

Canberra Metro Green Loan Framework

1. Introduction

1.1 Canberra Metro Overview

On 17 May 2016, the government of the Australian Capital Territory (ACT) entered into an Agreement with a consortium called Canberra Metro Pty Ltd (Canberra Metro) for the design, construction and financing (via the Canberra Metro Finance Pty Limited) of a 12 kilometre light rail service from Gungahlin to the City. This project is called Canberra Light Rail Project (the “Project”) and encapsulates an Agreement for the operation and maintenance of the light rail system over a 20-year period.

The ACT’s vision is that the Canberra Light Rail Project will ultimately link all areas of Canberra thereby boosting sustainable development through improved transport options, settlement patterns and employment opportunities.

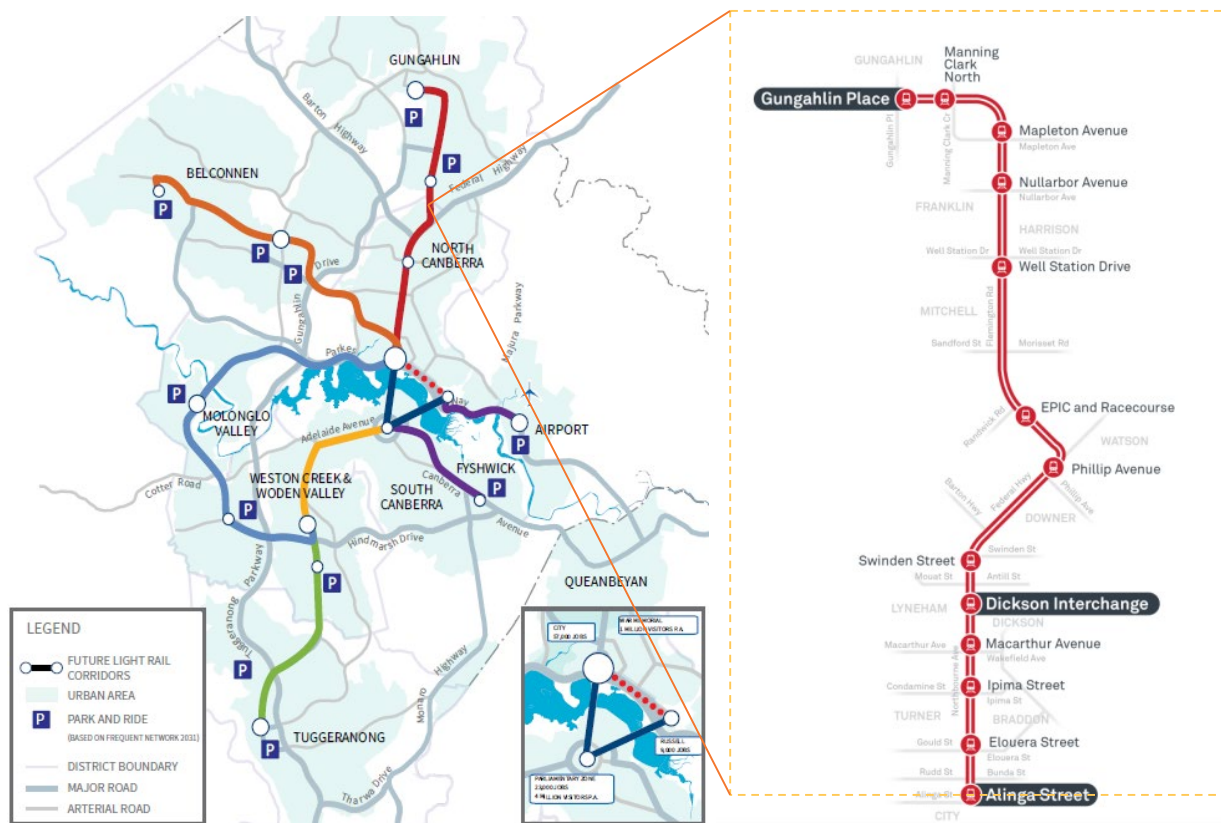


Figure 1: Canberra Metro’s first project stage

The ACT is seeking ambitious milestones on its journey to a net zero emissions future. Steps have been taken to establish a reduction in emissions of 50-60% by 2025, legislating net zero emissions by 2045, and the Territory achieved 100% renewable electricity from 1 January 2020.

Transport is expected to account for over 60% of ACT emissions from 2020. Reducing emissions from transport is therefore a high priority and presents one of the biggest challenges in meeting the 2025 target and achieving net zero emissions in the longer term. Consequently, the Canberra Light Rail Project is a key component of meeting the 2025 target as it uses the 100% renewable energy available in the ACT to power the electrical light rail vehicles (LRVs) and associated network and infrastructure.

The role of Canberra Metro in promoting sustainable/green transportation

The Canberra Light Rail Project is integral to supporting the ACT carbon reduction goals both in the near and long term future. With key objectives of the project centred on achieving carbon neutrality, the Project at its core seeks to deliver sustainability outcomes in line with the ACT's Climate Change Strategy. Through seeking to achieve energy efficiency and integration of renewable energy generation, the Project will tangibly contribute to such outcomes.

In addition to the carbon emission centric focus, the Project also seeks to gain inherent sustainability benefits through facilitating increased cycling, walking, and other public transport use. The efficient use of resources in the design, construction and operation of the project further highlights the Canberra Light Rail Project's promotion of sustainability outcomes.

93% of the project's electrically powered LRV components are recycled with a further 5.6% recovered and diverted from landfill. The LRVs are also free of asbestos, cadmium, cyanide, mercury, chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs), halons, polychlorinated biphenyls (PCBs), chlorinated solvents and other environmentally degrading substances.

2. Green Loan Framework

Canberra Metro's Green Loan Framework is established in accordance with the Green Loan Principles, 2020 (GLP) issued by the Asia Pacific Loan Market Association (APLMA).

The framework follows the four core components described by the GLP:








- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

2.1 Use of Proceeds

Proceeds raised under the Green Loan Framework will be used exclusively to finance/refinance the design and construction, operation and maintenance of the integrated electric light rail system used for public transportation known as the 'Canberra Light Rail Project'.

Eligible assets are identified as 'clean transport' assets as per the GLP and aligned with the Climate Bonds Standard v3 issued by the Climate Bonds Initiative (CBI). The Climate Bonds Standard and Certification Scheme is a labelling scheme for bonds, loans & other debt instruments. Rigorous scientific criteria ensure that it is consistent with the goals of the Paris Climate Agreement to limit warming to under 2 degrees.

Eligible asset categories are based on the Land Transport Criteria v2 issued by the CBI and alignment with relevant United Nations Sustainable Development Goals (SDGs) has been provided.

Asset Category	Example use of proceeds	SDG Alignment
Passenger rail transport – rolling stock	upgrade, purchase or operation of electrified metro rolling stock (Urbos 100 LRV rolling stock)	 
Rail transport networks	development, purchase and operation of electrified urban rail transit network	 
Infrastructure for low carbon transport	construction and development, purchase and operation of dedicated infrastructure for eligible rolling stock, railway lines and networks such as train stations, maintenance depots, back up electricity generators, signalling infrastructure including buildings.	
	construction of dedicated infrastructure for emissions free travel such as public walking and cycle lanes.	
	ICT that improves asset utilisation, flow and modal shift, or investment in terminals to improve journey times	

The identification of Eligible Assets is subject to the process outlined within section 2.2 below. The lookback period of the Eligible Assets will be set at a period of 36 months, aligning to the purchase date of the rolling stock.

Excluded categories include any disbursements to equity holders and design and construction parties.

2.2 Process for Project Evaluation

All assets that are financed / refinanced with proceeds from the green finance instruments are selected by the Canberra Metro Chief Financial Officer (CFO) and Treasury team in consultation with the Operations and Management team responsible for sustainability initiatives across the project. The register of eligible assets is evaluated on an annual basis against the criteria outlined in section 2.1 above. The register of eligible assets is documented and maintained by the Operations and Management team and shared with the Territory government annually.

Any changes to the asset register will require annual external review and input from a qualified assurance provider to ensure the eligible assets continue to:

- support the Canberra Light Rail Project Sustainability Objectives;
- align with the Climate Bonds Standard;
- conform with the eligibility criteria outlined in section 2.1 above; and
- have not been allocated to other labelled sustainable finance transactions.

The outcome from any change in the asset register will be disclosed annually – refer to section 2.4 for further detail on reporting.

2.3 Management of Proceeds

The proceeds from the instruments issued under the Green Loan Framework will be earmarked to finance or refinance assets contained within the asset register which is managed by the Operations and Management team with oversight by the Canberra Metro CFO and Treasury team as outlined in section 2.2. All of such proceeds (100%) will be allocated to the Canberra Light Rail Project within a period of 3 months. The combined value of the instrument(s) will be less than the total value of the eligible assets contained within the asset register and any balance of funding will be met through existing funding sources. In the event of unallocated proceeds, CM will [hold funds in temporary investment instruments that are cash, or cash equivalent instruments].

Canberra Metro will not invest proceeds in excluded categories.

2.4 Reporting

In order for Canberra Metro to ensure transparency in disclosure, reporting on any Green Loans issued under this Framework will be published annually. This reporting will be made available on Canberra Metro's website and/or integrated into existing reporting requirements throughout the life of the Green Loan and confirm that:

- proceeds remain applied to eligible green assets contained within the register;
- the green assets register is up to date and that any material changes have been disclosed (if applicable);
- that the eligible assets are still compliant with the Framework and GLPs.

In addition to a statement identifying any changes in the asset register, Canberra Metro will publically disclose annual impacts of the projects including:

- Total annual GHG emissions from the Project (t CO₂e)
- Renewable energy produced (kWh)
- Emissions offset (t CO₂e) (if applicable)
- Emissions avoided (t CO₂e)

Canberra Metro has committed to best practice reporting for any Green Loans issued under this Framework in line with market best practice set out within the GLP and by the CBI.

CBI Certification

Canberra Metro has undertaken both pre-issuance and post-issuance certification in line with CBI Standards. Post-issuance will be completed within 12 months of financial close of the loan facilities. An independent third-party CBI-approved verifier will be appointed by Canberra Metro to complete this work.

Following the initial certifications, Canberra Metro has committed to prepare an annual assurance/compliance report denoting the continued adherence to the eligible green asset categories as outlined above through an appropriate verifier.

Second Opinion

Canberra Metro engaged Sustainalytics, a provider of environmental, social and governance (ESG) research and analysis, to provide an independent Second Party Opinion on this Green Loan Framework. Sustainalytics evaluated the alignment of this Framework against the relevant industry standards.

Sustainalytics concluded that Canberra Metro's Green Loan Framework is credible and impactful and aligns with the four core components of the Green Loan Principles 2020.

Appendix

The Canberra Metro Consortium

Canberra Light Rail Project is managed by a consortium of project sponsors including CIMIC Group (Pacific Partnerships), Aberdeen Standard Investments, John Holland Group and Mitsubishi Group. Each of these sponsors is committed to deliver sustainable outcomes. The Canberra Light Rail Project connects and aligns to their sustainability commitments and agendas. Further information about each sponsor's approach to sustainability is provided below.

CIMIC Group (Pacific Partnerships)

For CIMIC, sustainability is the integration of environmental, social and governance factors into decision making to maximise short and long term shareholder value, seek competitive advantage, and contribute to safe and healthy employees, communities and ecosystems. This ensures that the Group is well positioned to deliver enduring, whole-of-life value to communities and ecosystems across the asset lifecycle and to deliver upon future-ready solutions.

CIMIC's sustainability objectives are to:

- set targets and report on the Group's performance to promote confidence with investors, clients and other stakeholders;
- develop a culture of collaboration and knowledge sharing enabling opportunities for sustainability and innovation;
- be recognised as a leader in sustainability and contractor of choice;
- seek environmentally and socially responsible supply chain solutions;
- deliver safe and resilient communities and workplaces; and
- leave a positive legacy.

Aberdeen Standard Investments

At Aberdeen Standard Investments (ASI), environmental, social and governance (ESG) considerations have been an integral part to the decision-making process for almost 30 years. By putting ESG factors at the heart of the investment process, ASI can generate better outcomes for clients and seek to make a difference for clients, society and the wider world.

ASI puts stewardship and ESG considerations at the heart of:

- the investment process – integration and appraisal of environmental, social and governance (ESG) factors in the investment process, with the aim of generating the best long-term outcomes for clients;
- investment activity —actively taking steps as stewards and owners to protect and enhance the value of clients' assets;
- the client journey —clearly defining how to act in the clients' interests in delivering ASI's stewardship and ESG principles and transparently reporting on the actions to meet those interests;
- corporate influence —ASI actively advances policy, regulation and industry standards to deliver a better future for clients, the environment and wider societal stakeholders.

As part of the proprietary research, ASI assesses the risks and potential opportunities from ESG factors. ASI has identified a range of key ESG topics which guide the prioritisation and integration of ESG factors at the fund and investment level, whilst providing a structure for engagement with, and reporting to stakeholders. The approach across all private markets investments will ensure that ASI is:

- enhancing clients' risk-adjusted returns by proactively identifying and addressing material ESG risk factors when acquiring, managing and disposing of assets;
- identifying and capturing opportunities to deliver positive outcomes and solutions for society without detriment to our clients' investment performance; and
- agreeing specific long-term targets to set direction and provide vision.

Through direct ownership of assets, direct investment in a company, or in providing private credit, ASI seeks to understand the specific ESG risks and opportunities associated with that investment, how they are managed and, where appropriate, how they are mitigated.

John Holland Group

John Holland is committed to integrating economic growth, environmental resilience, and social progress as priorities into decision-making at every level of the business, with the ambition to create long-term value.

John Holland undertakes its business in a manner that maximises positive social and economic impact for its people and stakeholders. They are adopting a resilient and enduring strategic approach to meet and mitigate the existing and emerging challenges for society and our infrastructure environment. John Holland acknowledges that sustainability enables long term financial resilience.

Sustainability Policy in practice

- Create a sense of place for communities, by making a positive and meaningful difference to the community by genuinely engaging with the community and stakeholders
- Work closely with our customers to achieve optimal and resilient outcomes for users and society
- Decision making to integrate economic, social, environmental and governance aspects, and seek to achieve positive outcomes in each
- Minimise whole of life asset impact by future proofing our assets and responding to climate change
- Address environment considerations in a manner that is sensitive to the needs of our stakeholders and the environment, creating enhanced environmental outcomes wherever practical
- Be recognised as an industry leader in making our workplaces safer through innovation, collaboration and effective planning and management of risks
- Enhance workforce health and wellbeing and inclusion and diversity, through employee empowerment to deliver sustainable outcomes
- Source sustainably and ethically, including prioritising local industry participation, social procurement initiatives and a commitment to avoiding modern slavery
- Encourage innovation amongst our delivery teams and supply chain to achieve sustainable outcomes
- Manage all activities ethically, measuring and reporting the sustainability performance of the project
- Govern for sustainability by implementing project systems and processes to ensure the effective and efficient delivery and operation of the project
- Support the UN Sustainable Development Goals

Mitsubishi Corporation

Mitsubishi Corporation (MC), since its establishment, has held the Three Corporate Principles as its core philosophy, and aims to contribute to the sustainable development of society by conducting its global business activities with integrity and fairness in line with these principles. Our Midterm Corporate Strategy 2021 expands upon this commitment and compels us to pursue businesses that generate value for

societies by simultaneously generating economic, environmental and societal value as an essential part of our sustainable growth as a company.

MC has identified a number of Key Sustainability Issues for management to address in order to ensure our sustained growth as a company. MC will strive to achieve sustainable growth, including in the financial sense, while more actively pursuing business opportunities that add value to society. Furthermore, by responding to each Key Sustainability Issue through these initiatives, MC is also contributing to the achievement of the UN Sustainable Development Goals (SDGs).

The need to find solutions to the challenges facing the global environment and society is becoming urgent, and expectations upon the private sector to be part of those solutions are also increasing. With the expansion of ESG investment in recent years, investors are increasingly looking at how companies they invest in are addressing environmental and social issues from a long-term perspective in order to assess their potential for sustained growth. Through proactive dialogue with our stakeholders, including expanding information disclosure in line with recommendations of the UN's Task Force on Climate Related Financial Disclosures, MC will work to grasp the needs and expectations of society, and in addition to supporting the United Nations Global Compact, we will fulfil our responsibilities as a member of the global community.

The MC Group, which has achieved growth by boldly shifting our business models in line with societal changes, will continue to help provide solutions, including with respect to global agenda items such as responding to climate change, through our business.