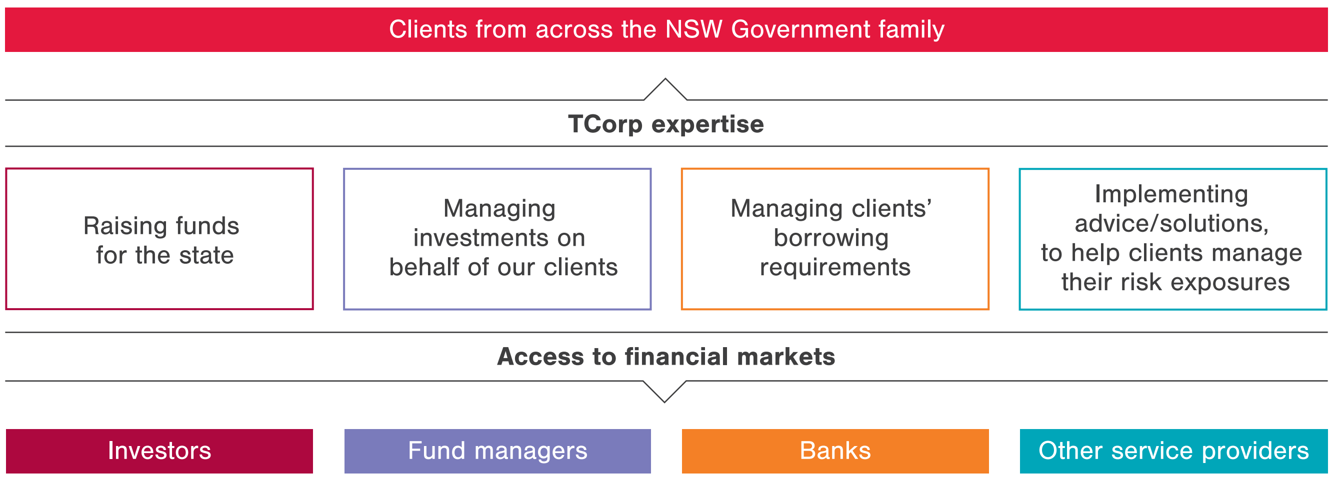
- to continue to be regarded as best-in-class for financial management, solutions and advice
- to be sought after by our clients for the capability and conduct of our people
- to have a sustainable and aligned organisation always delivering whole-of-state outcomes.

Connecting the public and private sectors

In providing solutions and advice for our clients across the NSW public sector, we build relationships with the private sector.

Given our reputation and scale in financial markets, we can partner with fund managers, fixed income dealer groups, banks, and technology and other service providers. This allows us to design and implement strategies to deliver the most appropriate financial outcomes for our clients in the NSW Government family.

Chart 1: TCorp – connecting the public and private sectors



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.

Professionalism, purpose and passion – our people

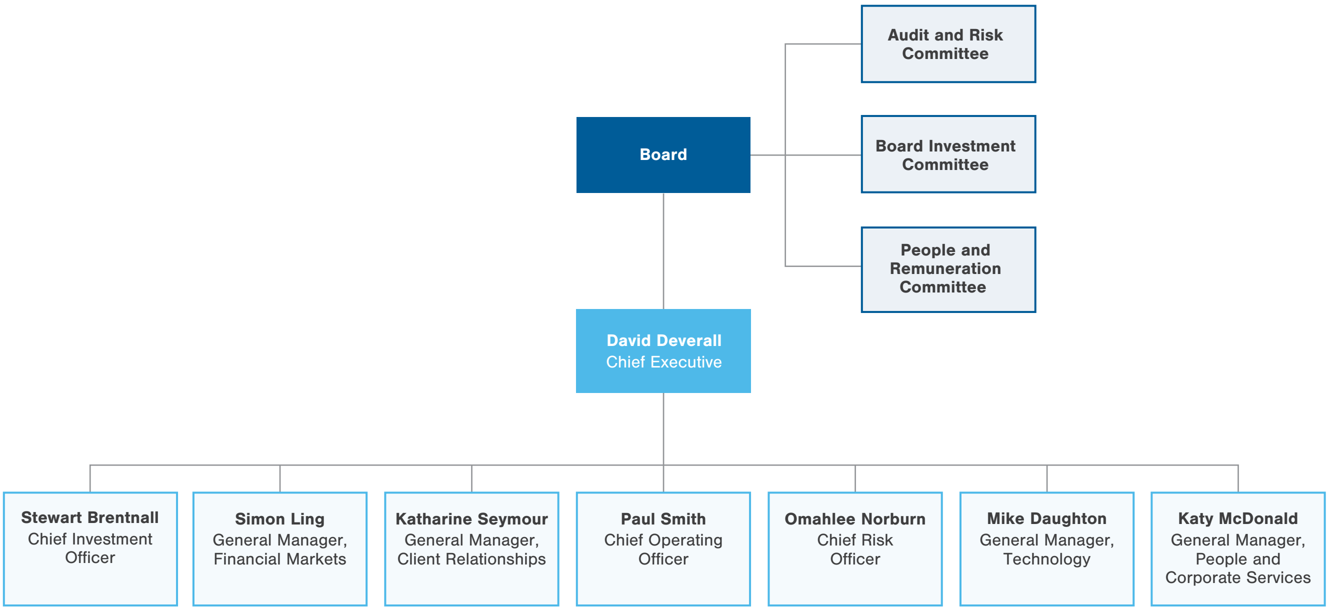
The TCorp team thrives on a spirit of collaboration that fosters a culture of embracing diverse viewpoints, enhancing professional development and delivering successful outcomes. The purpose of what we provide to the NSW Government family and the people of NSW translates into pride and passion for our work.

TCorp is committed to attracting and retaining top talent; our success comes down to the skills and depth and breadth of expertise and experience, together with the engagement of our team. We learn from and support each other to achieve a common goal – a long-term positive impact on the financial health of NSW.

We encourage diversity and recognise that each person in our team is unique. This diversity—and the variety of perspectives it brings—is a core strength. We aim to create a workplace where our people strive, learn, achieve and build sustainable careers with an emphasis on exposing our team to a wide variety of experiences so they can flourish and grow.

Our management structure is designed to facilitate an optimal working environment, enabling the desired outcomes for our clients. Chief Executive David Deverall leads a team of seven general managers who form the Executive Committee as detailed in Chart 2.

Chart 2: TCorp organisation chart



How we assist NSW – our services

TCorp provides two main services to clients:

– **Investment Management** – we enhance returns on the state's wealth and partner with clients to understand their investment objectives and risk tolerances. We advise and implement strategies on behalf of clients to deliver improved risk-adjusted returns over the long term.

  Our activities include:

  - Customised portfolios – tailored investment solutions to meet specific risk and return objectives
  - TCorpIM Funds – a range of multi-manager funds ranging from cash through to higher growth-oriented options
  - In-house asset management – cash and fixed income, real assets.

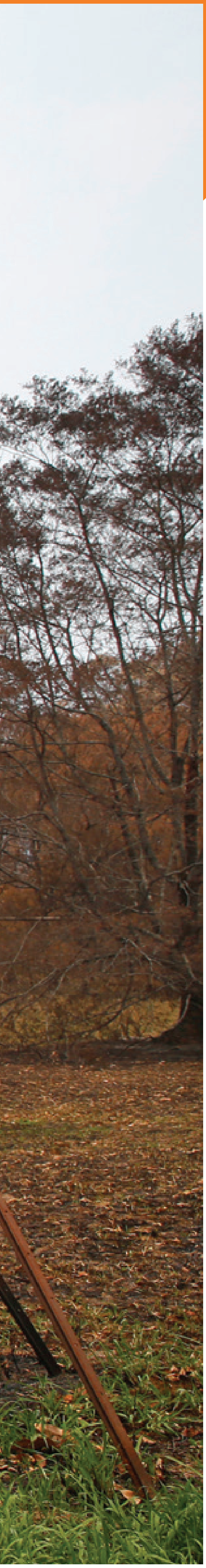
Our scale and market presence provide access to a broader range of opportunities at lower costs compared with the private sector. We assist the government to use its capital more effectively by creating financial capacity.

– **Financial Markets** – we manage the state's funding programme and lend to NSW public authorities and businesses. Clients who borrow from TCorp reduce their costs of debt as a result of our AAA credit rating and market presence. Strong demand for NSW AAA-rated securities, combined with our economies of scale result in significantly lower fees compared with the private sector. Our approach is more flexible and accessible because we work exclusively with the NSW Government family.

  We offer a range of solutions, including:

  - Loans
  - Debt portfolio management
  - Tailored deposits – on TCorp's AAA-rated balance sheet offering flexible terms
  - Short-term cash management facilities
  - Financial risk solutions, including financial risk management, for example foreign exchange, interest rate and commodities hedging.

Post-bushfire thank you sign, Mogo, regional NSW



Section 3

Corporate performance

Performance indicators – five year summary

	2020 $mn	2019 $mn	2018 $mn	2017 $mn	2016 $mn
Profitability					
Profit before income tax equivalent expense[1]	**75**	**124**	**89**	**132**	**104**
Balance sheet					
Loans to public sector	87,224	61,799	52,913	50,902	66,238
Other assets	12,492	12,723	12,909	14,196	14,080
Total assets	**99,716**	**74,522**	**65,822**	**65,098**	**80,318**
Benchmark bonds	68,037	52,672	45,459	45,578	52,154
Due to government clients	428	860	2,696	452	4,939
Other borrowings and liabilities	31,011	20,727	17,374	18,937	23,006
Total liabilities	**99,476**	**74,259**	**65,529**	**64,867**	**80,099**
Difference represented by equity	**240**	**263**	**293**	**231**	**219**
Funds under management for state authorities					
Investment funds	56,763	59,319	47,753	35,907	14,826
Specific fund mandates	46,200	47,528	46,128	48,548	9,660
Funds under administration[2]	–	–	–	–	41,483
Total	**102,963**	**106,847**	**93,881**	**84,455**	**65,969**

1 A significant portion of TCorp's revenues are generated through the management of financial risks inherent in its balance sheet. As a result, TCorp's profitability can fluctuate year on year as it is impacted by changes in interest rates and market conditions.

2 Funds under administration represented the amalgamation of the investment management activities of Insurance and Care NSW (icare) and SAS Trustee Corporation (STC). During 2017, TCorp commenced formal investment management services over these assets and therefore these are included under "Funds under management" from 2017 onwards.

Sound financial performance

We are proud of the work we do to positively impact the state of NSW and its people.

Positive financial earnings

Our financial year 2020 pre-tax profit of $74.9mn was a solid performance given market volatility stemming from the economic fallout from COVID-19. This result, along with prior year earnings, returned a dividend to the state of $75.5mn.

Nearly all client portfolios posted returns above their investment objectives. In challenging market conditions, we generated $1.8bn in absolute investment returns.

Strong growth in funds under management

Our funds under management totalled $103.0bn and we remain a top five asset manager in Australia. This gives us access to unique investment opportunities, both locally and overseas.

Positive cumulative returns and savings

Since funds amalgamation on 1 July 2015 to 30 June 2020, we delivered:

- Cumulative absolute returns of $24.9bn
- Cumulative returns in excess of clients' objectives of $4.1bn
- Savings of over $70.9mn per annum from manager fees and investment costs.

A strong balance sheet

Our Financial Markets business continued to hold a strong balance sheet of $99.5bn as at 30 June 2020.

AAA credit rating

Our strategy of maintaining a strong liquidity position contributed to the state's AAA credit rating, reaffirmed by all major ratings agencies.

Reducing financing risk

We took advantage of the low interest rate environment to reduce financing risk by continuing our strategy of buying back short-term bonds and issuing longer-dated bonds.

Continuing to diversify our investor base

In November 2019, we issued the largest sustainability bond in the Australian market to date, the second issuance under the NSW Sustainability Bond Programme (read more on page 34) which helped us reach new parts of the market and diversify our investor base. Investors increasingly seek to invest in independently audited and certified sustainable, green and social bonds. We are the only semi-government issuer in Australia to create a formal programme that specialises in sustainability which is demonstrably linked and aligned to government policy, and clearly outlines the projects for which funds are earmarked.

Contributing to NSW communities

Working with local councils to fund capital works projects

A highlight of the year was partnering with the Office of Local Government and NSW Treasury to deliver the COVID-19 Local Government Economic Assistance Package. This included a $250mn increase in the local government facility limit and a six month loan payment deferral for qualifying councils.

For the first time ever, the TCorp local government facility was made available to all councils for six months. The Local Government Services (LGS) team commenced working with Far West councils who previously did not have access to TCorp's facility.

The impact of the funding programme in FY20 extended across regional NSW, including the following key projects:

- Road building and infrastructure for the following councils: Kyogle, Mid-Western, Maitland, Lake Macquarie, Albury, Orange, Queanbeyan-Palerang and Lake Macquarie
- A water treatment plant for Tamworth Regional Council
- National Disability Insurance Scheme (NDIS) housing for Temora Shire Council
- LED street lighting for Orange City Council
- Subdivision works, including power, roads, footpaths, water, sewerage and drainage for Hilltops, Upper Hunter Shire, Eurobodalla Shire, Mid-Western Regional, Byron Shire, Griffith City and Narromine Shire councils
- Bridges in Byron Shire, Kiama Municipal and Blayney Shire councils
- Redevelopment of the Scone Regional Saleyards for Upper Hunter Council
- Works depots for Gilgandra Shire and Cowra Shire councils
- Central business district (CBD) upgrades for Griffith City and Cowra Shire councils.

The LGS team continues to work with its NSW Government partners on a variety of initiatives, including the Low Cost Loans Initiative which promotes the funding of infrastructure to support increased housing supply.

We look forward to continuing to support the NSW Government family and our council clients in the year ahead.

NSW Sustainability Bond Programme

TCorp is helping the NSW Government deliver $97bn of infrastructure investment for the state in a sustainable way. Our programme offers bonds that are consistent with the NSW Government's environmental and social objectives and are aligned to relevant global standards and principles. Sustainability outcomes of the projects underpinning our programme are reported on an annual basis and independently audited.

In FY20, we raised the largest sustainability bond to date in Australia valued at $1.8bn. This was a 'use of proceeds' bond and funds raised were earmarked for a pool of projects and assets that were determined by the NSW Government:

- Five new sustainable water and wastewater management projects were supported: Green Square Trunk Stormwater Improvement, Astrolabe Park Stormwater Improvement, Strangers Creek Stormwater Improvement, Powells Creek Naturalisation and Cooks River Naturalisation.
- Two new social projects were identified to improve access to essential services: the Transport Access Programme and Schools Programme. The new projects have been added to the existing asset pool comprising the Sydney Metro Northwest, Newcastle Light Rail and Lower South Creek Treatment Programme.

Read further details about the programme in the case study on page 34.

TCorp in the community

Our community programmes continue to be popular with TCorp employees, demonstrating strong engagement in FY20 by attracting high participation across the organisation. This year, two programmes were identified—Helping Hands and Giving Tree.

The 2018-2020 cycle of the Helping Hands Programme concluded in July 2020. Through several initiatives, employees raised funds in support of the Australian Cancer Research Foundation and the Children's Cancer Institute. In support of victims of family and domestic violence, we supported Giving Tree, donating practical gifts at Christmas to families being supported by the Elsie Women's Refuge, as well as those in its Outreach Programme.

In FY20, we raised the largest sustainability bond to date in Australia valued at $1.8bn. This was a 'use of proceeds' bond and funds raised were earmarked for a pool of projects and assets that were determined by the NSW Government.

CASE STUDY 5:

Helping the NSW Government deliver on sustainable, social and green 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 and/or social 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 2020.

A formal sustainability bond programme

With the endorsement of the NSW Treasury Asset and Liability Committee, TCorp created the NSW Sustainability Bond Programme in 2018. This programme specialises in sustainability and is demonstrably linked to the NSW Government's environmental and social objectives, and aligned to relevant global standards and principles.

The programme is underpinned by governance arrangements overseen by representatives from TCorp, NSW Treasury, NSW Office of Social Impact Investing (OSII) and the NSW Department of Planning, Industry and Environment (DPIE) who make up the NSW Sustainability Committee. TCorp is the only semi-government issuer in Australia to have a programme of this type.

Stormwater improvement at Astrolabe Park, Daceyville, Sydney, NSW. Photograph courtesy of Sydney Water

The programme is underpinned by governance arrangements overseen by representatives from TCorp, NSW Treasury, NSW Office of Social Impact Investing (OSII) and the NSW Department of Planning, Industry and Environment (DPIE) who make up the NSW Sustainability Committee.

The social and sustainability outcomes of the projects funded by our programme are reported on an annual basis and independently audited.

Through the work of the NSW Sustainability Committee, in 2019 the following eligible sustainable, green and social projects were identified and approved:

- Five new sustainable water and wastewater management projects: Green Square Trunk Stormwater Improvement, Astrolabe Park Stormwater Improvement, Strangers Creek Stormwater Improvement, Powells Creek Naturalisation and Cooks River Naturalisation.
- Two new social projects were identified to improve access to essential services: the Transport Access Programme and Schools Programme.

These new projects have been added to the existing asset pool comprising the Sydney Metro Northwest, Newcastle Light Rail and Lower South Creek Treatment Programme.

Delivering financial impact

TCorp structured and successfully issued the largest sustainability bond in Australia to date, the $1.8bn Five Year 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 us to further diversify our investor base. The results of the issuance show that investors are genuinely interested in high quality, sustainable investing over the longer term and increasing their understanding of the NSW Government's social and environmental policies.

Innovation and collaboration

The sustainability bond has won five awards here and overseas, putting NSW at the forefront of sustainability and enhancing its credibility in the marketplace. The awards are:

- Sustainability Bond of the Year Award in the supranational, sub-sovereign and agency category, Environmental Finance
- Australian Sustainability Issuer of the Year, and Australian Dollar Rates Bond Deal of the Year, KangaNews Awards 2019
- Best Sustainable Finance Deal – Financial Institution, FinanceAsia
- Green Project of the Year, The Asset Triple A Infrastructure Awards.

TCorp acknowledges this was a whole-of-government transaction; it would not have been possible to issue the bond without the support and collaborative work across the NSW Government family.

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

The Sustainability Bond Programme continues to evolve and TCorp is proud to leverage the successes to date across the NSW Government. This includes the recent Sustainable Finance Steering Committee established by NSW Treasury to accelerate the delivery of the sustainability agenda across the NSW Government.

TCorp structured and then successfully issued the largest sustainability bond in Australia to date, the $1.8bn Five Year 2025 Sustainability Bond...the bond attracted 56 investors, seven of them new to TCorp, helping us to further diversify our investor base.

CASE STUDY 6:

Redevelopment of the Scone Regional Livestock Selling Centre

The Upper Hunter Shire's Scone Regional Livestock Selling Centre has been operating since the 1940s, with facilities established in the mid-1970s. These facilities were in need of a major upgrade to support the rural economy and provide improved animal welfare. Agriculture and forestry makes up over 25% of local economic activity and over 27% of local employment.

Solution

TCorp approved an $8.4mn loan to contribute towards the $12.0mn Scone Regional Livestock Selling Centre's redevelopment.

Client feedback

"This was a significant project for the Upper Hunter Shire and it was a great opportunity to approach TCorp to partner us with a loan facility that was very attractive in the lending market place. TCorp provided Council with an extremely helpful and informative team that assisted in facilitating the lending process from the initial enquiry to settlement of the funds, while maintaining an impressive corporate professionalism."

Wayne Phelps, Manager of Finance, Upper Hunter Shire Council

Kristian Enevoldsen, Director Corporate Services, Upper Hunter Shire Council and Courtnay Seeto, Senior Analyst, TCorp

CASE STUDY 7:

Gilgandra Works Depot upgrade

Gilgandra Shire Council, the largest employer in the town, has an old council works depot that dates back to the days of aviation pioneer Nancy Bird Walton. The heritage-protected building was not air-conditioned, and the facility needed an upgrade. The council is the largest employer in Gilgandra, with 223 staff; 45 people will work at the depot once it is upgraded (the project is 50% complete).

Solution

TCorp funded $3.5mn towards the renovation of the depot. Works include new office spaces, inspection pit, plant and equipment storage, materials storage, a new loading area for the jet patcher and, importantly, air conditioning.

Client feedback

"We have been able to proceed with a much-needed works depot upgrade, which will result in a new administration and amenities building, new store and a modern workshop. The process with TCorp was simple and stress free and Council is grateful for the support provided by TCorp."

David Neeves, General Manager, Gilgandra Shire Council

Heritage-protected Gilgandra Works Depot building, Gilgandra, regional NSW

Effective stakeholder management

TCorp partners with our stakeholders, including clients, NSW Treasury and the broader NSW Government family.

Each of our clients has a dedicated manager who is the "voice" of that client within TCorp, ensuring we understand and give visibility to individual clients' business needs and can help with their financial challenges.

Independent client survey results

On an annual basis, we undertake independent market research to get client feedback on their perceptions of TCorp and their interactions with us.

This year Peter Lee Associates again conducted the survey. The results indicate that we continue to progress our relationships with clients and build awareness of the value TCorp can bring to NSW.

The standout feedback was on TCorp's proactive approach and responsiveness during the COVID-19 lockdown, with mention made of the more frequent economic and market updates and the consistency in our view on the impacts to clients' investment or debt portfolios.

"They have been very strong with their communications and consistent with their advice now and throughout the relationship. They have stuck to their core strategy which is very comforting to me and gives me a high level of confidence in their advice."

TCorp client

The key findings include:

- Clients universally acknowledged the proactive response by TCorp in keeping them informed of market and economic disruptions as a result of COVID-19.
- Relationship management and client service remain strong despite the current environmental stress.
- Very positive feedback was provided on TCorp's:
  - technical capabilities
  - high standards of client service
  - ability to connect different parts of government.
- Clients acknowledge the value TCorp brings to the state, citing economies of scale, lower costs and access to opportunities across the whole of government.
- Clients believe they have a better understanding of TCorp and how we can help them, and are always keen to learn more.
- Clients would like to learn more about our Environmental, Social and Governance (ESG) and Sustainability approach as two-thirds of them rated this is as important or critical. They commented there are growing community expectations to act in line with social and environment issues.

CASE STUDY 8:

Innovative foreign exchange solutions

Sydney Metro is Australia's biggest public transport project to date and will transform the way people travel for work, education and leisure.

A key part is the Sydney Metro City and Southwest project, comprising 30 kilometres of rail line, seven new metro stations and 11 upgraded stations, and involving the offshore purchase of new train sets, signalling equipment and other related machinery worth approximately $500mn.

This purchase exposed the project to foreign exchange risk resulting from potentially large movements between the various currencies. To mitigate this risk and improve budget certainty, TCorp and NSW Treasury collaborated with Sydney Metro on strategies to achieve a more certain financial outcome.

Navigating a large scale, complex project

The project value was several billion dollars—with a significant budget impact, comprising multiple stages over varying time periods—set against the backdrop of an uncertain global economic environment. Various stakeholders were involved including the Sydney Metro finance and procurement teams, the Sydney Metro Board, NSW Treasury, TCorp and several offshore vendor groups. Work on the hedging component of purchasing the train sets and related equipment lasted almost 18 months, up until project financial close.

Train sets and equipment upgrades across Sydney Metro as part of Australia's first driverless metro system. Picture courtesy Sydney Metro

> The project value was several billion dollars—with a significant budget impact, comprising multiple stages over varying time periods—set against the backdrop of an uncertain global economic environment.

An uncertain and volatile purchasing environment

The entire hedging strategy for the purchase of train sets and equipment was completed against a backdrop of difficult global market conditions, including a volatile hedge execution phase, increasing foreign exchange risk. The equipment purchases created currency exposures to both developed foreign exchange markets (US dollar and the Euro), as well as emerging markets (Chinese renminbi and the Indian rupee).

Trading in emerging foreign exchange markets can be highly challenging as they are typically less liquid with less mature market infrastructure. The hedging strategy also included long-dated trades, compounding the complexity of the transaction. Finally, at the time of hedging, there was an increase of political unrest in the regions of Syria and Turkey, adversely affecting the currencies related to the transaction.

Strong stakeholder management and financial risk solutions

TCorp was well placed to assist given its existing close relationships with the Sydney Metro Board and management and its many touchpoints within NSW Treasury where several teams were involved in the project and committed to a successful outcome.

Working closely with stakeholders to analyse components of the project and related purchases, we looked at factors such as currency, price, volume and timeframe to determine an appropriate execution strategy. We identified the various foreign exchange risks over the project life and using scenario analysis modelled the negative financial impact which could have resulted from not understanding or managing these risks.

We devised a suitable hedging strategy and structure for purchasing the equipment which could be executed in a cost-effective manner. This approach was subsequently accepted and approved by the Sydney Metro Board. We implemented the project over a 16 month period, leveraging our financial markets expertise and extensive global banking relationships to execute the hedging strategy.

The process involved regular communication and updates to Sydney Metro, sharing periodic performance and economic scenario analysis to keep the team abreast of potential upcoming challenges in the financial markets, alerting them to any potential need for modifying the strategy.

We maintained a flexible approach throughout the project, adjusting the hedges periodically due to changes in the project scope and timing. Shortly before the close of the transaction, we cash settled all trades, thus successfully concluding the execution of the strategy.

The benefit to NSW

TCorp designed an innovative foreign exchange framework, including the ability to adapt to changing market and transaction conditions. The framework can be used for similar transactions in future to generate cost reductions and achieve greater budget certainty.

Drawing on global banking relationships, the working group (comprising TCorp, Sydney Metro and NSW Treasury) analysed, developed and achieved efficient execution of the hedging strategy, stabilising currency-related project costs.

> Drawing on global banking relationships, the working group (comprising TCorp, Sydney Metro and NSW Treasury) analysed, developed and achieved efficient execution of the hedging strategy, stabilising currency-related project costs.

CASE STUDY 9:

Fostering professional development across the NSW Government family

NSW Trustee & Guardian (Trustee & Guardian) is a government agency that offers a full range of trustee services and can also be appointed as a person's financial manager or guardian by a court or tribunal. It manages portfolios of a combined value of approximately $3bn on behalf of its trustee and financial management clients.

Providing investment strategy and advice

Brendan Hallett, Senior Portfolio Manager at TCorp, commenced an eight month secondment in May 2019 with Trustee & Guardian as acting Director of Investments.

The opportunity for the secondment arose while Trustee & Guardian recruited a new Director of Financial Performance & Investments. CEO Adam Dent was keen for the director to be an external appointment to bring fresh perspectives, insights and strategy to how the organisation should be approaching its investment management function.

Brendan's remit included managing a team of over 20 staff, investment committee engagement and reporting, executive engagement and reporting, and management and oversight of divisional projects. He brought experience from TCorp, previous private sector roles and his expertise in managing financial assets for the state to the secondment. A key aspect to benefit Trustee & Guardian was sharing TCorp's knowledge on investment management best practice with his direct team as well as engaging with the broader business.

A partnership to drive long-term benefits

Working with key stakeholders and contributing valuable advice on investment management frameworks and strategy, Brendan's work fed into a wider strategy for the ongoing management of Trustee & Guardian's funds.

At the end of his secondment Brendan provided a number of recommendations that were well supported by management and resulted in deeper relationships for Brendan, TCorp and Trustee & Guardian.

Growth and development

Brendan enhanced his professional development by managing a large team in addition to three direct reports, something he hadn't previously done. He also has a clearer appreciation from the client side of TCorp's importance in managing financial assets for the state as well as its ability and scale.

Brendan Hallett, Senior Portfolio Manager, TCorp and Adam Dent, CEO, NSW Trustee & Guardian

Awards

TCorp is proud of the work we do, and our spirit of innovation and continuous improvement has been recognised by the financial markets and investment industries both locally and globally.

Environmental Finance Bond Awards 2020

Our Funding & Balance Sheet team 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.

> TCorp won five industry awards for our November 2019 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:

- Australian Sustainability Issuer of the Year
- Australian Dollar Rates Bond Deal of the Year

FinanceAsia Achievement Award 2019

Our Sustainability Bond was also awarded the Best Sustainable Finance Deal – Financial Institution by FinanceAsia. Our 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.

AsianInvestor Institutional Excellence Awards 2019

Our Investment Management team won the Asia-Pacific AsianInvestor Institutional Excellence Award for proficiency, specifically in the area of governance. The awards recognise asset owners that stand as market leaders, in particular looking at their investment processes, and demonstrate a drive to improve their processes and abilities with an eye towards long-term returns.

Our people

Thriving remotely

Our people and technology performed strongly through COVID-19. As part of our workplace strategy, TCorp implemented flexible workplace practices in 2018 and has continued to embed tools, technologies and work practices since then, which enabled us to respond swiftly to the COVID-19 situation. As restrictions were imposed, we were able to seamlessly mobilise to full remote working with very little disruption to the business. Our entire workforce worked from home for more than two months and we were fully operational during that time.

Read the case study on page 44 to see how TCorp was able to thrive remotely during the initial COVID-19 lockdown.

Our cultural transformation

In FY20 we launched and commenced ingraining our new cultural pillars and behaviours. As part of our corporate culture review, these pillars and behaviours were developed with our people and approved by our Board in December 2019. Cultural transformation has been a major strategic priority in FY20 and has involved embedding our cultural pillars and behaviours deeply into everything we do.

Our culture is anchored in three pillars:

Partnership
We are stronger together.

Impact
We make a difference to the financial health of NSW.

Long term
We stay the course.

Activities designed to effect our cultural transformation have involved aligning our employees and leaders around a common vision and intent. We prioritised important changes during FY20, centred around shifts in behavioural expectations, performance assessment, recognition, ways of working and our operating model.

During the financial year we monitored our progress using pulse surveys, the use of which is designed to measure our success in implementing our approach, and to provide us with feedback that we can action. We plan to continue repeating these culture pulse surveys at regular intervals.

We used our communication channels to showcase examples of how our people exemplified our behaviours, bringing our cultural pillars to life. We also used case studies to highlight our success stories for our clients and our people.

CASE STUDY 10:

Thriving remotely

The rapid escalation of COVID-19 restrictions at the end of March required a speedy response from all businesses, testing their agility, security and resilience. Like many other organisations, TCorp responded to the early stages of the pandemic by instituting a split team model but within the space of a week we moved to total remote working.

With health, safety and wellbeing concerns uppermost in our minds, our goal was to ensure people remained connected and engaged with TCorp, our purpose and each other, to continue to deliver for our clients.

The response: our cultural pillars in action

Informed by our cultural pillars of Partnership, Impact and the Long term, we developed "Thriving Remotely", a programme to address the challenges presented during the COVID-19 Stage 3 lockdown period.

Thriving Remotely has consisted of four key elements:

Leading remotely helped train key people on how to lead in a disrupted environment and build team resilience. This included identifying team members required to deliver strategically important work while managing increased carer, home-schooling and other responsibilities, providing additional resourcing to support them or help them reprioritise their work.

Self-care and wellbeing included several initiatives to support long-term, mental, physical and emotional wellbeing as well as enhanced health and safety while working remotely, including a team-based steps challenge, virtual ergonomics webinars, virtual wellbeing walk-ins with a wellbeing coach, and regular promotion of our Employee Assistance Programme.

Making an impact focused on maintaining productivity during a period of uncertainty. Programmes and content helped people structure their day, set themselves up at home to work effectively and to focus on key strategic activities.

Support a sense of connection encouraged social and business interactions, rolling out tools (including the social networking platform Yammer), tips, webinars and activities, ensuring a mix of fun, such as daily lunchtime trivia, through to regular briefings from TCorp leaders, augmented by consistent internal communications.

The value to the state of NSW

In 2018, as part of our workplace strategy, TCorp implemented flexible working practices. As this was well-established before the pandemic, we were able to mobilise to full flexible working quickly with little disruption to the business. For the first time in our history, all staff worked from home for over two months. During the entire period, we were fully operational and continued to successfully raise funding for our clients, provide financial solutions and manage our clients' funds, while remaining closely engaged and connected to one another and our clients from the NSW Government family.

Thriving Remotely was shared with—and became a model for—our colleagues at NSW Treasury, who leveraged it to deliver their own programme. It was also presented to the NSW Public Service Commissioner, who in turn shared it with other public sector organisations as a model of a structured approach in providing support to staff during the COVID-19 pandemic. This approach shows the benefit of working in partnership across the NSW Government family and being able to leverage each other's ideas.

The success of Thriving Remotely provides a platform for TCorp to deal with any future disruptions and/or periods of uncertainty and gives us increased confidence that our business can operate effectively and efficiently. It will also allow us to leverage what has worked well during this period and continue to support those initiatives as we, our clients, and business partners return to the office.

For the first time in our history, all staff worked from home for over two months. During the entire period, we were fully operational and continued to successfully raise funding for our clients, provide financial solutions and manage our clients' funds.

Harnessing technology

Major projects

In FY20, the Technology division delivered a number of pre-existing long-term commitments, including:

- Successfully supported the implementation and rollout of the new Investment Management platform, Blackrock Aladdin.
- Introduced a cloud management framework allowing more efficient and secure operations. This completes year two of a three year cloud programme.
- Upgraded our core client relationship platform to a cloud version.
- Delivered against our cyber security road map, including activities such as best practice protection of end user devices.

Supporting the business through COVID-19

The Technology team demonstrated its agility when TCorp closed its premises. Our technology platform and team supported and facilitated the business, allowing it to operate effectively without disruption. This was a result of:

- Our Information, Communications and Technology strategy supporting flexible and remote working keeping staff fully connected with each other.
- The rapid deployment of new technology to better enable remote working, including rolling out the internal social media channel Yammer, plus an application that allows us to sign contracts digitally, securely and remotely.
- Quickly pivoting our annual workplan by reprioritising tasks and fast tracking of others.

RiskPlus

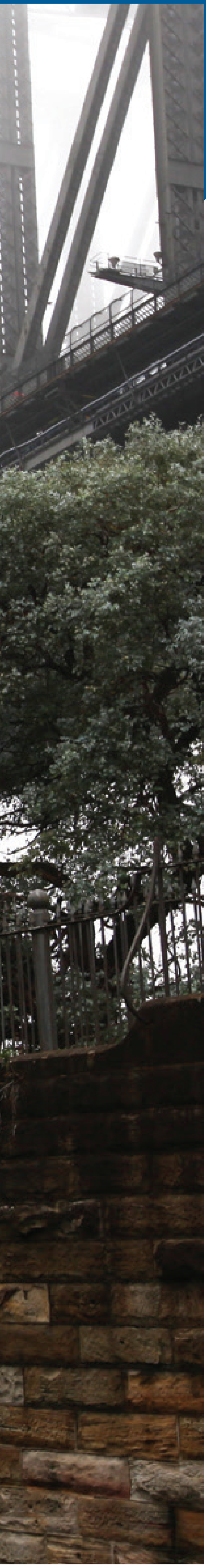
A strategic initiative to strengthen our risk management framework and practices, RiskPlus involved rolling out three lines of accountability across the organisation, resulting in clear ownership of risk management activities within the business.

RiskPlus delivered a revised Risk Management Framework (RMF) which is contemporary and consistent with wider financial services industry practice. The RMF is the combination of systems, structures, policies, processes and people within TCorp which, when taken together, identifies, assesses, mitigates and monitors risks. At TCorp, ownership of risk is everyone's responsibility, both in their own areas and across the organisation. TCorp promotes an environment where people feel they can raise issues and work collaboratively to manage risk. These include strategic, financial, investment, operational, outsourcing, reputational and cyber security risks.

In rolling out the framework the following activities have occurred within the RiskPlus initiative:

- The policy framework has resulted in a review of all policies to ensure alignment to the new RMF
- As part of the three lines of accountability, all business units have undertaken risk profiling incorporating the documentation of their risks and controls
- A new enterprise risk management system was implemented
- A risk roadmap was developed which will focus on activities to be undertaken to continue to further embed the implementation of the RMF and three lines of accountability.

Hickson Road, Sydney, NSW



Section 4

Operations overview

Investment Management

Key highlights

Market-leading resilience and meeting client objectives over the longer term

Against the backdrop of highly volatile equity and debt markets as a result of COVID-19, our clients' investment portfolios have performed well, demonstrating resilience, remaining within risk expectations and providing real dollar value-add and liquidity when it was needed.

Our investment business and approach to investment strategy have successfully delivered significant savings for our clients and the state. In FY20, we delivered additional recurring annual savings of $35.9mn through rationalising service providers and associated fees.

We continued to deepen client relationships and build trust which has proven invaluable for managing clients' expectations through the period of pandemic-related extreme market volatility.

Our approach to investing continues to evolve, with our new total portfolio approach being endorsed by our Board and NSW Treasury.

We have added value for clients while retaining our focus on managing downside risk and delivered nearly $600mn of liquidity through tail risk hedging programmes to help the state meet pension payments and insurance claims.

Sound fund performance

In FY20, funds managed by TCorp have added value of $1.8bn in aggregate, due to positive investment performance. Over the same period the S&P and ASX fell by 9.1%.

Despite the sharp market declines in the March 2020 quarter, our clients' portfolios continued to exceed their investment objectives over longer time horizons. As an indication, at 30 June 2020 our funds outperformed their respective return objectives by:

- 1.6% p.a. for higher growth funds (with growth allocations between 65% to 90%)
- 1.4% p.a. for medium growth funds (with growth allocations between 35% to 50%)
- 0.6% p.a. for low risk, cash-type funds.

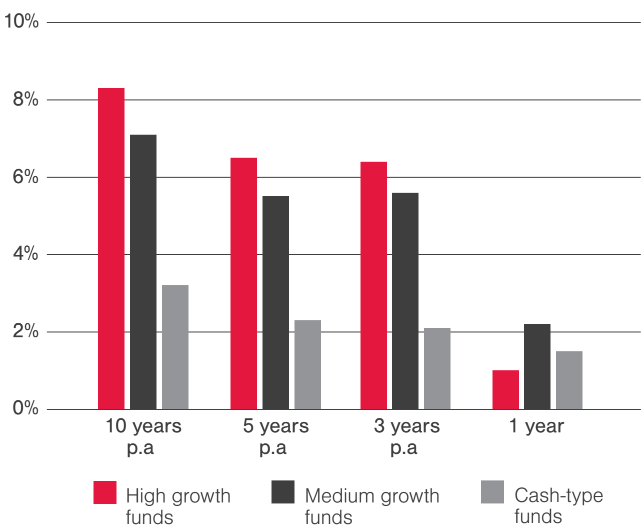
About Investment Management

We provide the NSW public sector and other eligible clients with investment opportunities across a range of risk and return profiles. We work with our clients to match their needs and objectives with the most appropriate investment solutions.

We are a major global asset owner as highlighted in *Asset Owner 100 – The most influential capital on the planet*, by the Thinking Ahead Institute, Willis Towers Watson, 2019.

Over the long term, our diversified funds continued to produce solid returns, demonstrating that taking appropriate risk has been rewarded as demonstrated in *Chart 3: Average client fund returns weighted by assets, 30 June 2020.*

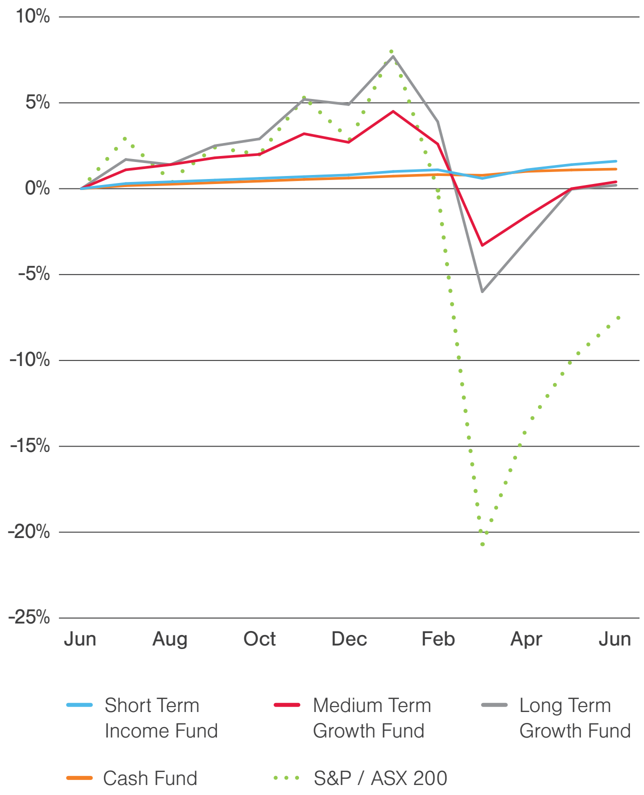
Chart 3: Average client fund returns weighted by assets, 30 June 2020



Source: TCorp

Almost all the funds managed by TCorp have posted gains over the past financial year. This is illustrated in *Chart 4: TCorpIM cumulative returns over financial year 2020*, a subset of our client funds. Medium growth and more liquid funds generally achieved stronger returns than higher growth funds, reflecting market conditions that favoured defensive assets.

Chart 4: TCorpIM cumulative returns over financial year 2020



Source: TCorp

TCorp's diversified funds performed well during the pandemic due to risk mitigants such as foreign currency exposure, allocations to defensive assets such as government bonds, cash and diversification into non-equity growth assets and rigorous rebalancing of funds to their strategic settings. We were able to meet clients' liquidity needs, and maintain their agreed risk profiles, even during the crisis as illustrated overleaf in *Table 2: TCorp funds' performance as at 30 June 2020*.

In addition, the bespoke tail risk hedging programmes for two clients generated $600mn of liquidity, cushioning their returns during the trough of the downturn, and positioning the funds for the market rebound in the June quarter. See page 20 for the tail risk hedging case study.

We continue to seek compelling investment opportunities created by the pandemic-induced market dislocation, both within Australia and overseas.

Table 2: TCorp funds' performance as at 30 June 2020

Client/investment objective	Inception date	Since inception return (%p.a.)*	5 year return (%p.a.)*	1 year return (%)	Fund size ($mn)	5 year value-add ($)	1 year value-add ($)
State Super Trustee Selection Option CPI +5.0% p.a. over 10 years	30-Apr-88	8.02	7.11	1.80	33,789	11.3bn	0.8bn
NSW Infrastructure Future Fund CPI +2.0% p.a. over 10 years	07-Dec-16	5.02	n/a	1.84	13,860	n/a	0.3bn
Workers Compensation Insurance Fund WPI +2.0% p.a. over 20 years	30-Nov-05	6.34	5.36	2.41	17,321	4.4bn	0.4bn
NSW Generations (Debt Retirement) Fund Investment Trust CPI +4.5% p.a. over 10 years**	5-Nov-18	5.70	n/a	(0.12)	11,293	n/a	(24)mn
Treasury Managed Fund CPI +3.5% p.a. over 10 years	31-Mar-99	6.59	7.03	0.77	9,450	2.6bn	55mn
Lifetime Care and Support Authority Fund AWE +2.0% p.a. over 20 years	30-Jun-07	7.40	6.10	0.29	6,781	1.6bn	30mn
Long Service Corporation Investment Trust AWOTE +1.0% p.a. over 10 years	25-Nov-13	7.82	7.37	3.27	1,784	0.4bn	48mn
TCorpIM Long Term Growth Fund CPI +3.5% p.a. over 10 years	01-Jul-89	7.83	6.08	0.17	1,518	0.3bn	30mn
Dust Diseases Authority Fund 4.5% p.a. rolling over 5 year periods	30-Jun-07	5.50	6.20	0.73	1,195	0.4bn	14mn
Social and Affordable Housing Fund CPI +2.75% p.a. rolling over 5 year periods	16-Aug-17	6.88	n/a	1.85	1,488	n/a	20mn
TCorpIM Medium Term Growth Fund**** CPI +2.0% p.a. over 7 years	01-Dec-90	7.30	3.96	0.39	750	35mn	(28)mn
Parliamentary Contributory Superannuation Fund CPI +3.5% p.a. over 10 years	01-Jan-99	7.47	n/a	1.40	326	n/a	5mn
Insurers' Guarantee Fund AWE +2.0% p.a. over 20 years	01-Jul-11	7.07	6.00	2.34	209	55mn	5mn

* *Performance shown includes time periods prior to the date TCorp assumed management of the funds.*

** *The NSW Generations Fund numbers are since inception.*

*** *Value-add means dollars generated in real terms.*

**** *For the TCorpIM Medium Term Growth Fund the one year dollar value-add is negative as there were cash outflows during a period of extreme market volatility when market declines reduced the size of the fund, thus magnifying the impact of the outflows on the dollar value-add calculation. By contrast, the fund's reported percentage return is not impacted by cash inflows and outflows and is positive for the one year period.*

CPI - Consumer Price Index, WPI - Wage Price Index, AWE - Average Weekly Earnings, AWOTE - Average Weekly Ordinary Time Earnings

Source: TCorp

Advisory and portfolio management solutions

TCorp provides bespoke investment strategy advice and portfolio management solutions for 13 diversified client portfolios totalling $103.0bn in assets. During the year, TCorp achieved several milestones as part of the transformation of our investment management processes.

To formalise the understanding of our clients' unique business needs and risk preferences, we partnered with several clients to articulate their risk tolerances through investment Risk Appetite Statements. These statements provide a common basis for clients to understand and accept the principal risks to which they are exposed to generate investment returns and for TCorp to tailor portfolios to generate returns in alignment with clients' stated needs and preferences.

We completed the implementation of an integrated front-to-back investment platform and risk management system (BlackRock Aladdin), and continue to embed this system into our investment processes.

We also continued to make progress towards a Total Portfolio Approach to managing our client portfolios. This uses risk as a clear basis for portfolio construction under a dynamic "competition for capital" budgeting framework. Portfolios will be built on a foundation of traditional liquid market exposures, with incremental risk-return improvements made to the investment strategy by accessing illiquidity, alternatives, investment skill, and foreign currency. This new investment model has been endorsed by our Board and by the NSW Treasury Asset and Liability Committee.

In-house asset management

Cash and fixed income

TCorp manages various styles of cash and fixed income mandates with different maturity profiles which are part of our clients' overall portfolios as presented in the previous table (Table 2). As part of these mandates, the cash and fixed income team also manage two funds where clients can invest directly with the performance presented in Table 3 below.

Table 3: Australian cash and fixed income performance as at 30 June 2020

TCorpIM Fund	5 year return (% pa)	Relative to benchmark (% pa)	3 year return (% pa)	Relative to benchmark (% pa)	1 year return (%)	Relative to benchmark (%)	Market value ($bn)
Cash	2.06	0.33	1.82	0.29	1.14	0.36	1.1
Short Term Income	2.34	0.61	2.19	0.65	1.61	0.76	3.3

Source: TCorp

Real assets

Real assets generate sustainable returns over the long term which contribute to the overall performance of each client's portfolio. Our scale and carefully developed global partnership network provide the real assets team with a unique pipeline of access to domestic and international opportunities and we invest alongside like-minded long-term partners. For example, we leveraged our international pension peer relationships to invest in Brussels Airport during the year – this was our second investment alongside Ontario Teachers Pension Plan.

Key highlights over the past financial year include:

- Over the past five years, infrastructure and property have both performed strongly delivering returns of 9.44% and 8.9% respectively and outperforming their benchmarks. Due to COVID-19, the last year has been more challenging with infrastructure delivering a negative 2.9%.
- In March 2020 we appointed Lendlease to become our real estate strategic partner, incorporating a domestic diversified direct property portfolio worth in excess of $1.5bn.
- In January 2020, we took a minority interest in Brussels Airport from Ontario Teachers' Pension Plan.
- In December 2019, TCorp teamed up with H2O Power and its owner PSP Investments, in a transaction that resulted in a 49% stake ownership in eight hydroelectric generation assets based in Ontario.

Stewardship update

TCorp continues to progress in this area and major activities in FY20 included active ownership, COVID-19 governance and peer engagement and collaboration. These activities take place within the five stewardship pillars in our investment stewardship framework which are: integration, proxy voting, engagement, collaboration and disclosure.

Active ownership

In FY20, we voted against company management recommendations in respect of 5.6% of all resolutions. The largest share of votes against management recommendations were remuneration related, largely based on a lack of balance between the proposed incentive and outcomes for shareholder value. TCorp votes against director elections were primarily due to concerns regarding Board independence.

Proxy voting activities

We have seen further increases in advisory shareholder proposals at annual general meetings. Over 2019 there were 15 shareholder proposals with a further 14 in the first six months of 2020. This is attributed to increased capability of advocacy groups, increased attention on environmental, social and governance (ESG) issues and growing shareholder desire to exercise voting rights.

Climate disclosure and industry lobbying by energy and materials companies has been a particular focus of these proposals. A number of these proposals received substantial support demonstrating the importance of ESG issues to shareholders.

COVID-19 governance

The pandemic has put organisations under immense scrutiny regarding decisions that impact employees, stakeholders and society. It also delayed or otherwise affected shareholder meetings and, on this basis, represents a risk to the exercise of ownership rights. TCorp has been considering COVID-19 risks in its engagement with companies, managers, advisers and advocacy groups, including: financial capital, human capital, board performance, risk management and transparency.

Collaboration

In the interest of a more sustainable and robust financial system, we collaborate with industry peers to promote our clients' interests and to encourage the development of industry standards on investor stewardship. Throughout FY20, we actively contributed to the following groups:

- The NSW Treasury Sustainable Finance Working Group: this brings together senior representatives across the NSW Government family to create a forum to share expertise and updates on sustainable finance initiatives and issues that impact state assets and liabilities.
- The Australian Sustainable Finance Initiative (ASFI) Technical Working Group: a collaboration of Australia's major banks, superannuation funds, insurance companies, financial sector peak bodies and academia, ASFI works to address the objective of a more "sustainable, resilient and stable financial system" and to develop a Sustainable Finance Roadmap for Australia.
- The Investor Group on Climate Change (IGCC): TCorp is a member of IGCC's Physical Risk & Resilience Working Group and the Transparency & Thought Leadership Working Group. IGCC represents institutional investors, with total funds under management of over $2tn, and others in the investment community interested in the impact of climate change on investments.
- The Thinking Ahead Institute: is a global not for profit group whose aim is to influence change in the investment world for the better, by improving the provision of savings. TCorp has been a member of its Climate Working Group.

Continuous improvement on our approach, investment and operating systems

TCorp continues to improve our investment approach and operating systems to support our growth over the long term. Since 2015, we have been on a continuous journey of transformational change to become a best-in-class investment manager.

Working in partnership with clients

- We have evolved our investment model to a risk-based rather than capital-based approach as we believe this will enable a more consistent delivery on our clients' investment objectives via higher expected risk-adjusted investment returns.
- The Social and Affordable Housing Fund valued at $1.5bn had its 2020/21 annual investment strategy review built with this new approach and approved by the state's Asset and Liability Committee in June. Our new approach will be applied to our other client portfolios over time as their annual investment strategy reviews occur.

New investment opportunities

Deployment of funds to new opportunities over FY20 amounted to investment of $3bn and included opportunities as highlighted in the Real Assets section.

Internal developments

TCorp has refreshed and realigned our investment beliefs that guide how we manage client funds as illustrated in *Chart 5: TCorp investment beliefs*. These beliefs set the framework for all our investment decision-making across clients' portfolios.

Internal developments (continued)

Independent investment consultants Willis Towers Watson assessed our investment process and governance rating as A, an improvement from the BBB rating we received in 2016. This demonstrates the progress we have made in our commitment to becoming a best-in-class investment manager and places us in the top 30 asset owner organisations in the world.

Willis Towers Watson expects around 5% of the world's largest asset owners to be rated AAA, around 10% to be rated AA and approximately the following 15% to be rated A. This is referenced in the Investment Organisational Healthcheck undertaken by Willis Towers Watson in August 2019.

In March we launched the BlackRock Aladdin investment management solution, the culmination of a major technology project that took 11 months to complete. Aladdin provides an end-to-end integrated system to support our teams in making investment decisions and enhancing returns for our clients by simplifying and improving processes and reducing operational risk.

The benefits of BlackRock Aladdin include:

- A complete end-to-end order and portfolio management mechanism which achieves scale efficiency and the ability to run new mandates, thus providing clients access to investment opportunities not previously available.
- Broader investment management portfolio analytics, risk measurement and performance attribution systems, enabling better decision-making and reporting.
- Significant additional risk and portfolio analytics tools and insights that support our risk based Total Portfolio Approach investment model.
- New capabilities that once fully implemented will deliver a significant net improvement to client performance, and a substantial reduction in operational risk through the automation of many front and middle office processes.

Chart 5: TCorp investment beliefs

Source: TCorp

Financial Markets

This financial year has been one where our ability to work in partnership with the state to offer financial advice and execution has made a real impact on the long-term needs of the people of NSW.

Key highlights

Working in partnership with the state to respond to the financial challenges resulting from the drought, bushfires and COVID-19

With environmental challenges, the COVID-19 pandemic, and the state's ambitious infrastructure programme, the state's expected funding requirement increased by a further $14.5bn in FY20. TCorp delivered this financing while efficiently managing the state's balance sheet.

The COVID-19 pandemic resulted in a sudden increase in funding required by the state from its already elevated level. We were able to deliver $10bn of extra funding rapidly and at a cost-effective level, notwithstanding difficult conditions in the debt markets.

To mitigate the market dislocation caused by COVID-19, we worked closely with the other Australian states and territories to coordinate both dialogue and communication with the Reserve Bank of Australia (RBA). This resulted in the RBA supporting the semi-government bond market and a return to more normalised funding and trading conditions.

The pandemic also required a focused response for the procurement of state personal protection equipment (PPE). We facilitated PPE purchases from offshore vendors, providing advice and execution relating to supply chain financing.

In FY20, we also worked closely with the Office of Local Government and NSW Treasury to refine, implement and execute the COVID-19 relief package that was announced for local councils. This included more infrastructure lending to a broader group of local councils.

Financial Markets is responsible for raising debt for the state of NSW, and does this through issuing bonds both locally and globally, providing loans to the NSW Government family, and managing risk on the balance sheet. We also provide financial solutions, for example foreign exchange hedging.

Delivering impact through providing financial capacity, economic stability and resilience

The core focus of Financial Markets is providing financial capacity to the state by decreasing costs, managing risk, and increasing budget certainty. In FY20 we raised a record $27.8bn of funding.

We also manage the state's balance sheet (raising funds and lending to clients) and as at 30 June 2020, this totalled $99.5bn, an increase of over 33.9% from the previous year.

We continue to maintain a strong liquidity position for the state and helped NSW to retain its AAA rating (reconfirmed by all major ratings agencies).

We also provided a range of financial advice, execution and solutions to the NSW Government family which has helped it achieve budget certainty, cost savings and procurement optimisation.

Devising innovative debt solutions with a focus on the longer term and sustainability

In February, we issued a €60mn (US$66mn) 30 year bond. Previously we had issued in Sterling, Swiss and Yen, and this both complements and builds out our foreign currency issuances.

This transaction represented a good opportunity to complement our strategy of lengthening the debt profile while diversifying the investor base. In Europe, there is more appetite for this type of debt.

In November 2019, we issued a $1.8bn Sustainability Bond, the largest of its kind to date in Australia. In preparing for the issuance, we partnered closely with NSW Government agencies—in particular NSW Treasury, the NSW Office of Social Impact, the NSW Department of Planning, Industry and Environment (DPIE), NSW Department of Education, Transport for NSW and Sydney Water—to identify sustainable assets and reporting standards, and we continue to chair the NSW Sustainability Committee. See page 34 to read the full case study on the sustainability bond.

We also published our inaugural annual report for the NSW Sustainability Bond Programme, which provides an overview of bonds that were issued under the programme, our governance and certification, and where the funds we raised were earmarked to, including dollar amounts and details of each project. TCorp is the only semi-government issuer in Australia with a formally established sustainability bond programme which allows us to issue green, sustainability, social bonds or a combination of all three.

NSW Sustainability Bond Programme Annual Report 2019

Providing advice to the NSW Government family

TCorp provided expert financial advice at various interagency working groups and committees. Our work included:

- Improving electricity procurement methods for the state
- Embedding the use of electric vehicles across the state
- Assisting the state in the rollout of solar panel assets
- Working with DPIE to improve the state's energy supply and security for the future
- Sponsoring the interagency Sustainable Financing Steering Committee
- Working with the Schools Renewable Energy Infrastructure interagency project
- Partnering with DPIE, Department of Communities and Justice, Aboriginal Housing Corporation, NSW Treasury and University of Sydney on a student social housing solution project.

Funding & Balance Sheet

TCorp is the central borrowing authority for the NSW Government. We manage debt on behalf of our clients—which exceeded $70.7bn as at 30 June 2020—and the state's balance sheet.

Table 4: Areas of infrastructure spend in NSW

Infrastructure type	Amount ($bn)
Public transport and roads	57.5
Hospitals and health facilities	10.2
Schools and skills infrastructure	7.3
Justice and emergency services infrastructure	4.0
Other	18.3
Total	**97.3**

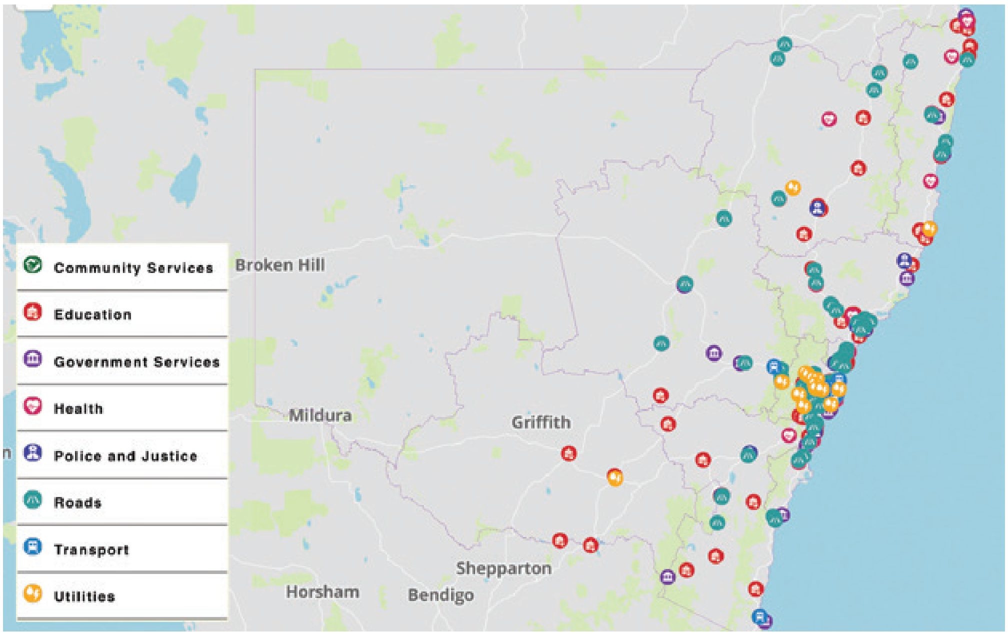
Source: *NSW Budget 2019-20*, NSW Treasury

Each year, we receive direction from NSW Treasury on the amount of money we need to raise and at the start of FY20, this was $13.3bn. The majority of this funding was to support the government's record current and planned infrastructure spend over the next four years as detailed in *Chart 6: NSW infrastructure spend over the next four years* and *Table 4: Areas of infrastructure spend in NSW.*

At the mid-year budget in December 2019, our borrowing was increased to $17bn to fund expanded infrastructure projects and by February 2020, we had raised 90%. In March, our borrowing task was further increased by a record $10bn resulting from the negative impacts of COVID-19, against a backdrop of frozen and dysfunctional debt markets—both here and around the world.

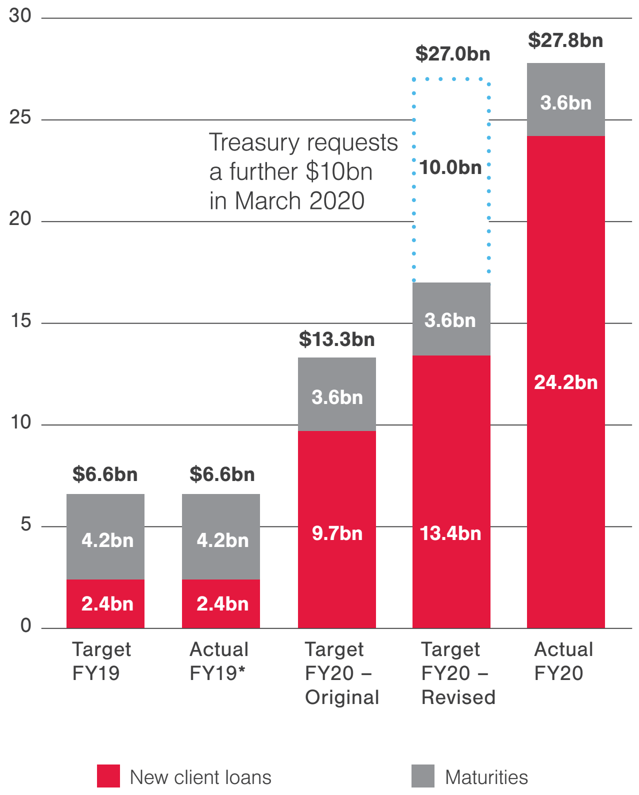
See *Chart 7: Financial year 2020 borrowing programme* which outlines our borrowing task in FY20.

Chart 6: NSW infrastructure spend over the next four years



Source: *NSW Budget 2019-20*, NSW Treasury

Chart 7: FY20 borrowing programme



Source: TCorp

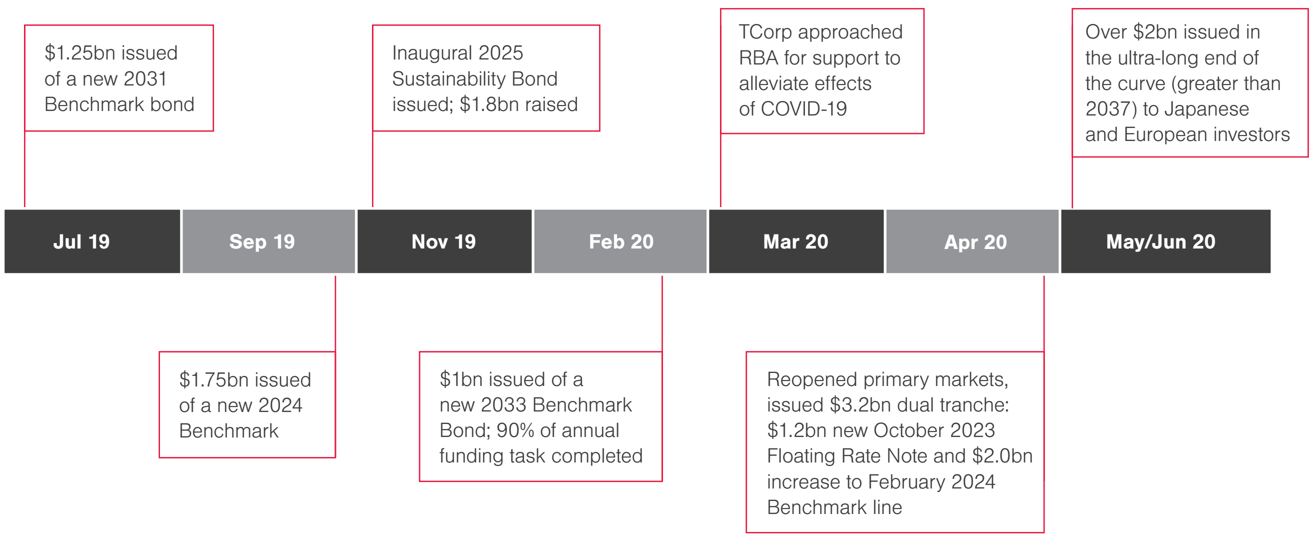
To counter market instability, NSW Treasury and TCorp contacted the RBA to ascertain their support for the secondary market for semi-government sector bonds, alongside their buying of Commonwealth securities. The RBA agreed to consider buying semis in the secondary market and TCorp has since hosted a weekly meeting between the RBA and the semi-government issuers.

The RBA's weekly purchase of semi-government bonds gave the market confidence and allowed TCorp to be the first government or semi-government issuer to issue into the primary bond market since the start of the crisis. On 2 April, TCorp issued a transaction valued at $3.2bn, effectively reopening the market. By the end of April, TCorp had raised the $10bn requested by Treasury.

Further details on how our record $10bn fund raising was achieved in one month can be read in the case study on page 18.

By the end of the financial year, we raised $27.8bn as shown in *Chart 8: TCorp major issuances in FY20.*

Chart 8: TCorp major issuances in financial year 2020



Source: TCorp

Local Government Services

We deepened our engagement with key stakeholders in the NSW Government family to drive financial efficiencies for eligible state councils. This financial year we funded and/or approved loans totalling $262.6mn to 22 councils, with six new council clients bringing our total number of borrowing councils to over 50.

We are proud to provide councils with their funding needs and our total loans to councils have grown nearly fourfold over the past five years to $843mn in FY20.

We have continued to partner with our key stakeholders in the NSW Government family in FY20 to deliver significant financial benefits for eligible state councils through the provision of long-dated, competitively priced infrastructure funding.

Financial Risk Solutions

We partner with the NSW Government family to identify and quantify their financial risk exposures as well as determining acceptable strategies for risk management and cost reduction. We develop a deep understanding of our clients and leverage the broad experience and knowledge of the team to provide solutions and efficiencies.

Hedging

We worked with clients on solutions totalling $1.1bn and provided hedging solutions covering foreign exchange, interest rate swaps and commodities. As a result the state has significantly reduced exposure to market risk and achieved significant savings.

PPE procurement

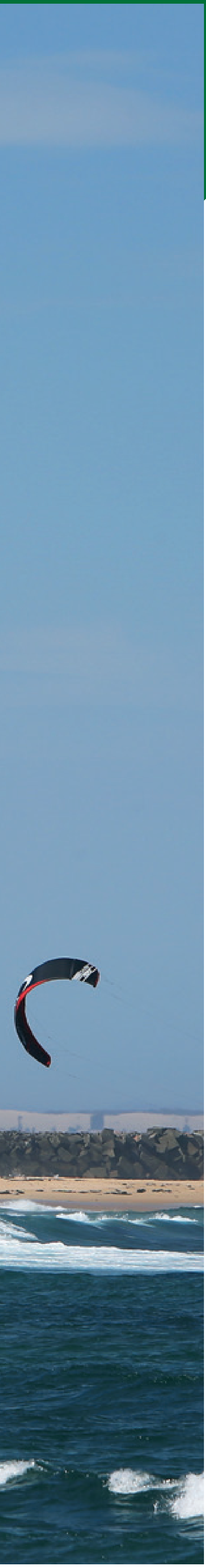
The COVID-19 pandemic put pressure on the state to procure large quantities of medical equipment in a very short timeframe. With many purchases being sourced from offshore vendors and paid for in foreign currency, TCorp was involved in the state's medical equipment procurement focus and facilitated several million dollars' worth of procurement and added value through partnership, procurement processes and governance. Read the full case study on page 12.

Debt management

FY20 was a significant year for NSW's water utilities as TCorp implemented a transition path to a new weighted average cost of capital methodology. This involved working with the clients and their Boards on the appropriate debt financing strategy, and ultimately re-financing approximately $2bn of debt during the February/March Independent Pricing and Regulatory Tribunal observation period.

The implementation will have a significant positive impact for the state by reducing refinancing risk on the state's balance sheet.

Kite surfing off Nobby's Beach, Newcastle, NSW



Section 5

Thought leadership

The year that was – tumultuous

Brian Redican, Chief Economist

Financial year 2020 has been an incredibly tumultuous year for the NSW community, the economy and financial markets. While the NSW economy had outperformed the rest of Australia over recent years, economic growth was patchy heading into FY20; weak wages growth constrained consumer spending which, in turn, meant that firms were hesitant to invest.

Fires, droughts and flooding rains

Early in the new financial year, however, a new threat to the economy emerged with the onset of large-scale bushfires. With 95% of NSW already in drought and no end to the warm and dry prevailing weather conditions, the scene was set for a horrific bushfire season. Indeed, over the next several months, the NSW Rural Fire Service estimated that there were more than 11,000 fires which burnt 13mn acres of land (an area larger than Belgium and Denmark combined), destroyed 2,439 homes and resulted in the tragic deaths of 25 people.

While the economic impact of the bushfires is far less important than the direct impact on the affected individuals, families and communities, it was nevertheless substantial, with an estimated 0.5% impact on Australia's GDP. In response, the NSW Government recently announced it would spend $1.2bn over the next two years on bushfire management and recovery and disaster assistance.

> The economic impact of the bushfires… was nevertheless substantial, with an estimated 0.5% impact on Australia's GDP

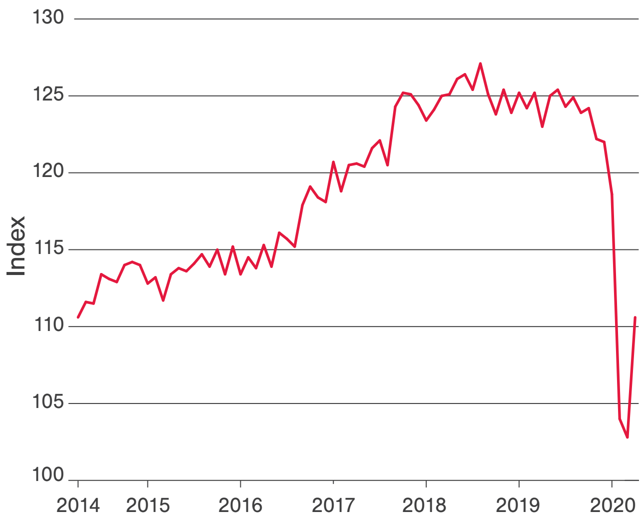
As often happens, the fires were soon followed by floods. Despite all this, the NSW economy was still on track to record reasonable growth for FY20. Faced with such adversity, the community pulled together in a remarkable way. The people of NSW vowed to holiday in the regions most affected by the fires to boost local economies.

COVID-19 – a threat to health, the economy and functioning financial markets

In late January 2020, COVID-19 arrived in Australia. With case numbers rapidly increasing in March, Prime Minister Scott Morrison, in combination with state premiers, decided to shut down large parts of the economy in order to control the spread of the virus.

The first impact of COVID-19 on Australia occurred even before the virus had reached our shores. As China locked down Hubei province in January to control its spread, activity in Australia's largest trading partner fell sharply, disrupting global supply chains as global trade declined, illustrated in *Chart 9: Global merchandise trade*. By itself, this threatened to stall the Australian economy, at least temporarily.

Chart 9: Global merchandise trade



Source: Bloomberg

The second impact occurred via financial markets; as COVID-19 started to spread, it became obvious that this would undermine global economic growth and corporate profits. As a result, investors initially fled the riskier sectors of financial markets—such as equities and corporate bonds—and sought the relative safety of government bonds and other perceived safe havens such as gold. Accordingly, share prices started falling sharply as did bond yields. This is highlighted in *Chart 10: US/Australia 10-year bond yields, July 2019 – July 2020* and *Chart 11: US/Australia equity markets, July 2019 – July 2020*.

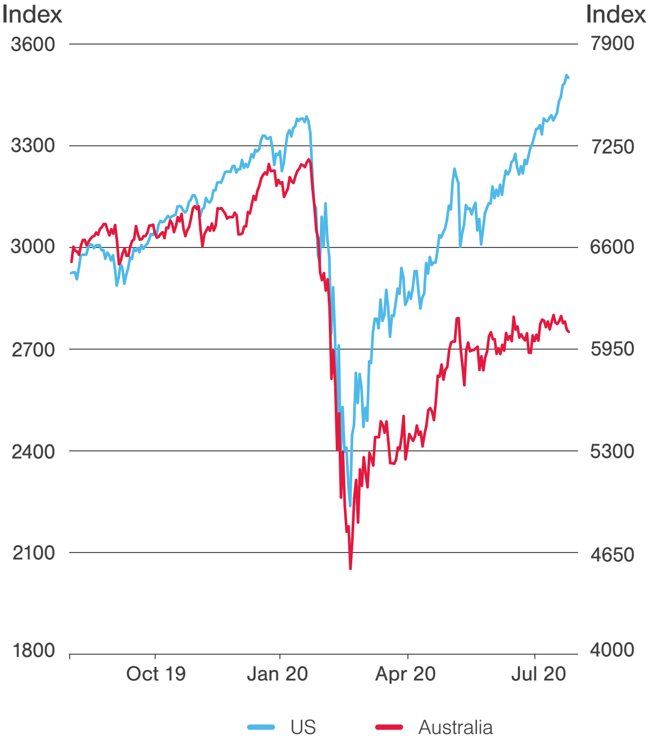
What began as an orderly sell-off soon became disorderly in mid-March as market liquidity dried up. Global pension funds, hedge funds and other investors desperately needed cash to fund a surge in redemptions and, unable to sell their riskier investments, were forced to sell their safe-haven assets, such as government bonds. This meant that liquidity also dried up in the government bond market. Bid-offer spreads—the difference in price between what sellers are willing to accept and buyers are willing to pay—widened sharply, and there were even questions about whether governments would be able to raise new funding in the market. Of course, with economic activity and tax receipts plunging, it was critical that governments retained access to funding markets at this time.

With financial markets becoming dysfunctional and firms and governments potentially not being able to access funding, there was a clear risk that this could reverberate back onto the economy and create an adverse feedback loop, in which plunging economic activity pushes down asset prices, which then results in even weaker economic outcomes.

Chart 10: US/Australia 10-year bond yields, July 2019 – July 2020

Source: Bloomberg

Chart 11: US/Australia equity markets, July 2019 – July 2020



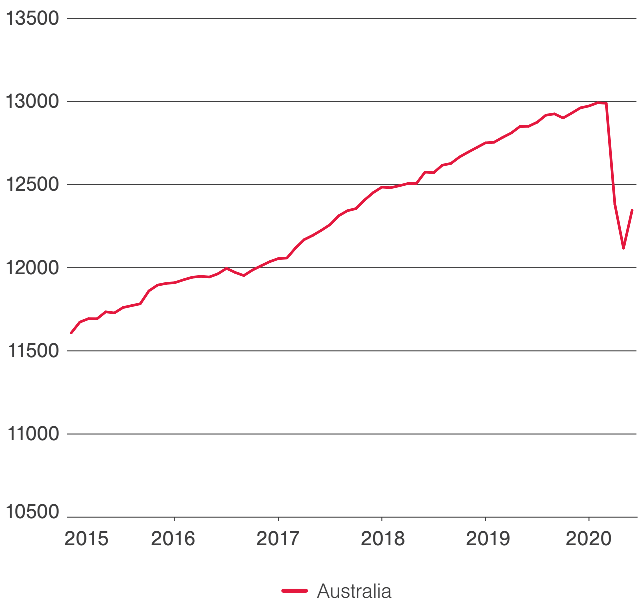
Source: Bloomberg

> ...having withstood the battering from bushfires and floods, the economy finally succumbed to the pervasive impact of COVID-19 and Australia experienced its first recession since the early 1990s.

The third impact of COVID-19 occurred when the Australian government imposed restrictions on economic activity to limit the spread of the virus. With the restrictions imposed, large sectors of the economy—such as hospitality and tourism—were forced to close overnight. While the Australian Bureau of Statistics is yet to publish its estimate of the size of the economic contraction this triggered, it seems likely it will be the largest and swiftest drop in economic activity at least since the Great Depression. Thus, having withstood the battering from bushfires and floods, the economy finally succumbed to the pervasive impact of COVID-19 and Australia experienced its first recession since the early 1990s.

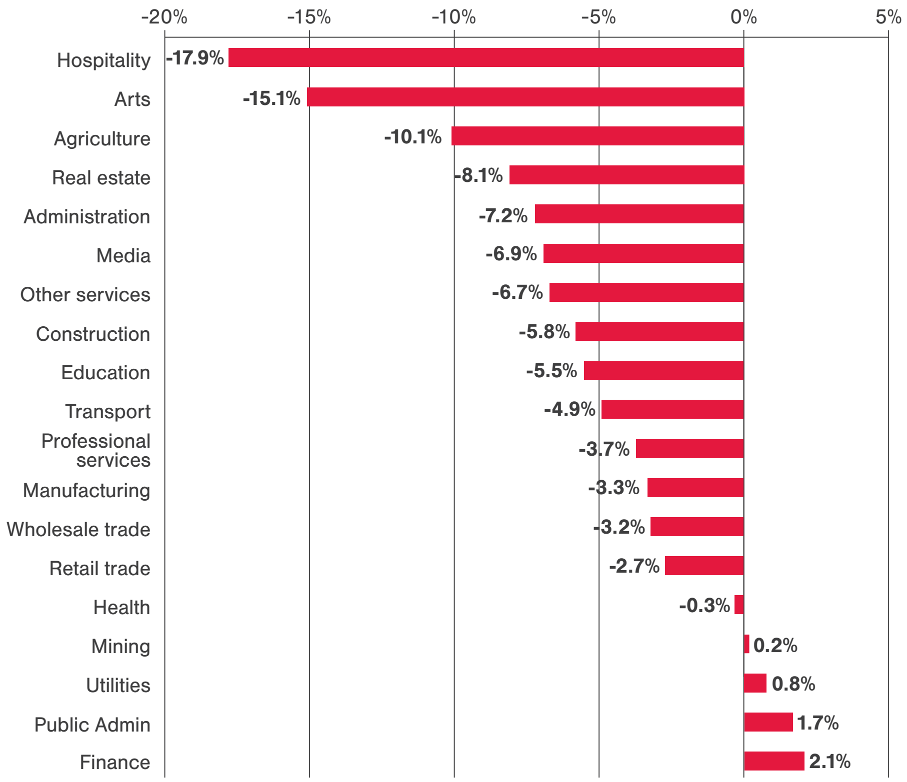
Chart 12: Employed people in Australia illustrates the sharp fall in March 2020 and *Chart 13: Percentage change in payroll jobs by industry* shows how key sectors have been affected by COVID-19.

Chart 12: Employed people in Australia



Source: Australian Bureau of Statistics

Chart 13: Percentage change in payroll jobs by industry, 14 March and 25 July 2020



Source: Australian Bureau of Statistics

Responding to the challenges

Faced with this unprecedented confluence of challenges, TCorp's approach has been firstly to understand the nature of the problems and their potential implications, and then to identify responses that address or mitigate those problems. Finally, TCorp undertakes those actions which are within its scope, while spotlighting the actions that other organisations could take and encouraging them to do so.

For example, with many firms facing a collapse in revenue and people set to lose their employment, it was clear that governments needed to step up and provide fiscal support. Reflecting this, the NSW Government announced a range of support measures which included tax relief and additional spending. The government persisted with its ambitious infrastructure rollout plan, and other essential services such as health and education, plus tailored support to victims of the recent bushfires. These measures were designed not only to support affected individuals and reduce the harm caused by COVID-19, but also to inject a stabilising element of demand into the economy.

Of course, with the fiscal situation deteriorating, there would also be additional funding needs for the state, but with bond markets becoming dysfunctional in March, this could be challenging. Faced with this situation, TCorp, along with other funding bodies worked closely with the Reserve Bank of Australia (RBA) to alert them to the gravity of the situation and suggest potential remedies. On 19 March, the RBA announced a range of policy responses to the rapidly changing outlook including the critical decision to purchase Commonwealth Government bonds and semi-government (i.e. state government) securities across the yield curve "to address market dislocations".

This decision—along with similar decisions by other central banks—was critical to restoring market functioning and laid the foundations for the subsequent recovery in financial markets over the next few months.

Besides fiscal stimulus from state governments it was also clear that the federal government would need to deliver substantial fiscal stimulus, with household income support a critical issue, announcing the JobKeeper wage subsidy programme on 30 March.

While it was essential that governments quickly limited the spread of the virus, it was also crucial that economic restrictions weren't retained for longer than necessary. Identifying those sectors which posed the least risk to health and the most potential economic benefit provided a framework for prioritising which restrictions could be eased first.

As restrictions have been removed, the economy has indeed improved. And while this has had the desirable impact of supporting a recovery in financial markets, the most important point is that it improves the chances of firms surviving through the COVID-19 period as well as the employment prospects of NSW citizens.

The road ahead – battered but unbowed

FY20 truly has been an extraordinary year. While the Australian economy is now emerging from the worst of the COVID-19 effects, we do not expect that the economy will quickly revert to the way it looked before the pandemic. This is partly a function of the virus itself.

While many scientists are optimistic about the prospects of developing a vaccine over the next year or so, it seems likely that some behavioural changes, such as social distancing, will need to remain in place for some time yet.

As restrictions have been removed, the economy has indeed improved. And while this has had the desirable impact of supporting a recovery in financial markets, the most important point is that it improves the chances of firms surviving through the COVID-19 period as well as the employment prospects of NSW citizens.

While the Australian economy is now emerging from the worst of the COVID-19 effects, we do not expect that the economy will quickly revert to the way it looked before the pandemic.

In addition, the events of the last few months in FY20 have taken a large toll on the balance sheets of many households and businesses. While loan repayment holidays and rental support schemes have provided a temporary respite for firms and individuals, even if their income does recover eventually, they will be faced with higher debt levels and more fragile balance sheets. The RBA, for example, does not expect to see the unemployment rate return to its pre-COVID-19 level in the next few years. All of these developments will affect willingness and the ability of firms and households to drive growth in the period ahead.

There are also likely to be structural changes that emerge from the COVID-19 experience. With many people being forced to work from home for the first time, some people and businesses have found the experience to be surprisingly productive and effective. Even if some people decide to work from home two or three days per week, that could have profound implications for the demand for office space in central business districts. On the other hand, if social distancing requirements remain in place, then the net demand for office space may not change too much.

COVID-19 may also accelerate the adoption of some changes that were already occurring. The shift to online business platforms is one example of this. Again, this could have profound implications for the demand for retail property space.

Finally, the suddenness of the shutdown may result in behavioural changes among firms and households. While it may have seemed inconceivable that a viable café or other business could suddenly be compelled to stop trading before COVID-19, now it is not. This may prompt people to become more financially conservative, by saving a little more and borrowing a little less. Again, if that occurs it would alter the economy's growth path.

FY20 has certainly left the NSW and Australian economies battered and bruised and there are many uncertainties which cloud the outlook for the year ahead. Despite this, the NSW economy has proven to be resilient. Moreover, the policy responses of the health and economic authorities in Australia to COVID-19 over 2020 have been extremely effective when compared to other countries around the world. This should give us confidence that we can continue to confront whatever challenges are thrown at us in the year ahead.

It is also worth remembering that while the economic outlook poses many challenges, periods of profound change also provide new opportunities. Thus, while it is uncertain how quickly the economy will recover over the year ahead, it seems clear we are heading in the right direction.

The policy responses of the health and economic authorities in Australia to COVID-19 over 2020 have been extremely effective when compared to other countries around the world. This should give us confidence that we can continue to confront whatever challenges are thrown at us in the year ahead.

Investment: markets, the three Rs and our response to COVID-19

Q&A with Stewart Brentnall, Chief Investment Officer

COVID-19 is a health crisis that has caused an economic crisis. How has it affected local and global investment markets?

Unlike previous crises, there's so much less we know about the potential impacts of COVID-19. In the context of investment markets, I'd like to draw attention to three key things. First, the panic reaction; equity markets lost a third of their value in one month in the last week of February and the first three weeks of March.

Second, after the initial panic, we've seen recovery in two phases: short term looks quite V-shaped and a fair amount of the sell-off has been recovered in Australia and around the world. But that V-shape is not going to continue – there has been a severe dislocation in employment and productivity which we'll need to think carefully about in the medium term. We're going to see continued volatility and uncertainty and a much more drawn out U-shaped recovery.

> ...after the initial panic, we've seen recovery in two phases: short term looks quite V-shaped and a fair amount of the sell-off has been recovered in Australia and around the world. But that V-shape is not going to continue...we'll need to think carefully about in the medium term.

Third, there will be some restructuring in markets coming out of this crisis. Many businesses will take the opportunity to change things – implementing new business models, responding to new consumption patterns. Technology is likely to impact both of those; new models will rely heavily on remote working, new consumption patterns will probably be more entertainment based and rely on high speed transmission of data across the internet.

Fundamental economic models have played out as expected in distressed markets. What have been the main forces behind that?

When you look at the absolute basics of economic models, there are three drivers: people (a function of migration and fertility), participation in the labour force (whether people are effectively generating output from their contribution of labour) and, finally, productivity (how much output growth is generated by each unit of labour). What's changed through COVID is the number of people actually participating (this has fallen sharply), and productivity fell through the floor.

Against this backdrop, what are the key investment challenges facing asset owners?

Running assets at scale is hard and requires a very efficient operating environment as manual processes are not scalable and increase the dollar consequences of organisational risk.

Cashflow certainty and consequently clarity of liquidity requirement at the fund level is another major challenge. We have clients for whom we build strategies based on assumptions including cash flow forecasts. We need those to be clear and predictable, otherwise we must be conservative in how we manage liquidity. Some superannuation funds have been challenged by members' ability to withdraw up to $10,000 in each of two years; we have fortunately had virtually no exposure to this issue.

Another challenge is that of low investment return expectations and the impact this has on the ability for funds to generate returns for a particular level of risk taken, what that means for their clients and the necessity to be clear and conservative about the objectives they set.

There's also the friction between mission and governance. We understand our clients' missions and we use these in the appropriate strategy that we build for them. In order to execute and run the strategy, we need the right governance model. A very long horizon model can hold a high proportion of risk-bearing assets and therefore tolerate a lot of illiquidity, both of which require governance fortitude. It's important these are both present. If they're not, then matching strategy with time horizon can be difficult.

We have an efficient and well understood operating model. We recognise liquidity is absolutely important and have spent a great deal of time working with our clients to understand what cashflows are going in and out of portfolios and therefore what their liquidity requirements are.

How is TCorp responding to these challenges?

We have an efficient and well understood operating model. We recognise liquidity is absolutely important and have spent a great deal of time working with our clients to understand what cashflows are going in and out of portfolios and therefore what their liquidity requirements are.

In relation to low investment returns, there is no silver bullet and it's very dangerous to try to create one. We've had very good investment returns for many years. We've effectively "borrowed from the future", via high debt levels and we will have to pay that back at some point; we need to be conservative with our return assumptions and objectives and recognise that we just can't create returns out of thin air. So yes, we can take a bit more carefully measured risk, but we must stay within our clients' risk appetites—that's absolutely fundamental—but at the end of the day, we can't just assume we will get more return for the same level of risk.

> In relation to low investment returns, there is no silver bullet and it's very dangerous to try to create one.

In regard to mission and governance, we have a very strong Board and Board Investment Committee at TCorp and an excellent relationship between the Board investment committee and management. Through that relationship, we have gradually built a high level of trust and in return have been afforded a commensurate level of delegation. Only the most strategically material decisions are taken by the Board; the rest is delegated to a competent investment team who can make high conviction decisions in real time.

What would you say sets TCorp apart?

We have exceptionally close relationships with our clients, we understand their needs to great depth and their clarity of mission. We build the right strategy to deliver to their objectives and have a whole-of-portfolio long horizon model. We also have the right governance in place that allows us to operate very quickly and very decisively. Individually, none of these aspects are particularly unique, but when you add them together, there are not many asset owners that operate like we do.

For you, what are the three Rs when it comes to investment?

The three investment Rs are relationship, risk and resilience.

Relationship is critical; it's always important to understand clients deeply, know their mission, and the constraints and issues they face and how we can then best help to achieve their objectives. Relationships with one's own team are crucial as well, as we focus on the challenging job of keeping everyone engaged and running a cohesive business virtually from many different homes instead of one office! Keeping close to suppliers (fund managers in our case) has also been a key focus and working with them to run portfolios as smoothly as possible has also been vital.

The second R is risk – without taking it, you can't expect to harvest return. We go out of our way to identify risk, to measure it as accurately as we can and then to manage it. In achieving those three things, risk can become incredibly positive instead of being seen as being very negative. This does not change in difficult times like the COVID-19 environment. In fact, the opportunities via risk taking increase rather than decrease in this climate.

The third R is resilience. It's very important to build portfolios carefully so they can come through periods like the one we've just had, performing well. By that, I mean quite a broad set of things – a clear client risk appetite statement and a strategy around diversification, rigorous rebalancing and careful currency and liquidity management.

> The three investment Rs are relationship, risk and resilience.

The resilience aspect is particularly interesting. Can you explain how this impacts portfolio construction?

At the heart of resilience is building portfolios with discipline and diversification across sub asset classes, for example, where we hold large allocations of equities overseas—given the Australian dollar is very pro-cyclical. It also involves using things like tail risk hedging that protect against extreme events and where portfolios are well and truly rewarded as a result. Finally, having really disciplined daily rebalancing when markets are down is an essential element of resilience.

Let's look beyond the pandemic to the key themes you see emerging that will shape the future of the global economy

In my opinion, there will be five major themes. The first is risk allocation. Efficient capital allocation is alive and well, however there is one word that needs to change – risk needs to be substituted for capital because asset classes increasingly badly describe the nature and complexion of risk that comes with them.

The second is mature versus immature economies. We may have seen a little nudge on the increasing prominence of immature economies that will grow faster out of coronavirus. More mature economies will struggle with social and demographic impacts; it's East versus West, developed versus emerging markets. Beware of cap weighted benchmarks which are heavily in favour of old industries and old regions – these will change materially over time.

We took 40 years to globalise and concentrate supply chains toward China. Why did we do that? Because it was cost effective. That's not going to come undone in the short term, but we will see a diversification of supply chains.

Thirdly, we need to look at supply chain dynamic changes. We took 40 years to globalise and concentrate supply chains toward China. Why did we do that? Because it was cost effective. That's not going to come undone in the short term, but we will see a diversification of supply chains – some will revert to domestic, and some will remain overseas in cheaper labour markets, but be diversified away from the current level of dependence on China.

The fourth theme is sustainability. Looking at emission maps and pictures of clear, blue canals in Venice during COVID times had a big impact on me. It's amazing to see what can happen as a result of circumstance and changed behaviours. I honestly believe that this will be a wakeup call to the funds management industry to start living up to their beliefs around sustainability more actively more deeply and more regularly. I think we'll see heightened activism, and more transition portfolios rather than just engaging with companies.

Theme five is the role of labour versus capital. Over the past 20 to 30 years we've seen a gradual increasing share of GDP accrue to capital providers. That may plateau and perhaps even reverse. In the past six months we have witnessed a demographic trade which has disadvantaged some parts of our society disproportionately. That can't go on forever, there must be a rebalance. I don't know what it will be (almost certainly tax oriented) or over what period, but I find the question very intriguing.

Given the themes we've just discussed, what should clients be thinking about?

I would suggest that we and our clients all need to think about the same thing. What they are trying to achieve, and developing the most appropriate investment strategy we can build to help them do this. It might sound very prosaic, but our mission does not change; it continues to be to build resilient portfolios that will generate good returns through using risk as effectively as possible. Sticking to the basics and doing these well will win the day. As Leonardo da Vinci said 400 years ago, "Simplicity is the ultimate sophistication". Searching for a new shiny toy is likely to disappoint.

Clients should continue to distance themselves from short-term noise and remain focused on their mission and objectives, and how they engage with us so we can work together to help to deliver their needs.

...our mission does not change; it continues to be to build resilient portfolios that will generate good returns through using risk as effectively as possible.

The importance of debt markets, their role during the COVID-19 downturn and what lies ahead

Q&A with Simon Ling, General Manager Financial Markets

With the COVID-induced economic downturn, the media has given a lot of airplay to debt markets. Can you remind us why debt markets are so important to economies and nation states?

Debt markets have always been important to funding nation states to support large government spending programmes such as infrastructure projects. The markets also offer a source of funding when revenue falls short of expenditure or when there is a sudden need for cash. COVID-19 has been such an event, with governments needing to borrow money to cover sudden increases in expenditure coupled with shortfalls in income.

> Debt markets have always been important to funding nation states to support large government spending programmes such as infrastructure projects.

During the pandemic-induced economic shutdown in NSW, the debt markets became a vital source of funding to keep the economy operating. TCorp raised over $10bn of funds for the state during the depth of the crisis to cover revenue shortfalls, and this demonstrates the critical role of capital markets for the government and the people of NSW.

The state government also has a four year $97bn infrastructure spending plan. In the current ultra-low interest rate environment, it makes economic sense for governments to raise the money from the markets to invest in such projects. A low cost of borrowing creates the opportunity for the government to stimulate the economy relatively cheaply. Money can be invested in a variety of projects that will create jobs and improve the overall efficiency of the NSW economy.

> During the pandemic-induced economic shutdown in NSW, the debt markets became a vital source of funding to keep the economy operating. TCorp raised over $10bn of funds for the state during the depth of the crisis to cover revenue shortfall.

Who typically buys the debt we issue?

A wide variety of local domestic investors and offshore accounts typically buy our debt and over the years, we have developed deep and long relationships with them.

Domestically our investors include fund managers, life insurance companies, superannuation funds, banks and other state or government entities. We also have a very broad range of offshore investors across Europe, Asia and the US. International investors can include central banks and other sovereign entities, as well as large institutional funds and life insurance companies.

Recently we have attracted new investors that have a strong environmental and climate focus to our Sustainability Bond Programme. They are an important addition to our source of funds.

Why would offshore investors be interested in buying our debt?

Offshore investors are attracted to NSW debt for a variety of reasons. Many are drawn to the combination of the interest rate differential between the Australian and US dollar (i.e., rates are higher in Australia and therefore they receive a higher return on the bonds than investing in the US) and the quality of the NSW credit, which is AAA rated.

> Offshore investors are attracted to NSW debt for a variety of reasons. Many are drawn to the combination of the interest rate differential between the Australian and US dollar...and the quality of the NSW credit, which is AAA rated.

Other investors were originally only buyers of Commonwealth debt but then moved into NSW bonds because of the positive yield differential between the state and the Commonwealth. Many also like the fact that the majority of NSW bonds are liquid and easy to buy and sell—an important attribute for many of our key accounts.

What happened to Australian debt markets in March this year and how did the Reserve Bank of Australia respond?

The COVID-19 pandemic outbreak created considerable uncertainty in the markets with both the equity and debt markets reacting negatively. In Australia, the debt markets became illiquid and dysfunctional and this made it hard for any borrowers to access new funding via the markets.

The RBA responded by announcing quantitative easing, meaning it would buy Commonwealth bonds in late March to stabilise the market and we realised it would be critical to get the support of the RBA for the semi-government market too. TCorp decided that the best course of action was to speak to our counterparts at the other state funding entities and coordinate an approach to the RBA to request it support our sector. As a result of our plan and resulting dialogue, the RBA agreed to add support of the secondary semi-government bond market.

The RBA's support for the markets during this time was key to underpinning confidence in the entire debt market in Australia. It resulted in the return of relatively smooth functioning primary and secondary markets, something that benefited all market participants.

How was the COVID-induced economic market downturn different to the Global Financial Crisis (GFC)?

Market and investor reaction has been very different between these two events. The GFC market correction was triggered by a lack of confidence in institutions, which came from concerns stemming from uncertainly relating to complex structured financial products. In contrast, the COVID-19 market destabilisation came from uncertainty surrounding the pandemic and unknowns about its impact on the economy.

During COVID-19, money typically flowed into large well capitalised institutions in Australia (such as the major banks) for safety, as opposed to the GFC, where funds flowed out of financial institutions as investors became concerned by their perceived exposures to unknown risks. The short-term markets were awash with cash—the exact opposite to the situation over the GFC.

What lies ahead in debt markets and what does this mean for our clients?

Most commentators believe that the pandemic has some way to go and with this brings market volatility. I believe it's very unclear what lies ahead for the debt markets and there are likely to be further periods where it will be more difficult for semi-government issuers like us to access the debt markets.

> I believe it's very unclear what lies ahead for the debt markets and there are likely to be further periods where it will be more difficult for semi-government issuers like us to access the debt markets.

This could result in the cost of debt changing for our clients during such periods. However, TCorp is well positioned to weather market disruption and continue to service our clients through such times. For example, following the high volatility in March/April, TCorp recovered well, having restarted the debt markets with the support of the RBA. We will continue to be transparent to our clients about how any volatility in the market is affecting pricing and any action we plan to take.

What are the challenges facing semi-government authorities and how is TCorp responding?

I think there are two key challenges facing our industry—competition and sustainability.

Governments and states locally and globally want and need to raise debt to stimulate economies and fill revenue shortfalls and as a result, there is heightened competition for investment dollars.

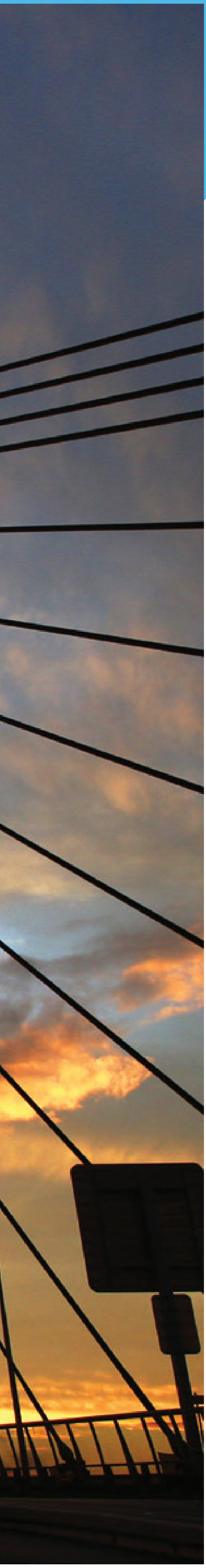
TCorp is well placed to compete on the global stage for investment dollars. The state has the highest credit rating, NSW has a strong economy and the groundwork we've put in over the years with investors gives us access to a wide range of global investors; Australia is seen as a standout performer on the sovereign stage. NSW is therefore extremely well placed to compete to raise funds at attractive levels for our clients.

The other challenge on the agenda is climate, sustainability and social issues. Investors globally are becoming increasingly focused on these areas as they recognise that climate and other social issues are important considerations for how their clients want them, as fund managers, to responsibly invest their money. Again, TCorp is relatively well positioned to offer investors what they require. NSW has been a leader in issuing green and sustainability bonds and we will continue to innovate in this space and provide investors with a clear narrative around NSW's climate and sustainability strategy.

TCorp is well placed to compete on the global stage for investment dollars. The state has the highest credit rating, NSW has a strong economy and the groundwork we've put in over the years with investors gives us access to a wide range of global investors...

We will continue to access the markets when opportunities arise, and we are currently well on track with our borrowing programme. Further, we maintain a liquidity portfolio that enables TCorp to fund our clients for a period even when the markets are dysfunctional, and we prefer to wait for more normalised conditions.

Sunset over the Anzac Bridge, Sydney, NSW



Section 6

Governance

Board of Directors

The Directors as at the date of this report are set out below, together with details of their qualifications, experience and special responsibilities.

Director	Qualifications and experience
Michael Dwyer AM 	**AdvDip (FinSvcs), Dip (SuperMgt), Dip Tech, FASFA, FAICD** Director from June 2019. Chairperson from 1 September 2020. Member of Board Investment, Audit and Risk and People and Remuneration Committees. Michael is Chair of Australia for United Nations High Commissioner for Refugees (UNHCR), a Director of Iress Limited and the Sydney Financial Forum. Michael has more than 30 years' experience in the superannuation and investment sectors. He was CEO of First State Super (now Aware Super, one of Australia's largest super funds) for 14 years, and was also General Manager of NSW industry super fund ASSET Super for 10 years. He is a former Director of the Association of Super Funds of Australia (ASFA) and a founding Director of Fund Executive Association (FEAL).
Michael Pratt AM *Ex officio* 	**SF Fin, GradDip (Org Beh), FAICD, FAIM, FAHRI, AMP (Harvard), Hon DLitt (WSU)** Director and Deputy Chairperson from August 2017. Michael is the Secretary of NSW Treasury, responsible for strategic management of the entirety of the State's finances, budget, assets, liabilities and financial risk management framework and transformation. The Treasury Cluster includes NSW Treasury, NSW Small Business Commission, Destination NSW, Western City & Aerotropolis Authority, Jobs for NSW, NSW Procurement, NSW Treasury Corporation, iCare (Insurance & Care NSW) and SAS Trustee Corporation. Michael was previously NSW Customer Service Commissioner CEO Standard Chartered Bank, North East Asia; Group Executive of Westpac Business & Consumer Banking; CEO of National Australia Bank in Australia; CEO of Bank of New Zealand; and CEO of Bank of Melbourne. Michael is a former President of the Australian Institute of Banking & Finance and was the inaugural Joint President of Finsia.
David Deverall *Ex officio* 	**BE (Hons), MBA** David joined TCorp as Chief Executive in February 2016. David was the CEO and Managing Director of Perpetual Limited from 2003 to 2011, and during his tenure at Perpetual was the Chair of The Financial Services Council. David was the Group Head of Funds Management and Head of Strategy at Macquarie Group Limited. He was also a non-executive Director of Charter Hall Group.
Phil Gardner *Ex officio* 	**BEc/LLB** Director from September 2017. Member of the People and Remuneration Committee. Phil is the Deputy Secretary, Commercial, Commissioning & Procurement at NSW Treasury and Chair of the NSW Asset and Liability Committee. Phil has over 27 years' experience in capital markets, funds management and superannuation. He worked for Macquarie Bank for eight years, followed by 17 years with Goldman Sachs Asset Management in London, Singapore and Sydney in senior portfolio management and regional management roles. Prior to joining NSW Treasury, Phil was an independent member of the Sunsuper Investment Committee.

Director	Qualifications and experience
Jenny Boddington 	**MA (Hons, Oxon), FAICD** Director from August 2017. Chair of the People and Remuneration Committee. Jenny is Chairman of Latitude Insurance and ANZ Lenders Mortgage Insurance. She is a Director of Supply Nation, Chief Executive Women and Munich Re Australasia. Jenny was the Global Head of Bancassurance for QBE Group. Prior to that Jenny was CEO of QBE Lenders' Mortgage Insurance and Executive General Manager of Financial Institutions, QBE Australia. Jenny was also a Director of DB Capital Partners and Deutsche Bank Australia. Jenny was a Director of Indigenous Business Australia and a Member of the NSW Growth Centres Commission.
Anne Brennan 	**BCom (Hons), FCA, FAICD** Director from September 2018. Chair of Audit and Risk Committee. Anne is a Director of Argo Investments Limited, Charter Hall Group Limited, Nufarm Limited, Tabcorp Limited, Rabobank Australia Limited, Rabobank New Zealand Limited and Spark Infrastructure Group. Anne is a former Executive Director, Finance of Coates Group; Chief Financial Officer of CSR Limited and Partner at KPMG, Arthur Andersen and Ernst & Young.
Greg Cooper 	**BEc, FIAA, FIA** Director from December 2018. Chair of Board Investment Committee. Greg is a Director of Perpetual Limited, Catholic Church Insurance Limited, Colonial First State Investments Limited and Avanteos Investments Limited (Colonial First State). He is also a Director of Australian Indigenous Education Foundation, Kincoppal Rose Bay School of the Sacred Heart and OpenInvest Holdings Limited and a Member of the St Ignatius' College Investment Committee. Greg has more than 26 years' global investment industry experience. He was CEO of Schroder Investment Management Australia from 2006 to 2018. Prior to joining Schroders in 2000 Greg was Head of Actuarial Consulting for Towers Perrin in Asia.
Ian Saines 	**BCom (Hons), FAICD** Director from August 2020. Member of Board Investment and Audit and Risk Committees. Ian is a Director of Air Lease Corporation, American Australian Association Limited and United States Study Centre. Ian has 40 years' experience in investment banking, commercial banking and asset management. He was most recently Chief Executive of the Funds Management business at Challenger Limited. Ian was the former Group Executive of Institutional Banking and Markets at Commonwealth Bank of Australia, in addition to previous roles at Zurich Capital Markets Asia, Bankers Trust Australia Limited and the Reserve Bank of Australia.

The following were Directors during the reporting period and retired either during the reporting period or prior to the date of this report.

Peter Warne
Retired 31 August 2020

BA, FAICD

Chairperson from 1 March 2019 to 31 August 2020. Director from January 2012 to 31 August 2020.

Member of the Audit and Risk, Board Investment and People and Remuneration Committees.

Rob Whitfield AM
Retired 26 July 2020

BCom, GradDip (Banking), GradDip (Fin), AMP (Harvard), FAICD

Director from July 2017 to 26 July 2020.

Chair of Audit and Risk Committee from January 2019 to July 2020.

Philip Chronican
Retired 30 September 2019

SF Fin, BCom (Hons), MBA (Dist), GAICD

Chairperson from June 2016 to 28 February 2019. Director from 1 November 2009 to 30 September 2019.

Governance

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

Good governance provides the foundation for achieving TCorp's strategy of delivering long-term value to its client base. We are committed to maintaining the highest standards of business integrity, ethics and professionalism in everything we do.

Governance is central to supporting our people and business operations to deliver the outcomes set out in our strategy. It is the basis for robust ethical, financial and risk management practices, and our compliance and auditing programmes.

Our cultural pillars of Partnership, Impact and Long Term outline what we stand for and set the expectations for how we operate. We also uphold the four NSW Government sector values of integrity, trust, service and accountability. Our Code of Conduct sets out the expectations for employee behaviour at TCorp to promote and sustain a culture of responsibility and accountability that supports ethical and responsible decision-making.

Board of Directors

TCorp's Board is constituted in accordance with the *Treasury Corporation Act 1983* and comprises the following:

- the Secretary of New South Wales Treasury
- a senior officer of New South Wales Treasury appointed by the Secretary of the Treasury
- TCorp's Chief Executive
- no fewer than three and no more than seven persons appointed by the Treasurer who have expertise in the functions carried out by TCorp.

Directors are appointed by the Treasurer for a term of up to five years and may be reappointed. The Secretary of New South Wales Treasury, with consultation from the Treasurer, appoints the Chairperson and Deputy Chairperson of the Board.

Board role and responsibilities

The principal functions and objectives of the Board are set out in our governing legislation. The Board is accountable to the Treasurer of New South Wales and also has responsibilities to a range of key stakeholders including the Government, clients, investors, counterparties, investors, employees and the general community. The Board oversees management in achieving TCorp's strategy and mission, which is set out in TCorp's Statement of Business Intent submitted to the Treasurer annually. The Board is responsible for:

- promoting and overseeing TCorp's culture
- providing strategic direction and approving TCorp's strategic plan
- determining the policies of TCorp
- reviewing the effectiveness of the risk management framework and internal control systems in relation to material business risks and regulatory compliance
- regularly measuring performance against the Board-approved balanced scorecard
- monitoring the conduct and the performance of TCorp and its senior management
- overseeing succession plans for the Board and senior management.

Role of management

The Chief Executive is responsible for the overall management and performance of TCorp, in accordance with the strategy and policies approved by, and the directions of the Board. The Board maintains a formal set of delegated authorities, which clearly defines those responsibilities that are delegated to management and those that are retained by the Board.

Conduct of Board business

Our governing legislation and the Board Charter define the responsibilities of the Board, individual Directors and the Chief Executive.

The Board Code of Conduct and Ethics (the Code) outlines the standards for appropriate ethical and professional conduct that apply to Directors of TCorp. The Code reflects that TCorp operates within the broader expectations of the NSW Government, clients, stakeholders and general community, and therefore Directors must be committed to strong governance and the highest standards of ethical conduct. The Code recognises that TCorp's values are at the core of its business and adherence to the Code is essential to achieving TCorp's strategy and mission.

Director independence is assessed in accordance with the *NSW Government Guidelines for Governing Boards of Government Businesses.* The Board has adopted governance practices by reference to the NSW Department of Premier and Cabinet's *NSW Government Boards and Committees Guidelines* and other processes that align with corporate governance best practice.

The Board meets regularly throughout the year and will meet whenever necessary to discharge its responsibilities.

Conflicts of interest

All Directors are subject to duties and prohibitions in relation to conflicts of interest under our governing legislation and NSW Government guidelines. Directors must disclose any direct or indirect interest in a matter and may not vote or participate in discussion about it. Any declared interests are maintained in a register that is available for inspection by any person.

The Code sets out in detail the framework for identifying and managing conflicts of interest.

Board Committees

To support its effectiveness in providing guidance, direction and oversight of management, the Board has established three Committees, as set out here.

Each Committee acts in accordance with a relevant charter determined by the Board which sets out the composition, responsibilities, powers and reporting obligations of the Committees.

Audit and Risk Committee

The Audit and Risk Committee provides support to the Board in relation to oversight, monitoring and reporting on:

- TCorp's governance, risk and control frameworks (including internal and external audit functions) and its external accountability requirements
- TCorp's annual financial statements for the Corporation and as Trustee for the TCorpIM Trust's responsibilities.

The Committee meets a minimum of four times a year. TCorp's internal and external auditors have standing invitations to attend these meetings.

Board Investment Committee

The Board Investment Committee supports the Board in discharging its investment governance responsibilities in respect of managing funds on behalf of the NSW Government and its agencies, departments and businesses.

All investment activities undertaken by TCorp in its capacity as Trustee, investment manager, administrator, advisor and/or agent on behalf of another government entity are subject to oversight by the Committee.

The Committee meets a minimum of four times a year.

People and Remuneration Committee

The People and Remuneration Committee provides advice to the Board on matters relating to TCorp's human resources. The Committee is responsible for ensuring that effective plans are in place to promote continuous improvement in the return on TCorp's investment in people.

The Committee meets at least twice a year.

Attendance at Board and Board Committee meetings

The table below sets out the number of meetings of the Board and Committees of the Board and the individual attendance by Directors at those meetings which they were eligible to attend during the period up to 30 June 2020.

	Board	Audit and Risk Committee	People and Remuneration Committee	Board Investment Committee[1]
Total no. of meetings	**6**	**5**	**4**	**5**
Peter Warne	6/6	5/5	4/4	4/5
Michael Pratt	4/6	–	–	–
Jenny Boddington	6/6	–	4/4	–
Anne Brennan	5/6	5/5	2/2	–
Philip Chronican[2]	1/1	–	–	–
Greg Cooper	6/6	–	–	5/5
David Deverall[3]	6/6	–	–	–
Michael Dwyer	6/6	2/2	–	4/5
Philip Gardner	6/6	–	4/4	–
Rob Whitfield	5/6	5/5	–	–

1 David Rickards is a non-executive independent member of the Board Investment Committee and attends meetings in that capacity.

2 Leave of absence 1 March 2019 – 31 August 2019. Retired as a Director 30 September 2019.

3 David Deverall attends all Audit and Risk, People and Remuneration and Board Investment Committee meetings in his capacity as Chief Executive.

Risk management and compliance

Responsibility for risk management, including compliance, extends across the entire organisation.

Risk Management Framework

Our Risk Management Framework (RMF) is approved by the Board and supported by a Risk Management Strategy and Risk Appetite Statement. The framework is underpinned by a suite of Board and management policies, a well-defined governance structure and a sound internal control environment.

Audit and Risk Committee

The Audit and Risk Committee provides oversight and reports to the Board on the appropriateness of the enterprise risk management process and effectiveness of the internal control framework. To assist with this process, the Audit and Risk Committee receives regular reports from internal audit, external audit and TCorp management.

Management Risk Committee

The Chief Executive has established the Management Risk Committee (MRC) responsible for ensuring that Board and management policies are embedded in business practices and that appropriate levels of control, procedures, monitoring and training are also embedded within the broader enterprise.

Risk Management team

The Risk Management team is a centralised function responsible for risk governance, embedding the RMF, business continuity, the monitoring of Board and management risk policies, management procedures and any other risk matters identified as requiring attention.

3 Lines of Accountability

The 3 Lines of Accountability model ensures an organisation-wide approach to risk management and fosters a culture of risk awareness, with all levels of the business contributing to the framework and the detailed systems and processes that identify, control, monitor and report on our risks.

Risk Management is known as a Line 2 function within our 3 Lines of Accountability model and is responsible for the provision of challenge, advice, assurance and risk management training to the business. The department reports daily to senior management, monthly to MRC, and quarterly to the Board and Audit and Risk Committee.

Consistent with the 3 Lines of Accountability model, individual divisions are responsible for the identification and management of their risks. This incorporates risk profiling for the relevant division and the design, documentation and operating effectiveness of the supporting controls developed to manage the identified risks to acceptable levels. Risk Management supports and challenges the individual divisions to ensure the ongoing evolution of their risk maturity.

Legal and regulatory compliance

We are regulated by several pieces of NSW legislation, including our own Act, the *Treasury Corporation Act 1983*, as well as the *Public Finance and Audit Act 1983*, the *Annual Reports (Statutory Bodies) Act 1984* and the *Government Sector Finance Act 2018*. We are ultimately accountable to the NSW Parliament, through the NSW Treasurer.

Although we are not directly regulated by either the Australian Prudential Regulation Authority (APRA) or the Australian Securities and Investments Commission (ASIC), we use their prudential standards and guidance notes as the basis for our Board and management risk management policies.

We continue to monitor changes in the regulatory environment to determine if any changes to our business practices are required.

Our activities are subject to review and monitoring by a number of external parties:

- The NSW Treasurer, the NSW Government shareholder representative.
- NSW Treasury, which maintains a shareholder monitoring role through quarterly and annual reporting requirements common to all NSW Government agencies, and by representation on the Board.
- The NSW Auditor-General, who reports to the NSW Parliament, provides an independent audit of TCorp's financial reports and expresses an opinion on those financial reports in line with the requirements of the *Public Finance and Audit Act 1983*.

Compliance is a key element of risk management and our compliance framework is structured to ensure adherence to applicable laws, regulations, contracts, industry standards and internal policies. Consistent with our risk management approach, compliance measures are subject to continuous monitoring and improvement. Any material compliance issues are referred to the Chief Executive, the MRC, the Audit and Risk Committee, and/or the Board as appropriate.

Use of capital

While we do not hold subscribed share capital, we do retain capital the Board consider appropriate to the market, credit and operational risks relevant to our business. This retained capital is determined with reference to APRA's standardised approach and in consultation with our owner, the NSW Government.

Capital usage is calculated daily and monitored against board approved limits. Management reports are produced daily, and summary reports are presented quarterly to the Board.

Market risk

We use a value-at-risk model based on historical simulation to assess capital requirements arising from market risk. The model captures the potential for loss of earnings or changes in the value of our assets and liabilities arising from movements in interest rates and key credit spreads and from fluctuations in the prices of bonds or other financial instruments. Market positions are also stress-tested for tail risk events such as the Global Financial Crisis and the COVID-19 global pandemic. Market risk exposures are monitored daily against Board-approved limits and reported to the Board on a quarterly basis.

Credit risk

In conducting our business, we invest in high grade financial assets issued by parties external to the NSW public sector. The returns achieved on these financial assets must be sufficient to protect against a loss in value caused by a decline in the counterparty's creditworthiness or ultimate default.

Credit exposures are monitored daily against Board-approved limits and reported to the Board on a quarterly basis.

Operational risk

Operational risk can arise from a wide variety of events such as settlement errors, system failures, breakdowns in procedures and external factors. We review possible risks of this nature, assessing the mitigating factors and controls to determine residual risks. We use enterprise risk management software to aid the identification and measurement of risk and the implementation of associated internal controls.

Operational risk issues are reported to the Board and Audit and Risk Committee on a quarterly basis.

Auditor independence

We are audited annually by the Audit Office of NSW. The NSW Parliament promotes independence of the Audit Office by ensuring that only Parliament, not the executive government, can remove the Auditor-General, and by precluding the provision of non-audit and assurance services to all public sector agencies.

Our outsourced internal audit programme is currently provided by PricewaterhouseCoopers, reporting directly to the Audit and Risk Committee. Annual internal audit plans are approved by the Audit and Risk Committee and all internal audit review reports are provided in full directly to the Audit and Risk Committee.

Insurance

During FY20, insurance for TCorp was maintained with the NSW Government self-insurance scheme, the Treasury Managed Fund (TMF), which covers the NSW Government's insurable risks.

TMF provides cover for the following classes of risk:

- Workers compensation
- Property (full replacement, new for old, including consequential loss)
- Liability (including, but not limited to, professional indemnity and directors' and officers' liability)
- Miscellaneous (e.g. personal accident).

Code of Conduct and Ethics

Our Code of Conduct and Ethics (Code of Conduct) articulates our expectations of our people in their business affairs and in dealings with clients and other parties. The Code of Conduct demands high standards of personal integrity and honesty in all dealings and respect for the privacy of clients and others.

All staff sign the Code of Conduct upon commencement to acknowledge they have understood it and agree to act in accordance with its requirements. Staff subsequently confirm this acknowledgement annually.

Internal audit and risk management attestation for the 2019-2020 Financial Year for NSW Treasury Corporation

The Directors are of the opinion that NSW Treasury Corporation has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core requirements	Compliance
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency.	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009.	Compliant
Internal audit function	
2.1 An internal audit function has been established and maintained.	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established.	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

Member	Status	Appointed	Retired
Mr Robert Whitfield	Independent Chair	January 2019	N/A
Mr Peter Warne	Independent member	January 2019	N/A
Ms Anne Brennan	Independent member	January 2019	N/A
Mr Michael Dwyer	Independent member	January 2020	N/A

David Deverall
Chief Executive

in accordance with a resolution of the Directors of the New South Wales Treasury Corporation.

21 August 2020

Contact Officer
Omahlee Norburn
Chief Risk Officer

Human resources

During FY20, TCorp remained focused on developing capability and acquiring the right talent to support our strategic initiatives and delivery of whole-of-state solutions.

We progressed our diversity and inclusion strategy, providing training aimed at fostering an environment of psychological safety. We also supported our people in developing their capability with change, resilience and Clarity Communication training programmes.

TCorp seeks to attract and retain people who are motivated by our mission and have the skills, capability and client focus to deliver strong performance for the NSW Government family.

Management and structure

There were two key changes to TCorp's Executive Committee in 2019/20. Following a restructure, the role of General Manager, People and Workplace was expanded to General Manager, People and Corporate Services. In April 2020, a new Chief Risk Officer was appointed following the resignation of the incumbent. We conducted a process involving the review of internal talent and succession planning combined with an executive search process and were delighted to fill the role with an internal candidate.

Senior Executives

David Deverall

Chief Executive
BE (Hons), MBA

Stewart Brentnall

Chief Investment Officer
BSc Ec, Dip.App.Fin. & Inv.,
CA, GAICD

Katharine Seymour

General Manager,
Client Relationships
BSc (Hons), MBA, GAICD

Paul Smith

Chief Operating Officer
B. Com, CA, F.Fin

Omahlee Norburn

Chief Risk Officer
BFinAdmin, Dip Appl Fin
& Inv, CA

Katy McDonald

General Manager,
People and Corporate Services
BA, LLB, MSc

Simon Ling

General Manager,
Financial Markets
BA (Hons)

Mike Daughton

General Manager,
Technology
BA (Hons), MSc

Key HR priorities in 2019/20

Culture transformation

In late 2018, TCorp commenced Project Essence to redefine and evolve TCorp's culture with a view to enabling the organisational strategy. The project has enabled us to establish a new cultural foundation for TCorp and provided us with valuable insights into TCorp's culture and the level and nature of effort required to drive a cultural shift towards our target state.

In June 2019, the Board endorsed TCorp's cultural pillars as set out below, and the underlying behaviours required to make our cultural aspirations a reality. Implementation activities commenced in the second half of 2019, centred on aligning employees and leaders around a common cultural vision and the behavioural and operational changes needed to deliver our cultural intent.

The implementation of our cultural pillars has focused on:

- **Cultural alignment** – aligning employees and leaders behind a single and clear cultural vision.
- **Ways of working** – evolving our approach to risk management and conduct to reflect the growth in our scale and financial and non-financial risk exposure.
- **Client alignment** – embedding a 'collective' mindset where collaboration, curiosity and relationship building is our default behaviour. Supplementing our client-centric intent with appropriate process, action and behaviour. Embedding a culture of genuine client-alignment.

Cultural intent

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

Our cultural pillars

The following behaviours underpin our cultural pillars:

Partnership
We are stronger together

Be curious
Think beyond your own team. Be open to the ideas of others. Walk in our clients' shoes.

Don't wait for perfection
Consult widely, co-develop, iterate early.

Be humble
Ask for help and offer it. Learn from ourselves, clients and stakeholders. We don't need to have all the answers.

Impact
We make a difference to the financial health of NSW

Care like an owner
If you see a problem, offer solutions. If you can't, find someone who can. Take ownership.

Step up
Don't wait to be told, take the initiative. Be accountable. Get it done.

Use judgement
Take measured risks. Balance risk and reward – our actions matter.

Long term
We stay the course

Act with integrity
Say what you mean and do what you say. It matters.

Be an advisor
Always think of long-term outcomes for TCorp and our clients.

Deliver on our commitments
Ignore short-term noise. We are in this with our clients for the long term.

Performance Management Framework

Our Performance Management Framework combines culture, conduct and behavioural expectations as a key element of how performance is assessed. The framework is directly aligned to the organisational and divisional strategies and includes organisation-wide goals for both leaders and people that are focused on risk management and culture, as well as role-based goals for individuals.

Ongoing and regular performance conversations are held throughout the year between our people and their leaders. The approach supports an outcomes-focused approach to managing performance which in turn supports effective flexible working practices.

Flexible working

We continued to incorporate flexible working practices in FY20 through a combination of:

- continuing with our outcomes-focused approach to performance management
- communications to reinforce desired behaviours
- role modelling of behaviours aligned to our 'house rules'
- ongoing rollout of technology to support flexible working
- ongoing training on the technologies we have in place.

Talent and development

In FY20, we continued to concentrate on the priorities identified in our People strategy and to implement activities from our culture transformation plan. During the year we delivered a blended learning approach (face-to-face and online), reinforced through practical, on-the-job practices and learning opportunities. We:

- delivered learning programmes focused on managing change, improving resilience, and health and wellbeing
- conducted interactive workshops to support our people in understanding and embracing the new cultural pillars and behaviours
- delivered psychological safety training to promote collaboration within and across teams, encourage curiosity and assist in breaking down silos, as part of our cultural pillar of partnership
- put over 60 people through Clarity College training to help them think and write more logically
- continued to develop our top talent
- continued our Lunch n' Learn programme delivered by internal subject matter experts
- refreshed our face-to-face induction programme for new starters
- delivered our mandatory training programmes which included both online and face-to-face training with a focus on risk management, compliance, IT, cyber security, WHS, workplace behaviours, and the Code of Conduct.

Fourteen TCorp employees took advantage of internal career opportunities either through sideways moves or career advancements, while three employees enjoyed secondment opportunities within the NSW public sector. As part of a reciprocal secondment agreement, TCorp welcomed two secondees from NSW Treasury for a six month period.

Recognising our people

We recognise staff in a number of ways, including On the Spot Awards, 'shout-outs' at our monthly town hall meetings, and informal e-cards for personalised messages of thanks and appreciation.

Communicating with our people

Regular internal communications reinforce our culture, strategy and purpose, keeping our people updated on key initiatives, policies, people programmes, and business, market and client activities. Established channels and protocols include monthly town hall meetings, the Chief Executive's monthly newsletter, the TCorp intranet, and newsletters covering a range of information including pay, technology and general staff updates.

Numbers and remuneration of senior executives

	FY2020	FY2019
Number of executive officers	8	8
Number of female executive officers	3	2

Band	FY2020		FY2019	
	Female	Male	Female	Male
Bands 3 & 4[1]	3	5	2	6
Band 2	0	0	0	0
Band 1	0	0	0	0

COVID-19

The TCorp Board has considered remuneration having regard to TCorp's performance against the 2019/2020 organisational scorecard, the current economic environment and the COVID-19 situation. The Board determined that TCorp performance was strong but in light of the current environment, that the 2019/2020 variable reward component for senior executives and eligible employees should be reduced, and that there should be no increases to employee remuneration for the 2020/2021 financial year.

Band	Range $	Average remuneration	Average remuneration
		2019/2020[2,3]	2018/2019[2]
Bands 3 & 4[1]	$345,551 to $487,051+	$571,805	$591,325
Band 2	$274,701 to $345,550	N/A	N/A
Band 1	$192,600 to $274,700	N/A	N/A

1 Bands 3 and 4 have been consolidated for disclosure purposes as individual confidential salary arrangements would be identifiable.

2 Average remuneration includes a variable component. Variable remuneration for all relevant executive officers reduced between 2018/19 and 2019/20.

3 Average Remuneration for 2019/20 does not include a variable reward component for the Chief Executive on the basis that it was not approved as at the date of submission of this Annual Report. If the Chief Executive's variable reward is approved and paid for the 2019/20 year, these figures will be reflected in the comparative figures of the 2020/21 Annual Report.

- 11.4% of TCorp's employee-related expenditure in 2019/20 was related to senior executives, who represented 4.3% of full-time equivalent employees as at year end.
- 12.4% of TCorp's employee-related expenditure in 2018/19 was related to senior executives, who represented 4.6% of full-time equivalent employees as at year end.

Number of employees[1]

	FY2020	FY2019	FY2018	FY2017
Chief executive	1	1	1	1
General managers	7	7	6	7
Professional employees	144.0	136.0	131.7	132.6
Support employees	32.0	31.0	21.3	26.0
Total	**184.0**	**175.0**	**160.0**	**166.6**

1 Headcount excludes casual and maximum term employees.

Exceptional movements in salaries

There were four exceptional salary increases of greater than 10% in FY20. These were the result of internal promotions and the increases were required so that the relevant salaries complied with TCorp's remuneration policy and practice.

The overall movement in salaries was 1.91%.

Industrial relations policies

There were no unfair dismissal claims during the year and no time was lost as a result of industrial disputes.

Code of conduct

TCorp's Code of Conduct and Ethics (Code of Conduct) represents the standards required by staff in carrying out their duties. It is a mandatory requirement of employment that all staff formally acknowledge that they have read and understood the Code as an annual confirmation. In 2019, the Code of Conduct was substantially revised and modernised to align with our new cultural intent and published in Q1 of FY20.

Work Health and Safety (WHS)

WHS Policy and Procedures and Return to Work Policy and Programme were reviewed and updated in December 2019. Reviews are conducted on a two-year cycle with the next review scheduled for December 2021. The review is to ensure our WHS and Recover at Work system, policies and procedures support a safe and healthy work environment for all workers and meets legislative obligations.

During the year there were two workers compensation injury claims.

All new employees have completed an online learning assignment on appropriate workplace behaviour as part of their onboarding programme. In 2020, all leaders and employees completed online training as part of our biennial programme. The Board induction includes WHS; Board members are regularly updated on WHS matters through the People and Remuneration Committee. Our people are invited to take advantage of TCorp's wellbeing benefits, with employees receiving a payment towards their annual flu vaccination, while 20 employees accessed the annual health check programme which is available to all permanent employees.

A confidential counselling service is available to employees and their families as part of the Employee Assistance Programme (EAP). It provides support to those dealing with work, personal or financial issues. Dedicated EAP resources are available to leaders to assist them in supporting their people dealing with psychological or mental health issues. In addition to the more traditional areas of WHS legislation, compliance and injury management, preventative health and wellbeing is an increasingly important area of focus. During the year we delivered learning programmes focused on multiple dimensions of wellbeing, mental health and building resilience. We also offered mental health first aid training to our leaders to assist them in identifying and responding to potential mental health related issues among their people.

Correct ergonomic set-up of workspaces, both in the office and when working elsewhere remains an ongoing focus. As part of their onboarding programme, all new starters receive training on correct desk and chair operation and set-up. In the current COVID environment, new starters also receive specific information and access to various resources for correct ergonomic set-up in non-conventional workspaces/working from home. In April, we provided training via videoconference and support materials to all employees on safe working at home. At any time, if employees require assistance, we engage an expert to conduct an on-site ergonomic assessment.

Disability inclusion action plans

We have a Disability Inclusion Action Plan. Due to our relatively small workforce, the focus of ongoing disability planning is directed internally rather than in relation to accessibility by the wider public.

We ensure compliance with the relevant legislation (disability and anti-discrimination) as it relates to all policies, procedures and practices, including in areas of recruitment and selection, internal promotions and transfers, training and development. In addition, our premises comply with Australian Building Codes and Standards.

On commencement of employment, new employees are asked to notify us of any requirements so that relevant modifications or adjustments can be made. Where employees require assistance in evacuating the premises, we work with them to develop and implement a Personal Emergency Evacuation Plan.

We do not currently have any employees with a declared disability.

Multicultural policies and services programme

As we do not offer services to the general public, our multicultural policies and activities are focused internally.

We encourage and celebrate diversity in our workforce and in the workplace. This ongoing commitment is demonstrated through our policies, culture, behaviours and through initiatives that promote inclusion and diversity in the workplace. Our Diversity & Inclusion Strategy, approved in November 2018, is being implemented in line with the associated programme of work.

Workforce diversity

Table 5: Trends in the representation of diversity groups[1]

% of total staff[2]

	Benchmark or target (%)	FY2018	FY2019	**FY2020**
Women	50	40.6	41.7	41.0
Aboriginal people and Torres Strait Islanders	3.3[3]	0.0	0.0	0.0
People whose first language is not English	23.2	30.2	27.1	29.5
People with a disability	5.6[4]	0.5	1.0	0.0
People with a disability requiring work-related adjustment	N/A	0.0	0.0	0.0

Table 6: Trends in the distribution of diversity groups

Distribution Index[5]

	Benchmark or target (%)	FY2018	FY2019	**FY2020**
Women	100	93	94	93
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language is not English	100	92	97	99
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

1 Staff numbers are as at 30 June 2020.

2 Excludes casual staff.

3 The NSW Public Sector Aboriginal Employment Strategy 2014–17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

4 In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027.

5 A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

View of Balmain East with Barangaroo in the background, Sydney, NSW

Section 7

Financial statements

Statement of comprehensive income

	Note	2020 $'000	2019 $'000
Net gains on financial instruments at fair value through profit and loss	3	93,641	137,373
Fee income	4	87,832	80,487
Total net income		**181,473**	**217,860**
Operating costs	5	(85,474)	(77,365)
Transaction costs	5	(21,091)	(16,482)
Total operating and transaction costs		**(106,565)**	**(93,847)**
Profit before income tax equivalent expense		**74,908**	**124,013**
Income tax equivalent expense	1(c)	(22,472)	(37,176)
Profit for the year		**52,436**	**86,837**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit plans		-	(93)
Total comprehensive income for the year		**52,436**	**86,744**

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2020 $'000	2019 $'000
Assets			
Cash and liquid assets	6	868,594	2,182,026
Outstanding settlements receivable		784	-
Due from financial institutions	7	3,793,268	4,303,826
Securities held	8	6,427,233	5,196,538
Derivatives receivable	13	1,336,353	978,764
Loans to government clients	9	87,224,457	61,798,872
Other assets	21	42,870	55,754
Right-of-use asset	22	17,522	-
Plant and equipment	22	4,791	5,995
Total assets		**99,715,872**	**74,521,775**
Liabilities			
Due to financial institutions	10	10,507,541	6,436,864
Outstanding settlements payable		784	-
Due to government clients	11	428,199	860,119
Borrowings	12	87,061,209	65,885,112
Derivatives payable	13	1,341,852	930,445
Income tax equivalent payable		11,672	6,984
Lease Liability	23	23,308	-
Other liabilities and provisions	23	101,712	139,592
Total liabilities		**99,476,277**	**74,259,116**
Net assets		**239,595**	**262,659**
Represented by:			
Equity			
Retained earnings	17	239,595	262,659
Total equity		**239,595**	**262,659**

The accompanying notes form part of these financial statements.

Statement of changes in equity

	Note	Retained earnings $'000	Total equity $'000
Total equity at 30 June 2018	17	**293,415**	**293,415**
Profit for the year		86,837	86,837
Other comprehensive loss		(93)	(93)
Total comprehensive income for the year		**86,744**	**86,744**
Transactions with owners in their capacity as owners:			
Dividend payable	23	(117,500)	(117,500)
Total equity at 30 June 2019	17	**262,659**	**262,659**
Profit for the year		52,436	52,436
Other comprehensive loss		-	-
Total comprehensive income for the year		**52,436**	**52,436**
Transactions with owners in their capacity as owners:			
Dividend payable	23	(75,500)	(75,500)
Total equity at 30 June 2020	17	**239,595**	**239,595**

The accompanying notes form part of these financial statements.

Statement of cash flows

	Note	2020 $'000	2019 $'000
Cash inflows/(outflows) from operating activities			
Interest and other costs of finance received		2,258,187	2,207,415
Interest and other costs of finance paid		(2,039,491)	(2,144,600)
Fee income received		93,725	96,747
Payments of tax equivalents		(17,783)	(38,750)
Payments of Goods and Services Tax		(4,275)	(5,178)
Payments of operating and transaction costs		(99,262)	(97,174)
Loans to government clients made		(27,475,716)	(7,194,632)
Loans to government clients repaid		3,451,214	1,600,221
Net cash inflows/(outflows) from other financial instruments		270,755	342,677
Net cash used in operating activities	**30**	**(23,562,646)**	**(5,233,274)**
Cash inflows/(outflows) from investing activities			
Purchases of plant and equipment and intangible assets		(6,034)	(5,915)
Net cash (paid to)/received from market securities held		(559,536)	1,266,216
Net cash provided by/(used in) investing activities		**(565,570)**	**1,260,301**
Cash inflows/(outflows) from financing activities			
Proceeds from issuance of borrowings and short term securities		103,046,836	61,502,241
Repayment of borrowings and short term securities		(80,362,360)	(57,392,712)
Dividends paid		(117,500)	-
Net cash provided by financing activities		**22,566,976**	**4,109,529**
Net increase/(decrease) in cash held		**(1,561,240)**	**136,556**
Cash and cash equivalents at the beginning of the year		1,902,336	1,765,780
Cash and cash equivalents at the end of the year	**29**	**341,096**	**1,902,336**

The accompanying notes form part of these financial statements.

1. Basis of preparation and accounting developments

New South Wales Treasury Corporation ('the Corporation') provides financial services for the New South Wales Government, public authorities and other public bodies of New South Wales.

Significant accounting policies adopted in the preparation of these financial statements are reported in this and subsequent notes to the financial statements. Accounting policies are consistent with the previous year.

These financial statements were authorised for issue in accordance with a resolution of the directors of New South Wales Treasury Corporation on 21 August 2020.

(a) Basis of preparation

The financial statements of New South Wales Treasury Corporation are general purpose financial statements and have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the New South Wales Treasurer's Directions. They have also been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS) and Australian Accounting Interpretations. The financial statements which include the accompanying notes comply with IFRS.

The financial statements are prepared on the basis of a 'for-profit' entity.

The financial statements are prepared using the accrual basis of accounting. Financial assets and liabilities are stated on a fair value basis of measurement. Plant and equipment is stated at the fair value of the consideration given at the time of acquisition. Employee benefits are recognised on a present value basis. All other assets, liabilities and provisions are initially measured at historical cost and reported based on their recoverable or settlement amount.

All amounts are shown in Australian dollars and are rounded to the nearest thousand dollars unless otherwise stated.

Assets and liabilities are presented on the balance sheet in order of liquidity.

(b) Foreign currency

Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transaction. At year end, foreign currency monetary items are translated to Australian dollars at the spot exchange rate current at that date. Resulting exchange differences are recognised in the statement of comprehensive income.

(c) Income tax

The *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* exempt the Corporation from liability for Commonwealth income tax. However, the Corporation is subject to tax equivalent payments to the New South Wales Government. The Corporation's liability was determined to be an amount equal to 30% of the profit for the year to 30 June 2020 (2019: 30%).

(d) Goods and services tax (GST)

Income, expenses and assets (other than receivables) are recognised net of GST. The amount of GST on expenses that is not recoverable from the taxation authority is recognised as a separate item of operating costs. The amount of GST on assets that is not recoverable is recognised as part of the cost of acquisition. Receivables and payables are recognised inclusive of GST. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(e) Standards and interpretations adopted during the year

The Corporation has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

AASB 16 *Leases* (and applicable amendments)

AASB 16 *Leases* and its associated amending standards specify new recognition and measurement requirements for operating leases previously within the scope of AASB 117 *Leases*.

Upon adoption of AASB 16, the Corporation has recognised a 'right-of-use asset' and a related lease liability, being the present value of future lease payments. This has resulted in an increase in the recognised assets (Note 22) and liabilities (Note 23) on the balance sheet as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. A lease term of 12 years (7 year initial term + 5 year option) and a discount rate of 2.42% was used in calculating the right-of-use asset and lease liability.

The Corporation has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard.

(f) Relevant standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were issued but not yet effective.

Standard/Interpretation		Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1059	*Service Concession Arrangements: Grantors*	1 January 2020	30 June 2021
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	1 January 2020	30 June 2021

The Corporation has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury Circular 20-01 "Mandates of options and major policy decisions under Australian Accounting Standards".

AASB 1059 *Service Concession Arrangements: Grantors*, (effective from 1 January 2020)

The AASB has introduced AASB 1059 to provide accounting guidance for public sector entities who enter into service concession arrangements with private sector operators.

As at 30 June 2020, the Corporation has not entered into any service concession arrangements. Therefore, AASB 1059 will have no impact to the Corporation's financial reporting requirements.

AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*, (effective from 1 January 2020)

AASB 2019-5 requires an entity intending to comply with IFRS to disclose on the potential effect of an IFRS standard that has not yet been issued by AASB. Management anticipate AASB 2019-5 will result in a greater number of disclosures within Note 1(f).

(g) Critical accounting estimates and significant judgements

The preparation of the financial statements requires management to exercise a higher degree of judgement and estimation when determining the fair value of financial assets and liabilities as discussed in Note 15. Estimates and judgements are regularly evaluated and are based on historical experience and expectations of future events. The Corporation believes the estimates used in preparing the financial statements are reasonable.

2. Segment information

The Corporation has the following business segments:

1) Financial Markets

This division is responsible for lending to government clients and the associated funding through debt issuance and balance sheet risk management activities. This division also provides debt management, currency management and advisory services.

Revenues from Financial Markets comprise in their entirety the net gains and losses from financial assets and liabilities as disclosed in Note 3 and relevant fee income as disclosed in Note 4.

2) Investment Management

This division provides funds management activities including direct management of cash & fixed income, property and infrastructure portfolios, 'Manager-of-managers' services through the TCorpIM Funds and other tailored investment management services.

Revenues from Investment Management are in the form of fee income as disclosed in Note 4.

The majority of the Corporation's revenues is derived from the New South Wales Government and its agencies, which are considered to be under common control. There were no intersegment sales during the year.

Given the nature of its core functions and the legislative intent, the Corporation operates within Australia, apart from a proportion of funding raised from offshore financial markets. As such, no geographic location segment reporting is presented within these financial statements.

3. Net gain/(loss) on financial instruments at fair value through profit and loss

The Corporation has the following business segments:

Accounting policy

Net gain/(loss) on financial instruments at fair value through profit and loss relates to revenue from lending and associated funding activities and the management of associated risks. Revenue is primarily generated from the differential between the fair value movements of financial assets and financial liabilities, inclusive of interest earned on assets or paid on liabilities.

The Corporation is required to measure financial assets and financial liabilities at fair value through profit or loss. The classification requirements under AASB 9 *Financial Instruments*, considers an entity's business model for managing its financial assets and financial liabilities. The Corporation manages its balance sheet on a fair value basis. This is demonstrated through the measurement and reporting of risks, limits, valuations and performance, consistent with risk management policies approved by the Board. Therefore, all financial assets and financial liabilities are valued on a fair value basis as at balance date with resultant gains and losses from one valuation date to the next recognised in the statement of comprehensive income.

Financial assets designated at fair value through profit and loss	Note	2020 $'000	2019 $'000
Interest income – government clients		2,128,215	1,940,288
Interest income – financial institutions		181,380	260,855
Increase/(decrease) in fair value of financial assets		1,197,741	3,301,210
		3,507,336	**5,502,353**
Financial liabilities designated at fair value through profit and loss			
Interest expense – government clients		(3,653)	(44,759)
Interest expense – financial institutions		(2,148,220)	(2,156,325)
(Increase)/decrease in fair value of financial liabilities		(1,184,155)	(3,132,213)
		(3,336,028)	**(5,333,297)**
Net gains on foreign exchange		899	746
Net losses on derivatives		(78,566)	(32,429)
Net Gains on Financial Instruments at Fair Value Through Profit and Loss		**93,641**	**137,373**

Derivative financial instruments are used to manage interest rate risk and foreign exchange risk. Gains or losses on derivative financial instruments are largely offset by changes in the fair value of financial assets and liabilities.

Net gains on financial instruments at fair value through profit and loss comprise fair value movements of financial assets and financial liabilities. The 2020 net gains on financial instruments of $93.6 million include the impacts of volatile market conditions in the second half of the financial year on Level 3 Euro Medium Term Notes and associated cross currency swaps (Note 15).

4. Fee income

Accounting policy

Fee income is mainly earned from investment management activities through the management of client asset portfolios and as trustee and/or manager of the TCorpIM Funds.

Fee income for services provided is recognised in the period in which the service is provided.

	2020 $'000	2019 $'000
Investment Management Fees		
Asset client mandate fees[1]	56,660	49,970
TCorpIM Funds management fees[1]	28,216	28,085
Other fees from NSW Government entities[1]	340	298
Other fees from financial institutions	608	1,035
	85,824	**79,388**
Financial Markets		
Fees from NSW Government entities	1,974	1,075
Other fees from financial institutions	34	24
	2,008	**1,099**
	87,832	**80,487**

[1] *Relates to fees earned on funds under management as disclosed in Note 26.*

5. Operating costs and transaction costs

Accounting policy

Operating and transaction costs are recognised in the period in which the relevant service has been rendered or when the liability has been incurred.

Depreciation and amortisation is calculated using the straight line method over the asset's estimated useful life.

The change in rent on operating leases reflects the transitional and classification consequences of adopting the new lease accounting standard AASB 16. Interest expense on the lease liability is recognised within interest expense – government clients (Note 3) with the depreciation charge relating to the right-of-use asset recorded within depreciation and amortisation below.

Impairment loss on Right-of-Use Asset

The COVID-19 outbreak occurring throughout the 2019-20 financial year had an unprecedented effect on the NSW and global economies. COVID-19 has impacted the market rent for the Corporation's premises at 126 Phillip Street, Sydney, and therefore the value of the right-of-use asset on the Balance Sheet.

The Corporation has therefore undertaken an impairment assessment for its right-of-use asset (Note 22), to determine whether the carrying amount exceeded its recoverable amount. The right-of-use asset was written down to its recoverable amount by reference to the right-of-use asset's fair value.

As a result, the Corporation recognised an impairment loss for the right-of-use asset during the 2019-20 financial year of $3.3 million.

Operating costs

	2020 $'000	**2019 $'000**
Salaries, wages and entitlements	53,711	49,983
Information technology	9,354	8,446
Market information services	7,060	5,300
Impairment on right-of-use asset	3,256	-
Depreciation and amortisation	5,202	2,077
Rent on operating leases	-	1,989
Other operating costs	6,891	9,570
	85,474	**77,365**

The operating costs above include the following specific items:

	2020 $'000	2019 $'000
Consultants' fees	**94**	**2,163**
Information technology	**94**	**2,163**
Auditor's remuneration to the Audit Office of NSW		
For audit of the financial report of the Corporation	336	338
Other audit and related services	125	85
	461	**423**
Superannuation expense		
- Defined contribution plans	2,956	2,507
- Defined benefit plans	-	21
	2,956	**2,528**

Transaction costs

	2020 $'000	2019 $'000
Bond issuance fees	8,548	4,800
Other transaction costs	12,543	11,682
	21,091	**16,482**

Other transaction costs include costs associated with managing client investment portfolios and other financial market related costs including futures brokerage and clearing fees.

Financial instruments

Accounting policy

(a) Financial instruments overview

Financial instruments of the Corporation comprise cash and liquid assets, money market securities, loans, borrowings and derivatives as disclosed in Notes 6 to 13.

All financial assets, financial liabilities and derivatives are recognised on the balance sheet at trade date being the date the Corporation becomes party to the contractual provisions of the instrument. Outstanding settlements receivable comprise the amounts due to the Corporation for trade transactions that have been recognised, but not yet settled at balance date. Outstanding settlements payable comprise amounts payable by the Corporation for trade transactions that have been recognised, but not yet settled at balance date.

Financial assets are de-recognised when the Corporation's contractual rights to cash flows from the financial assets expire. Financial liabilities are de-recognised when the Corporation's contractual obligations are extinguished.

Securities purchased under agreements to resell, where the Corporation does not acquire the risks and rewards of ownership, are retained within Cash and Liquid Assets (Note 6). The securities provided as collateral are not included in the balance sheet as the Corporation is not substantially exposed to the risks and rewards of the securities.

Securities sold under agreements to repurchase are retained in the financial statements within Securities Held (Note 8) where substantially all the risks and rewards of ownership remain with the Corporation. A liability for the agreed repurchase amount from the counterparty is recognised within Due to Financial Institutions (Note 10) as an obligation exists to buy back the securities, usually for terms ranging up to 90 days.

(b) Fair value measurement

The Corporation measures financial assets and financial liabilities in accordance with AASB 13 *Fair Value Measurement*. Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at the year end. If no active market exists, judgement is used to select the valuation technique which best estimates fair value by discounting the expected future cash flows arising from the securities to their present value using market yields and margins appropriate to the securities. These margins take into account credit quality and liquidity of the securities. Market yields used for valuing loans to government clients are derived from yields for similar debt securities issued by the Corporation which are detailed in Note 18.

The Corporation manages market risk through its financial assets and financial liabilities on the basis of its net exposure, in accordance with its risk management strategy. As a result the Corporation utilises the exception permitted within AASB 13 Fair Value Measurement to measure a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net asset position or paid to transfer a net liability position for a particular risk exposure.

6. Cash and liquid assets

	2020 $'000	2019 $'000
Cash and short term placements (unsecured)	868,594	1,081,651
Securities purchased under agreements to resell	-	1,100,375
	868,594	**2,182,026**

Cash and liquid assets include assets that are readily convertible to cash.

Short term placements for up to seven days are made to domestic financial institutions with principal repayable at maturity and interest payable at month end.

Securities purchased under agreement to resell are collateralised by highly liquid debt securities (Note 19) and have a maturity of less than 30 days.

7. Due from financial institutions

	Note	2020 $'000	2019 $'000
Short term bank deposits		3,307,370	4,064,084
Cash collateral	19	485,898	239,742
		3,793,268	**4,303,826**

Cash collateral may be provided by the Corporation to support amounts payable to financial institutions in respect of certain derivative transactions (Note 19).

8. Securities held

	2020 $'000	2019 $'000
Floating rate notes	899,560	1,101,590
Certificates of deposit	4,164,006	1,469,791
Semi-government bonds[1]	1,046,128	1,909,770
Supranational bonds	229,350	624,318
Other Commonwealth and NSW Government related securities	88,189	91,069
	6,427,233	**5,196,538**

[1] *Includes securities sold under agreements to repurchase of $1,041.2 million (2019: $599.4 million).*

Securities held are used mainly to cover liquidity requirements. Of the above amounts, $1,515.8 million (2019: $2,442.1 million) is scheduled to mature more than twelve months from the balance date.

9. Loans to government clients

	2020 $'000	2019 $'000
New South Wales public sector clients:		
- Crown entity	60,121,641	36,628,446
- Water sector	14,054,820	12,861,815
- Electricity sector	6,528,437	6,185,418
- Transport sector	2,681,395	2,666,438
- Other sectors	2,995,540	2,811,943
- Local Government	842,624	644,812
	87,224,457	**61,798,872**

Loans to government clients comprise financial accommodation on simple interest, fixed interest, floating rate or inflation indexed bases.

Capital indexed loans, coupons and face value are indexed quarterly in line with changes in inflation. The fair value of these loans at balance date totaled $7,434.0 million (2019: $7,457.4 million).

Year-on-year indexed loans comprise a constant face value and a variable coupon that includes the fixed real rate and latest adjusted Consumer Price Index. The fair value of these loans at balance date totaled $1,964.3 million (2019: $1,984.8 million).

Loans to New South Wales public sector clients are guaranteed by the New South Wales Government. Of the above amounts, $82,051.5 million (2019: $58,421.5 million) is scheduled to mature more than twelve months from the balance date.

10. Due to financial institutions

	Note	2020 Face Value $'000	2020 Fair Value $'000	2019 Face Value $'000	2019 Fair Value $'000
Promissory notes		8,829,402	8,824,238	5,420,074	5,407,231
Cash collateral	19	153,340	153,339	163,990	163,984
Short term borrowings		527,500	527,498	279,700	279,690
Securities sold under agreements to repurchase		1,000,247	1,002,466	585,088	585,959
		10,510,489	**10,507,541**	**6,448,852**	**6,436,864**

Promissory notes are short term securities issued by the Corporation, usually for terms ranging up to twelve months.

Cash collateral may be obtained by the Corporation to support amounts receivable from financial institutions in respect of certain derivative transactions (Note 19).

Short term borrowings include bank overdrafts and overnight deposits borrowed from domestic financial institutions. These overnight deposits are borrowed on an unsecured basis, with face value and interest repayable at maturity date.

Securities sold under agreements to repurchase are secured by cash collateral (Note 19). The Corporation has an obligation to buy back the securities on the dates agreed, usually for terms ranging up to 180 days.

11. Due to government clients

	2020 Face Value $'000	2020 Fair Value $'000	2019 Face Value $'000	2019 Fair Value $'000
Client deposits:				
- Crown entity	7,866	7,866	406,524	409,687
- Other	420,336	420,333	449,997	450,432
	428,202	**428,199**	**856,521**	**860,119**

Deposits are received from clients on an unsecured basis either at call or for fixed terms of one year or less, with interest payable at maturity.

12. Borrowings

	2020 Face Value $'000	2020 Fair Value $'000	2019 Face Value $'000	2019 Fair Value $'000
Benchmark bonds	60,245,756	68,036,931	46,692,401	52,671,980
Euro Medium Term Notes	1,188,814	1,449,258	817,609	1,074,385
Capital indexed bonds	6,152,543	7,108,938	6,065,409	7,161,477
Floating rate notes	6,030,000	6,033,502	2,430,000	2,432,552
Other borrowings	4,115,676	4,432,580	2,365,408	2,544,718
	77,732,789	**87,061,209**	**58,370,826**	**65,885,112**

Benchmark bonds pay semi-annual coupons with the face value repayable on maturity.

Euro Medium Term Notes are issued via lead managers into both the Euro market and Japanese retail market. They are repayable at maturity with coupons payable either annually or semi-annually. In fair value terms, $1,251.1 million (2019: $1,065.4 million) Euro Medium Term Notes are scheduled to mature more than twelve months from the balance date.

Capital indexed bonds are domestic bonds with quarterly coupons and face value indexed in line with inflation. In fair value terms, $6,318.8 million (2019: $7,161.5 million) Capital indexed bonds are scheduled to mature more than twelve months from the balance date.

Floating rate notes pay variable quarterly coupons with the face value repayable on maturity. In fair value terms, $5,412.9 million (2019: $2,432.6 million, fair value) floating rate notes are scheduled to mature more than twelve months from the balance date.

Other borrowings include Waratah bonds, bonds issued under the Sustainability Bond Programme and other non-benchmark domestic bonds. The fair value of Waratah bonds and sustainability bonds at the balance date totalled $424.1 million (2019: $468.9 million) and $3,931.2 million (2019: $1,997.6 million) respectively. In fair value terms, $4,323.4 million (2019: $2,418.2 million) of other borrowings are scheduled to mature more than twelve months from the balance date.

All financial liabilities of the Corporation are guaranteed by the New South Wales Government (Note 14). The Corporation does not provide any further security in the form of asset and other pledges in relation to its borrowings.

12. Borrowings (continued)

The benchmark bonds on issue, by maturity were:

Maturity	Coupon % p.a.	2020 Face Value $'000	2020 Fair Value $'000	2019 Face Value $'000	2019 Fair Value $'000
1 May 2020	6.00	-	-	2,814,370	2,958,786
1 June 2020[1]	6.00	-	-	77,424	81,484
8 April 2021	4.00	2,772,612	2,878,111	3,196,446	3,387,792
1 March 2022	6.00	4,947,050	5,514,642	5,158,450	5,922,693
20 April 2023	4.00	4,883,184	5,413,367	4,540,254	5,048,454
1 May 2023[1]	6.00	541,757	634,781	582,617	695,702
8 February 2024	1.00	5,672,450	5,794,932	-	-
20 August 2024	5.00	4,502,106	5,403,274	5,943,990	7,142,281
20 May 2026	4.00	4,215,528	5,018,927	2,968,528	3,471,955
20 May 2027	3.00	6,620,380	7,551,504	4,599,450	5,090,535
20 March 2028	3.00	6,241,820	7,190,090	5,609,820	6,247,286
20 April 2029	3.00	6,578,600	7,607,092	4,937,100	5,490,406
20 February 2030	3.00	6,975,296	8,120,886	5,372,298	5,996,903
1 May 2030	6.00	283,248	409,471	344,004	486,414
20 March 2031	2.00	2,732,750	2,900,022	-	-
8 March 2033	2.00	1,000,000	1,041,963	-	-
20 March 2034	3.50	426,950	521,747	325,950	385,829
20 November 2037	3.50	756,700	928,075	221,700	265,461
7 May 2041	2.25	794,625	804,324	-	-
20 May 2042	2.25	300,700	303,723	-	-
		60,245,756	**68,036,931**	**46,692,401**	**52,671,980**

[1] *Commonwealth Government guaranteed borrowings at 30 June 2020 total $634.8 million, fair value (2019: $777.2 million, fair value). Refer to Other disclosures concerning financial liabilities (Note 14).*

13. Derivatives

A derivative financial instrument is a contract or agreement whose value depends on (or derives from) the value of (or changes in the value of) an underlying instrument, reference rate or index.

Derivative financial instruments include swaps, forward dated client loans, futures and forward foreign exchange contracts. Forward dated loans are priced on a consistent basis to other client loans. For all other derivative financial instruments the Corporation is not a price maker, but is a price taker in its use of derivatives.

Collateral may be obtained, or provided, by the Corporation when the market value of certain derivative transactions exceed thresholds agreed with the counterparty (Note 19).

Net exposure

The fair value of the Corporation's transactions in derivative financial instruments outstanding at year end is as follows:

	2020 $'000	2019 $'000
Derivatives receivable		
Cross currency swaps	84,817	80,659
Interest rate swaps	1,176,425	871,388
Forward foreign exchange contracts	66,224	26,175
Exchange traded futures	318	-
Forward dated loans	4,870	-
Commodity swaps	3,699	542
	1,336,353	**978,764**
Derivatives payable		
Cross currency swaps	(76,686)	(27,949)
Interest rate swaps	(1,205,192)	(870,171)
Forward foreign exchange contracts	(56,275)	(27,595)
Exchange traded futures	-	(4,188)
Commodity swaps	(3,699)	(542)
	(1,341,852)	**(930,445)**
Net amount (payable)/receivable under derivatives	**(5,499)**	**48,319**

The majority of derivative financial instruments (with the exception of exchange traded futures, commodity swaps and forward foreign exchange contracts) are scheduled to be recovered or due to be settled more than twelve months from the balance date.

14. Other disclosures concerning financial liabilities

Guarantee of the State

All financial liabilities of the Corporation are guaranteed by the New South Wales Government under Division 6.5, sections 6.26 and 6.27 of the *Government Sector Finance Act 2018*.

Guarantee of the Commonwealth

Certain benchmark bonds issued by the Corporation, identified in Borrowings (Note 12) are guaranteed by the Commonwealth of Australia pursuant to the Australian Government Guarantee of State and Territory Borrowing Scheme dated 24 July 2009 (the "Scheme"). On 7 February 2010, the Commonwealth announced that the "Final Issuance Date" under the Scheme would be 31 December 2010. All Commonwealth Guaranteed benchmark bonds issued by the Corporation in existence as at the Final Issuance Date remain guaranteed by the Commonwealth, in accordance with the terms of the Scheme.

Financing arrangements

The Corporation is able to access both domestic and offshore capital markets to ensure an adequate funding base. The Corporation has the highest level of credit ratings available to any Australian borrower, which derives from the guarantee of the New South Wales Government.

In addition to the Corporation's domestic benchmark, non-benchmark and promissory note issuances, the following offshore programmes are in place:

	2020 $bn	**2019 $bn**
Global exchangeable bonds[1]	AUD 18	AUD 18
Multi-currency Euro medium term note	USD 10	USD 10
Multi-currency Euro commercial paper	USD 10	USD 10
	2020 ¥bn	**2019 ¥bn**
Japanese shelf registration	JPY 300	JPY 300

[1] *The last issuance under the Global exchangeable bonds programme matured in April 2019.*

The programmes are not contractually binding on any provider of funds.

15. Fair value measurement

Financial assets and financial liabilities are recorded as fair value through profit or loss.

The Corporation's loans and borrowings are guaranteed by the New South Wales State Government, and certain benchmark borrowings are guaranteed by the Commonwealth Government (Note 12). As a result, credit risk is not a significant factor in the determination of the fair value. Changes in fair value are therefore mainly attributable to fluctuations in market yields and prices arising from changes in market conditions.

The Corporation uses a discounted cash flow valuation technique in determining the fair value of its financial assets and financial liabilities.

Fair value measurements are classified using a fair value hierarchy that reflects the subjectivity of inputs used in making the measurements. The fair value hierarchy has the following levels and inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This includes quoted or observable prices combined with margins derived from appropriate benchmarks.

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

TCorp's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The table below sets out the Corporation's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Financial assets				
Outstanding settlements receivable	-	784	-	784
Due from financial institutions	485,898	3,307,370	-	3,793,268
Securities held	2,236,726	4,190,507	-	6,427,233
Derivatives receivable	318	1,336,035	-	1,336,353
Loans to government clients	18,280	86,796,897	409,280	87,224,457
Futures margins deposits	3,316	-	-	3,316
Financial assets	**2,744,538**	**95,631,593**	**409,280**	**98,785,411**
Financial liabilities				
Due to financial institutions	(680,837)	(9,826,704)	-	(10,507,541)
Outstanding settlements payable	-	(784)	-	(784)
Due to government clients	(117,598)	(310,601)	-	(428,199)
Borrowings	(80,769,900)	(5,157,491)	(1,133,818)	(87,061,209)
Derivatives payable	-	(1,341,852)	-	(1,341,852)
Financial liabilities	**(81,568,335)**	**(16,637,432)**	**(1,133,818)**	**(99,339,585)**

15. Fair value measurement (continued)

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	TOTAL $'000
Financial assets				
Securities purchased under agreement to resell	-	1,100,375	-	1,100,375
Due from financial institutions	239,742	4,064,084	-	4,303,826
Securities held	3,700,083	1,496,455	-	5,196,538
Derivatives receivable	-	978,764	-	978,764
Loans to government clients	10,311	61,788,561	-	61,798,872
Futures margins deposits	23,512	-	-	23,512
Financial assets	**3,973,648**	**69,428,239**	**-**	**73,401,887**
Financial liabilities				
Due to financial institutions	(443,676)	(5,993,188)	-	(6,436,864)
Due to government clients	(171,826)	(688,293)	-	(860,119)
Borrowings	(61,779,593)	(3,378,480)	(727,039)	(65,885,112)
Derivatives payable	(4,188)	(926,257)	-	(930,445)
Financial liabilities	**(62,399,283)**	**(10,986,218)**	**(727,039)**	**(74,112,540)**

Level 3 Financial Instruments – fair value determined from valuation techniques utilising significant unobservable inputs

The Level 3 Euro Medium Term Notes are foreign currency denominated fixed interest securities (borrowings) issued by the Corporation. The fair value of the Level 3 Euro Medium Term notes at balance date totalled $1,133.8 million (2019: $727.0 million). The valuation of these securities is derived from quoted market prices of the underlying securities, and other observable inputs. The Corporation has applied a further risk adjustment to the quoted market prices in recognition of limited trading activity of the securities. The Corporation uses cross currency swaps to fully hedge the currency exposure associated with the cash flows on these securities, and these associated cross currency swaps are categorised as Level 2 under the fair value hierarchy.

The Level 3 Loans to government clients are loans with the fair value based on the valuation associated with specific Level 3 Euro Medium Term Notes. The fair value of the Level 3 Loans to government clients at balance date totalled $409.3 million (2019: Nil).

15. Fair value measurement (continued)

Reconciliation of Level 3 Fair Value Movements

The table below summarises the reconciliation of change in exposure in the balance sheet to financial instruments categorised as Level 3 as at 30 June 2020.

	Financial Assets $'000	Financial Liabilities $'000
Total as at 30 June 2018	**-**	**(636,319)**
Unrealised gains and (losses)[1,2]	-	(103,986)
(Interest received)/Coupons paid[1]	-	13,266
Total as at 30 June 2019	**-**	**(727,039)**
Additions	402,062	(399,900)
Unrealised gains and (losses)[1,2]	7,218	(20,874)
(Interest received)/Coupons paid[1]	-	13,995
Total as at 30 June 2020	**409,280**	**(1,133,818)**

[1] *Included in Net gain/(loss) on financial instruments at fair value through profit or loss in the statement of comprehensive income.*

[2] *Gains and losses are largely offset by the gains and losses on the associated cross currency swaps, which are categorised as level 2 under the fair value hierarchy.*

Level 3 Financial instruments – sensitivity analysis

As at balance date, a 0.01% change in the market prices (interest rates) used to value the Level 3 Euro Medium Term Note liabilities and Level 3 Loans to government clients would impact the fair value by approximately +/- $2.2 million (2019: +/- $1.2 million) and +/-$1.1 million respectively (2019: Nil). This sensitivity analysis should be considered in context of the Corporation's management of market risk as detailed in Note 18.

16. Offsetting financial assets and financial liabilities

The following table identifies financial assets and liabilities which have been offset in the balance sheet and those which have not been offset in the balance sheet but are subject to enforceable master netting agreements with our counterparties.

		Effects of offsetting on the Balance sheet			Related amounts not offset		
2020	**Note**	**Gross amounts $'000**	**Gross amounts offset in the Balance sheet $'000**	**Net amounts presented in the Balance sheet $'000**	**Amounts subject to master netting arrangements $'000**	**Financial instrument collateral and margins (received) /paid $'000**	**Net amount $'000**
Financial assets							
Derivatives receivable (excluding futures)		1,356,895	(20,860)	1,336,035	(775,525)	(151,550)	408,960
Derivatives receivable - futures		607	(289)	318	-	-	318
Total derivatives receivable	13	**1,357,502**	**(21,149)**	**1,336,353**	**(775,525)**	**(151,550)**	**409,278**
Futures margins receivable[1]		24	-	24	-	-	24
Futures margins deposits	21	3,316	-	3,316	-	-	3,316
Financial assets		**1,360,842**	**(21,149)**	**1,339,693**	**(775,525)**	**(151,550)**	**412,618**
Financial liabilities							
Derivatives payable (excluding futures)		(1,362,712)	20,860	(1,341,852)	775,525	483,164	(83,163)
Derivatives payable - futures		(289)	289	-	-	-	-
Total derivatives payable	13	**(1,363,001)**	**21,149**	**(1,341,852)**	**775,525**	**483,164**	**(83,163)**
Securities sold under agreements to repurchase	10	(1,002,466)	-	(1,002,466)	-	1,002,466	-
Financial liabilities		**(2,365,467)**	**21,149**	**(2,344,318)**	**775,525**	**1,485,630**	**(83,163)**

[1] *Included in Note 21 Other debtors and receivables.*

16. Offsetting financial assets and financial liabilities (continued)

		Effects of offsetting on the Balance sheet			Related amounts not offset		
2019	**Note**	**Gross amounts $'000**	**Gross amounts offset in the Balance sheet $'000**	**Net amounts presented in the Balance sheet $'000**	**Amounts subject to master netting arrangements $'000**	**Financial instrument collateral and margins (received) /paid $'000**	**Net amount $'000**
Financial assets							
Derivatives receivable (excluding futures)		981,493	(2,729)	978,764	(622,702)	(158,012)	198,050
Derivatives receivable - futures		251	(251)	-	-	-	-
Total derivatives receivable	13	**981,744**	**(2,980)**	**978,764**	**(622,702)**	**(158,012)**	**198,050**
Securities purchased under agreements to resell	6	1,100,375	-	1,100,375	-	(1,096,467)	3,908
Futures margins receivable[1]		2,459	-	2,459	-	(2,459)	-
Futures margins deposits	21	23,512	-	23,512	-	(1,729)	21,783
Financial assets		**2,108,090**	**(2,980)**	**2,105,110**	**(622,702)**	**(1,258,667)**	**223,741**
Financial liabilities							
Derivatives payable (excluding futures)		(928,986)	2,729	(926,257)	622,702	231,127	(72,428)
Derivatives payable - futures		(4,439)	251	(4,188)	-	4,188	-
Total derivatives payable	13	**(933,425)**	**2,980**	**(930,445)**	**622,702**	**235,315**	**(72,428)**
Securities sold under agreements to repurchase	10	(585,959)	-	(585,959)	-	585,959	-
Financial liabilities		**(1,519,384)**	**2,980**	**(1,516,404)**	**622,702**	**821,274**	**(72,428)**

[1] *Included in Note 21 Other debtors and receivables.*

Financial assets and liabilities are permitted to be offset and the net amount reported in the balance sheet where the Corporation currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In line with general market practice, the Corporation has entered into arrangements that do not meet the criteria for offsetting in the balance sheet. This is because the Corporation does not currently have a legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events. These amounts have therefore not been offset in the balance sheet, but have been presented separately in the table. The table also presents the gross amounts of financial assets and financial liabilities that are offset in the balance sheet. The column "Net amount" shows the impact on the Corporation's balance sheet if all set-off rights were exercised.

16. Offsetting financial assets and financial liabilities (continued)

Related amounts not offset on the balance sheet

Derivative assets and liabilities

The Corporation enters into derivative transactions governed by master netting arrangements set out in International Swaps and Derivatives Association (ISDA) agreements between the Corporation and market counterparties. In certain circumstances, such as a counterparty credit default, all outstanding transactions under the ISDA agreement may be terminated by the Corporation, the termination value is determined and only a single net amount is payable to/receivable from a counterparty in settlement of all transactions. Financial collateral refers to cash obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default.

Repurchase agreements and reverse repurchase agreements

Repurchase agreements (securities sold under agreements to repurchase) and reverse repurchase agreements (securities purchased under agreements to resell) are separately subject to offset under netting agreements, such as global master repurchase agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied in an event of default. These arrangements are supported by financial collateral in the event of counterparty default.

17. Financial risk

Objectives and policies

The Corporation manages and monitors a variety of financial risks including market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk (refer Notes 18, 19 and 20 respectively).

The boundaries within which these risks are undertaken and managed are established under Board policies, management guidelines and agreements with clients. The Corporation monitors compliance with Board policies and management and client constraints. This monitoring is appropriately segregated from the operating divisions. Information is summarised, monitored and reviewed daily and reported regularly to the Board.

All aspects of the treasury process are segregated between dealing, settlement, accounting and compliance. In addition, position limits, liquidity limits and counterparty credit limits have been established. These limits are monitored independently of the dealing and settlement functions, with utilisation of these limits summarised and reported to management on a daily basis.

The nature of the Corporation's lending and associated funding activities gives rise to maturity and repricing gaps within the Corporation's balance sheet which alter from day to day. The Board of the Corporation has identified the risks that arise from these gaps and has established Board policies to prudently limit these risks. In managing the risks in accordance with the Board limits, the Corporation utilises derivative financial instruments.

Derivatives are used to manage interest rate risk and foreign exchange risk for certain assets and liabilities within the balance sheet.

Equity

The New South Wales Government is not required under legislation to contribute equity to the Corporation. Retained earnings are held in lieu of contributed equity and provide a capital base commensurate with the risks inherent in the Corporation's business. Further, all financial liabilities of the Corporation are guaranteed by the New South Wales Government under Division 6.5, sections 6.26 and 6.27 of the *Government Sector Finance Act 2018*.

18. Market risk

Interest rate risk

Interest rates equal to, or derived from, the Corporation's debt securities and used for valuation purposes were:

	Coupon % pa	Market Rates (Yield to Maturity) at 30 June 2020 % pa	Market Rates (Yield to Maturity) at 30 June 2019 % pa
Nominal			
Overnight	-	0.130	1.250
90 days	-	0.102	1.165
180 days	-	0.161	1.179
1 May 2020	6.000	-	1.084
1 June 2020[1]	6.000	-	1.004
8 April 2021	4.000	0.264	1.109
1 March 2022	6.000	0.307	1.117
20 April 2023	4.000	0.389	1.197
01 May 2023[1]	6.000	0.281	1.092
8 February 2024	1.000	0.507	-
20 August 2024	5.000	0.549	1.300
20 May 2026	4.000	0.763	1.473
20 May 2027	3.000	0.938	1.601
20 March 2028	3.000	1.060	1.697
20 April 2029	3.000	1.195	1.814
20 February 2030	3.000	1.302	1.901
1 May 2030	6.000	1.274	1.866
20 March 2031	2.000	1.439	-
8 March 2033	2.000	1.686	-
20 March 2034	3.500	1.753	2.119
20 November 2037	3.500	1.981	2.214
7 May 2041	2.250	2.197	-
20 May 2042	2.250	2.207	-
Capital Indexed			
20 November 2020	3.750	0.526	0.098
20 November 2025	2.750	0.255	0.199
20 November 2035	2.500	0.707	0.701

[1] *Securities covered by Commonwealth guarantee – refer Note 14.*

18. Market risk (continued)

The Corporation measures its exposure to interest rate risk in terms of cash flows or notional cash flows generated by financial instruments. These cash flows are discounted to present values at appropriate market yields and margins. Interest rate risk can be in the form of 'fair value interest rate risk', such as fixed interest rate instruments which change in value as interest rates move and 'cash flow interest rate risk', such as floating interest rate instruments that are reset as market rates change.

The Corporation uses a Value at Risk (VaR) model to measure the market risk exposures inherent in the balance sheet. VaR is measured on a rolling 2-year historical simulation basis using a 99% confidence interval and a 10-day holding period.

VaR is calculated daily and represents an estimate of the loss that can be expected over a 10-day period, with a 1% probability that this amount may be exceeded.

The historical database comprises observations relevant to the major market risk exposures faced by the Corporation including bank bills, bank bill futures, bond futures, Commonwealth and semi-government bonds, floating rate notes, capital indexed bonds and interest rate swaps. The simulation process captures movements in outright interest rate levels, yield curve tilts and changes in the basis spread between various groups of securities. All historical observations are equally weighted.

As an estimate of market risk, VaR has certain limitations including:

(a) Calculating VaR on an historical simulation basis implicitly assumes that returns in the future will have the same distribution as they had in the past. If this is not the case, VaR may overestimate or underestimate the actual losses experienced.

(b) In rapidly changing markets, the model can be slow to react with the result that VaR at the confidence interval is exceeded more often than statistically expected.

(c) The model quantifies the expected loss at the confidence interval. It does not however indicate the potential size of losses on days VaR is exceeded.

Given the Corporation's balance sheet positions at 30 June 2020, the maximum potential loss expected over a 10-day period is $5.6 million (2019: $7.4 million), with a 1% probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2020 was $5.8 million (2019: $4.9 million).

Foreign exchange risk

The Corporation has policies and procedures in place to ensure that it has no material exposure to changes in foreign exchange rates. Foreign exchange risk arising from borrowings undertaken in foreign currencies through Promissory Notes (Note 10) or Euro Medium Term Notes (Note 12), to fund Australian dollar assets is covered by entering into Australian dollar cross currency swaps and forward foreign exchange contracts.

Where the Corporation has entered into forward foreign exchange contracts with clients, these are covered by corresponding forward foreign exchange contracts with market counterparties. Foreign exchange risks within Investment Funds, where the Corporation acts as Trustee or manager, are borne by the investors in these Funds.

19. Credit risk

For all classes of financial assets, with the exceptions noted below, the maximum credit risk exposure at balance date is equal to the fair value already disclosed.

As loans and receivables from government clients are guaranteed by the New South Wales Government, no credit risk is deemed to arise.

Certain securities held by the Corporation are guaranteed by the Commonwealth of Australia (refer to Note 14). These securities are separately identified in Note 12.

Derivative financial instruments include swaps, forward dated loans, forward foreign exchange contracts and futures. The Corporation enters into derivative contracts for the purposes of hedging market risks arising from the Corporation's activities and when acting as an intermediary between government clients and market counterparties under back-to-back arrangements. In respect of derivative trades executed on behalf of government clients, TCorp is indemnified by the clients in the event of counterparty default which substantially eliminates the credit risk of these derivative transactions.

The Corporation does not use credit derivatives, such as credit default swaps, to mitigate credit risks.

The market convention for the calculation of credit exposure for derivative financial instruments is to add to the market value an amount of potential exposure as determined by reference to the length of time to maturity and face value. The additional credit exposure is noted in the concentration of credit risk table below.

For financial instruments where face value is greater than market value, the difference between the face value and the market value is disclosed to reflect the maximum potential credit exposure.

The additional credit exposure is noted in the concentration of credit risk table below.

Collateral

The Corporation may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. The collateral may include cash or eligible securities obtained, or provided, when agreed market value thresholds are exceeded. These arrangements are agreed between the Corporation and each counterparty and take the form of annexures to the standard industry agreement governing the underlying derivative transaction. In the event of default, the Corporation is immediately entitled to offset the cash collateral against the amounts owed by the defaulting counterparty. There was $153.3 million of collateral received under these arrangements at balance date (2019: $164.0 million). Refer below for the net impact of collateral received on credit risk.

	Note	2020 $'000	2019 $'000
Derivative financial instruments		162,793	167,065
Carrying amount of collateral received	10	(153,339)	(163,984)
Net credit risk		**9,454**	**3,081**

The Corporation had paid $485.9 million of collateral under these arrangements at balance date (Amount paid in 2019: $239.7 million). Refer Note 7.

19. Credit risk (continued)

Reverse repurchase agreements (securities purchased under agreements to resell)

At year end, the Corporation had purchased securities under agreements to resell of nil (2019: $1,100.4 million) (refer Note 6). These financial instruments are collateralised by highly liquid debt securities which are legally transferred and can be liquidated in the event of counterparty default. The securities provided are not included in the balance sheet as the Corporation is not substantially exposed to the risks and rewards of the securities. The terms and conditions of the reverse repurchase agreements are governed by standard industry agreements. In the event of default, the Corporation is immediately entitled to offset the collateral against the amounts owed by the defaulting counterparty. The effect of these offsetting arrangements is disclosed in Note 16.

Repurchase agreements (securities sold under agreements to repurchase)

At year end, the Corporation had securities sold under agreements to repurchase of $1,041.2 million (2019: $599.4) (refer Note 8). Securities sold under agreements to repurchase are secured by cash collateral. In the event of default, the Corporation is immediately entitled to offset the cash collateral against the amounts owed by the defaulting counterparty. The terms and conditions of the repurchase agreements are governed by standard industry agreements, reflecting current Australian market practice. The effect of these offsetting arrangements is disclosed in Note 16.

Due to retention of substantially all the risks and rewards of these securities, the Corporation continues to recognise these securities on the balance sheet and the collateral received as liabilities. The counterparties have an obligation to return the securities to the Corporation and the Corporation has an obligation to buy back the securities on the dates agreed, usually for terms ranging up to 90 days.

The following table sets out the carrying amount of transferred financial assets and the related liabilities along with the net impact on credit risk at the reporting date.

	Note	2020 $'000	2019 $'000
Securities sold under agreements to repurchase	8	1,041,189	599,360
Carrying amount of collateral received	10	(1,002,466)	(585,959)
Net credit risk		**38,723**	**13,401**

19. Credit risk (continued)

Concentration of credit risk

By credit rating – 2020[1]	AAA $'000	AA+ $'000	AA- $'000	A+ $'000	A $'000	Other[2] Ratings $'000	Total $'000
Cash and liquid assets	-	-	768,610	99,984	-	-	868,594
Due from financial institutions	-	-	1,787,624	996,344	1,009,300	-	3,793,268
Securities held[6]	1,712,261	612,221	2,043,345	1,474,559	199,944	384,903	6,427,233
Derivative financial instruments	4,870	-	634,059	276,699	11,072	409,653	1,336,353
Futures margins deposits	-	-	-	-	-	3,316	3,316
	1,717,131	**612,221**	**5,233,638**	**2,847,586**	**1,220,316**	**797,872**	**12,428,764**
Additional potential exposure to derivatives	-	-	135,129	94,124	10,994	46,977	287,224
Additional potential exposure to financial instruments	808	418	2,091	1,942	56	97	5,412
	1,717,939	**612,639**	**5,370,858**	**2,943,652**	**1,231,366**	**844,946**	**12,721,400**

By credit rating – 2019[1]	AAA $'000	AA+ $'000	AA- $'000	A+ $'000	A $'000	Other[2] Ratings $'000	Total $'000
Cash and liquid assets	-	-	1,981,313	200,713	-	-	2,182,026
Due from financial institutions	-	-	2,858,835	792,382	652,609	-	4,303,826
Securities held[6]	1,545,741	1,347,187	807,156	972,718	198,851	324,885	5,196,538
Derivative financial instruments	-	-	527,312	235,500	4,789	211,163	978,764
Futures margins deposits	-	-	-	-	-	23,512	23,512
	1,545,741	**1,347,187**	**6,174,616**	**2,201,313**	**856,249**	**559,560**	**12,684,666**
Additional potential exposure to derivatives	-	-	143,163	71,859	250	34,507	249,779
Additional potential exposure to financial instruments	-	-	-	3,946	1,149	115	5,210
	1,545,741	**1,347,187**	**6,317,779**	**2,277,118**	**857,648**	**594,182**	**12,939,655**

19. Credit risk (continued)

By classification of counterparty – 2020

	Governments[3] $'000	Banks[4] $'000	Other[5] $'000	Total $'000
Cash and liquid assets	-	868,594	-	868,594
Due from financial institutions	-	3,793,268	-	3,793,268
Securities held[6]	2,095,132	4,076,250	255,851	6,427,233
Derivative financial instruments	399,718	936,635	-	1,336,353
Futures margins deposits	-	-	3,316	3,316
	2,494,850	**9,674,747**	**259,167**	**12,428,764**
Additional potential exposure to derivatives	45,988	241,236	-	287,224
Additional potential exposure to financial instruments	1,226	4,186	-	5,412
	2,542,064	**9,920,169**	**259,167**	**12,721,400**

By classification of counterparty – 2019

	Governments[3] $'000	Banks[4] $'000	Other[5] $'000	Total $'000
Cash and liquid assets	-	2,182,026	-	2,182,026
Due from financial institutions	-	4,303,826	-	4,303,826
Securities held[6]	2,268,609	2,276,947	650,982	5,196,538
Derivative financial instruments	197,948	780,816	-	978,764
Futures margins deposits	-	-	23,512	23,512
	2,466,557	**9,543,615**	**674,494**	**12,684,666**
Additional potential exposure to derivatives	33,519	216,260	-	249,779
Additional potential exposure to financial instruments	-	5,210	-	5,210
	2,500,076	**9,765,085**	**674,494**	**12,939,655**

1 *Credit rating as per Standard & Poor's or equivalent. In accordance with the Corporation's counterparty risk policy, counterparties on "credit watch with negative implications" are reduced by one class.*

2 *Other Ratings includes long-term ratings of BBB+, or when the counterparty has no long-term rating, a short-term rating of A-2 or lower.*

3 *Governments – foreign, Commonwealth and other Australian states.*

4 *Banks – An entity licensed as a Bank under the relevant Australian Law, or equivalent in offshore jurisdiction.*

5 *Other counterparties include Supranational organisations.*

6 *AAA rated government securities held include amounts guaranteed by the Commonwealth of Australia totalling $65.4 million (2019: $64.4 million).*

20. Liquidity risk

The Corporation maintains adequate levels of liquidity within minimum prudential and maximum ranges set by the Board. The minimum prudential level is defined as a percentage of total liabilities and is held to meet unanticipated calls and to cover temporary market disruptions. Additional levels of liquidity are maintained up to the maximum approved range to satisfy a range of circumstances, including client funding requirements, maturing commitments, and balance sheet management activities.

The following table summarises contractual (undiscounted) cash flows by time ranges. The amounts differ from the balance sheet which is based on fair value or discounted cash flows.

2020	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Financial assets							
Cash and liquid assets	868,594	-	-	-	-	-	868,594
Outstanding settlements receivable	784	-	-	-	-	-	784
Due from financial institutions	2,542,229	551,009	701,752	-	-	-	3,794,990
Securities held	582,324	1,447,040	2,918,507	765,316	509,640	246,083	6,468,910
Loans to government clients	422,265	1,312,986	4,937,469	7,263,056	27,613,566	51,721,509	93,270,851
Other assets	17,580	213	886	1,182	3,167	340	23,368
Futures margins deposits	3,316	-	-	-	-	-	3,316
Financial assets	**4,437,092**	**3,311,248**	**8,558,614**	**8,029,554**	**28,126,373**	**51,967,932**	**104,430,813**
Financial liabilities							
Due to financial institutions	(3,522,242)	(3,502,872)	(3,237,000)	(250,000)	-	-	(10,512,114)
Outstanding settlements payable	(784)	-	-	-	-	-	(784)
Due to government clients	(306,481)	(120,854)	(882)	-	-	-	(428,217)
Borrowings	(9,433)	(628,088)	(6,139,326)	(7,207,737)	(26,886,661)	(52,087,867)	(92,959,112)
Lease Liability	(210)	(420)	(1,898)	(2,641)	(8,682)	-	(13,851)
Creditors, expense accruals and other provisions	(6,920)	-	-	-	-	-	(6,920)
Financial liabilities	**(3,846,070)**	**(4,252,234)**	**(9,379,106)**	**(7,460,378)**	**(26,895,343)**	**(52,087,867)**	**(103,920,998)**
Net financial assets/ (liabilities)	**591,022**	**(940,986)**	**(820,492)**	**569,176**	**1,231,030**	**(119,935)**	**509,815**
Derivatives							
Derivatives receivable	33,274	60,094	194,374	295,283	496,833	689,708	1,769,566
Derivatives payable	(29,736)	(49,866)	(174,805)	(298,221)	(481,799)	(1,014,314)	(2,048,741)
Net derivatives	**3,538**	**10,228**	**19,569**	**(2,938)**	**15,034**	**(324,606)**	**(279,175)**
Net	**594,560**	**(930,758)**	**(800,923)**	**566,238**	**1,246,064**	**(444,541)**	**230,640**
Cumulative	**594,560**	**(336,198)**	**(1,137,121)**	**(570,883)**	**675,181**	**230,640**	**-**

20. Liquidity risk (continued)

2019	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Financial assets							
Cash and liquid assets	2,182,473	-	-	-	-	-	2,182,473
Due from financial institutions	692,161	656,421	2,978,388	-	-	-	4,326,970
Securities held	437,316	414,520	1,980,700	835,735	920,797	759,684	5,348,752
Loans to government clients	313,251	945,133	3,936,286	5,512,219	17,752,755	39,477,591	67,937,235
Other assets	18,469	23	105	141	410	-	19,148
Futures margins deposits	23,512	-	-	-	-	-	23,512
Financial assets	**3,667,182**	**2,016,097**	**8,895,479**	**6,348,095**	**18,673,962**	**40,237,275**	**79,838,090**
Financial liabilities							
Due to financial institutions	(2,771,265)	(1,551,926)	(2,127,000)	-	-	-	(6,450,191)
Due to government clients	(613,026)	(204,471)	(43,608)	-	-	-	(861,105)
Borrowings	(26,657)	(558,363)	(4,600,456)	(7,516,174)	(15,235,218)	(44,554,389)	(72,491,257)
Creditors, expense accruals and other provisions	(4,974)	-	-	-	-	-	(4,974)
Financial liabilities	**(3,415,922)**	**(2,314,760)**	**(6,771,064)**	**(7,516,174)**	**(15,235,218)**	**(44,554,389)**	**(79,807,527)**
Net financial assets/ (liabilities)	**251,260**	**(298,663)**	**2,124,415**	**(1,168,079)**	**3,438,744**	**(4,317,114)**	**30,563**
Derivatives							
Derivatives receivable	12,737	62,113	188,975	299,803	706,825	650,371	1,920,824
Derivatives payable	(22,080)	(50,588)	(187,567)	(228,208)	(579,620)	(806,782)	(1,874,845)
Net derivatives	**(9,343)**	**11,525**	**1,408**	**71,595**	**127,205**	**(156,411)**	**45,979**
Net	**241,917**	**(287,138)**	**2,125,823**	**(1,096,484)**	**3,565,949**	**(4,473,525)**	**76,542**
Cumulative	**241,917**	**(45,221)**	**2,080,603**	**984,118**	**4,550,067**	**76,542**	**-**

A large proportion of Loans to government clients have a loan to maturity profile which is greater than five years. As a result, the Corporations liability maturity profile may be shorter than the asset maturity profile. This may require the Corporation to undertake periodic refinancing to meet any liquidity shortfalls.

Contractual commitments are disclosed in Note 25. Undertakings on behalf of certain New South Wales public sector clients are disclosed in Note 27.

21. Other assets

Accounting policy

Other assets, including receivables, intangible assets, prepayments and deposits are reported based on their recoverable amount.

Receivables and Intangible assets are assessed on a regular basis for any evidence of impairment. Where evidence of impairment is found, the carrying amount is reviewed and, if necessary, written down to the asset's recoverable amount.

Computer software and development associated with managed service systems is classified as an intangible asset and amortised on a straight line basis over the estimated useful life of the asset. Estimated useful lives are generally up to five years from the date the computer software is commissioned. The assets' useful lives are reviewed on a regular basis and adjusted if appropriate. Intangible assets are measured initially at cost. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment. Systems projects that are implemented in stages do not commence amortising until they are commissioned.

Lease receivables comprise of amounts due from the lessee over the lease term under finance lease arrangements.

	2020 $'000	2019 $'000
Fee income accruals and receivables	16,680	13,862
Interest receivable from cash and liquid assets	575	1,897
Intangible assets	10,809	6,730
Futures margins deposits	3,316	23,512
Lease receivables	5,766	668
Other prepayments	5,460	4,465
Other debtors and receivables	264	4,620
	42,870	**55,754**
Reconciliation of Intangible assets		
Opening carrying value	6,730	1,712
Additions	5,942	5,837
Amortisation	(1,863)	(819)
Carrying value at year end	**10,809**	**6,730**

22. Plant and equipment and right-of-use asset

Accounting policy

Plant and equipment comprising leasehold improvements, office furniture and equipment, computer hardware and motor vehicles are stated at cost less accumulated depreciation and impairment which approximates fair value. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

The Right-of-use asset represents the Corporation's right to use the current office premises for the lease term and is stated at cost less accumulated depreciation and impairment which approximates fair value.

Depreciation is calculated on a straight-line basis, from the date the assets are commissioned, over their estimated useful lives as follows:

- Leasehold improvements (including the lease make good provision) over the contractual term of the lease, up to 31 May 2025.
- Right-of-use asset over the term of the lease, up to 31 May 2030.
- Equipment and vehicles
  - Computer hardware – three years
  - Motor vehicles – five years
  - Office furniture and equipment – over the term of the lease, which expires on 31 May 2025.

The assets' residual values, useful lives and depreciation method are reviewed on a regular basis with the effects of any changes recognised on a prospective basis. Due to the nature and materiality of the assets an independent valuation is not required. Where indicators of impairment are present, the carrying amount will be written down to the recoverable amount of the asset if necessary.

The gain or loss arising on disposal or retirement of an item of plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Expenditure on plant and equipment is capitalised where it relates to identifiable assets that result in a material enhancement to the asset base of the Corporation and it is probable that these assets will provide the Corporation with an on-going benefit.

22. Plant and equipment and right-of-use asset (continued)

	Leasehold Improvements		Equipment & Vehicles		Total Plant and Equipment		Right-of-use Asset	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening fair value	4,927	5,363	2,460	2,564	7,387	7,927	-	-
Opening accumulated depreciation	(761)	(493)	(631)	(160)	(1,392)	(653)	-	-
Opening carrying amount	**4,166**	**4,870**	**1,829**	**2,404**	**5,995**	**7,274**	**-**	**-**
Changes during the year:								
Additions at fair value	-	-	55	44	55	44	22,878	-
Net disposals and write-offs	-	-	(19)	(65)	(19)	(65)	-	-
Depreciation expense	(706)	(704)	(534)	(554)	(1,240)	(1,258)	(2,100)	-
Impairment expense	-	-	-	-	-	-	(3,256)	-
Closing carrying amount	**3,460**	**4,166**	**1,331**	**1,829**	**4,791**	**5,995**	**17,522**	**-**
Closing fair value	4,927	4,927	2,432	2,460	7,359	7,387	19,622	-
Closing accumulated depreciation	(1,467)	(761)	(1,101)	(631)	(2,568)	(1,392)	(2,100)	-
Carrying amount at year end	**3,460**	**4,166**	**1,331**	**1,829**	**4,791**	**5,995**	**17,522**	**-**

23. Other liabilities, provisions and lease liabilities

Accounting policy

Other liabilities and provisions are reported based on their actual or expected settlement amount.

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for employee benefits include provisions for annual leave, long service leave and other employee entitlements. These provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date and associated liabilities (such as payroll tax).

Provision for annual leave is recognised on the basis of statutory and contractual requirements and is measured at nominal values using the remuneration rate expected to apply at the time of settlement. The provision for long service leave represents the present value of the estimated future cash outflows to employees in respect of services provided by employees up to the year end, with consideration being given to expected future salary levels, previous experience of employee departures and periods of service.

Dividends payable by the Corporation are determined by the New South Wales Treasurer in accordance with the *Public Finance and Audit Act 1983*. Additionally, the basis for determination of the year's dividend is recorded in a Board resolution prior to the end of the financial year.

The adoption of AASB 16 *Leases* has resulted in:

– the lease incentive to be included as part of the Right-of-use asset (Note 22); and

– the recognition of a lease liability, being the present value of future lease payments.

	2020 $'000	2019 $'000
Other liabilities and provisions	101,712	139,592
Lease liability	23,308	-
	125,020	**139,592**

Other liabilities and provisions are comprised of:

	2020 $'000	2019 $'000
Provisions for employee benefits	14,473	12,956
Creditors, expense accruals and other provisions	6,920	4,974
Lease incentive	-	4,162
Revenue earned in advance	4,819	-
Dividend payable	75,500	117,500
	101,712	**139,592**

23. Other liabilities, provisions and lease liabilities (continued)

Reconciliation of lease liability

	2020 $'000	2019 $'000
Opening carrying value	-	-
Additions	25,118	-
Interest expense[1]	608	-
Rental Payments	(2,418)	-
Carrying value at year end	**23,308**	**-**

[1] *Interest expense on the lease liability is recognised within Interest expense – government clients (Note 3).*

24 Superannuation

Accounting policy

Amounts representing prepaid superannuation contributions arising from defined benefit schemes are recognised as an asset and included in other assets (Note 21). Actuarial gains and losses are recognised in the statement of comprehensive income in the year they occur.

The funds below hold in trust the investments of the closed New South Wales public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These funds are all defined benefit schemes, where at least a component of the employee's final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members. All fund assets are invested at arms-length[1]. Payments may be made to Mercer Administration Services to reduce the superannuation liability. These payments are held in investment reserve accounts by Mercer Administration Services. The weighted average duration of the defined benefit obligation is 15.3 years (2019: 14.9 years).

The actuarial assessment of SASS, SSS and SANCS was based on the requirements of Australian Accounting Standard AASB 119 Employee Benefits. This standard requires that a market determined risk-adjusted discount rate be applied as a valuation interest rate in the calculation of the value of accrued benefits. To satisfy the AASB 119 requirements, the following principal actuarial assumptions were applied at the report date.

24. Superannuation (continued)

		2020 % pa	2019 % pa
Discount rate at 30th June[2]		3.2	3.2
Expected return on assets backing current pension liabilities		7.0	7.4
Expected rate of CPI Increase	- 2019 / 2020	1.0	1.8
	- 2020 / 2021	0.3	2.0
	- 2021 / 2022	1.5	2.3
	- 2022 / 2023	1.3	2.3
	- 2023 / 2024	1.8	2.5
	- 2024 / 2025 to 2025 / 2026	2.0	2.5
	- 2026 / 2027 to 2029 / 2030	2.3	2.5
	- thereafter	2.5	2.5

[1] *The Corporation provides investment management services to SAS Trustee Corporation, the Trustee of the schemes. Fees earned by the Corporation in carrying out these activities are included in the statement of comprehensive income.*

[2] *This reflects market yields of high-quality corporate bonds.*

Reconciliation of the movement in (net) prepaid contribution

				TOTALS	
	SASS $'000	SANCS $'000	SSS $'000	2020 $'000	2019 $'000
Net (asset)/liability at start of year	-	-	-	-	(103)
Employer contributions	-	-	-	-	(10)
Net expense recognised in the Statement of comprehensive income	-	-	-	-	113
Net (asset)/liability at end of year	**-**	**-**	**-**	**-**	**-**

25. Contractual commitments

	2020 $'000	2019 $'000
Operating lease commitments		
Not later than one year	-	3,566
Later than one year but not later than five years	-	15,716
Later than five years	-	3,962
Total (including GST)[1]	**-**	**23,244**
Other expenditure commitments		
Not later than one year	2,771	2,605
Later than one year but not later than five years	11,717	10,839
Later than five years	-	3,328
Total	**14,488**	**16,772**

[1] *The F19 operating lease commitments above include Goods and Services Tax (GST) of $2.1million of which a portion has been recovered from the ATO.*

As operating leases are recognised on balance sheet as a lease liability from 1 July 2019 per AASB 16 *Leases*, the associated operating lease commitments are no longer disclosed.

The Corporation has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard.

Other expenditure commitments include foreign denominated licence costs on significant Information Technology related contracts.

26. Fiduciary activities and funds under management

The Corporation acts both as Trustee and as manager of funds for the TCorpIM Funds and manages asset and debt portfolios on behalf of clients. The associated liabilities and assets are not recognised in the balance sheet of the Corporation. Fees earned by the Corporation in carrying out these activities are included in the statement of comprehensive income on an accruals basis.

	2020 $'000	2019 $'000
Funds under management[1]	**102,962,674**	**106,847,428**
These funds were managed by:		
- External fund managers	79,126,680	79,701,990
- The Corporation	23,835,994	27,145,438
Total funds under management	**102,962,674**	**106,847,428**
Debt portfolios under management	**70,753,349**	**40,529,223**

[1] *Funds within the TCorpIM funds were $56,762.5 million (2019: $59,319.5 million).*

27. Contingent liabilities

The Corporation has issued undertakings on behalf of other New South Wales public sector clients in respect of those clients' performance under contracts with third parties. At balance date, the amounts of these undertakings totalled $65.4 million (2019: $74.7 million). These amounts are payable on demand.

Amounts paid under these undertakings are recoverable from the New South Wales public sector agency participants. This financial accommodation is New South Wales Government guaranteed.

28. Related parties

Key management personnel

Key management personnel include the directors and executives with the authority and responsibility for managing the Corporation. Compensation for key management personnel is disclosed below.

Compensation of directors and executives for the year

	2020 $'000	2019 $'000
Short-term employee benefits	5,097	4,993
Post-employment benefits	233	207
Other long-term employee benefits	357	303
Termination benefits	157	-
	5,844	**5,503**

The total compensation above is paid by the Corporation and includes $627,000 (2019: $596,000) for non-executive directors.

Where the Corporation's key management personnel are also considered to be key management personnel of entities with whom the Corporation transacts, those transactions are conducted on an arm's length basis, under the Corporation's normal commercial terms and conditions.

Cabinet Ministers

Cabinet Ministers of the New South Wales Government, which includes the Corporation's portfolio minister (the New South Wales Treasurer), are considered to be related parties of the Corporation and each State-controlled entity.

The New South Wales Treasurer, in his capacity as portfolio minister is responsible for authorising certain transactions undertaken by the Corporation, including the investment of public sector funds with the Corporation and lending activities to government clients.

Other statutory relationships

The Corporation is a statutory authority established under the *Treasury Corporation Act 1983* of the New South Wales Parliament. It is domiciled in Australia and its principal office is at Level 7, Deutsche Bank Place, 126 Phillip Street, Sydney, NSW 2000.

Dividends payable by the Corporation are determined by the New South Wales Treasurer in accordance with the *Public Finance and Audit Act 1983*. The financial results of the Corporation are consolidated annually in the *New South Wales Report on State Finances*.

28. Related parties (continued)

The *Government Sector Finance Act 2018* requires New South Wales Government authorities to borrow only from the Corporation unless a specific exemption is granted by the New South Wales Treasurer.

Other New South Wales Government entities

Under the *Treasury Corporation Act 1983* the Corporation's principal objective is to provide financial services for, or for the benefit of, the New South Wales Government, public authorities and other public bodies. More specifically, the Corporation may engage in the following activities in relation to New South Wales Government and New South Wales public authorities:

- The provision of finance.
- The management, administration or advice on management of assets and liabilities.
- The acceptance of funds for investment.

All clients of the Corporation are New South Wales Government entities or other public bodies. The Corporation transacts with its clients under the Corporation's normal terms and conditions.

29. Statement of cash flows – reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes the following:

	Note	2020 $'000	2019 $'000
Cash and liquid assets	6	868,594	2,182,026
Short term borrowings	10	(527,498)	(279,690)
Cash and cash equivalents		**341,096**	**1,902,336**

30. Reconciliation of cash flow from operating activities to profit for the year

	2020 $'000	2019 $'000
Net cash used in operating activities	(23,562,646)	(5,233,274)
Add/(less) adjustments arising from:		
- net loans to clients	24,024,502	5,594,411
- net change in coupons accrued at each year end on financial assets and liabilities	25,960	(79,317)
- net change in other financial instruments	(270,755)	(342,677)
- net change in other assets	(17,032)	779
- addition of right-of-use asset	19,622	-
- addition of lease liability	(25,118)	-
- net change in other liabilities and provisions, excluding dividend	(8,808)	6,798
	185,725	**(53,280)**
Add/(less) amounts contributing to net profit but not generating operating cash flows:		
- actuarial losses on defined benefit plans	-	93
- interest expense on lease liability	(608)	-
- losses on disposal of plant and equipment and intangible assets	11	37
- (losses)/gains on sale of financial instruments	(231,839)	45,842
- unrealised fair value gain on financial instruments	104,349	96,222
- depreciation and amortisation	(5,202)	(2,077)
Profit for the year	**52,436**	**86,837**

31. Reconciliation of liabilities arising from financing activities

	2020 $'000	2019 $'000
Opening Balance	73,182,095	65,053,077
Cash flows:		
Proceeds from issue of borrowings and short term securities	103,046,836	61,502,241
Repayment of borrowing and short term securities	(80,362,360)	(57,392,712)
Non-cash changes	2,130,378	4,019,490
Closing Balance	**97,996,949**	**73,182,095**

Financing activities include financial instruments held within Due to financial institutions, Due to government clients and Borrowings on the balance sheet.

32. Subsequent events

There have been no events subsequent to balance date which would have a material effect on the financial statements as at 30 June 2020.

END OF AUDITED FINANCIAL STATEMENTS

Statement by the Board of Directors

Certificate under Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983* and Clause 7 of the *Public Finance and Audit Regulation 2015*.

In the opinion of the directors of New South Wales Treasury Corporation:

a. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions. They have also been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

b. the financial statements for the year ended 30 June 2020 exhibit a true and fair view of the position and transactions of New South Wales Treasury Corporation; and

c. the directors are not aware of any circumstances as at the date of this certificate which would render any particulars included in the financial report misleading or inaccurate.

Signed in accordance with a resolution of the Board of Directors:

P H Warne
Director

D M Deverall
Director

Sydney,
21 August 2020

INDEPENDENT AUDITOR'S REPORT

New South Wales Treasury Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of New South Wales Treasury Corporation (the Corporation), which comprises the Statement of Comprehensive Income for the year ended 30 June 2020, the Balance Sheet as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising the Basis of Preparation and Accounting Developments and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Valuation of Financial Instruments	
At 30 June 2020, the Corporation held $98.8 billion in financial assets and $99.3 billion in financial liabilities (as disclosed in Note 15), measured at fair value. I consider the valuation of the Corporation's financial instruments a key audit matter because: • financial assets and financial liabilities measured at fair value are quantitatively significant to the Balance Sheet • small changes to market observable inputs and assumptions can significantly impact the fair value of these financial assets and financial liabilities • significant assumptions are required by management to value offshore borrowings issued in foreign currencies for which there is limited trading activity ($1,134 million in Note 15), and client loans directly funded by these borrowings ($409 million in Note 15). These are classified as 'level 3' according to the fair value hierarchy under Australian Accounting Standards (i.e. where significant unobservable inputs are used in the valuation).	Key audit procedures included the following: • obtained an understanding of, and assessed the valuation models applied to each category of financial instrument • assessed the design and tested the operating effectiveness of the key operational and information technology controls supporting the valuation of financial instruments • tested the inputs to the valuation system by comparing them to independent market observable data • compared the calculations of fair value to independent recalculations across a sample of financial instruments • reviewed the key valuation inputs and significant assumptions used by management to value 'level 3' financial instruments for reasonableness, and where data was available, agreed these inputs to market observable data • confirmed the existence and completeness of balances at 30 June 2020 with external counterparties • assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Board of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Board of Directors.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General for New South Wales

22 September 2020
SYDNEY

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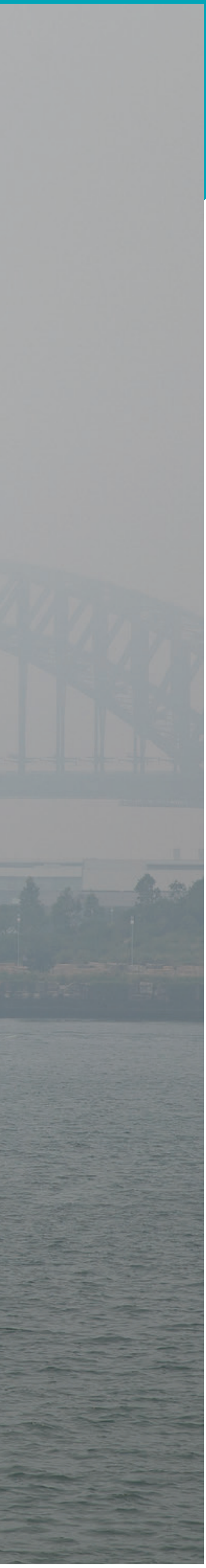
Bushfire smoke blankets the Harbour, Sydney, NSW



Section 8

Appendices

Government Information (Public Access) Act 2009 (the Act)
Annual Report for Agency New South Wales Treasury Corporation

Clause 8A: Details of the review carried out by the agency under section 7 (3) of the Act during the reporting year and the details of any information made publicly available by the agency as a result of the review.

Reviews carried out by the agency	Information made publicly available by the agency
Yes	None

Clause 8B: The total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications).

Total number of applications received
0

Clause 8C: The total number of access applications received by the agency during the reporting year that the agency refused either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 to the Act (information for which there is conclusive presumption of overriding public interest against disclosure).

Number of applications refused	Wholly	Partly	Total
0	0	0	0
% of Total	0	0	0

Schedule 2 Statistical information about access applications to be included in annual report

Table A: Number of applications by type of applicant and outcome*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/ Deny whether information is held	Application Withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	100
Members of Parliament	0	0	0	0	0	0	0	0	0	100
Private sector business	0	0	0	0	0	0	0	0	0	100
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	100
Members of the public (by legal representative)	0	0	0	0	0	0	0	0	0	100
Members of the public (other)	0	0	0	0	0	0	0	0	0	100
Total	0	0	0	0	0	0	0	0	0	100
% of Total	0	0	0	0	0	0	0	0	0	100

* *More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.*

Table B: Number of applications by type of application and outcome*

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/ Deny whether information is held	Application Withdrawn	Total	% of Total
Personal information applications*	0	0	0	0	0	0	0	0	0	100
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0	0	100
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	100
Total	0	0	0	0	0	0	0	0	0	100
% of Total	0	0	0	0	0	0	0	0	0	100

* *A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).*

Table C: Invalid applications

Reason for invalidity	No of applications	% of Total
Application does not comply with formal requirements (section 41 of the Act)	0	0
Application is for excluded information of the agency (section 43 of the Act)	0	0
Application contravenes restraint order (section 110 of the Act)	0	0
Total number of invalid applications received	0	0
Invalid applications that subsequently became valid applications	0	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of Act

	Number of times consideration used*	% of Total
Overriding secrecy laws	0	0
Cabinet information	0	0
Executive Council information	0	0
Contempt	0	0
Legal professional privilege	0	0
Excluded information	0	0
Documents affecting law enforcement and public safety	0	0
Transport safety	0	0
Adoption	0	0
Care and protection of children	0	0
Ministerial code of conduct	0	0
Aboriginal and environmental heritage	0	0
Total	0	0

* *More than one public interest consideration may apply in relation to a particular access application and if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.*

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of times consideration used*	% of Total
Responsible and effective government	0	0
Law enforcement and security	0	0
Individual rights, judicial processes and natural justice	0	0
Business interests of agencies and other persons	0	0
Environment, culture, economy and general matters	0	0
Secrecy provisions	0	0
Exempt documents under interstate Freedom of Information legislation	0	0
Total	0	0

Table F: Timeliness

	Number of applications*	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	0	0
Decided after 35 days (by agreement with applicant)	0	0
Not decided within time (deemed refusal)	0	0
Total	0	0

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total	% of Total
Internal review	0	0	0	0
Review by Information Commissioner*	0	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0	0
Review by NCAT	0	0	0	0
Total	0	0	0	0
% of Total	0	0	0	0

* *The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.*

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review	% of Total
Applications by access applicants	0	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0	0
Total	0	0

Table I: Applications transferred to other agencies

	Number of applications transferred	% of Total
Agency – Initiated Transfers	0	0
Applicant – Initiated Transfers	0	0
Total	0	0

Other required disclosures

Exemptions from the reporting provisions

We have been granted exemptions from clauses 10 and 11 of the *Annual Reports (Statutory Bodies) Regulation 2015* (the Regulation), relating to reporting on the performance of the liability portfolio, benchmark portfolio and investments.

One of our core businesses is the raising of debt in the private sector capital markets and on-lending to the NSW Government sector. The profile of borrowings from the private sector is substantially determined by the amounts and maturities required by the government and public authorities. Therefore, unlike other authorities that fall under the Regulation, we are not in a position to actively manage our liability portfolio in a manner that is readily comparable with a benchmark portfolio as contemplated by the Regulation. Any savings we make in connection with our debt are, however, reflected in the financial statements for the year.

In conducting this core business activity we maintain, for appropriate prudential reasons, a pool of financial assets that provide a necessary liquidity buffer. Unlike other authorities that fall under the Regulation, with minor and immaterial exceptions, all of our assets, as well as our liabilities, are financial. The assets are not considered surplus funds in terms of the Regulation, and can be considered as directly related to our core business, rather than an ancillary activity of an authority.

Production of the annual report

The majority of the production of this report was undertaken internally and less than $10,000 in costs were incurred.

Consumer response

TCorp takes a proactive approach to working with its clients and seeks feedback regarding the quality of its relationships and clients' perceptions of TCorp on a range of quantitative metrics and qualitative factors. Our independent annual client survey was conducted by telephone in April and May 2020 and involved contacting 34 individuals across 24 client entities. The results of the survey revealed that:

- TCorp is recognised for the capability of its people, its strong client service and its linkages within government.
- Clients highly valued TCorp's proactivity and responsiveness through the COVID-19 lockdown period.
- There were no thematic weaknesses identified by the survey.

TCorp has more than 180 clients from the NSW Government sector and takes feedback seriously, whether it is positive or constructive. TCorp has documented procedures for dealing with complaints (defined as an 'expression' of dissatisfaction with the service or products provided by TCorp) promptly and fairly and in a manner which safeguards TCorp's reputation. Given that each client has a dedicated client relationship manager any expression of dissatisfaction is typically dealt with as soon as practicable by the client relationship manager in consultation with other TCorp colleagues and the relevant client. This means it is rare for a client to progress a complaint formally. There were no formal client complaints received during the year.

Public Interest Disclosures Act 1994

The *Public Interest Disclosures Act 1994* (PID Act) provides a framework for NSW public sector employees to report serious wrongdoing in the workplace, and protect persons from reprisals that may result from disclosure. The PID Act supports the principle that it is in the public interest for disclosures of this type to be made and acted upon.

Our PID policy sets out TCorp's policy and procedures on handling PIDs, as required by the PID Act. The policy includes the processes to report corrupt conduct, maladministration or serious and substantial waste of public money by staff, and government information contravention.

The policy also outlines the protections from detrimental action that apply to staff who make such disclosures.

All new staff are advised during induction, and existing staff are regularly reminded of their obligations and rights under the PID Act and our PID Act policy.

Privacy management

In accordance with the *Privacy and Personal Information Protection Act 1998* (PPIP Act), we have a Privacy Management Plan and a designated Privacy Officer. There have been no internal reviews conducted by, or on behalf of, TCorp under Part 5 of the PPIP Act during the year.

Legal change

Parts of the *Government Sector Finance Act 2018* (GSFA) commenced on 1 December 2018 which together with the *Government Sector Finance Legislation (Repeal and Amendment) Act 2018* (Cognate Act) replaced elements of the previous financial arrangements and annual reporting regimes affecting certain areas of TCorp's business.

The GSFA is being implemented in stages, with certain parts of the GSFA having taken effect from 1 July 2019 and new reporting arrangements commencing progressively to 2021, to replace the *Annual Reports (Statutory Bodies Act) 1984* and Regulations.

Cyber Security Annual Attestation Statement for Financial Year 2020 for New South Wales Treasury Corporation

I, David Deverall, Chief Executive of New South Wales Treasury Corporation, am of the opinion that New South Wales Treasury Corporation has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Governance is in place to manage the cyber security maturity and initiatives of New South Wales Treasury Corporation.

Risks to the information and systems of New South Wales Treasury Corporation have been assessed and are managed.

There exists a current cyber incident response plan for New South Wales Treasury Corporation which has been tested during the reporting period.

New South Wales Treasury Corporation has a Cyber Security Policy in place and a Cyber Security Roadmap to continuously improve the management of cyber security governance and resilience.

D M Deverall
Director

Payment performance indicators

Aged analysis at end of each quarter

Quarter	Current (within due date) $'000	Less than 30 days overdue $'000	Between 30 and 60 days overdue $'000	Between 61 and 90 days overdue $'000	More than 90 days overdue $'000
All suppliers					
September	1,657	0	0	0	0
December	1,272	222	2	0	0
March	1,843	1	11	0	0
June	295	0	5	0	0

Accounts due or paid within each quarter

Measure	Sep 2019	Dec 2019	Mar 2020	Jun 2020
All suppliers				
Number of accounts due for payment	699	826	644	818
Number of accounts paid on time	688	814	627	800
Actual percentage of accounts paid on time (based on number of accounts)	98.4%	98.6%	97.4%	97.8%
Dollar amount of accounts due for payment ($)	13,092,704	16,001,469	14,379,145	20,064,196
Dollar amount of accounts paid on time ($)	12,805,309	15,889,277	13,987,495	19,758,845
Actual percentage of accounts paid on time (based on $)	97.8%	99.3%	97.3%	98.5%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts ($)	0	0	0	0

NSW Government Faster Payment Terms Policy came into effect on 1 December 2018 replacing NSW Treasury Circular 11/12 "Payment of Accounts". TCorp is exempt from this new policy and therefore ceased reporting on small business payments from this date.

Late payment interest

No late payment interest was incurred or paid in the year ended 30 June 2020.

Budgets

	2020 budget $'000	2020 actual $'000	2021 budget $'000
Investment Management revenue	72,997	76,837	77,038
Financial Markets revenue	126,036	85,308	149,064
Total income	**199,033**	**162,145**	**226,102**
Transaction costs	3,006	3,576	3,554
Operating costs			
Staff costs	54,949	53,487	58,212
Finance services costs	5,230	5,359	6,377
Travel and corporate promotion	1,336	897	571
Technology costs	9,322	11,455	13,669
Premises and other operating costs	6,613	10,206	6,869
Subtotal – operating expenses	77,450	81,404	85,698
Project costs	2,200	2,289	1,950
Total expenses	**82,656**	**87,269**	**91,202**
Operating profit before tax equivalent expense	**116,377**	**74,876**	**134,900**

Note: The format presented in the table differs to TCorp's financial statements.

International visits

As a top five Australian asset manager and one of the nation's largest central financing authorities, TCorp has significant and frequent interactions with global fund managers, banks and investors. These are critical to achieve the best possible investment returns and lowest possible borrowing costs for the people of NSW.

With nearly 60% of its funds under management (valued at approximately $60bn) invested in international assets, TCorp has a fiduciary duty to undertake regular research visits, meet with our fund manager partners and perform due diligence on both the assets we own and prospective investments.

As the funding authority for the state, TCorp had $87.1bn in NSW Government bonds on issue in FY20, and issued $27.8bn in this financial year alone. The state relies heavily on offshore capital to fund NSW Government policies and projects for the direct benefit of the people of NSW. Approximately $40bn (45%) of TCorp's bonds on issue are held by offshore investors.

For TCorp to successfully raise sizeable amounts of capital—particularly during periods of extreme market volatility—it is essential to maintain strong relationships with offshore investors and access to global capital markets by promoting NSW as an attractive investment proposition.

Table 7 details international visits made by TCorp employees during FY20.

Table 7: International visits FY20

Employee	Travel dates	Purpose
Katherine Palmer	July 2019	Promote NSW and TCorp bonds to investors via an Asia roadshow for ongoing bond issuance. (Hong Kong, Singapore, Kuala Lumpur)
Fiona Trigona	July 2019	Present to the commissioners and staff of the US Commodity Futures Trading Commission regarding a Dodd-Frank relief application. (Washington DC)
Michael Reddick	July 2019	Present to the Commissioners and staff of the US Commodity Futures Trading Commission regarding a Dodd-Frank relief application. (Washington DC)
Volau Jorgensen	July 2019	Present to the Commissioners and staff of the US Commodity Futures Trading Commission regarding a Dodd-Frank relief application. (Washington DC)
Stewart Brentnall	July 2019	Engage with aligned Canadian peer state and sovereign investment managers to gather insights on approaches to portfolio construction, particularly total portfolio and risk-based approaches as well as investment management systems and data support. Also to explore opportunities for joint or co-investment. (Victoria, Edmonton, Toronto, Montreal, New York, London)
Tanya Branwhite	July 2019	Engage with aligned Canadian peer state and sovereign investment managers to gather insights on approaches to portfolio construction, particularly total portfolio and risk-based approaches as well as investment management systems and data support. Also to explore opportunities for joint or co-investment. (Victoria, Edmonton, Toronto, Montreal, New York)
Sasha Loutcheva	August 2019	Visit investment managers to better understand the Goldman Sachs Asset Management approach to risk-based investment and attend the Advanced Risk and Portfolio Management Bootcamp. (New York)
William Freeman	August 2019	Undertake due diligence on potential unlisted property managers and site visit to existing investment asset. (Tokyo, San Francisco, Boston New York)
Fiona Trigona	September 2019	Promote NSW and TCorp bonds to Japanese fund managers and life insurance companies in order to facilitate ongoing bond issuance. (Tokyo)
Davin Briner	September 2019	Undertake on-site due diligence of a real asset investment opportunity, meet with management team and global private markets investment firm/advisor. (London, Brussels)
Tony Foley	September 2019	Conduct investment due diligence on the Man Group's MAN Target Risk and engage with peers on investment best practice through visits; better understand investment issues challenging organisations and best practice through attending the Man Alternative Investing Symposium. (London, Copenhagen)
John Zavone	October 2019	Research risk overlay and tail risk hedging techniques and strategies, engage and assess the capability of incumbent and prospective defensive alternatives managers, and attend defensive alternatives and risk hedging forum. (New York, Miami, Newport)
Julien Hoefflin	October 2019	Research risk overlay and tail risk hedging strategies implementable in our portfolios, assess the capabilities and offering of prospective managers and meet with incumbent managers. (New York, Miami, Newport)

Table 7: International visits FY20 (continued)

Employee	Travel dates	Purpose
Stewart Brentnall	October 2019	Co-chair the asset owner roundtable at the i3 Global Investment Strategy Forum and to study and share industry best practice. (Singapore)
Annika Li	October 2019	Undertake professional development; study and share global best practice in investing and asset management in real assets by attending Brookfield Academy investor education courses. (Singapore)
Kenneth Wong	October 2019	Undertake professional development; study and share global best practice in investing and asset management in real assets by attending Brookfield Academy investor education courses. (Singapore)
Steven Holm	November 2019	Represent TCorp on the Brookfield Premier Real Estate Partners Investor Advisory Committee at the Brookfield Real Estate Annual Conference and to meet with prospective real estate investment managers to conduct investment due diligence on potential partners. (New York)
Ben Griffiths	November 2019	Conduct US research trip on alternative beta/equity managers. (Chicago, Boston, Connecticut, New York)
Derek Mock	November 2019	Conduct US research trip on alternative beta/equity managers. (Chicago, Boston, Connecticut, New York)
Thomas Gillespie	November 2019	Attend Australian Investment Roundtable Forum to share and learn investment best practice with Australasian asset owner peers, including leading a discussion on maximising the benefit of investment risk analysis. (Auckland)
Adrian Trollor	November 2019	Engage and assess the capabilities of alternative beta managers and meet with incumbent and prospective managers. (London, Rotterdam, Amsterdam)
Tanya Branwhite	November 2019	Engage and assess the capabilities of alternative beta managers and meet with incumbent and prospective managers. (London, Rotterdam, Amsterdam)
Stewart Brentnall	January 2020	Meet with asset owners and incumbent and prospective asset managers to understand and share best practice investment strategy. (Singapore)
David Deverall	January 2020	Meet with asset owners and incumbent and prospective asset managers to understand and share best practice investment strategy and to promote the state of NSW and TCorp. (Singapore, London)
Simon Ling	January 2020	Promote NSW and TCorp bonds to UK and European investors to facilitate ongoing bond issuance by expanding our investor base, given the larger funding task. (London, Dublin, Amsterdam, Luxembourg
Fiona Trigona	January 2020	Promote NSW and TCorp bonds to UK, European and Middle Eastern investors to facilitate ongoing bond issuance by expanding our investor base, given the larger funding task. (London, Dublin, Amsterdam, Luxembourg Dubai)

Consultant costs

Consultancy costs in FY20 included a cyber security assessment and costs associated with advice on a potential project for our Investment Management business.

From time to time, TCorp may also engage consultants on behalf of other government agencies. To the extent that these costs are ultimately borne by those agencies, they are not reported here.

Consultants	Nature of consultancy	2020 $ cost (inclusive of GST)
Deloitte Risk Advisory	Cyber Security Assessment	82,818
Consultancies equal to or more than $50,000		**82,818**
Consultancies less than $50,000 (one engagement)		**11,000**

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Annual Report Compliance Requirements

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Access	Schedule 1 ARSBR	162
Additional matters for inclusion in annual report	Clause 8 ARSBR	Back of front cover, 155-156
Agreements with Multicultural NSW	Schedule 1 ARSBR	N/A
Aims and objectives	Schedule 1 ARSBR	24-27
Application for extension of time	Section 13(5) ARSBA	N/A
Budgets	Section 7(1)(a)(iii) ARSBA, Clause 7 ARSBR	159
Charter	Schedule 1 ARSBR	24, 84
Consultants	PM 2002-07, Schedule 1 ARSBR	163
Consumer response	Schedule 1 ARSBR	38, 155
Cyber Security Policy Attestation	NSW Cyber Security Policy	157
Disability Inclusion Action Plan	Sections 12 and 13 DIA, Schedule 1 ARSBR, clause 18 ARSBR, TC 15/18	96
Disclosure of controlled entities	Schedule 1 ARSBR	N/A
Disclosure of subsidiaries	PM06-02	N/A
Economic or other factors	Schedule 1 ARSBR	64-69
Exemptions	Clause 17(4) ARSBR, Clause 18 ARSBR	155
Financial Statements	Section 7(1)(a)(i)-(iia) ARSBA	99-142
Funds granted to non-government community orgs	PM 91-34, Schedule 1 ARSBR	N/A
Government Information (Public Access) Act 2009	Sections 125(4) and (6) GIPA, clause 7 Schedule 2, clause 12 Schedule 3 GIPAR	150-154
Human resources	Schedule 1 ARSBR	91-97
Identification of audited financial statements	Clause 5 ARSBR	142
Implementation of price determination	Section 18(4) IPARTA	N/A
Inclusion of unaudited financial statements	Clause 6 ARSBR	N/A
Investment performance	Clause 10 ARSBR, TC17-02	N/A
Internal audit and Risk Management Policy attestation	TPP 15-03	89-90
Land disposal	Schedule 1 ARSBR	N/A
Legal change	Section 9(1)(f) ARSBA, Schedule 1 ARSBR	156
Liability management performance	Clause 11 ARSBR, TC 17-02	N/A
Management and activities	Schedule 1 ARSBR	4-7, 1-21, 43-47, 32-41

Key to legislative reference codes

ARSBA	Annual Reports (Statutory Bodies) Act 1984
ARSBR	Annual Reports (Statutory Bodies) Regulation 2015
DIA	Disability Inclusion Act 2014
GIPA	Government Information (Public Access) Act 2009
GIPAR	Government Information (Public Access) Regulations 2018
IPARTA	Independent Pricing and Regulatory Tribunal Act 1992
PIDA	Public Interest Disclosures Act 1994
PIDR	Public Interest Disclosures Regulation 2011
PC	Premier's Circular
PM	Premier's Memorandum
PSC	Public Service Commission
TC	Treasury Circular
TD	Treasurer's Direction

Case studies

Tables

Charts

Glossary

APRA	Australian Prudential Regulatory Authority
ASFI	Australian Sustainable Finance Initiative
ASIC	Australian Securities and Investments Commission
Board	The Board of New South Wales Treasury Corporation
Chair or Chairperson	The Chairperson of New South Wales Treasury Corporation
Code	TCorp Board Code of Conduct and Ethics
Code of Conduct	TCorp Code of Conduct and Ethics
DPIE	NSW Department of Planning, Industry and Environment
EAP	Employee Assistance Programme
ESG	Environmental, social and governance
GDP	Gross domestic product
GFC	Global Financial Crisis
GSFA	Government Sector Finance Act 2018
IGCC	Investor Group on Climate Change
LGS	Local Government Services
MRC	Management Risk Committee
OSII	NSW Office of Social Impact Investing
PID Act	Public Interest Disclosures Act 1994
PPE	Personal protective equipment
PPIP Act	Privacy and Personal Information Act 1998
QE	Quantitative easing
RBA	Reserve Bank of Australia
RMF	Risk management framework
SEOCON	NSW State Emergency Operations Controller
TCorp	New South Wales Treasury Corporation
TMF	Treasury Managed Fund
TRH	Tail risk hedging
WHS	Work health and safety

Note: all references to legislation and/or statutory instruments are references to NSW legislation and statutory instruments, unless otherwise indicated.

Corporate directory

TCorp (New South Wales Treasury Corporation)

Principal office	Level 7 Deutsche Bank Place 126 Phillip Street Sydney NSW 2000
Business hours	Monday to Friday 8:00am to 5:00pm
Telephone	+61 2 9325 9325
Facsimile	+61 2 9325 9333
Enquiries	generalq@tcorp.nsw.gov.au
Website	www.tcorp.nsw.gov.au

TCorp dealing desk

Bonds	+61 2 9325 9340
Money Market	+61 2 9325 9329
Authority Deposits	+61 2 9325 9352
Borrowings	+61 2 9325 9354

Settlements

Telephone	+61 2 9325 9203
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Registry offices

Link Market Services Limited	Level 12, 680 George Street Sydney NSW 2000
Telephone	+61 2 8280 7915
Enquiries	tcorp@linkmarketservices.com.au

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