

Case study

NSW Sustainability Bond Programme

Long-term growth fundamentals remain for sustainable bond issuance

TCorp continues to be a key player in Australia's sustainable bond market through the NSW Sustainability Bond Programme, the primary mechanism for investors to allocate capital to contribute to the NSW Government's sustainability agenda.

Since the inaugural issuance in 2018, there have been 4 bonds issued totalling \$9.2bn, financing a range of projects contributing to green and social outcomes for the state. Of this total, \$6.4bn has been issued via syndication and the remaining \$2.8bn through a combination of tender and reverse enquiry.

The overall strategy of the programme is calibrated to ongoing identification of eligible assets that will support issuance in this format, with a focus on increasing liquidity in existing lines, and periodically adding new lines.

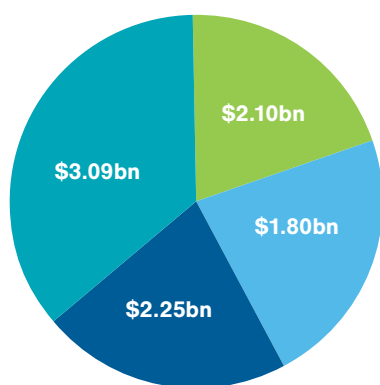
Delivering financial impact

During the financial year, TCorp added \$1.8bn of assets to the eligible pool resulting from increased expenditures across projects including Public School Infrastructure, Parramatta Light Rail and the Social Housing Maintenance Stimulus Program.

Investor appetite for TCorp bonds issued in this format remains strong, underscoring their genuine interest in directing capital to high quality, sustainable investments for the long term. Over the year, TCorp responded to over \$2.0bn of investor demand in the November 2030 Green Bond and November 2032 Sustainability Bond. Relative to our nominal fixed rate curve, we were able to price these issuances at levels that were favourable to TCorp, with savings passed on to our clients.

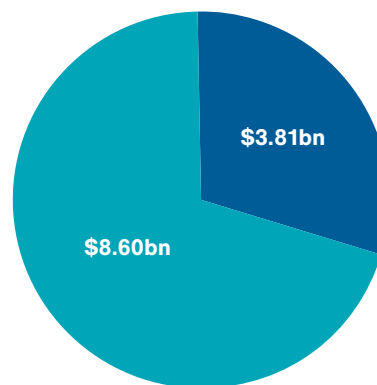
The maturities we have outstanding are included in Chart 1 and composition of the underlying asset pool is shown in Chart 2.

Chart 1: Sustainable bonds on issue as at 30 June 2023



November 2032 Sustainability Bond	●
March 2025 Sustainability Bond	●
November 2028 Green Bond	●
November 2030 Green Bond	●

Chart 2: Eligible assets financed



Social	●
Green	●

Source: TCorp

Working collaboratively

TCorp recognises that the NSW Sustainability Bond Programme is a whole-of-government initiative that would not be possible without the support and collaboration across many areas of the NSW Government family. The valuable partnership we have with NSW Treasury, in particular the Office of Social Impact Investments (OSII) and the Office of Energy and Climate Change (OECC), has been key in helping us grow the programme and ensure we continue to be an efficient conduit for the state's ESG commitments. We are also thankful for the expert knowledge and enthusiasm brought by our partners, for their contribution of eligible assets that supported the issuance in FY23.

The market context

Challenging market conditions saw 2022 sustainable bond issuance of US\$853bn fall short of 2021's record US\$1.1tr result, however in 2023, S&P Global Ratings are projecting a return to growth in the asset class with US\$900mn to \$1tr of new issuance. The first half of FY23 issuance has already been recorded at over \$540bn and on an annualised basis is running ahead of estimates.

Growth in the sector will continue to be supported by measures that include policy and regulatory initiatives, along with the ongoing requirement for jurisdictions to step up efforts to decarbonise and address the physical risks of climate change. It is expected that the funding of adaptation and resilience measures will accelerate in years to come across both the public and private sectors.

A sustainability bond programme for NSW

Established in 2018, the NSW Sustainability Bond Programme finances projects and assets that support a broad range of NSW Government environmental and social objectives and, in line with best practice, also adhere to global standards.

The programme, overseen by NSW Treasury's Sustainable Finance Steering Committee, is underpinned by a strong governance framework with representatives from TCorp, OSII and the OECC. Together they form the NSW Sustainability Bond Committee, Asset Identification Group and Reporting Group.

To date, TCorp has issued 4 bonds with the proceeds earmarked to a range of green and social projects, including low carbon transport, sustainable water and wastewater management, affordable housing and access to essential services. TCorp reports annually on the sustainability outcomes of the projects included in the programme and has appointed an external verifier to ensure it maintains its high standing in the market both domestically and globally.

About TCorp

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$106.2 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$148.6 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

www.tcorp.nsw.gov.au