

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 26 October 2018, in our opinion TCorp's bond issuance process in relation to its 2018 Green 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.

Scope

Ernst & Young ('EY') has performed a reasonable assurance engagement in relation to TCorp's Sustainability Bond Framework and TCorp's 2018 Green Bond pre-issuance in order to provide an opinion as to whether, as of 26 October 2018, the Subject Matter detailed below, meets in all material respects the Criteria presented below.

Subject Matter and Criteria

Subject Matter	Criteria
<p>TCorp's Green Bond pre-issuance process, as described in TCorp's Sustainability Bond Framework that sets out:</p> <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

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.

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 Green Bond

- ▶ Confirming eligibility of nominated projects for inclusion in TCorp's 2018 Green 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
- ▶ 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

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 Green Bond pre-issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 26 October 2018, ahead of issuance of TCorp's 2018 Green Bond.

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 Green Bond pre-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
26 October 2018

Annex A

Climate Bond Standard V2.1 Criteria

TCorp's 2018 Green Bond (pre-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.
9-10	Technical Criteria	<ul style="list-style-type: none"> ▶ <i>The nominated project does not meet the Climate Bonds Taxonomy or technical Criteria. (Note, this is a post-issuance requirement, however, given the nature of the bond issuance (known assets which are likely to remain unchanged throughout the duration of the bond), this will be assessed at pre-issuance as this affects the long term eligibility of the assets within the bond)</i> 	<ul style="list-style-type: none"> ▶ EY reviewed nominated projects against CBI eligibility Criteria. ▶ EY confirmed that the electric rail assets automatically meet the CBS Low Carbon Transport Criteria. ▶ For the water assets, EY confirmed that the evidence provided and statements made around the mitigation component of the Water Infrastructure Criteria was sufficient. EY also obtained the Adaptation and Resilience plan and determined whether it was in line with the CBS Water Infrastructure requirements.

Annex B

Green Bond Principles and Social Bond Principles

TCorp's 2018 Green Bond and Sustainability Bond Framework (pre-issuance) 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 Sustainable 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 fair market value of the proposed nominated assets and projects, against external valuation reports.
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 Sustainable 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.
4	Reporting	<ul style="list-style-type: none"> ▶ That proposed 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 processes and procedures in place in relation to bond disclosure documentation. ▶ EY assessed whether periodic assurance engagements had been sufficiently planned for.

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