

QTECTIC

PRE-ISSUANCE VERIFICATION LETTER

Low Carbon Transportation CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: January 12, 2021 – March 1, 2021

Approved verifier: Sustainalytics

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Scope and Objectives

Qtectic has engaged Sustainalytics to review and verify that Qtectic's Green Loan meets the requirements under the Low Carbon Transportation criteria of the Climate Bonds Standard.¹

Qtectic is a consortium made up of John Laing, Aberdeen Standard Investments, Itochu and Alstom (via Bombardier Transportation Australia). It was awarded a contract by the Queensland Government, through the Department of Transport and Main Roads, to deliver the New Generation Rollingstock Project (the "NGR Project") under a Public Private Partnership (PPP) model.

The NGR Project consists of 75 new electrified six car passenger trains; a purpose-built maintenance centre at Wulkuraka, Brisbane which includes a maintenance building, administration offices, decanting facilities, signalling yard control and train lifting jacks; and three NGR training simulators for train crew.

The NGR Project is expected to advance the Queensland Government commitments to provide transportation solutions and achieve its net zero emission target by 2050 as outlined in the Queensland Climate Transition Strategy.² Additionally, the project aims to utilize efficient LED cabin lighting and the rolling stock are equipped with technology to recover heat energy from braking.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0³:

- Low Carbon Transportation
 - Passenger rail transport rolling stock
 - Manufacturing of electrified metro rolling stock
 - Entities operating electrified metro rolling stock
 - Infrastructure for low carbon transport
 - Traction maintenance depots / motive power depots for rolling stock
 - Research and development
 - Relevant research and development, training and program implementation costs and expenditures (i.e., training simulators for train crew)

Issuing Entity's Responsibility

Qtectic 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

¹ Climate Bonds Standard, Land Transport Criteria Version 2. See more, at: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_Jan2020%281%29.pdf.

² Queensland Government, "Queensland Climate Transition Strategy", (2020), at: <https://www.qld.gov.au/environment/climate/climate-change/transition/queensland-climate-transition-strategy>.

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 management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and earmarking funds to Nominated Projects
- 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 Qtectic's Green Loan, used to refinance electric rail transport rolling stock and infrastructure for low carbon, and provided an independent opinion informing Qtectic 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 Qtectic. 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 Qtectic'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 Bonds 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 Qtectic employees and review of relevant documentation to confirm the Green Loan is in conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Qtectic'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 Qtectic's Green Loan meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Qtectic will ensure compliance with Climates Bonds Standards requirements.

Conclusion

Qtectic's Green Loan will be used to refinance passenger rail transport rolling stock and dedicated infrastructure for its operations. Based on the limited assurance procedures conducted of Qtectic'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, Qtectic's Green Loan is not in conformance with the Low Carbon Transportation 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	Project and Assets
Passenger rail transport rolling stock	Electric Multiple Units (EMU)	Procurement of passenger rollingstock
	Items required for ongoing operation of the EMUs	Maintenance, equipment and insurance spares
Infrastructure for Low Carbon Transport	Construction and operation of infrastructure	Buildings and structures at Wulkuraka Maintenance Facility (WMF)
		Earthworks
		Landscaping
		Operations Control Centre
		Plant & Equipment
		Siteworks – WMF roads, pavements, drainage
		Trackwork (within depot)
	Infrastructure for the construction and operation of the electric rail system (within the WMF)	Drainage
		Street lighting
	Supporting infrastructure for the operation of the electric rail system	Communications and security systems
		Depot and stabling systems
		High voltage power
		LRV and traffic control systems / signaling
		Low voltage power
		Operations control centre systems
Overhead wire systems (including masts)		
Automated Visual Inspection Station (AVIS)		
Wheel lathe		
Decanting sewerage system		
Battery powered transporters (replaces the use of forklifts)		
Shunters (heavy and light)		

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</p>

	<p>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>
<p>3. Management of Proceeds</p>	<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>
<p>4. Reporting</p>	<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</p>

	<p>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 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.</p> <p><i>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.</i></p> <p>4.2 The Issuer shall include in the Disclosure Documentation:</p> <p>4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;</p> <p>4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;</p> <p>4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;</p> <p>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;</p> <p>4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.</p> <p><i>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.</i></p>
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Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 Qtectic has developed a list of proposed Nominated Projects & Assets which comply with the Low Carbon Transportation sector criteria of the Climate Bonds Standard. Qtectic intends to keep this list updated with all the refinanced projects that fall within the scope of Qtectic’s Green Loanprogram and Framework. The proposed Nominated Projects and Assets includes:</p> <ul style="list-style-type: none"> • Manufacturing of electrified metro rolling stock • Entities operating electrified metro rolling stock • Traction maintenance depots / motive power depots for rolling stock <p>1.2 Qtectic’s management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 Qtectic’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 Qtectic 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 Green Financing Framework states that the intention of the Green Loan is to refinance eligible green assets as it relates to low carbon transport including electrified train, maintenance facilities and training simulators.</p> <p>2.1.2. Qtectic’s environmental objectives are summarized in the Green Financing Framework.</p> <p>2.1.3. Qtectic’s rationale for issuing a Green Loan is to refinance the New Generation Rollingstock (“NGR”) Project consisting of electrified metro rolling stock and supporting infrastructure.</p> <p>2.1.4. The Green Financing Framework includes a process for project evaluation and selection in which a governance committee (the “Committee”) which will act as the oversight body to ensure assets adhere to the criteria set in the Framework. The NGR Project will remain the sole asset within the borrowing entity, NGR Finance Pty Ltd, which is part of the Qtectic group. The Committee will be responsible for the evaluation of changes to the assets and this will be reported on to the Board.</p> <p>2.2.1. Qtectic has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p>	None

	<p>2.2.2. The Green Financing Framework identifies green assets that are aligned with the Green Loan Principles.</p> <p>2.2.3. Qtectic’s Committee will comprise the Finance Director of Qtectic and representatives from each of the Sponsor group, which 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 Green Financing Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 Should there remain unallocated funds, Qtectic will hold any outstanding net proceeds in cash, or cash equivalent instruments within a treasury function.</p> <p>3.1.3 The Green Financing Framework details the process Qtectic will use to allocate and manage the Green Loan 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. The Green Loan used under the Green Financing Framework is intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Green Financing Framework indicates that Green Loan 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 Green Financing Framework provides detail on its decision-making process, in which the Committee will ensure net proceeds are applied to the eligible components of the NGR project.</p> <p>4.1.4. Qtectic’s Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria. Qtectic may report on the following impact metrics: number of expected users (capacity), and GHG emissions avoided (e.g. tCO2e/year).</p> <p>4.1.5. Qtectic will manage unallocated net proceeds in accordance with Clause 3.1.</p> <p>4.1.6. Qtectic will prepare an annual assurance/compliance note to report on the continued adherence of eligible green assets with the eligibility criteria.</p> <p>4.1.7. Qtectic’s Nominated Projects & Assets fall under Low Carbon Transportation sector criteria. Qtectic will report on the investment areas which the Nominated Projects & Assets fall into by reporting through an appropriate verifier on the compliance with the Low Carbon Transportation sector criteria.</p> <p>4.1.8. Qtectic has estimated that 100% of net proceeds will be used to refinance the NGR Project assets.</p> <p>4.2.1. Qtectic’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 Qtectic has confirmed that an approved third-party verifier will conduct periodic assurance within a year to</p>	<p>None</p>

	<p>reaffirm conformance of the bond with the Low Carbon Transportation criteria of the Climate Bonds Standard.</p> <p>4.2.4. Qtectic will prepare an annual assurance or compliance note through an appropriate verifier to report on its adherence to the eligible green asset category in the Framework. The green loans reporting will be made available to financiers and Climate Bonds Initiative (“CBI”). The note will include relevant impact indicators such as number of expected users (capacity), and GHG emissions avoided (tCO2e/year).</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, Qtectic 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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