

Second-Party Opinion

Australian Government Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Australian Government Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change, Environmentally Sustainable Management of Living Natural Resources and Land Use, Biodiversity Conservation, Sustainable Water and Wastewater Management, Circular Economy, and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 14, 13 and 15.



PROJECT EVALUATION AND SELECTION The Green Bond Committee, which comprises senior representatives from relevant government departments will be responsible for the project evaluation and selection process, supported by the Australian Treasury. Australia has comprehensive laws, and control procedures in place to mitigate environmental and social risks associated with the eligible green expenditures under the Australian Government Green Bond Framework. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Australian Treasury will be responsible for the management of proceeds using a dedicated tracking process. The Australian Treasury aims to fully allocate net proceeds within two years of issuance. Pending full allocation, unallocated proceeds will be managed according to the Australian Office of Financial Management’s liquidity management practices. This is in line with market practice.



REPORTING The Australian Government commits to publicly report on the allocation of proceeds and corresponding impact as part of a dedicated report published on the Australian Office of Financial Management’s website on an annual basis until full allocation. The allocation report will commence at most 18 months after issuance and include information on the total amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, share of financing versus refinancing, the percentage extent of co-financing and information on any material risks. In addition, the Australian Government commits to report on relevant impact metrics. This is in line with market practice.

Evaluation Date	December 1, 2023
Issuer Location	Canberra, Australia

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	14

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Introduction

Australia is a country in Oceania with a population of 26.2 million and a 2022 GDP of USD 1.68 trillion.¹ The country's capital is Canberra, and the most populous cities are Melbourne and Sydney, each with a population of more than 5 million.

The Australian Government has developed the Australian Government Green Bond Framework dated November 2023 (the "Framework"), under which the Australian Office of Financial Management (AOFM) intends to issue green bonds on behalf of the Commonwealth of Australia (the "Issuer") and use the proceeds to finance or refinance, in whole or in part, existing or future projects and programmes intended to accelerate Australia's transition to a low-carbon economy and enhance biodiversity and conservation efforts. The Framework defines eligibility criteria in 10 areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Climate Change Adaptation
6. Environmentally Sustainable Management of Living Natural Resources and Land Use
7. Biodiversity Conservation
8. Sustainable Water and Wastewater Management
9. Circular Economy
10. Pollution Prevention and Control

On behalf of the Australian Government, the Department of the Treasury (the "Treasury" or the "Australian Treasury") engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ opinion on the alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of the Australian Government to understand the sustainability impact of Australia's policies, processes and planned use of proceeds, management of proceeds and reporting under the Framework. The Australian Government's representatives have confirmed (1) they understand it is the sole responsibility of the Australian Government to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Australian Government.

¹ World Bank, "GDP (current US\$) – Australia", at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AU>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ The Australian Government Green Bond Framework is available on the Australian Government's website at: <https://www.aofm.gov.au/securities/green-bond-program>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon 24 (twenty-four) months following the evaluation date set stated herein, the Australian Government is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Australian Government made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Australian Government Green Bond Framework

Sustainalytics is of the opinion that the Australian Government Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Biodiversity Conservation, Sustainable Water and Wastewater Management, Circular Economy, and Pollution Prevention and Control – are aligned with those recognized by the GBP. Sustainalytics notes that the green bonds issued under the Framework are expected to advance the Australian Government's decarbonization efforts and generate positive environmental impacts.
 - The Framework establishes a one-year⁵ look-back period for refinancing activities, with up to 50% of the proceeds allocated for refinancing. Sustainalytics considers the commitment to be in line with market practice.
 - Sustainalytics notes that eligible green expenditures may include operating, capital and balance sheet expenditures, namely: i) direct or indirect investments; ii) grants, loans, subsidies and contributions to public or private entities, including to sub-sovereigns and overseas development aid; and iii) tax expenditures in the form of concessional rates, exemptions, allowances, credits or rebates.
 - Under the Renewable Energy category, the Framework includes financing or refinancing the development, transmission and distribution of renewable energy technologies and projects, including solar, wind, marine renewables, geothermal, bioenergy, hydropower and hydrogen, including through the Clean Energy Finance Corporation (CEFC).⁶ The Treasury has confirmed to Sustainalytics that for the selection of renewable energy projects, the Australian Government will comply with the following thresholds and criteria:
 - Concentrated solar power (CSP) and solar thermal projects will be limited to facilities with up to 15% of the electricity production generated from non-renewable sources.
 - For marine renewables for heating and cooling, the Australian Government commits to limit fossil fuel backup to restart capabilities and monitoring, operating or resilience measures in the event of no power in the system.
 - Geothermal energy with life cycle GHG emissions lower than 100 gCO₂e/kWh
 - For bioenergy projects, the Green Bond Committee will select projects in line with the Climate Bonds Initiative's (CBI) Bioenergy Criteria under the Climate Bonds

⁵ The look-back period established is for one financial year.

⁶ CEFC: <https://www.cefc.com.au/>

Standard. The CBI criteria for bioenergy projects outline two requirements: i) mitigation requirement; and ii) adaptation and resilience requirement.

- For compliance with the mitigation criteria, the CBI requires projects and assets to meet established GHG emissions thresholds and reduce the risk of indirect land use impact. Additionally, issuers are required to conduct a climate risk assessment and have an adaptation plan where high risks are identified.
 - Regarding the adaptation and resilience requirements, the CBI requires the source of feedstock to be compliant with established and approved best-practice standards for the industry, such as through compliance with RSB, RTRS, FSC and ISCC Plus standards and ensure the mitigation of food security risks, if any.
 - Sustainalytics views positively the inclusion of a GHG emissions intensity threshold in the biofuel producing facilities, which aligns with the CBI's Bioenergy Criteria.
- For hydropower facilities, the Treasury has confirmed compliance with the CBI's Hydropower criteria. Sustainalytics highlights the following criteria for hydropower projects outlined by the CBI:
 - Life cycle GHG emissions below 100 gCO₂e/kWh or a power density greater than 5 W/m² for plants in operation before 31 December 2019
 - Life cycle GHG emissions below 50 gCO₂e/kWh or a power density greater than 10 W/m² for plants in operation after 31 December 2019
 - Run-of-river facilities without an artificial reservoir
 - In addition to the mitigation criteria, the CBI requires hydropower facilities to undergo an environmental and social impact assessment by an accredited assessor with an appropriate environmental and social action plan in place for addressing any gaps identified.
 - Hydrogen projects will be limited to production processes by electrolysis powered by renewables or grid electricity. For production processes powered by grid electricity, the Treasury has communicated the intention to match electricity use through the procurement of large-scale renewable generation certificates.
 - Transmission and distribution infrastructure including energy storage for electricity where more than 67% of newly enabled generation capacity in the system is below 100 gCO₂e/kWh over a rolling five-year period. The Treasury has communicated to Sustainalytics that it may finance transmission and distribution projects under the Rewiring the Nation infrastructure programme.⁷
 - Sustainalytics considers the criteria for the selection of renewable energy projects to be aligned with market practice.
- Under the Energy Efficiency category, the Australian Government may finance or refinance programmes that support energy efficiency upgrades of Australian households, including through the Household Energy Upgrades Fund (HEUF).⁸ Sustainalytics notes the following:
 - Intended projects may include the installation of solar photovoltaic, home batteries, solar water heaters, air source heat pumps, HVAC, electric vehicle chargers in residential premises, double glazed windows, energy monitoring systems, insulation, energy-efficient pool pumps and smart meters.
 - Regarding air- and ground-source heat pumps, Sustainalytics notes that such technologies offer an energy-efficient heat transfer alternative to conventional systems and further notes that ground and air source heat pumps with high GWP is not anticipated to be material under the Framework.
 - Sustainalytics recognizes the importance of improving energy efficiency and considers the activities as aligned with market practice.
 - Under the Clean Transportation category, the Australian Government may finance or refinance the development of low-emission public transit and freight transportation and dedicated infrastructure for zero direct emissions transport to promote the use of low-carbon transport. Investments related to clean transportation may include those under the Driving the Nation Program. The Treasury has confirmed to Sustainalytics that financed projects will comply with the following criteria:

⁷ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Rewiring the Nation", at: <https://www.dcceew.gov.au/energy/renewable/rewiring-the-nation>

⁸ CEFC, "Household Energy Upgrades Fund", at: <https://www.cefc.com.au/where-we-invest/special-investment-programs/household-energy-upgrades-fund/#:~:text=The%20Australian%20Government%20has%20allocated,and%20battery%2Dready%20solar%20PV.>

- Low-emission public transit and freight transportation, including: i) trains that have a direct emissions threshold lower than 50 gCO₂e/pkm; and ii) freight rail that have a direct emissions threshold lower than 25 gCO₂e/tkm until 2025 and zero thereafter. The Treasury has confirmed the exclusion of freight transportation where more than 25% of the total freight transported mass consists of fossil fuels.
 - Infrastructure dedicated to enabling zero direct emissions transport, such as electric vehicle charging stations, hydrogen fuelling stations, electric rail lines and associated infrastructure.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, the Australian Government may finance or refinance the construction, acquisition and refurbishment of commercial and residential buildings. The Treasury has communicated to Sustainalytics that it will rely on the following criteria for the selection of green buildings under the Framework:
 - Buildings among the top 15% energy-performing buildings in the local market
 - Buildings that have achieved or are expected to achieve one of the following green buildings certifications or rating schemes: i) NABERS⁹ Energy 5 star or above; ii) Green Star¹⁰ 5 stars or above; iii) NatHERS¹¹ 7 stars or above; or iv) an equivalent to these standards. While Sustainalytics considers these aforementioned certifications credible and aligned with market practice, Sustainalytics notes that it is a market expectation to specify all schemes and encourages the Treasury to report on any equivalent well recognized third-party green building certifications it intends to include.
 - Building renovations that achieve a 30% improvement in energy efficiency or emissions.
 - Sustainalytics views the selected energy performance thresholds as credible and aligned with market practice.
 - Under the Climate Change Adaptation category, the Australian Government intends to finance or refinance climate change adaptation projects through the Sustainable Rural Water Use and Infrastructure Program¹² and finance development projects in the Indo-Pacific region to support developing countries' adaptation and mitigation efforts.
 - The Australian Government may extend support to climate change adaptation and mitigation projects through bilateral and regional programmes, along with contributions to multilateral development banks and multilateral climate funds. Such financing may be provided under Australia's Official Development Assistance Budget. For the classification of climate finance projects, the Australian Government follows guidance in the OECD Development Assistance Committee Rio Markers for Climate.
 - The Treasury has communicated to Sustainalytics that selected programs and projects may include investment in the development of technologies used for long-term research and planning for adaptation in the Pacific region. The Government may also extend financing towards collaboration efforts with Pacific national and local governments and communities to strengthen and support climate resilient development.
 - The Treasury has confirmed to Sustainalytics that all development programmes with a value greater than AUD 3 million (USD 1.9 million) would be subject to relevant vulnerability assessments and adaptation plans. Furthermore, all development programmes financed will undergo an investment quality review process including annual monitoring reports, mid-term reviews, evaluations and appropriate action plans. Sustainalytics further notes that domestic development projects will be subject to comprehensive government frameworks which support vulnerability assessments against climate change impacts, including the National

⁹ NABERS: <https://www.nabers.gov.au/ratings>

¹⁰ Green Star: <https://new.gbca.org.au/green-star/exploring-green-star/>

¹¹ NatHERS:

<https://www.nathers.gov.au/about#:~:text=NatHERS%20star%20ratings%20provide%20information,where%20it%20is%20being%20built>

¹² Australian Government, Department of Climate Change, Energy, the Environment and Water, "Sustainable Rural Water Use and Infrastructure Program", at: <https://www.dcceew.gov.au/water/policy/mdb/programs/basin-wide/srwuip>

- Climate Resilience and Adaptation Strategy 2021-25¹³ and the National Climate Risk Assessment¹⁴
- Sustainalytics considers the selected activities and programs as aligned with market practice.
- Under Environmentally Sustainable Management of Living and Natural Resources, the Australian Government may provide financing or refinancing for dedicated programmes and projects through the Natural Heritage Trust. The projects and initiatives under the Trust aim to protect and conserve Australia's water, soil, plants, animals and ecosystems.
 - The Treasury has communicated to Sustainalytics that projects involving forest conservation and restoration will prioritize the use of native tree species well adapted to site conditions.
 - For projects aimed at improving agricultural practices, the Treasury has not yet identified projects for inclusion under its green bond project pool. Consequently, at this stage, Sustainalytics is unable to assess the positive environmental impact of future projects financed under the Framework in subsequent issuances. However, the Treasury has communicated the exclusion of large-scale livestock projects and its intention to select projects according to credible criteria, such as the CBI, EU Taxonomy and market best practice. Sustainalytics encourages the Issuer to seek an update to this Second-Party Opinion to include such projects, should they be financed in the future.
 - Under the Biodiversity Conservation category, the Australian Government intends to finance or refinance projects under the Reef 2050 Long-Term Sustainability Plan,¹⁵ the Saving Koalas Fund,¹⁶ and the Urban Rivers and Catchment Program,¹⁷ aimed at wildlife conservation and biodiversity restoration. Sustainalytics highlights the following objectives of these programmes:
 - Programmes under the Reef 2050 Plan aim to enhance the health and resilience of the Great Barrier Reef through actions in key areas. These include supporting the Reef and local communities in adapting to climate change, collaborating with landholders, industries, and communities to accelerate actions that reduce the impacts of land and water-based activities on water quality, protecting migratory species and reef habitat, and recovering ecosystems through protection, rehabilitation, and restoration efforts.
 - The Saving Koalas Fund is intended to support the recovery and conservation of the koala and its habitats in partnership with First Nations people, the community, conservation organizations, scientists and government agencies. Specific programmes under the fund will focus on better understanding the status and trends of koala populations through state-of-the-art scientific surveying and modelling techniques, and large habitat restoration through weed management, revegetation and stakeholder engagement, among others.
 - The Urban Rivers and Catchments Program aims to support conservation efforts towards native plants and animals such as birds, platypus and native fish across Australia's urban waterways.
 - Sustainalytics recognizes the need for the Australian Government's continued conservation efforts and considers the selected programmes for financing as aligned with market practice.
 - Under the Sustainable Water and Wastewater Management category, the Australian Government may finance or refinance projects and programmes associated with the Murray-Darling Basin Plan to recover water by changing water usage practices through efficiency measures. Intended projects examples include upgrading irrigation systems, lining water delivery channels, installing water meters, improving water productivity in manufacturing or irrigated agriculture, and changing urban water management practices.

¹³ Australian Government, "National Climate Resilience and Adaptation Strategy 2021 – 2025", at:

<https://www.dcceew.gov.au/sites/default/files/documents/national-climate-resilience-and-adaptation-strategy.pdf>

¹⁴ Australian Government, Department of Climate Change, Energy, the Environment and Water, "National Climate Risk Assessment", at: <https://www.dcceew.gov.au/climate-change/policy/adaptation/ncra>

¹⁵ Australian Government, Department of Climate Change, Energy, the Environment and Water, "The Reef 2050 Plan", at: <https://www.dcceew.gov.au/parks-heritage/great-barrier-reef/protecting/reef-2050-plan>

¹⁶ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Saving Koalas Fund", at: <https://www.dcceew.gov.au/environment/biodiversity/threatened/species/koalas/saving-koalas-fund>

¹⁷ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Urban Rivers and Catchments Program", at: <https://www.dcceew.gov.au/environment/biodiversity/conservation/urban-rivers-catchments-program>

- Under the Circular Economy and the Pollution Prevention and Control categories, the Treasury has not yet identified assets or projects for inclusion under its green bond project pool. Consequently, at this stage, Sustainalytics is unable to assess the positive environmental impact of future projects financed under the Framework in subsequent issuances. The Treasury has communicated its intention to select projects according to credible criteria, such as those of the CBI, EU Taxonomy and market best practice. Sustainalytics encourages the Issuer to seek an update to this Second-Party Opinion to include such projects, should they be financed in the future.
- Project Evaluation and Selection:
 - The Issuer has established a Green Bond Committee (the "Committee") to support the Treasury in the project evaluation, selection and approval process.
 - The Treasury and the Department of Climate Change, Energy, Environment and Water co-chair the Committee, which comprises representatives from the Department of Prime Minister and Cabinet, Department of Finance, Department of Industry, Science and Resources, AOFM, Department of Foreign Affairs and Trade and Department of Infrastructure, Transport, Regional Development, Communications and the Arts.
 - The environmental and social laws and regulations of Australia are applicable to all allocation decisions made under the Framework. Furthermore, the Committee, together with the relevant government agencies, monitors and reports on the selected projects' environmental and social risk management practices and controversies on an annual basis. For more detail on the Issuer's environmental and social risk mitigation processes, please refer to Section 2.
 - Based on the cross-functional oversight for the project evaluation and selection process and the presence of a risk management process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The green bond proceeds will be deposited with the Reserve Bank of Australia. The Treasury will be responsible for the monitoring, tracking and overall management of proceeds on an annual basis until full allocation.
 - The Committee will regularly assess and adjust the balance of green bond proceeds allocated to green expenditures.
 - The Treasury intends to reach full allocation within two years of issuance. Pending full allocation, unallocated proceeds will be managed by AOFM according to AOFM's general liquidity management practices.
 - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Australian Government commits to report on the allocation of proceeds and corresponding impact through a dedicated report, which will be published on AOFM's website on an annual basis until full allocation. The reporting will commence no later than 18 months after issuance undertaken on an aggregate portfolio basis.
 - The allocation report will include information about the issuance, the amount of proceeds allocated to eligible green projects, the balance of unallocated proceeds, share of financing versus refinancing, the extent of co-financing and material risks, including actions taken.
 - Impact reporting may include, subject to availability, relevant impact metrics, such as annual energy savings (measured in MWh and GWh), annual renewable energy generation (measured in MWh or GWh) and area of coral reef maintained (measured in ha).
 - Based on the annual allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Australian Government Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Australian Government

Contribution to the Australian Government's sustainability strategy

Australia ratified the Paris Agreement in 2016 and, as part of its updated 2022 Nationally Determined Contribution (NDC), committed to reducing its emissions by 43% below 2005 levels by 2030.¹⁸ Australia's sustainable development goals also include improved stewardship of natural resources, which are supported by the government's commitment to protect and conserve 30% of Australia's land and seas by 2030.¹⁹

Sustainalytics notes that the Australian Government demonstrates a commitment to sustainable development through its Net Zero 2050 plan.²⁰ This plan outlines Australia's long-term roadmap for emissions reductions and lays down sector-specific policies and measures for the country's key sectors, including: i) electricity and energy; ii) industry; iii) the built environment; iv) agriculture and land; v) transport; and vi) resources.²¹ Policies such as the Safeguard Mechanism²², National Electric Vehicle Strategy,²³ National Energy Performance Strategy²⁴ and National Hydrogen Strategy,²⁵ along with enabling legislation, including the Climate Change Act 2022²⁶ Australian Renewable Energy Agency Act,²⁷ National Greenhouse and Energy Reporting Act 2007²⁸ are in place to assist the transition to sectoral decarbonization. This is also assisted by provision of discounted consumer finance options from the Clean Energy Finance Corporation through programs such as the Household Energy Upgrade Fund. The Australian Carbon Credit Unit²⁹ schemes are in place to incentivize organizations and individuals to adopt emissions-reducing technologies. The expanded Capacity Investment Scheme aims to increase new investment in renewable and clean dispatchable energy projects by underwriting projects to deliver 9 GW of clean dispatchable capacity and 23 GW of variable renewable capacity nationally by 2030.³⁰ Additionally, Australia's largest industrial facilities³¹ are now mandated to reduce their carbon emissions in line with the country's climate targets, with the overall emissions limit tightening each year. Alongside these efforts in climate mitigation, the National Climate Risk Assessment,³² the National Adaptation Plan³³ and multiple other programmes have been established to help anticipate, manage and invest in adaptation measures to address the physical impacts of climate change. Furthermore, at a legislative level, ministries at the Federal and State levels will also incorporate an emissions reduction objective into national energy laws.³⁴

Specific to the Australian transport system, a number of programmes and processes are also being implemented to reduce the sector's emissions. This includes the Transport and Infrastructure Net Zero Roadmap and Action Plan,³⁵ and the Maritime Emissions Reduction National Action Plan³⁶ among other programs.

¹⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water, "International Climate Action", at: <https://www.dcceew.gov.au/climate-change/international-commitments>

¹⁹ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Nature Positive Plan: better for the environment, better for business", (2022), at: <https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf>

²⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Australia's Long-Term Emissions Reduction Plan", at: <https://www.dcceew.gov.au/climate-change/publications/australias-long-term-emissions-reduction-plan>

²¹ Ibid.

²² Australian Government, Department of Climate Change, Energy, the Environment and Water, "Safeguard Mechanism", at: <https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism>

²³ Australian Government, Department of Climate Change, Energy, the Environment and Water, "National Electric Vehicle Strategy", at: <https://www.dcceew.gov.au/sites/default/files/documents/national-electric-vehicle-strategy.pdf>

²⁴ Australian Government, Department of Climate Change, Energy, the Environment and Water, "National Energy Performance Strategy", at: <https://www.energy.gov.au/government-priorities/australias-energy-strategies-and-frameworks/national-energy-performance-strategy>

²⁵ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Australia's National Hydrogen Strategy", at: <https://www.dcceew.gov.au/energy/publications/australias-national-hydrogen-strategy>

²⁶ Australian Government, Federal Register of Legislation, "Climate Change Act 2022", at: <https://www.legislation.gov.au/Details/C2022A00037>

²⁷ Australian Government, "Australian Renewable Energy Agency Act 2011", at: <https://www.legislation.gov.au/Details/C2022C00242>

²⁸ Australian Government, "National Greenhouse and Energy Reporting Act, 2007", at: <https://www.legislation.gov.au/Series/C2007A00175>

²⁹ Australian Government, Clean Energy Regulator, "Australian carbon credit units", at:

<https://www.cleanenergyregulator.gov.au/OSR/ANREU/types-of-emissions-units/australian-carbon-credit-units>

³⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Major expansion of Australia's energy grid capacity announced", at: <https://www.dcceew.gov.au/about/news/major-expansion-australias-energy-grid-capacity-announced>

³¹ Facilities emitting more than 100,000 tCO₂e per year

³² Australian Government, Department of Climate Change, Energy, the Environment and Water, "National Climate Risk Assessment", at: <https://www.dcceew.gov.au/climate-change/policy/adaptation/nkra>

³³ Australian Government, "Climate adaptation in Australia", at: <https://www.dcceew.gov.au/climate-change/policy/adaptation>

³⁴ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Incorporating an emissions reduction objective into the national energy objectives", at: <https://www.energy.gov.au/government-priorities/australias-energy-strategies-and-frameworks/national-energy-transformation-partnership/incorporating-emissions-reduction-objective-national-energy-objectives>

³⁵ Australian Government, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, "Transport and Infrastructure Net Zero Roadmap and Action Plan", at: <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-and-infrastructure-net-zero-roadmap-and-action-plan>

³⁶ Australian Government, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, "Maritime Emissions Reduction National Action Plan", at: <https://www.infrastructure.gov.au/sites/default/files/documents/scoping-paper-final.pdf>

In 2019, the Australian Government established Australia's Strategy for Nature 2019-2030,³⁷ an overarching framework that covers policies and actions for nature from a national to local level. Following that, the Australian Government adopted the targets set out under the Global Biodiversity Framework.³⁸ The Threatened Species Action Plan 2022-2032,³⁹ the Reef 2050 Long-Term Sustainability Plan⁴⁰ and the National Heritage Trust⁴¹ are some of the initiatives that the Australian Government has established towards the protection, adaptation and increased resilience of the country's unique biodiversity to the impacts of climate change. The Australian Government is also setting up Environment Information Australia to monitor and coordinate improvements to Australian environmental data and information, with a view to better transparency and decision making.⁴²

Based on the above, Sustainalytics is of the opinion that the Australian Government Green Bond Framework is aligned with Australia's sustainability commitments and objectives. The Framework can assist in financing projects that advance and support the referenced policy objectives and contribute to Australia's climate change adaptation and mitigation goals.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed toward eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues related to land use and biodiversity risks associated with large-scale infrastructure development, effluents and waste generated in construction, occupational health and safety, and Indigenous participation.

Sustainalytics is of the opinion that the Australian Government can manage and mitigate potential risks through the implementation of the following:

- To manage land use and biodiversity risks associated with large-scale infrastructure development, Australia's *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) outlines a legal framework to protect and manage heritage sites, marine areas, wetlands, wildlife trade and threatened and migratory species.⁴³ Furthermore, the Indigenous Advisory Committee under the EPBC Act provides advice to the environment minister on policies and consultation.⁴⁴ Moreover, the Australian Government also sets out compliance audit plans and environmental assessment programmes to administer the performance and outcomes of the regulated activities.⁴⁵
- To address waste management issues, the *Recycling and Waste Reduction Act 2020* regulates the export of waste materials and encourages the environmentally sound reuse, remanufacture, recycling and recovery of products, product waste and waste materials. Additionally, the Act encourages relevant stakeholders to reduce waste through improved durability, reusability and adequate waste management throughout the product life cycle.
- The Model Work and Health and Safety Bill 2023⁴⁶ has been developed under the Intergovernmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety to reinforce the Work Health and Safety framework in Australia. The framework includes elements that require persons conducting a business or undertaking (PCBUs) to ensure the health and safety of workers and others who may be affected by the carrying out of work. In addition, PCBUs must also ensure the quality and integrity of products being provided for use. The framework also outlines penalties for breaches of health and safety duties under the Bill.⁴⁷

³⁷ Australian Government, "Climate adaptation in Australia", at: <https://www.dcceew.gov.au/climate-change/policy/adaptation>

³⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water, "A New Global Biodiversity Framework: Kunming-Montreal Global Biodiversity Framework", at: <https://www.dcceew.gov.au/environment/biodiversity/international/un-convention-biological-diversity/global-biodiversity-framework>

³⁹ Australian Government, Department of Climate Change, Energy, the Environment and Water, "The Threatened Species Action Plan", at: <https://www.dcceew.gov.au/environment/biodiversity/threatened/action-plan>

⁴⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "The Reef 2050 Plan", at: <https://www.dcceew.gov.au/parks-heritage/great-barrier-reef/protecting/reef-2050-plan>

⁴¹ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Governance", at: <https://www.dcceew.gov.au/environment/land/landcare/current-programs/governance>

⁴² Treasury (Commonwealth of Australia), "Budget 2023-24", at: <https://budget.gov.au/content/03-economy.htm#m2>

⁴³ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Environment Protection and Biodiversity Conservation Act 1999", at: <https://www.dcceew.gov.au/environment/epbc>

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Safe Work Australia, "Model Work Health and Safety Bill", (2023), at: https://www.safeworkaustralia.gov.au/sites/default/files/2023-08/model-whs-bill-1_august_2023_0.pdf

⁴⁷ Safe Work Australia, "Explanatory Memorandum – Model Work Health and Safety Bill", (2023), at: https://www.safeworkaustralia.gov.au/sites/default/files/2023-08/explanatory_memorandum_-_model_work_health_and_safety_bill_10_august_2023.pdf

- Regarding Indigenous participation, Australia's Natural Resource Management (NRM) programmes focus on the national commitment of Closing the Gap on Indigenous Disadvantage. The regional NRM organizations engage with Indigenous communities with objectives such as: i) planning support; ii) using and respecting Indigenous ecological knowledge; iii) capacity building; and iv) delivering on-ground activities, including employment and contracting opportunities.⁴⁸ Furthermore, Australia is a party to the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), which establishes comprehensive standards for the survival, dignity and well-being of Indigenous peoples.
- Australia is also a signatory to many international agreements and conventions related to environmental protection and conservation, such as the Convention on the Conservation of Migratory Species of Wild Animals 1979, Convention Concerning the Protection of the World Cultural and Natural Heritage 1972 and Ramsar Convention on Wetlands of International Importance Especially as Waterfowl Habitat 1971.
- Additionally, Australia is categorized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate local environmental and social risks.⁴⁹

Based on these policies, plans and assessments, Sustainalytics is of the opinion that the Australian Government has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of renewable energy in the Australian electricity grid

Electricity production in Australia is heavily dominated by fossil fuels: in 2021, coal and gas accounted for 51% and 18% of the power generated, respectively.⁵⁰ In the same period, renewables made up 29% of electricity generation, with solar, wind and hydro contributing 12%, 10% and 6%, respectively.⁵¹ To advance the decarbonization of Australia's grid, the Australian Government set a target to increase the share of renewables to 82% by 2030.⁵²

In its October 2022-23 budget, the Australian Government committed AUD 25 billion (USD 16.1 billion) towards climate-related programmes.⁵³ Decarbonization of the grid, acceleration of the uptake of electric vehicles, deployment of low-emission technologies and development of clean energy industries are some of the major themes of the investments being carried out.⁵⁴ One of the key programmes introduced in this regard is Rewiring the Nation,⁵⁵ which aims to improve access and affordability of clean energy across Australia and includes engagements with communities at large. Australia's Clean Energy Finance Corporation is delivering AUD 19 billion (USD 12.2 billion) of low-cost finance for projects to upgrade, expand and modernize Australia's electricity grid, in collaboration with the governments of New South Wales, Tasmania, Victoria and Western Australia.⁵⁶ In September 2023, the Australian Government made significant changes to the national energy laws which included the integration of emissions reduction targets and energy policies into the National Electricity Law further supporting Australia's decarbonization goals.⁵⁷

⁴⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Indigenous participation", at: <https://www.dcceew.gov.au/environment/land/landcare/about/indigenous-participation>

⁴⁹ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁵⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Electricity generation", at: <https://www.energy.gov.au/data/electricity-generation>

⁵¹ Ibid.

⁵² Smart Energy Council, "82% Renewables by 2030 – Smart Energy Council Welcomes Labor's Powering Australia Plan", at: <https://smartenergy.org.au/articles/media-release-82-renewables-by-2030-smart-energy-council-welcomes-labors-powering-australia-plan/>

⁵³ Australian Government, Australian Trade and Investment Committee, "Australian Budget commits A\$25bn to clean energy and renewables projects", at: <https://www.globalaustralia.gov.au/news-and-resources/news-items/australian-budget-commits-a25bn-clean-energy-and-renewables-projects>

⁵⁴ United Nations Climate Change, "Australia's Nationally Determined Contribution", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Australias%20NDC%20June%202022%20Update%20%283%29.pdf>

⁵⁵ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Rewiring the Nation", at: <https://www.dcceew.gov.au/energy/renewable/rewiring-the-nation>

⁵⁶ Ibid.

⁵⁷ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Incorporating an emissions reduction objective into the national energy objectives", at: <https://www.energy.gov.au/government-priorities/australias-energy-strategies-and-frameworks/national-energy-transformation-partnership/incorporating-emissions-reduction-objective-national-energy-objectives>

Considering the above, Sustainalytics is of the opinion that the envisioned investments in renewable energy under the Framework will facilitate the transition to a low-carbon economy and contribute to Australia's climate-related goals.

Importance of terrestrial and aquatic biodiversity conservation in Australia

Despite efforts to manage and mitigate biodiversity threats, Australia has lost more mammal species than any other continent and has one of the highest rates of species decline among countries in the OECD, with more than 1,900 native species and ecological communities identified as threatened or at risk of extinction.⁵⁸

As a party to the Convention on Biological Diversity (CBD), Australia has committed to implementing its obligations in accordance with its national priorities, including targets in line with the Kunming-Montreal Global Diversity Framework.^{59,60} Furthermore, in June 2021, Australia joined the High Ambition Coalition for Nature and People (HAC),⁶¹ committing to support the 30-by-30 targets by pledging to protect and conserve 30% of land and 30% of oceans by 2030.⁶²

One such key conservation programme is the Reef 2050 Long-Term Sustainability Plan, which the Australian Government and the Queensland Government established to protect the Great Barrier Reef.⁶³ The plan addresses the protection and management of both natural and cultural values of the Great Barrier Reef, including species and habitats, ecological processes, traditional owner values and historic heritage.⁶⁴ The plan further outlines the Reef 2050 Integrated Monitoring and Reporting Program for stakeholders to access the latest data to develop resilience-based management and take adaptive measures.⁶⁵ Moreover, the Reef 2050 Long-Term Sustainability Plan puts a strong emphasis on the Strong Peoples – Strong Country Indigenous Heritage Monitoring Framework,⁶⁶ which provides a traditional approach to systematically monitor the reef's health.⁶⁷ The Australian Government reviews the plan every five years to highlight new priorities, objectives and goals for reef protection and addresses them in the Reef 2050 Plan Outcomes Report.⁶⁸ As part of its 2022-23 October budget, the Australian Government committed to invest AUD 1.2 billion (USD 773.4 million) to protect and restore the Great Barrier Reef.⁶⁹

Sustainalytics is of the opinion that the allocation of proceeds towards biodiversity conservation is expected to contribute to the efforts in conserving and restoring the Australia's natural habitat and ecosystem.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Australian Government Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

⁵⁸ Australian Government, Department of Climate Change, Energy, the Environment and Water, "Biodiversity", at: <https://soe.dcceew.gov.au/overview/environment/biodiversity>

⁵⁹ Convention on Biological Diversity, "COP15: Kunming-Montreal Global Biodiversity Framework", at: <https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222>

⁶⁰ Australian Government, Department of Climate Change, Energy, the Environment and Water, "A New Global Biodiversity Framework: Kunming-Montreal Global Biodiversity Framework", at: <https://www.dcceew.gov.au/environment/biodiversity/international/un-convention-biological-diversity/global-biodiversity-framework>

⁶¹ High Ambition Coalition for Nature and People: <https://www.hacfornatureandpeople.org/home>

⁶² Australian Government, Department of Climate Change, Energy, the Environment and Water, "A New Global Biodiversity Framework: Kunming-Montreal Global Biodiversity Framework", at: <https://www.dcceew.gov.au/environment/biodiversity/international/un-convention-biological-diversity/global-biodiversity-framework>

⁶³ Australian Government and Queensland Government, "Reef 2050 Long-Term Sustainability Plan 2021-2025", at: <https://www.dcceew.gov.au/sites/default/files/documents/reef-2050-long-term-sustainability-plan-2021-2025.pdf>

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Australian Government, "Strong Peoples – Strong Country Indigenous Heritage Monitoring Framework - Summary Report", (2019), at: <https://elibrary.gbrmpa.gov.au/jspui/retrieve/0ad86c24-9020-497b-bbd1-e4582da7f277/Strong-Peoples-Strong-Country.pdf>

⁶⁷ Australian Government and Queensland Government, "Reef 2050 Long-Term Sustainability Plan 2021-2025", at: <https://www.dcceew.gov.au/sites/default/files/documents/reef-2050-long-term-sustainability-plan-2021-2025.pdf>

⁶⁸ Ibid.

⁶⁹ Ibid.

Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Biodiversity Conservation	14. Life below water	14.c Enhance the conservation and sustainable use of oceans and their resources by implementing international law as reflected in UNCLOS, which provides the legal framework for the conservation and sustainable use of oceans and their resources, as recalled in paragraph 158 of The Future We Want
	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Circular Economy	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Pollution Prevention and Control	11. Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Conclusion

The Australian Government has developed the Australian Government Green Bond Framework, under which the Australian Office of Financial Management (AOFM) may issue green bonds on behalf of the Commonwealth of Australia, and use the proceeds to finance or refinance, in whole or in part, existing or future projects and programmes intended to accelerate Australia's transition to a low-carbon economy and enhance biodiversity and conservation efforts. Sustainalytics considers that the projects and programmes funded with proceeds from bonds issued under the Framework are expected to provide positive environmental impacts.

The Australian Government Green Bond Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for the Australian Government to report on their allocation and impact. Sustainalytics believes that the Australian Government Green Bond Framework is aligned with the overall sustainability strategy of the Australian Government and that the use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 6, 7, 9, 11, 12, 14, 13 and 15. Additionally, Sustainalytics is of the opinion that the Australian Government has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects and programmes.

Based on the above, Sustainalytics is confident that the Australian Government is well positioned to issue green bonds and that the Australian Government Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Commonwealth of Australia
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Australian Government Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December, 1 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Process for Project Evaluation and Selection
 - Management of Proceeds
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

Does the review include a sustainability quality score?

- Of the issuer
- Of the project
- Of the Framework
- Other (please specify):
- No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Biodiversity Conservation, Sustainable Water and Wastewater

Management, Circular Economy and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 14, 13 and 15.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. *Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards.*
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

The Green Bond Committee comprised of senior representatives from relevant departments, supported by the Treasury, will be responsible for the project evaluation and selection process. Australia has comprehensive laws and control procedures in place to mitigate environmental and social risks associated with the eligible green expenditures under the Australian Government Green Bond Framework. Sustainalytics considers the project evaluation and selection process to be in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

The Treasury will be responsible for the management of proceeds using a dedicated tracking process. The Treasury aims to fully allocate net proceeds within two years of issuance. Pending full allocation, unallocated proceeds will be managed according to the Australian Office of Financial Management's liquidity management practices. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

The Treasury commits to publicly report on the allocation of proceeds and corresponding impact as part of a dedicated report published on the Australian Office of Financial Management's website on an annual basis until full allocation. The allocation report will commence no more than 18 months after issuance including information on the total amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, share of financing versus refinancing, the percentage extent of co-financing and information on any material risks. In addition, the Treasury intends to report on relevant impact metrics. This is in line with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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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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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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