

QTC GREEN BOND FRAMEWORK



AUDAX AT FIDELIS
QUEENSLAND
TREASURY
CORPORATION





ADAPTING TO AN EVOLVING GREEN BOND MARKET

The global green bond market has grown and changed significantly in recent years. It is continuously evolving as issuers, investors and other market participants strive to define and adopt best practice. The Queensland Treasury Corporation (QTC) understands that to be effective in a changing market it is important to be agile. In addition to this, the Queensland Government continues to search for new and innovative ways to transition to a low carbon, climate resilient and environmentally sustainable economy for the State of Queensland.

To support the transition to a low carbon, climate resilient and environmentally sustainable economy, QTC may issue two different types of green bonds (Bonds):

1. Climate Bonds Initiative (CBI) certified green bonds (CBI Certified Green Bonds) that are issued in accordance with this framework (Framework) and the Climate Bonds Standard, and
2. Green bonds (Green Bonds) that are issued in accordance with this Framework and are consistent with the International Capital Market Association (ICMA) green bond principles (Green Bond Principles).

This multi-faceted approach to issuing green bonds enables QTC to fund a broad range of projects that contribute to mitigation of and adaptation to climate change.

QTC's Framework

This Framework has been developed in line with the Green Bond Principles and is consistent with the Climate Bonds Standard. The Green Bond Principles and Climate Bonds Standard are widely accepted in capital markets as the basis for issuance of Bonds. QTC's Framework is intended to provide transparency in its Bond issuances, use of proceeds and reporting.

All Bonds must be issued in accordance with this Framework. Changes to this Framework can be made at any time, subject to internal approval by QTC's green bond committee (the Committee).

Framework requirements

This Framework addresses each of the four key pillars of the Green Bond Principles:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds, and
- Reporting and assurance.

Use of proceeds

Any Bonds issued by QTC will complement its core funding model of pooling raised funds for on-lending to clients (including the Government of Queensland, other State Government-related entities and local governments). The net proceeds of Bonds may be allocated (directly or notionally) to existing, new and ongoing Eligible Projects (guidelines defined below) that have an environmental benefit associated with the State of Queensland. This may include proceeds used for partially or wholly re-financing existing loans or financing of new and future loans.

Eligible Project guidelines

Eligible Projects and assets are those funded, entirely or in part, by the Government of Queensland, other State Government-related entities and local governments that support the transition to a low carbon, climate resilient and environmentally sustainable economy (Eligible Projects).

Eligible Projects may target:

- mitigation of climate change, including improved energy efficiency, clean energy, reduction in energy consumption, reduction in green-house gas emissions, and/or
- adaptation to climate change, including investments in climate-resilient infrastructure.

Eligible Projects are projects and assets within the following categories:

- renewable energy (e.g. solar, wind and geothermal)
- energy efficiency processes and products
- low carbon transport and supporting infrastructure (e.g. rail, mass transit, bus rapid transport)
- low carbon buildings
- information technology and communications
- drought resilience and flood defence
- environmentally sustainable management of living natural resources and land use (e.g. forestry)
- sustainable water and wastewater management
- preservation of the Great Barrier Reef and other natural ecosystems, or
- other project categories listed in the Green Bond Principles.

Prior to the issuance of any CBI Certified Green Bonds or Green Bonds, QTC intends to provide disclosures in its issuance documentation which accord with the pre-issuance reporting requirements set out in the Climate Bonds Standard. At issuance, a term sheet will only be made available to investors due to regulatory restrictions.

Process for project evaluation and selection

QTC's green bond committee has representatives from across QTC and is accountable for evaluating, maintaining a register of and allocations to Eligible Projects, as well as ensuring compliance with all aspects of this Framework. For both new and existing Bond issuances, the following matters will be taken into account:

- environmental objectives, features and benefits of the assets and projects
- conformance to Eligible Project guidelines set out above
- conformance with the Green Bond Principles, and
- where an issuance is to be CBI certified, conformance with the Climate Bonds Standard and CBI sector criteria.

Throughout the term of each CBI Certified Green Bond and Green Bond, the Committee may approve changes to the composition of the Eligible Projects portfolio.

Management of proceeds

The net proceeds and allocation of proceeds are tracked through QTC's internal information management and reporting systems. The link between QTC's funding pools and Eligible Projects are managed through an internal register and an earmarking process that accounts for funding allocated (directly or notionally) to Eligible Projects and enables estimation of the share of funds used for financing and refinancing. Any unallocated proceeds are accounted for in accordance with the Climate Bonds Standard.

Reporting and Assurance

QTC monitors and reports on management of net proceeds internally, and reports externally to investors on an annual basis through QTC's website. External reporting and/or updates will disclose the following information (subject to confidentiality or competition issues):

- net proceeds of the Bond(s) outstanding
- updated Eligible Project registers including a brief description, amounts disbursed against the Eligible Projects, the expected environmental objectives and any relevant qualitative performance indicators and quantitative performance measures (where feasible)
- overall net proceeds allocated (or re-allocated) and any unallocated proceeds at the reporting period end
- confirmation all Bonds on issue are in compliance with this Framework
- updates or changes to this Framework, and
- a copy of the CBI's confirmation of certification and the verifier's third party verification (in the case of CBI Certified Green Bonds) and the third party audit (in the case of Green Bonds) will also be made available on QTC's website.

This Framework has been reviewed by an independent third party who has provided an assurance opinion confirming accordance with the Green Bond Principles. A copy of the third-party assurance opinion is available on QTC's website.

CBI Certified Green Bonds

As a programmatic issuer, QTC's assurance obligations are slightly different to those of other CBI Certified Green Bond issuers.

In accordance with the Climate Bonds Standard, QTC will select a verifier from CBI's list of approved verifiers to undertake a third-party verification to confirm that CBI Certified Green Bonds issued by QTC are in accordance with the post-issuance requirements set out in the Climate Bonds Standard.

Green Bonds

For each Green Bond issuance, QTC will obtain an independent third party audit report, confirming the net proceeds of the Green Bond have been allocated to Eligible Projects. A copy of the third party audit report will be made available on QTC's website.

Continuous improvement

As the green bond market grows and continues to develop, so too will QTC's approach as we seek to adapt to the changing environment. Using the Climate Bonds Standard, the Green Bond Principles and this Framework as a base, we aim to continuously enhance our approach and respond to improvements as they arise.

We welcome feedback from our investors, stakeholders and market participants on our approach.



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