

Western Australian Treasury Corporation

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

On June 8, 2023, Western Australian Treasury Corporation (WATC) issued a green bond to finance projects aimed at renewable desalination plant, renewable energy generation, energy efficiency improvements and clean transportation projects in Western Australia. In November 2023, WATC engaged Sustainalytics to review the projects financed with proceeds from the 2023 green bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Western Australian Treasury Corporation Sustainability Bond Framework (the "Framework")¹. Sustainalytics provided a Second-Party Opinion on the Framework in April 2023.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2023 green bond, based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Sustainable and resilient water infrastructure to provide clean drinking water. • Wastewater treatment, recycling and storage facilities. • Water desalination plants. 	<ul style="list-style-type: none"> • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³/a and p.e./a and as %. • Annual absolute amount of biosolids that are reused (in wet tonnes p.a. and in %). • Number of new household water connections.
Renewable Energy and Energy Efficiency	<ul style="list-style-type: none"> • Solar PV systems, and/or battery storage and LED lighting upgrades. • Large scale renewable energy generation and consumption projects including wind, solar, geothermal, hydro power and green hydrogen. • Power Purchase Agreements that utilise solar, wind or other renewable energy technologies and are longer than five years. 	<p>Renewable Energy:</p> <ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tCO₂ –e p.a. • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy). • Increased % of rural areas/households with access to clean, affordable energy

¹ The Sustainability Bond Framework is available on Western Australian Treasury Corporation's website at: <https://www.watc.wa.gov.au/for-investors/institutional-investors/sustainable-finance-program/>

² Sustainalytics, "Second-Party Opinion, WATC", (2023), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/western-australian-treasury-corporation/western-australian-treasury-corporation-sustainability-bond-framework-second-party-opinion-\(2023\)/western-australian-treasury-corporation-sustainability-bond-framework-second-party-opinion-\(2023\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/western-australian-treasury-corporation/western-australian-treasury-corporation-sustainability-bond-framework-second-party-opinion-(2023)/western-australian-treasury-corporation-sustainability-bond-framework-second-party-opinion-(2023))

	<ul style="list-style-type: none"> • Research and development to drive renewable energy innovation, generation and consumption. • Grid and standalone infrastructure to enable increased generation and use of renewable energy, including smart metering technology. • Waste to energy plants. 	<p>Energy efficiency:</p> <ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings). • Annual GHG emissions reduced/avoided in tCO₂ –e p.a. • Number of people benefitting from energy efficiency infrastructure.
Clean Transportation	<ul style="list-style-type: none"> • Electrified public transport including infrastructure, rolling stock and vehicles such as electrified rail, trams, cable cars and buses with no direct emissions. • Electric and fuel cell vehicles, plus dedicated charging and alternative electric fuel infrastructure. • Public walking and cycling infrastructure. 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tCO₂ –e p.a. • Passenger trips or passenger kilometers. • Total in kilometers of new or improved train lines/dedicated bus, BRT, LRT corridors bicycle lanes. • Number of EV charging stations. • Annual savings for people benefitting from capped fares for outer-metropolitan travel.

Issuer's Responsibility

WATC is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from WATC's green bond. The work undertaken as part of this engagement included collection of documentation from WATC and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by WATC. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by WATC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Western Australian Treasury Corporation Sustainability Bond Framework. WATC has disclosed to Sustainalytics that the proceeds from the green bond were fully allocated as at 31 October 2023.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2023 green bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2023 green to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Report by eligibility criteria

As at 31 October 2023, WATC had allocated 100% of the net proceeds from the Green Bond as follows: i) AUD 20 million (USD 13 million) in the Sustainable Water and Wastewater Management category; ii) AUD 975 million (USD 645 million) in the Renewable Energy and the Energy Efficiency category; and iii) AUD 930 million (USD 615 million) in the Clean Transportation category.

The table below provides a detailed breakup of allocation of the net proceeds.

Table 3: Allocation Reporting

Use of Proceeds Category	Projects	Net Proceeds Allocation (in AUD)
Sustainable Water and Wastewater Management	Renewable Desalination Plant	20,000,000
Renewable Energy	Wind Farms	30,000,000
	Standalone Power Systems	60,000,000
	Solar Schools Program	4,000,000
Energy Efficiency	Advanced Metering Infrastructure	90,000,000
	LED Streetlights	10,000,000
	Large Scale Batteries	781,000,000
Clean Transportation	Electric vehicle initiatives	25,000,000
	Active Infrastructure	50,000,000
	Metronet	855,000,000
	Total	1,925,000,000

Appendix 2: Reported Impact by eligibility criteria

Table 4: Impact Reporting

Use of Proceeds Category	Impact reported
Sustainable Water and Wastewater Management	<p>Renewable Desalination Plant⁴</p> <p>Description: Construction of a 50 billion litres-a-year desalination plant powered by renewables.</p> <p>Stage: Planning</p> <p>Impact reported: Annual water output capacity of 50 billion litres-a-year as at 30 September 2023</p>

⁴ WATC has confirmed that a vulnerability assessment was carried out and an adaptation plan was developed as a part of their standard approach.

Renewable Energy	<p>Wind farms</p> <p>Description: Two new wind farms, up to 150 MW in the Wheatbelt and up to 100 MW in the Great Southern region.</p> <p>Stage: Planning</p> <p>Impact reported: Intended generation capacity of up to 250 MW as at 30 June 2023</p>
	<p>Standalone power systems (SPS)</p> <p>Description: Replace traditional poles and wires infrastructure with off-grid renewables-based energy supply.</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: 259 SPS installed as at 30 June 2023</p>
	<p>Solar schools program</p> <p>Description: Installation of solar panels in regional and remote schools.</p> <p>Stage: Under construction or partly operational</p> <p>Intended impact Indicator: Total renewable energy generation capacity installed in MW as at 30 June 2023</p>
Energy Efficiency	<p>Large Scale Batteries</p> <p>Description: Installation of batteries connected to the grid to increase penetration of renewable energy sources.</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: Installed storage capacity of 100 MW/200 MWh as at September 30, 2023</p>
	<p>Advanced Metering Infrastructure (AMI)</p> <p>Description: Installation of AMI to enable households and businesses to optimize use of rooftop solar generation and emerging technologies</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: 628,773 AMI installed as at 30 September 2023.</p>
	<p>LED Streetlights</p> <p>Description: Replacement of all local roads standard streetlights with LED lights within the South-West Interconnected Network.</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: 43,179 LED streetlights installed as at June 30 2023</p>
Clean Transportation	<p>METRONET</p> <p>Description: Expansion of the electrified public transport rail network in the Perth metropolitan area.</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: 8.5km of new rail line commissioned and 4 new stations as at June 30 2023</p>
	<p>Electric vehicle initiative</p> <p>Description: Construction of EV charging network</p> <p>Stage: Under construction or partly operational</p> <p>Impact reported: 12 stations with 38 ports completed as at June 30, 2023</p>
	<p>Active infrastructure</p> <p>Description: Construction of cycling tracks and pedestrian</p>

	<p>Stage: Under construction or partly operational</p> <p>Impact reported: 27 kms of new and refurbished dedicated pedestrian or bicycle path completed as at June 30, 2023</p>
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