

Canberra Metro Finance Pty Ltd

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: November 2020

Approved verifier: Sustainalytics

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Scope and Objectives

Canberra Metro Finance Pty Ltd, on behalf of Canberra Metro, has engaged Sustainalytics to review and verify that Canberra Metro's Green Loan ("Green Loan") meets the requirements under the Low Carbon Transportation criteria of the Climate Bonds Standard¹.

In May 2016, the government of the Australian Capital Territory ("ACT" or the "Territory") entered into an agreement with a consortium called Canberra Metro Pty Ltd ("Canberra Metro", or the "Borrower") for the design, construction and financing of 12-kilometre light rail service ("Canberra Light Rail Project, or the "Project"). The consortium is comprised of Pacific Partnerships, John Holland Group, Mitsubishi Corporation and Aberdeen Standard Investments. The Agreement also includes the operation and maintenance of the light rail system over a 20-year period.

At its core, Canberra Metro's purpose is to support the ACT's carbon reduction goals both in the near and long-term future. Therefore, sustainability is integral to Canberra Metro's mission and operational mandate. In line with the ACT's goals, Canberra Metro's Project aims to "achieve zero net carbon emissions in both its construction and operations".²

The proceeds used by the Green Loan will be used exclusively to finance and/or refinance the design, construction, operation and maintenance of the Canberra Metro. Intended assets include electrified metro rolling stock and related infrastructure, urban rail transit network, infrastructure for emission free travel such as public walking and cycle lanes, Information and Communication Technology (ICT) that aims to improve asset utilization, flow and modal shift through provision of real time information, and transport and urban development planning systems to improve journey times.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0³:

- Low Carbon Transportation
 - Passenger rail transport rolling stock (urban)
 - Railway networks and lines
 - Infrastructure for low carbon transport

Issuing Entity's Responsibility

Canberra Metro was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, including tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects

¹ Climate Bonds Standard, Low Carbon Transport Criteria under the Climate Bonds Standard. See more, at: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_13%20Oct%202020.pdf

² Canberra Metro, Sustainability, at: <https://www.canberra-metro.com.au/about/sustainability/>

³ Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

- The details of commitments for reporting prior to issuance, including investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Canberra Metro's Green Loan, used to finance eligible assets – electrified metro rolling stock and related infrastructure, urban rail transit network, infrastructure for emission free travel, ICT that aims to improve asset utilization, flow and modal shift, and transport and urban development planning systems to improve journey times – and provided an independent opinion informing Canberra Metro as to the conformance of the Green Loan with the Pre-Issuance requirements and Low Carbon Transportation criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Canberra Metro. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Canberra Metro's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Review Committee to provide oversight over the assessment of the Loan.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant Canberra Metro employees and review of relevant documentation to confirm the Green Loan conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Canberra Metro's Green Loan with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Transportation Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that Canberra Metro's Green Loan meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Canberra Metro will ensure compliance with Climates Bonds Standards requirements.

Conclusion

Canberra Metro will use the Green Loan to finance the Canberra Metro Project, mainly through financing electrified metro rolling stock and related infrastructure, urban rail transit network, infrastructure for emission free travel, ICT that aims to improve asset utilization, flow and modal shift, and transport and urban development planning systems to improve journey times.

Based on the limited assurance procedures conducted of Canberra Metro's Green Loan under the Low Carbon Transportation criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Canberra Metro's Green Loan is not in conformance with the Low Carbon Transportation criteria of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

Asset Category	Description	Asset
Infrastructure for Low Carbon Transport	Construction and operation of infrastructure	Buildings & Structures
		Earthworks
		Landscaping
		Operations Control Centre
		Plant & Equipment
		Siteworks - Depot Roads, Pavements, Drainage, Local Common Services Route
		Trackwork
	Infrastructure for the construction and operation of the electric rail system	Drainage
		Earthworks
		Landscaping
		Pavements
		Road Furniture
	Supporting infrastructure for the operation of the electric rail system	Street Lighting
		Combined Services Route
		Communications & Security Systems
		Contractor Trial Running & Pre Revenue Operation
		Depot & Stabling Systems
		HV Power
		LRV & Traffic Control Systems/Signalling
		LV Power
Operations Control Centre Systems		
Over Head Wire System-Wide (incl. masts)		
Substations (incl feeders)		
Supporting maintenance machine used	Street Sweeper	
Technology systems employed	ICT	
Passenger rail transport - rolling stock	Electric inner-city rail rolling stock	Procurement of Light Rail Vehicles (LRVs)

	Items required for ongoing operation of the electric rolling stock	Maintenance, Equipment and Insurance Spares
Rail transport networks	Components of the electrified rail transport network	Civic Terminus
		Gungahlin Terminus
		Intermediate stops – Island
		Intermediate stops – Side
	Construction and operation of components of the rail network	Intermediate stops - Side within me
		Bridges and Other Structures
		Earth Works
		Track Work - Off Street
		Track Work - On Street

Schedule 2A: Pre-Issuance General Requirements

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up to date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer’s total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,</p> <p>1.3.2 the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer’s rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets;</p>

	<p>2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
3. Management of Proceeds	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
4. Reporting	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p> <p>4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and</p>

refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.

4.2 The Issuer shall include in the Disclosure Documentation:

- 4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;
- 4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;
- 4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;
- 4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;
- 4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.

Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 Canberra Metro has developed a list of proposed Nominated Projects & Assets which comply with the Low Carbon Transport sector criteria of the Climate Bonds Standard. Canberra Metro intends to keep this list updated with all the financed projects that fall within the scope of Canberra Metro’s Green Loan and Framework. The proposed Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • Passenger rail transport rolling stock (urban) • Railway networks and lines • Infrastructure for low carbon transport <p>1.2 Canberra Metro’s management confirms that the net proceeds of the future loans will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 Canberra Metro’s management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, Green Bonds, Green Loans or other labelled instruments unless it is demonstrated by Canberra Metro that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The Canberra Metro Green Loan Framework states that the intention of the Green Loans is to reduce greenhouse gas emissions associated with the Australian Capital Territory’s transportation sector, as well as to improve overall energy efficiency.</p> <p>2.1.2. Canberra Metro’s environmental objectives are summarized in the Canberra Metro Green Loan Framework.</p> <p>2.1.3. Canberra Metro’s rationale for using Green Loan is to finance or refinance eligible asset in the Green Loan Framework, which are electrified metro rolling stock and related infrastructure, urban rail transit network, infrastructure for emission free travel, ICT that aims to improve asset utilization, flow and modal shift, and transport and urban development planning systems to improve journey times.</p> <p>2.1.4. The Canberra Metro Green Loan Framework includes a process for project evaluation and selection in which the CFO and Treasury team (the “Finance team”) will be responsible for overseeing the project evaluation and selection process, in consultation with the Company’s Operations and Management team. The register of eligible assets will be evaluated on an annual basis against the eligibility criteria. The Operations and Management team will be responsible for maintaining the register of eligible assets. In the event that there is a change to the asset register, the Company will</p>	None

	<p>seek an annual external review to ensure that the eligible assets continue to adhere to (i) the Company’s Sustainability Objective; (ii) the Climate Bonds Standard and (iii) the eligibility criteria outlined in the Framework.</p> <p>2.2.1. Canberra Metro has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. The Canberra Metro Green Loan Framework references the Climate Bonds Standard version 3 and also adheres to the Green Loan Principles, 2020 (“GLP”).</p> <p>2.3. Canberra Metro’s CFO and Treasury Team, in consultation with the Company’s Operations and Management team, will verify that all proposed Nominated Projects & Assets conform to the Climate Bonds Taxonomy and Low Carbon Transportation sector criteria.</p>	
<p>3. Management of Proceeds</p>	<p>3.1.1 The Canberra Metro Green Loan Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 Issuer will manage unallocated net proceeds by holding it in cash or cash equivalents.</p> <p>3.1.3 The Canberra Metro Green Loan Framework details the process Canberra Metro will use to allocate and manage Green Loans proceeds. This will enable the estimation of the share of the Net Proceeds being used for financing and refinancing.</p>	<p>None</p>
<p>Reporting Prior to Issuance</p>	<p>4.1.1. Loans used under the Canberra Metro Green Loan Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Canberra Metro Green Loan Framework indicates that Green Loans proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The Canberra Metro Green Loan Framework provides detail on its decision-making process, in which the Company will seek an annual external review to ensure that the eligible assets continue to adhere to (i) the Company’s Sustainability Objective; (ii) the Climate Bonds Standard and (iii) the eligibility criteria outlined in the Framework.</p> <p>4.1.4. Canberra Metro’s Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria. Canberra Metro may report on the following impact metrics: annual GHG emissions from the project (tCO₂e), renewable energy generated (kWh) through the installation of solar panels on the maintenance building, emissions offset (tCO₂e) (if applicable), emissions avoided (tCO₂e).</p> <p>4.1.5. Canberra Metro will manage unallocated net proceeds in accordance with Clause 3.1</p> <p>4.1.6. Canberra Metro will issue a Green Loan report within one year of issuance and will update it annually until the Green Loan is fully used.</p> <p>4.1.7. Canberra Metro’s Nominated Projects & Assets fall under Low Carbon Transportation sector criteria. Canberra Metro will report on the investment areas which the Nominated Projects & Assets fall into by providing a summary of assets</p>	<p>None</p>

	<p>being financed and the value of the loan. The reporting will confirm (i) that proceeds remain applied to eligible green assets contained within the register, (ii) the green assets register is up to date and that any material changes have been disclosed to the relevant stakeholders and (iii) that the eligible assets are still compliant with the Framework and GLP.</p> <p>4.1.8. Canberra Metro discloses that 100% of proceeds will be used for refinancing activities.</p> <p>4.2.1. Canberra Metro's Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria.</p> <p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p> <p>4.2.3. The Canberra Metro has confirmed that an approved third-party verifier will conduct periodic assurance within a year to reaffirm conformance of the loan with the Low Carbon Transportation criteria of the Climate Bonds Standard.</p> <p>4.2.4. Canberra Metro will provide a Green Loan report within one year of issuance and will update it annually until the Green Loan is fully used. This reporting will be made available on Canberra Metro's website and/or integrated into existing reporting. The report will include information on allocation of proceeds and relevant impact metrics.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, Canberra Metro must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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The
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