

*Thomson Dam Credit: Melbourne Water.*



Treasury Corporation of Victoria

# TCV Sustainability Bond Framework

September 2021

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*Numurkah Solar Farm Credit: Neoen.*

# Purpose

# 1. Purpose

The purpose of this document is to outline the governance framework under which Treasury Corporation of Victoria (TCV) intends to issue and manage Green, Social and Sustainability Bonds (Sustainability Instruments).

TCV Sustainability Instruments are employed for the financing, and re-financing, of green and/or social projects and assets (Eligible Projects) across Victoria (as defined in this Framework), which are funded through TCV Participating Authorities (within the meaning of the *Treasury Corporation of Victoria Act 1992*), Victorian Government Departments and state related entities.

As sustainable finance markets continue to evolve, TCV retains the right to make changes to this document (the Framework) over time, to remain in line with market best practice. We welcome feedback on our approach from all market participants.

*Inclusive education.*





High Capacity Metro Trains Credit: Department of Transport

# Introduction

## 2. Introduction

### 2.1 Overview of TCV

TCV is the central financing authority for the State of Victoria in Australia and issues Victorian Government guaranteed debt for on-lending to the State, Victorian Government Business Enterprises and other eligible borrowers approved by the Treasurer of Victoria. TCV supports the State of Victoria and its agencies and departments by assisting in the management of their borrowings, by providing a centralised treasury function and management of financial risks.

### 2.2 Victoria's sustainability goals

The Victorian Government is committed to a sustainable future for all Victorians relating to both environmental and social aspects of our state. TCV is committed to supporting the Victorian Government to provide centralised financing for these goals and objectives through our borrowing program, advisory and treasury functions.

#### Environmental objectives

The Victorian Government has the following environmental objectives which have been mapped to the United Nations Sustainable Development Goals (SDGs).

For more information, please refer to the [SDG mapping conducted by the Department of Environment, Land, Water and Planning](#):

- zero emission, climate ready economy and community
- healthy, resilient and biodiverse environment
- safe, sustainable and productive water resources
- reliable, sustainable and affordable energy services
- productive and effective land management
- a safe and quality built environment
- sustainable and effective local governments
- reduced impact of major bushfires and other emergencies on people, property and the environment.

*Credit: Melbourne Water.*

The Victorian Government has the following [sustainable procurement objectives](#):

- environmental sustainable outputs
- environmental sustainable business practices
- implementation of Climate Change policy objectives.

Key Victorian Government policies include:

- Plan Melbourne
- Biodiversity 2037
- Renewable Energy Action Plan
- The Solar Homes Program
- Water for Victoria.

#### Social objectives

The Victorian Government is committed to a social agenda that supports all Victorians to realise their full potential. This is outlined in the Government's [Social Procurement Framework](#) with the following objectives:



- opportunities for Victorian Aboriginal people
- opportunities for Victorians with a disability
- women's equality and safety
- opportunities for disadvantaged Victorians
- supporting safe and fair workplaces
- sustainable Victorian social enterprise and Aboriginal business sectors
- sustainable Victorian regions.

Key Victorian Government policies include:

- Victoria's big housing build to provide social housing opportunities for low income, those fleeing family violence and disadvantaged Victorians
- mental health support programs
- drug and alcohol addiction programs
- inclusive education programs
- specialist school extensions
- gender equality programs.

Details of key projects and programs can be found in the [Victorian Budget](#).

## 2.3 Sustainability at TCV

TCV is committed to improving our environmental awareness and the sustainability of our operations and business model. This has included progressing environmental projects as part of our core business activities. We continue to explore areas of environmental performance where TCV can further reduce its operational footprint.

As part of our social inclusiveness programs TCV has implemented a range of policies and practices:

- equal opportunity employment policies
- Occupational Health and Safety and, anti-bullying, discrimination and sexual harassment policies
- training programs on TCV policies and legislative requirements for all staff
- providing staff with a safe workplace and supportive office environment along with work from home flexibility.

As part of an increased focus of environmental outcomes for our core business activities, TCV has:

- published ongoing public reporting in respect of TCV's July 2016 issuance of a \$A300 million Green Bond. The 2016 Green Bond was the first tranche of an issuance program to support ongoing investment by the Victorian Government in low carbon infrastructure projects and energy efficiency initiatives.
- since 2017, implemented transactional support and advisory services to support the Government's investment in renewable energy projects in holding Large-scale Generation Certificates (LGC) under the Commonwealth Government's Renewable Energy Target for the Renewable Certificates Purchasing Initiative supporting two wind and two solar farms, the Victorian Desalination Plant (100% powered by renewable energy), the Solar Trams initiative and other water sector clients.
- continued our engagement to assist Zero Emissions Water, which has been set up to procure solar power on behalf of thirteen water authorities at Kiamal Solar Farm, to provide advisory services, invoice verification, settlement and LGC transactional support.
- confirmed a further engagement with the Department of Environment, Land, Water and Planning to provide advisory, invoice verification and LGC transactional support to the Victorian Renewable Energy Auction Scheme (supporting three wind and three solar farms to date with additional projects to be added in future tenders) and the Bulgana Green Power Hub project in support of meeting the Government's Renewable Energy commitments.

As part of our office-based activities TCV has:

- continued to reduce our electricity consumption by more than 25% (measured by Total KWh/FTE) over 2010 levels and from 1 January 2021, moved to 100% Green Electricity on all our electricity usage
- implemented enhanced waste and office recycling programs which have resulted in a 56% landfill reduction between 2009 and 2019
- continued our green purchasing and disposal policies including recycling all surplus electronic equipment and the inclusion of environmental considerations in purchasing decisions. Key examples have included more energy efficient desktop computers/ monitors and LED lighting upgrades
- conducted a water audit to identify key areas for efficiencies and improvements.



*Protecting and enhancing our waterways Credit: Melbourne Water*

# TCV Sustainability Bond Framework



# 3. TCV Sustainability Bond Framework

The TCV Sustainability Bond Framework sets out the process by which TCV intends to issue and manage sustainability instruments on an ongoing basis to finance, and re-finance projects and assets across Victoria, which are consistent with delivering a low carbon and climate resilient economy and/or delivering positive social outcomes for Victorian communities.

The Framework may be subsequently updated at TCV's discretion as relevant market standards and best practice continue to evolve over time.

The 'Sustainability Instruments' issued under the framework may include:

- TCV Green Bonds in accordance with the [ICMA Green Bond Principles](#), and, at TCVs discretion, the [Climate Bonds Standard](#)
- TCV Social Bonds in accordance with the [ICMA Social Bond Principles](#), and
- TCV Sustainability Bonds in accordance with the [ICMA Sustainability Bond Guidelines](#).

In accordance with the above ICMA Principles and best practice, the Framework covers four key components as follows:

1. use of proceeds
2. process for project evaluation and selection
3. management of proceeds, and
4. reporting and assurance.

## 3.1 Use of proceeds

An amount equivalent to the net proceeds from the issuance of Sustainability Instruments will be used wholly or in part to finance or refinance existing and/or planned Eligible Projects.

*Bulgana Green Power Hub  
Credit: Department of Environment,  
Land, Water and Planning.*

## Eligible Projects

Eligible Projects include projects and assets across Victoria, which are funded through TCV Participating Authorities, Victorian Government Departments and state related entities, which meet the eligibility criteria set out below for Green Projects or Social Projects.

Green Bond proceeds will be earmarked against Green Projects, Social Bond proceeds will be earmarked against Social Projects and Sustainability Bond proceeds will be earmarked against Green and/or Social Projects, as detailed below. Each Green Project Category and Social Project Category has been mapped to the Core SDGs which they relate to, however the SDGs do not form part of the eligibility criteria in their own right.




Projects which knowingly cause, or are likely to cause significant negative impacts in respect of wider environmental or social issues, will not be considered Eligible Projects.

## Green Projects

Green Projects are those which are consistent with delivering a low carbon and climate resilient economy and may directly contribute to:

- climate change mitigation by developing low carbon assets, technologies and practices that reduce or avoid greenhouse gas emissions by reducing energy demand, improving energy efficiency and utilising low carbon energy sources
- climate change adaptation by addressing existing/future impacts of and developing resilience to climate change.







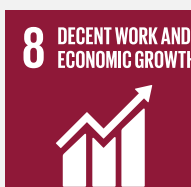
Specifically, Green Projects may fall under one of the following Green Project Categories. Should TCV elect to seek certification from the Climate Bonds Initiative (CBI) for a TCV Green Bond, that Green Bond will be earmarked only against Green Projects which both align with the below Green Project Categories and align with the Climate Bonds Standard (including the relevant CBI sector criteria).

Green Project Category	Project Examples	Core SDGs
Renewable energy	<p>Rooftop solar PV systems and/or battery storage.</p> <p>Large scale renewable energy generation projects.</p> <p>Green hydrogen programs, including research and development.</p> <p>Grid infrastructure which enables or improves the ability for renewable generators to connect and transmit renewable energy into the grid, including:</p> <ul style="list-style-type: none"> <li>– direct connections for renewable generators</li> <li>– the use of synchronous condensers to provide system strength, and</li> <li>– network augmentation to increase capacity and reduce curtailment of renewable generators.</li> </ul> <p>Smart grids and metering systems.</p>	<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> 
Low carbon buildings	<p>Commercial buildings with a minimum NABERS rating of 5 stars and/or which qualify under the CBI Low Carbon Building Criteria.</p> <p>Residential buildings which comply with the Building Code of Australia (BCA) 2011.</p>	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
Low carbon transport (electrified public passenger transport)	<p>Electrified public transport including Passenger Rail and Electric Vehicles, and associated infrastructure.</p> <p>Private electric vehicles and associated infrastructure.</p> <p>Cycleways and pedestrian walkways.</p>	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 

Energy efficiency (including property upgrades)	Energy efficient upgrades which have a material impact on energy usage.	
Climate change adaptation and resilience infrastructure	<p>Emergency warning infrastructure.</p> <p>Defence systems against natural disasters such as fire and flooding.</p>	
Sustainable water and wastewater management	<p>Water Infrastructure:</p> <ul style="list-style-type: none"> <li>- sustainable water infrastructure for clean and/or drinking water</li> <li>- wastewater treatment</li> <li>- flood mitigation infrastructure.</li> </ul> <p>Protection, restoration and management of waterways and catchments.</p> <p>Projects which build resilience and protect marine and coastal areas.</p>	
Waste management and recycling	<p>Recycling facilities and services.</p> <p>Organic waste collection and processing facilities and services which divert waste from landfill.</p>	
Environmentally sustainable management of living natural resources and land use	<p>Land conservation and restoration.</p> <p>Protection and management of National and/or State Parks and State Forests.</p> <p>Biodiversity protection and restoration, including native plants and animals.</p> <p>Bushfire management programs.</p>	

## Social Projects

Social Projects are those which address social challenges, including those which directly contribute to providing or promoting the below Social Project Categories.

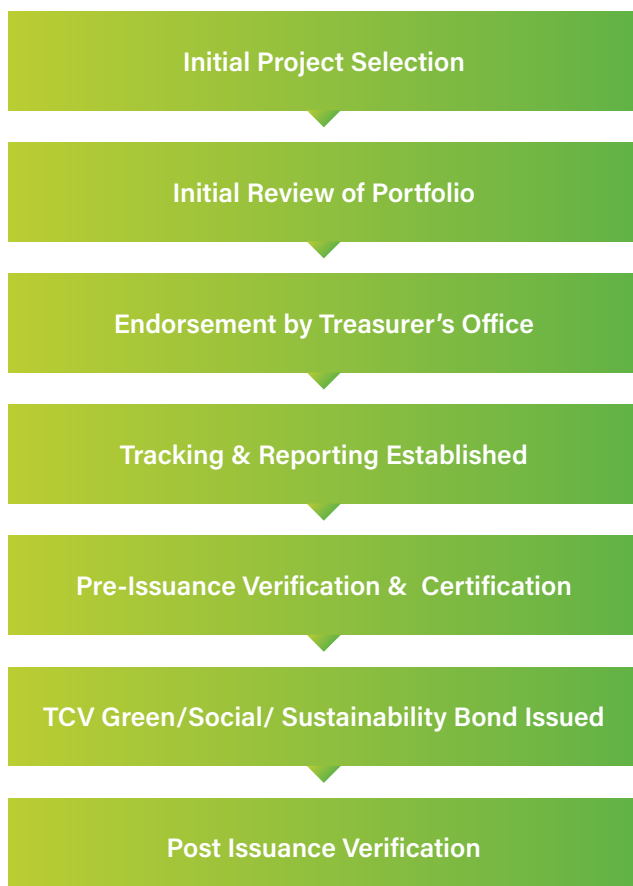
Social Project Category	Project Examples	Core SDGs
Affordable basic infrastructure, including clean drinking water, sewers, sanitation, transport, energy	Increasing access to public services, especially for target populations including clean drinking water, sewerage systems, sanitation, transport and energy.	  
Affordable housing	Development and ongoing operation of social and affordable housing, including maintenance and equipment upgrades.	
Access to essential services including education and vocational training and healthcare	<p>Providing or increasing access to healthcare services, especially for target populations including:</p> <ul style="list-style-type: none"> <li>– access to public hospitals and other public healthcare services including mental health services (ongoing service provision, development of new facilities or expansion of existing facilities and/or services)</li> <li>– public services and facilities which specifically aim to prevent, mitigate or treat conditions associated with infectious viruses such as COVID-19.</li> </ul> <p>Providing or increasing access to education services, especially for target populations including:</p> <ul style="list-style-type: none"> <li>– public sector education services and facilities, including primary school, secondary school, vocational colleges and universities</li> <li>– specialised support or facilities which provide target populations with increased support and opportunities, such as support for students with a disability in government schools.</li> </ul>	 
Improving employment generation including SME financing	<ul style="list-style-type: none"> <li>– vocational education and training programs</li> <li>– incentives, grants and support programs targeting Victorian small and medium enterprises</li> <li>– support for SME's and individuals including relief packages supplied during and/or in the wake of a pandemic, natural disaster or significant economic shock.</li> </ul>	

Where appropriate, the expansion of healthcare services and/or investment in additional capital (e.g. equipment) in preparation for potential pandemic or other emergency scenarios may be considered an eligible Social Project. Additionally, the provision of relief packages or other support to business and/or individual members of the community in order to minimise, or in response to unemployment stemming from a significant economic shock, may also be assessed for eligibility as a Social Project.

### 3.2 Process for project evaluation and selection

Selection of Eligible Projects will be performed on behalf of the State of Victoria by a TCV Sustainability Issuance Committee, comprised of staff from the Treasury Corporation of Victoria and the Department of Treasury and Finance (DTF), with input from specialists from TCV Participating Authorities, government departments and state related entities with responsibility for managing the earmarked assets and projects, and guidance from Bond Arranger(s).

An overview of the bond issuance process is shown below:



### 3.3 Management of proceeds

Sustainability Instruments will be tracked and reported via the use of internal information systems and financial records of the State of Victoria. Each Sustainability Instrument will have an amount equal to the net proceeds booked under an allocated position, established for each Sustainability Instrument within TCV's internal systems.

The use of proceeds will also be tracked and monitored by TCV Participating Authorities, Government departments and state related entities who manage the Eligible Projects.

TCV will establish an internal register of all Eligible Projects earmarked against each Sustainability Instrument. This register will be updated on a quarterly basis.

Net proceeds of any Sustainability Instrument will be notionally allocated to Eligible Projects within a maximum of 24 months from the issuance date. This will be validated by the quarterly register update, and confirmed in the annual Use of Proceeds reporting undertaken for any Sustainability Instruments on issue.

#### Unallocated proceeds or surplus funds

Where full distribution of the net proceeds of each Sustainability Instrument is not achieved within 24 months of issuance date, or if surplus funds arise during the tenor of any Sustainability Instruments, TCV will demonstrate that the equivalent funds are invested in temporary investments which are:

- cash, or cash equivalent instruments such as short-term money market instruments
- projects or assets that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy.

### 3.4 Reporting and assurance

TCV understands the importance of transparency and disclosure, and will publish a TCV Sustainability Instrument Report on an annual basis, containing Use of Proceeds reporting, impact reporting, and assurance updates.

The following reporting will be made publicly available:

Document	Timing
Sustainable Bond Framework	At time of publication (subsequently updated at TCV's discretion)
Assurance Statements	At time of first issuance and annually thereafter
Use of Proceeds and Impact reporting	Annually within the TCV Sustainability Instrument Report

### Use of Proceeds reporting

TCV intends for annual Use of Proceeds reporting to include:

- summary of Eligible Projects
- confirmation of aggregated amount of proceeds
- the allocation of proceeds per Eligible Project, and the relevant Use of Proceeds category for each
- disclosure of any unallocated proceeds
- confirmation of accordance with applicable market standards, including where relevant ICMA Principles and/or the Climate Bonds Standard (version 3.0)
- confirmation of annual assurance.

### Impact reporting

TCV may also report on relevant environmental or social impact metrics where feasible. This impact reporting will endeavour to be aligned with ICMA guidance on impact reporting. Below are some examples of impact indicators that may be reported:

- energy efficiency projects: Annual Energy Savings (MWh) and Annual GHG Emissions Avoided (tonnes CO2 eq.)
- renewable energy projects: Annual Energy Produced (MWh) and Renewable Energy Capacity Added (MW), number of households powered
- low carbon transport projects: Annual GHG Emissions Avoided (tonnes CO2 eq.)

- target results: including percentage GHG reduction, energy production, low carbon transport patronage, and applicable ratings e.g. star ratings for rail station buildings
- target populations for social projects
- Affordable Housing projects: number of residences constructed, residents housed
- education projects: number of students accommodated by new or upgraded facilities, number of students provided additional support
- healthcare projects: number of people with access to or served by new or upgraded health facilities, increase in capacity (beds).

### Assurance

TCV will obtain pre-issuance verification for the first Sustainability Instrument issuance under this Framework, which may be in the form of an opinion and/or assurance. Pre-issuance verification may also be obtained for subsequent Sustainability Instruments issuance, at TCV's discretion.

On an annual post-issuance basis, TCV will obtain independent verification of the annual TCV Sustainability Instrument Report, and will obtain assurance that each outstanding TCV Sustainability Instrument is in compliance with the Framework, the ICMA principles, and where relevant, the Climate Bond Standards.

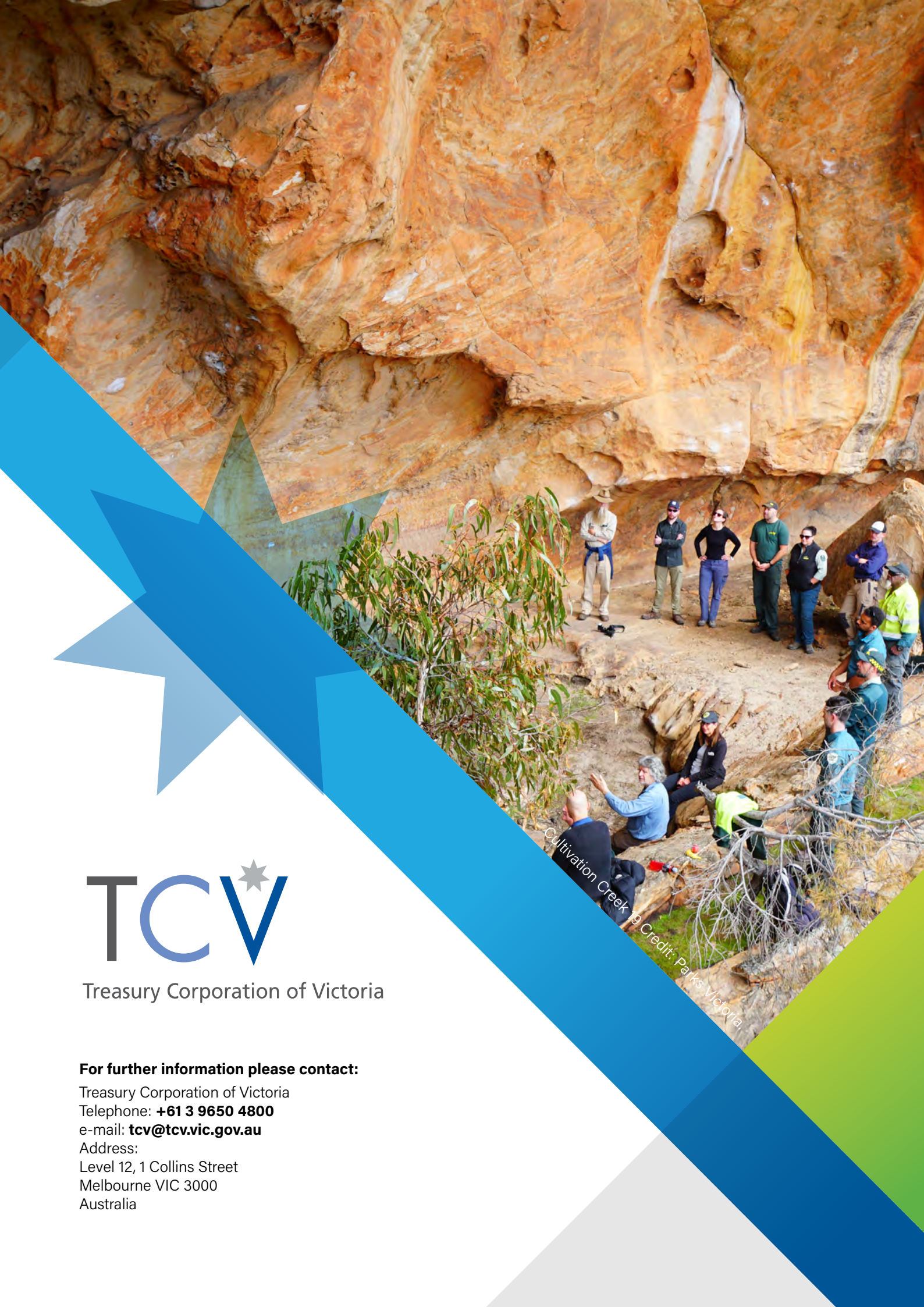
## Disclaimer

The establishment or any announcement of the TCV Sustainability Bond Framework is not a recommendation, solicitation or invitation to purchase, hold or sell any Sustainability Instruments or notes or any other instruments issued or to be issued by TCV. The TCV Sustainability Bond Framework is not a substitute for financial and social due diligence and the obligation to conduct such due diligence remains with the investor as it does for other investments.

TCV does not, and does not intend to, make any representation or give any assurance with respect to the TCV Sustainable Bond Framework, Climate Bond Initiative's Climate Bond Standards, ICMA Principles or any of the reports provided by external assurance providers.

TCV is not responsible for any information, website, standard, report or guidelines published or provided by any external review provider, even where referred to in the TCV Sustainability Bond Framework.

TCV also cannot and does not give any assurance in relation to the actual environmental or social impact of the Sustainability Instruments or any other notes or instruments, or of any projects generally.



Cultivation Creek 19 Credit: Parks Victoria



Treasury Corporation of Victoria

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