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Independent Reasonable Assurance Report to the Executive and Management of Treasury Corporation of NSW ('TCorp')

Assurance Conclusion

Based on our reasonable assurance procedures, as described in this statement as of 25 October 2019, in our opinion TCorp's bond post-issuance process in relation to its 2018 Sustainability Bond, inclusive of its Sustainability Bond Framework and nominated projects and assets, meets the project identification, project minimum criteria, management of proceeds, and reporting requirements of the ICMA Sustainability Bond Guidelines and the CBI Climate Bond Standard (inclusive of sectoral criteria) in all material respects. Further, based on our procedures, in our opinion TCorp's Impact Report meets the requirements of the ICMA Sustainability Bond Guidelines, and TCorp's self-declared criteria stated in TCorp's Sustainability Bond Framework, in all material respects.

Scope

Ernst & Young ('EY') has performed a reasonable assurance engagement in relation to TCorp's Sustainability Bond Framework, TCorp's 2018 Sustainability Bond post-issuance and TCorp's 2019 Sustainability Bond Impact Report in order to provide an opinion as to whether, as of 25 October 2019, the Subject Matter detailed below, meets in all material respects the Criteria presented below.

Subject Matter and Criteria

Subject Matter	Criteria
TCorp's Sustainability Bond post-issuance process, as described in TCorp's Sustainability Bond Framework that sets out: <ul style="list-style-type: none">▶ Policies and procedures related to the use of proceeds and management of proceeds raised from the Bond.▶ Processes for project evaluation and selection for inclusion in the Bond.▶ Procedures for reporting on the use of proceeds and environmental performance of the Bond.	<ul style="list-style-type: none">▶ The Climate Bond Standard ('CBS') v2.1▶ The Climate Bond Standard Sector Eligibility Criteria for Low Carbon Transport▶ The Climate Bond Standard Sector Eligibility Sector for Water Infrastructure▶ The International Capital Market Association's ('ICMA') Sustainability Bond Guidelines ('SBG'), comprising the Green Bond Principles ('GBP'), and the Social Bond Principles ('SBP')▶ TCorp's own internal policies and procedures, as documented in TCorp's Sustainable Bond Framework

Subject Matter	Criteria
<ul style="list-style-type: none">▶ The structure of, and disclosures within TCorp's 2019 Sustainability Bond Impact Report▶ The asset values disclosed within TCorp's 2019 Sustainability Bond Impact Report▶ The impact data disclosed within TCorp's 2019 Sustainability Bond Impact Report (to the extent that they were disclosed correctly)	<ul style="list-style-type: none">▶ The International Capital Market Association's ('ICMA') Sustainability Bond Guidelines ('SBG'), comprising the Green Bond Principles ('GBP'), and the Social Bond Principles ('SBP')▶ TCorp's own internal policies and procedures, as documented in TCorp's Sustainable Bond Framework

Management Responsibility

The management of TCorp ('Management') is responsible for the collection, preparation and presentation of the subject matter in accordance with the Criteria, and for maintaining adequate records and internal controls that are designed to support the Green Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the Criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ASAE 3000').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, these procedures were not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

- ▶ Reviewing the impact report and checking that its structure and disclosures met the requirements of the framework, that asset values were disclosed accurately, and that individual impact data had been appropriately transcribed from the associated links in the 'source of information'.
- ▶ Checking the accuracy of calculations performed
- ▶ Confirming internal systems and processes were functioning as indicated and obtaining supporting evidence
- ▶ Confirming the maximum potential value of debt to understand the basis and integrity for the value of the bond
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ Seeking management representation on key assertions

Our Approach

The assurance procedures we undertook included, but were not limited to:

- ▶ Assessing policies and procedures established by TCorp related to the issuance of the 2018 Sustainability Bond
- ▶ Confirming eligibility of nominated projects for inclusion in TCorp's 2018 Sustainability Bond against the Use of Proceeds Criteria within the CBS, SBP and GBP
- ▶ Interviewing selected business unit and group level personnel to understand key issues related to TCorp's policies and procedures
- ▶ Reviewing selected performance information for nominated projects, and documentation supporting assertions made in the subject matter

Limitations

There are inherent limitations in performing Assurance; for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000 and the Climate Bond Standard is subjective and could be interpreted differently by different stakeholder groups.

Our assurance was limited to TCorp's 2018 Sustainability Bond post-issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 25 October 2019, after issuance of TCorp's 2018 Sustainability Bond.



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Use of Report

Our responsibility in performing our assurance activities is to the Executive and Management of TCorp only, and in accordance with the terms of reference for this engagement, as agreed with TCorp. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the 2018 Sustainability Bond post-issuance is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third party purpose.

Our Independence and Assurance Team

In accordance with APES 110, we can confirm we have met the requirements of the Code of Ethics for Professional Accountants, including on independence. Our team has the required competencies and experience for this assurance engagement.

Ernst & Young

Adam Carrel
Partner
Sydney, Australia
25 October 2019

Annex A - Climate Bond Standard V2.1 Criteria

TCorp's 2018 Sustainability Bond (post-issuance) and Sustainability Bond Framework was assured against the following requirements as specified in the Climate Bond Standard v2.1.

CBI ref	Significant Process	Risks	Testing Procedures
1	Selection of Projects & Assets	<ul style="list-style-type: none"> ▶ That decision making processes to select nominated projects and assets are inadequate. ▶ That nominated projects and assets are already nominated to another bond. ▶ That the expected Net Proceeds of the bond exceeds the issuer's debt obligation or the fair market value of the proposed nominated projects and assets 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond framework to determine whether decision making processes with respect to selecting nominated projects and assets is adequate. ▶ EY conducted a process interview with TCorp to understand whether nominated projects and assets were already nominated to another bond, and if so, determined whether the parts could be distinguished. ▶ EY verified the expected net proceeds of the bond, based on the fair market value of the proposed nominated assets and projects, against external valuation reports.
2	Internal Processes & Controls	<ul style="list-style-type: none"> ▶ That net proceeds of the bond are not appropriately tracked. ▶ That unallocated proceeds are not appropriately managed. ▶ That an appropriate earmarking process is in place to manage and account for funding to the Nominated Projects & Assets is not in place. 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond framework to determine whether processes and controls are adequately in place to track proceeds. ▶ EY conducted a process interview with TCorp to understand further detail regarding internal processes and controls.
3	Reporting	<ul style="list-style-type: none"> ▶ That bond disclosure documentation is insufficient. ▶ That periodic assurance engagements are not sufficiently planned for to meet the post-issuance requirements of the CBI standard. 	<ul style="list-style-type: none"> ▶ EY reviewed bond disclosure documentation. ▶ EY assessed whether periodic assurance engagements have been sufficiently planned for.
4	Project nomination	<ul style="list-style-type: none"> ▶ That a nominated project is associated with a previous Sustainability Bond 	<ul style="list-style-type: none"> ▶ EY reviewed the Sustainability Bond Asset List/Register to ensure that the Nominated projects under the 2018 Sustainability Bond are not nominated to any other Sustainability Bonds (or other Green/Social/Climate Bonds). Where nominated to other assets, EY confirmed that these related to distinct portions of the nominated projects or assets.

CBI ref	Significant Process	Risks	Testing Procedures
5	Use of Proceeds	<ul style="list-style-type: none"> ▶ That proceeds of the Bond are not allocated against Nominated projects 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond framework to determine whether decision making processes with respect to allocating proceeds of the Bond are adequate. ▶ EY conducted a process interview with TCorp and Treasury to understand whether nominated projects and assets are already nominated to another bond, and if so, can parts be distinguished. ▶ EY verified the expected net proceeds of the bond, based on the chosen valuation method against underlying source.
6	Non-Contamination	<ul style="list-style-type: none"> ▶ That proceeds not yet invested are specifically placed in temporary investments that include greenhouse intensive projects. 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond framework to determine whether decision making processes with respect to allocating proceeds of the Bond are adequate. ▶ EY conducted a process interview with TCorp and Treasury to understand whether nominated projects and assets are already nominated to another bond, and if so, can parts be distinguished. ▶ EY verified the expected net proceeds of the bond, based on the chosen valuation method against underlying source.
7	Confidentiality	<ul style="list-style-type: none"> ▶ Both the verifier and the public do not have sufficient information to conclude on eligibility requirements of the bond 	<ul style="list-style-type: none"> ▶ EY reviewed confidentiality agreements in place to confirm whether any key information is to be withheld from both the verifier and/or the public.
9-10	Technical Criteria	<ul style="list-style-type: none"> ▶ The nominated project does not meet the Climate Bonds Taxonomy or Technical Criteria. 	<ul style="list-style-type: none"> ▶ EY reviewed nominated projects against CBI eligibility Criteria for Transport and Water Infrastructure. ▶ EY obtained source evidence for any calculations made or any qualitative requirements for each respective Criteria.
11	Project holding	<ul style="list-style-type: none"> ▶ That the nominated projects have a fair market value less than the principal amount of the related Sustainability Bond 	<ul style="list-style-type: none"> ▶ EY reviewed the Sustainability Bond Asset Register to ensure that the Nominated projects have a fair market value equal to or greater than the principal amount of the Sustainability Bond
12	Settlement period	<ul style="list-style-type: none"> ▶ That transfer of proceeds does not occur outside the time limit 	<ul style="list-style-type: none"> ▶ EY reviewed the Sustainability Bond Asset Register to ensure transfer has occurred inside CBS time limit
13	Earmarking	<ul style="list-style-type: none"> ▶ That the financial flows do not verifiably remain between the Sustainability Bond and the linked Nominated projects 	<ul style="list-style-type: none"> ▶ EY reviewed the Sustainability Bond Asset Register to ensure that assets were appropriately earmarked (based on the disclosure process within TCorp's Sustainability Bond Asset Register)

Annex B - Green Bond Principles and Social Bond Principles

TCorp's 2018 Sustainability Bond (post-issuance) and Sustainability Bond Framework was assured against the following requirements as specified in the Green Bonds Principles and Social Bond Principles.

CBI ref	Significant process	Risks	Testing Plan
1	Use of Proceeds	<ul style="list-style-type: none"> ▶ That decision making processes to select nominated projects and assets are inadequate (and therefore assets that do not provide clear social benefits are included in a bond). 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond framework to determine whether processes and controls are adequately in place to ensure appropriate use of proceeds. ▶ EY conducted a process interview with TCorp to understand further detail regarding internal processes and controls.
2	Process for Project Evaluation & Selection	<ul style="list-style-type: none"> ▶ That decision making processes to select nominated projects and assets are inadequate. ▶ That nominated projects and assets are already nominated to another bond. ▶ That the expected Net Proceeds of the bond exceeds the issuer's debt obligation or the fair market value of the proposed nominated projects and assets. 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond Framework to determine whether decision making processes with respect to selecting nominated projects and assets were adequate. ▶ EY conducted a process interview with TCorp to understand whether nominated projects and assets are already nominated to another bond, and if so, EY determined whether parts could be distinguished. ▶ EY verified the expected net proceeds of the bond, based on the value of the proposed nominated assets and projects, against underlying evidence.
3	Management of Proceeds	<ul style="list-style-type: none"> ▶ That net proceeds of the bond are not appropriately tracked. ▶ That unallocated proceeds are not appropriately managed. ▶ That an appropriate earmarking process is in place to manage and account for funding to the Nominated Projects & Assets is not in place. 	<ul style="list-style-type: none"> ▶ EY reviewed TCorp's Sustainability Bond Framework to determine whether processes and controls are adequately in place to track proceeds. ▶ EY conducted a process interview with TCorp to understand further detail regarding internal processes and controls. ▶ EY examined TCorp's asset list to consider whether processes described within the Framework were implemented.
4	Reporting	<ul style="list-style-type: none"> ▶ That proposed annual reporting is insufficient to meet the requirements of the GBP and SBP. 	<ul style="list-style-type: none"> ▶ EY reviewed processes and procedures in place in relation to bond disclosure documentation to consider whether they met the requirements of the GBP and SBP.

Annex C - TCorp's list of 2018 Sustainability Bond nominated projects

Nominated Project	Class	Country
Newcastle Light Rail	Low Carbon Transport	Australia
Sydney Metro Northwest	Low Carbon Transport	Australia
Quakers Hill and St Mary's Water Recycling Plants Process and Reliability Renewal	Water	Australia

TCorp's list of verified benched assets

Nominated Project	Class	Country
Green Square Trunk Stormwater Drainage	Water	Australia
Astrolabe Park Stormwater Renewal	Water	Australia
Strangers Creek Revitalisation	Water	Australia
Powells Creek Stormwater Renewal	Water	Australia
Cooks River Stormwater Naturalisation	Water	Australia
Transport Access Program 3	Social	Australia
Schools - New/Upgrades	Social	Australia

Annex D - TCorp's exposure to Nominated Projects and Assets, and existing and proposed Sustainability Bond capital raising, as at 30 June 2019

Description	Drawn Funding (\$AUDm)	Bond Value (\$AUDm)
Low Carbon Transport Assets	4,495	
Water Assets	283	
Social Assets	549	
New assets certified	677	1,800
Total value related to certified assets	5,327	
Total bond value		1,800