



Treasury Corporation of Victoria

# TCV Sustainability Bond Issuance

September 2021



# Agenda

- 01** Background to TCV
- 02** Victorian Government Sustainability
- 03** TCV Sustainability Bond Framework

- 04** TCV Sustainability Bonds
- 05** Issuance Details

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# Background to TCV



# Background to TCV

- established 1 January 1993, as the centralised financing authority and financial advisor for the State of Victoria
  - single interface with financial markets
  - independent Board reports directly to Treasurer of Victoria
- mandated provider of treasury risk management services to the State, government agencies and departments – our clients
- obligations are guaranteed by the State of Victoria
- guarantee
  - TCV's borrowings and securities are guaranteed by the Government of Victoria under section 32(1) of the Treasury Corporation of Victoria Act 1992
  - the guarantee is a direct and unconditional obligation of the Government of Victoria, payable out of the Consolidated Fund
- rated Aa1 (negative) Moody's, AA (stable) S&P
- Interest Withholding Tax (IWT) free.

# TCV funding requirement 2021-22

	2021-22 \$A millions	2022-23 \$A millions	2023-24 \$A millions
Client new money requirement	25,700	20,466	21,956
Client loan refinancing	3,535	5,319	7,177
<b>Client total financing requirement</b>	<b>29,235</b>	<b>25,785</b>	<b>29,133</b>
Completed financing to date	-11,400	0	0
<b>Total to complete program</b>	<b>17,835</b>	<b>25,785</b>	<b>29,133</b>

Source: Funding announcement 20 May 2021

# TCV funding sources

30 June 2021

- 12 dealer panel members
- 15 benchmark maturities between 2021 – 2041
- total benchmark issue outstandings \$A71.6 billion
- 8 non-benchmark maturities totalling \$A3.6 billion
- 2 floating rate notes maturing 2024 and 2025 totalling \$A4.4 billion

## Australian Dollar Note Program

- \$US3 billion
- multi currency program
- outstandings (\$A equivalent) \$668 million

## Euro Medium Term Note Programme

- \$A10 billion program
- 1-365 day maturities
- outstandings \$A900 million

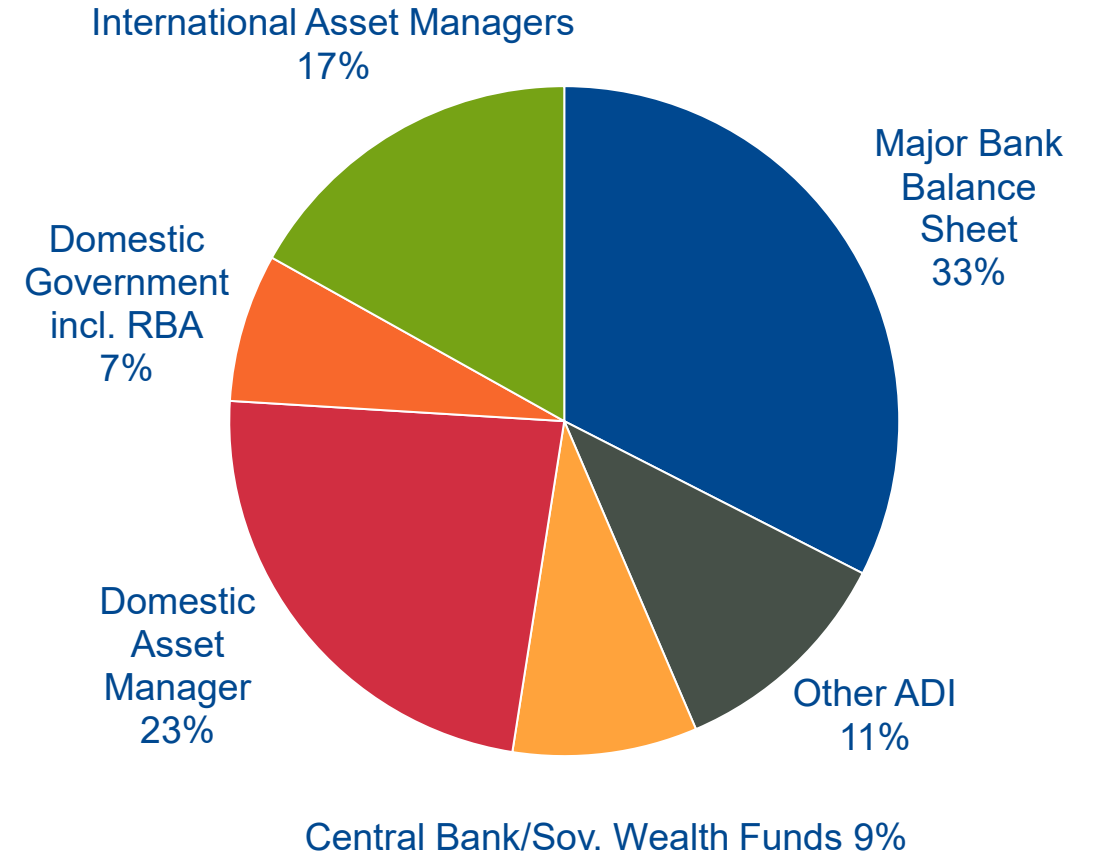
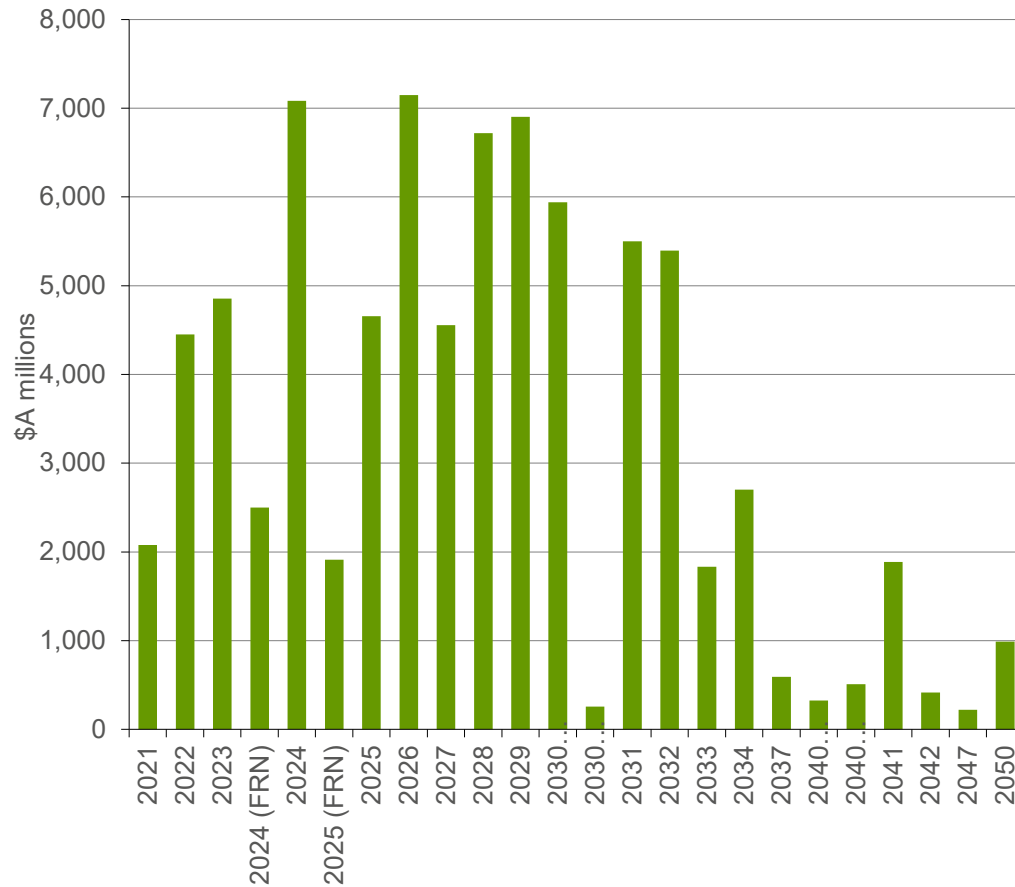
## Australian Dollar Promissory Note Program

- \$US5 billion
- multi currency
- 1-365 day maturities
- outstandings (\$A equivalent) \$400 million

## Euro Commercial Paper Program

# TCV debt profile and bond holders

30 June 2021



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# Victorian Government Sustainability

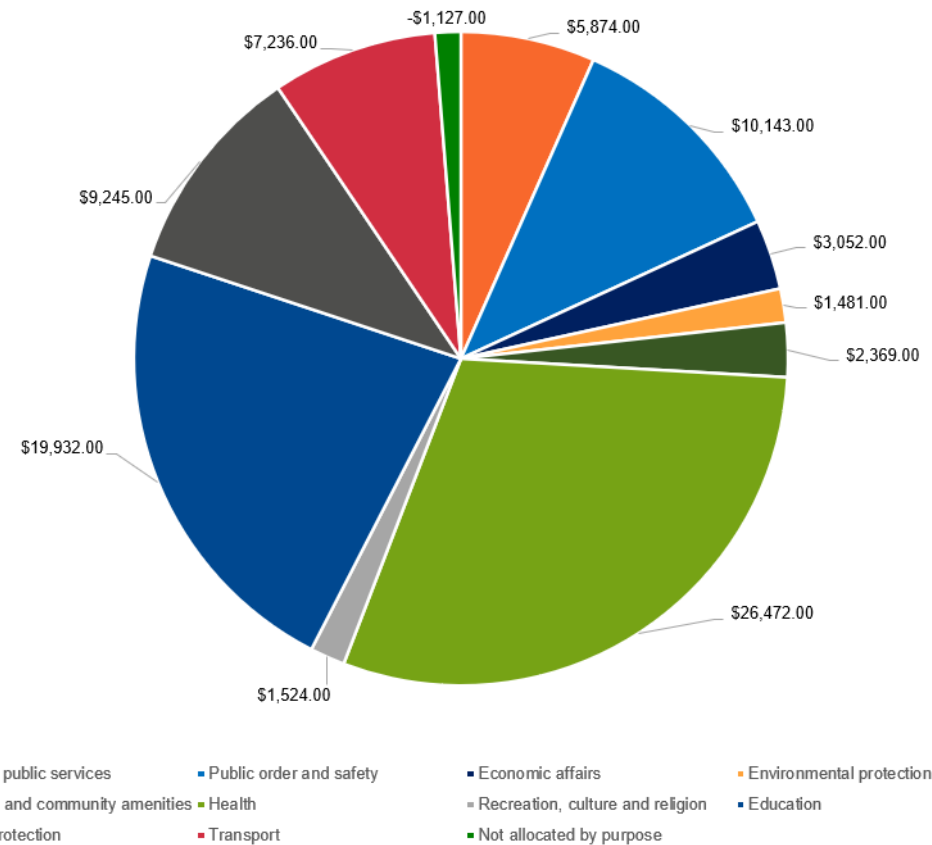




# 2021-22 Government Priority Areas

- building our Mental Health System
- creating jobs and caring for Victorians
- ensuring opportunities for Victorian workers
- a bright future for our kids
- helping our hospitals and health system recover
- delivery the road and rail our State needs
- investing in strong, connected communities.

2021-22 Government Expenditure by Function of Government  
A\$ million



Source: 2021-22 Statement of Finances Table 1.3.5

# Victorian Government sustainability objectives

## Environmental Objectives

- 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.

## Victoria has a progressive social agenda including:

- affordable social housing for those in need
- opportunities for Victorian Aboriginal people
- opportunities for disadvantaged Victorians
- safe and fair workplaces
- women's equality and safety
- sustainable social enterprise
- sustainable Victorian regions.



Source: Parks Victoria – Working together to protect Aboriginal cultural heritage

# State of Victoria's climate snapshot

## Victoria's 2050 goals

1. resilient to +1.5 degree or more warming above 2005 levels
2. net zero greenhouse gas emissions.

## Victoria's strategies and actions

Setting out interim targets

### 2020 GHG emissions reduction target

15% - 20% below 2005 levels

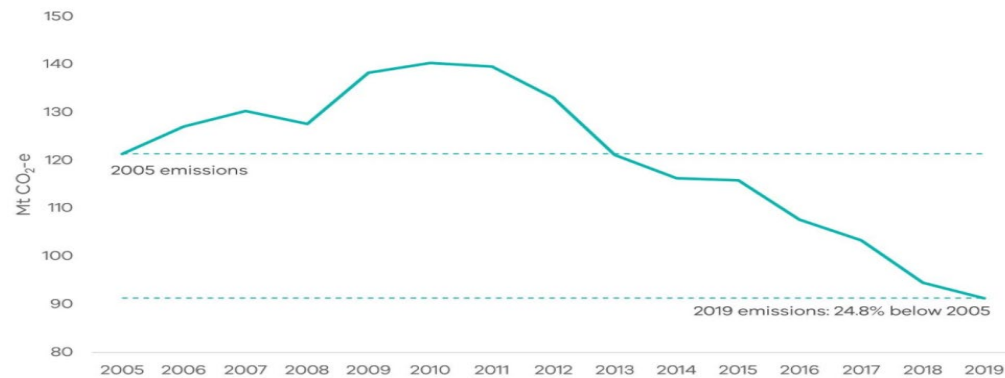
### Renewable Energy Targets

- . 2020 – 25%
- . 2025 – 40%
- . 2030 – 50%

Four-pillars to guide Victorian Government policies, which includes:

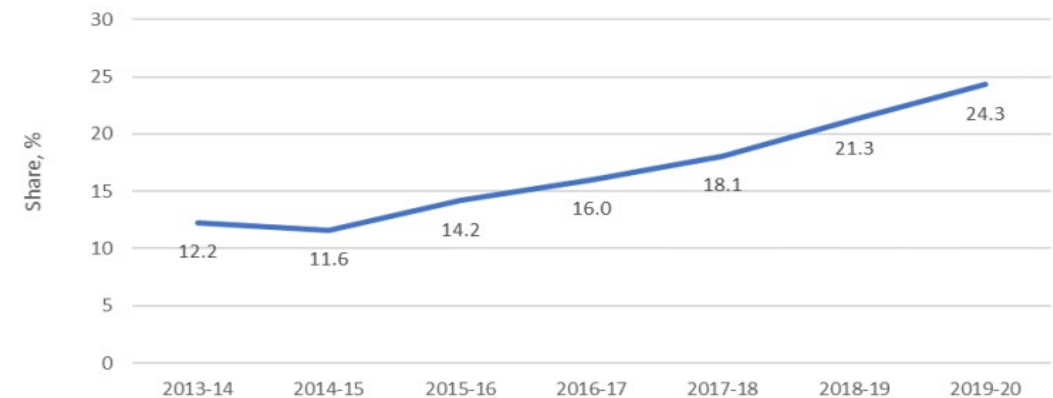
1. increase energy efficiency and productivity
2. move to clean energy supply
3. electrify economy & switch to clean fuels
4. reduce non-energy emissions and increase carbon storage.

## Victoria's GHG emissions (2005-19)



Victoria's emissions reductions and targets for emissions reductions are measured from the level of Victoria's emissions in 2005, as required by the Climate Change Act 2017.

## Victoria's Renewable Energy



Source: DELWP – Victorian Renewable Energy Target 2019-20 Progress Report

Source: DELWP [www.climatechange.vic.gov.au](http://www.climatechange.vic.gov.au)

# 2016 TCV Green Bond

- In July 2016, TCV became the first Government sector issuer of Green Bonds in Australia / Asia Pacific
- TCV issued a AU\$300 million, five year Green Bond with a 1.75% coupon, which matured in July 2021
- The TCV Green Bond received certification from the Climate Bonds Initiative
- Annual reporting and assurance made available on the TCV Website
- TCV was awarded the Climate Bonds Initiative's 2017 first Regional Sub-Sovereign issuer (Asia-Pacific)
- TCV has now converted its Green Bond Framework into a Sustainability Bond Framework in order to support the broader Victorian Government's commitment to delivering its environmental and social agenda



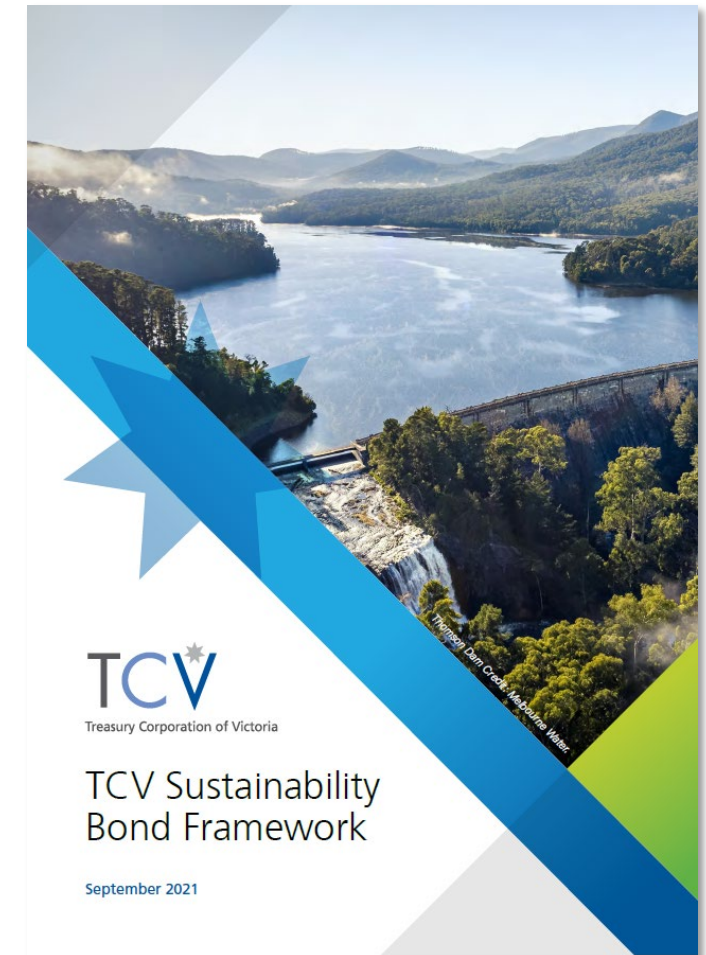
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# TCV Sustainability Bond Framework



# TCV Sustainability Bond Framework

- TCV has now published its Sustainability Bond Framework, publically available at [www.tcv.vic.gov.au](http://www.tcv.vic.gov.au)
- The Framework covers four key areas:
  - use of proceeds
  - process for evaluation and selection of projects
  - management of proceeds
  - reporting and assurance
- Sustainability Bonds will be issued in alignment with the ICMA Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles
- Sustainability Bonds will be used to finance or refinance a mix of eligible green and social projects and assets, including eligible programs
- Eligible projects and assets will be aligned to the United Nations Sustainable Development Goals



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# TCV Sustainability Bonds





# TCV Sustainability Bonds

- TCV Sustainability Bonds will be senior, unsecured obligations of TCV guaranteed by the State of Victoria and issued under TCV's Domestic Benchmark Bond programme
- TCV Sustainability Bonds will be issued in accordance with TCV's Sustainability Bond Framework
- TCV Sustainability Bonds will receive pre-issuance assurance, confirming compliance with the ICMA Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles
- Post-issuance assurance will be conducted on annual basis
- TCV has appointed EY to conduct pre-issuance assurance and ANZ as the Sustainability Bond Coordinator.











# 1. Use of Proceeds

- TCV is proposing to issue Sustainability Bonds as part of the Victorian Government's commitment to delivering its environmental and social agenda
- TCV Sustainability Bond proceeds will fund a portfolio of projects and assets provided through
  - State 'Participating Authorities'
  - Victorian Government Departments
  - State related entitiesthat directly contribute to the Government's environmental and/or social projects and programs
- Sustainability Bond proceeds will be earmarked against green and/or social projects, which align with the Green Project Categories and Social Project Categories detailed on the following slides.

# 1a. Use of Proceeds - Project Categories

Green projects may fall under one of the following Green Project Categories:

Green Project Categories			
<ul style="list-style-type: none"> <li>renewable energy</li> </ul>		<ul style="list-style-type: none"> <li>low carbon buildings</li> </ul>	
<ul style="list-style-type: none"> <li>energy efficiency</li> </ul>		<ul style="list-style-type: none"> <li>low carbon transport</li> </ul>	
<ul style="list-style-type: none"> <li>waste management and recycling</li> </ul>		<ul style="list-style-type: none"> <li>sustainable water and wastewater management</li> </ul>	
<ul style="list-style-type: none"> <li>environmental sustainable management of living natural resources and land use</li> </ul>		<ul style="list-style-type: none"> <li>climate change adaption and resilience infrastructure</li> </ul>	



Source: DELWP - Bulgana Green Power Hub

# 1a. Use of Proceeds - Project Categories (continued)

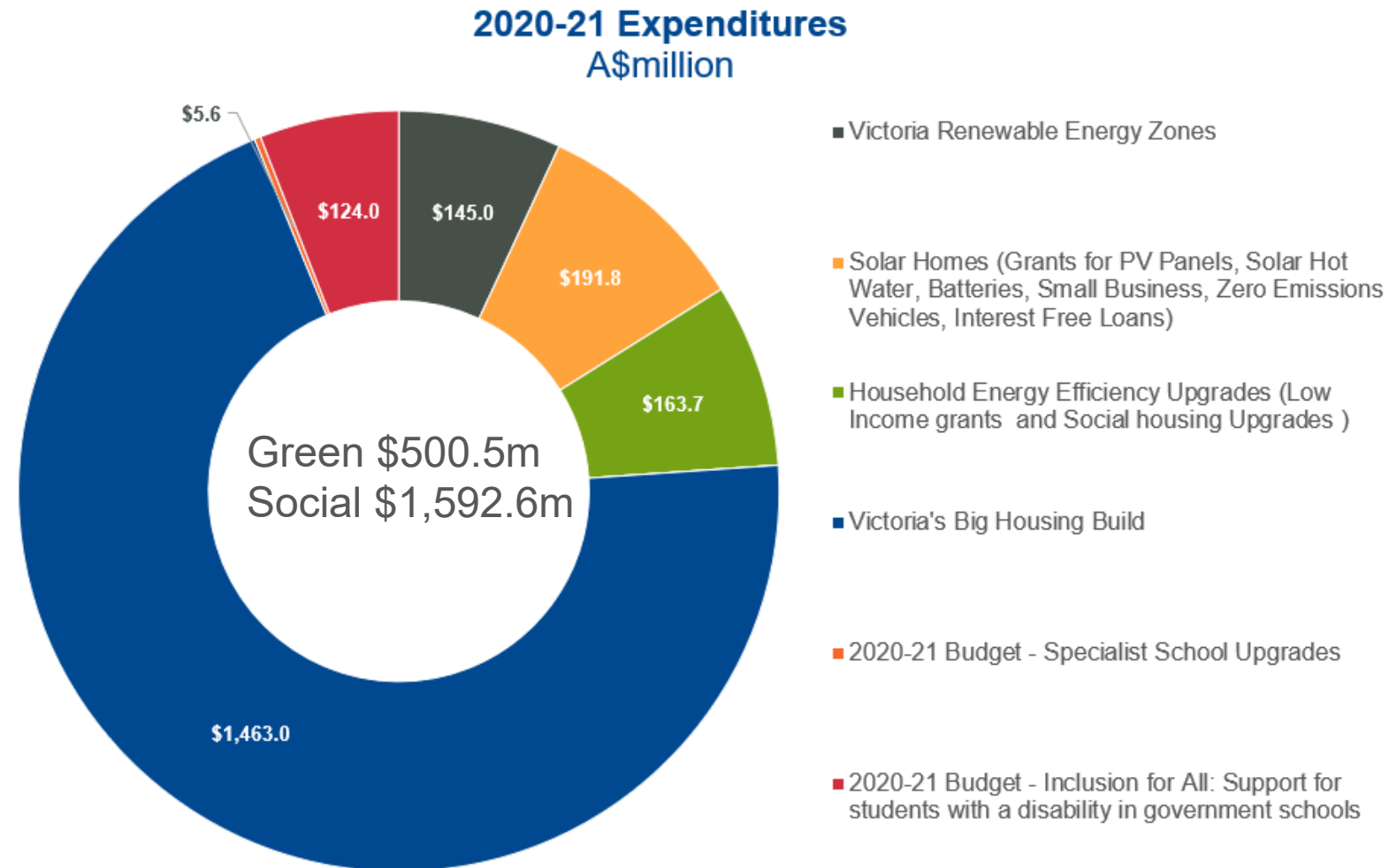
Social projects are those which address social challenges, including those which directly contribute to providing or promoting the below Social Project Categories:

Social Project Categories	Target population examples
<ul style="list-style-type: none"> <li>affordable basic infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>✓ living below the poverty line</li> </ul>
<ul style="list-style-type: none"> <li>access to essential services</li> </ul>	<ul style="list-style-type: none"> <li>✓ excluded or marginalised populations or communities</li> </ul>
<ul style="list-style-type: none"> <li>affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>✓ people with disabilities</li> </ul>
<ul style="list-style-type: none"> <li>improving employment generation including SME financing</li> </ul>	<ul style="list-style-type: none"> <li>✓ other vulnerable groups etc</li> </ul>



Source: Homes Victoria – Public Housing Renewal Program

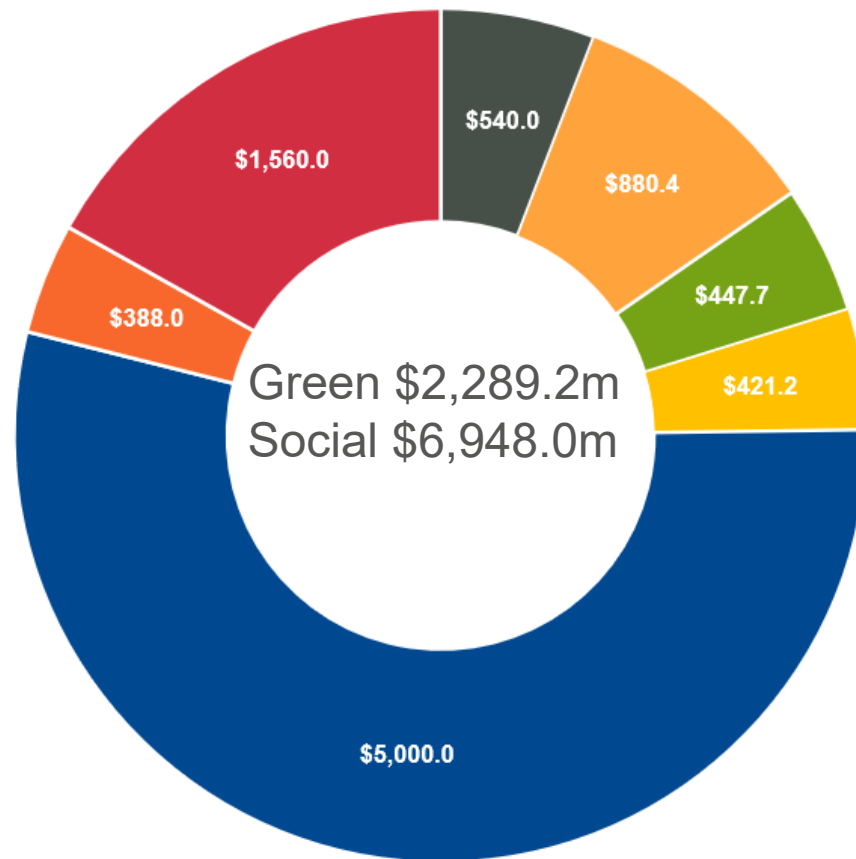
# 1b. Confirmed Project Pool



- \$2.09 billion expenditure for 2020-21
- mix of past expenditure from 2020-21 onwards and future projections over 4 year expenditure window
- focus on large scale programs for impact and administrative reporting
- social programs have large focus
- lesser focus on public transport than 2016 Green Bond and more on renewable energy in green pool
- assurance completed by EY.

# 1b. Confirmed Project Pool (continued)

**Total Expected Expenditures 2020-21 to 2023-24**  
A\$ million



- Victoria Renewable Energy Zones
- Solar Homes (Grants for PV Panels, Solar Hot Water, Batteries, Small Business, Zero Emissions Vehicles, Interest Free Loans)
- Household Energy Efficiency Upgrades (Low Income grants and Social housing Upgrades )
- High Capacity Metro Trains: Government Capital Contributions
- Victoria's Big Housing Build
- 2020-21 Budget - Specialist School Upgrades
- 2020-21 Budget - Inclusion for All: Support for students with a disability in government schools



- This illustrates the expected potential growth and change in the asset pool over the forward estimates to 2024
- Total Expected Expenditure Pool over four years of \$9.2 billion
- Asset Pool will be utilised to support an ongoing issuance program.

## 2. Process for evaluation and selection of Projects

- TCV considers green and social projects and programs that meet ICMA and/or CBI criteria
- TCV considers projects that are aligned with State government priorities and policies in
- TCV identifies potential projects and programs working with our Sustainability Co-Ordinator, ANZ
- TCV has developed an asset scoring model to assist with selection of possible projects
- After collection of information, and an initial review by our assurance adviser, the pool is endorsed by the Treasurer's office
- Pool finalised and pre-issuance verification confirmed

An overview of the process is below:



### 3. Management of Proceeds

- Proceeds of the Sustainability Bond will be tracked via internal information systems and financial records of the State of Victoria
- TCV will establish an internal register of project expenditure to be updated quarterly
- Proceeds are expected to be fully allocated following the issuance of the Sustainability Bond. Net proceeds of all issuances will be notionally allocated to eligible projects within a maximum of 24 months of the issuance date
- Use of Proceeds will be subject to external assurance by TCV assurance advisor, EY on an annual basis

## 4. Reporting and Assurance

- TCV is committed to transparency and accountability with regards to Sustainability Bonds
- TCV will maintain internal Sustainability Bond Reporting, updated quarterly, to monitor funding allocated / expended against the portfolio of TCV Sustainability Bond eligible projects
- TCV will also post an annual TCV Sustainability Bond Report and annual assurance statement update on the TCV website
- the TCV Sustainability Bond Report will include the following information:
  - 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 accordancy with applicable market standards
  - confirmation of annual assurance
  - where available, environmental or social performance measures for eligible projects
  - selected case studies of project progress or outcomes.



## 4a. Reporting and Assurance – Examples of Impact Reporting

- Big Housing Build

Initiative	Dwellings	Dwellings Delivered 2021-22 Outcomes
New Developments of Homes Victoria Land	4,782	
Community Housing Partnerships on Victorian Government Land	1,380	
Community Housing Sector Projects	4,247	
Private Sector Partnerships	1,891	
<b>Total</b>	<b>12,300</b>	

- Additional information such as geographic breakdowns and splits between Community Housing, Homes Victoria and Affordable Dwellings will be reported as available

- Solar Victoria Programs

Rebates Type	2020-21 #	2021-22 TBA	2022-23 TBA
Solar PV Rebates	65,420		
Solar Hot Water Rebates	6,000		
Zero Emission Vehicles	-		
Solar Battery Rebates	4,150		
Small Business Rebates	-		

- Additional information to be provided such as installation MW installed and other metrics as available

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# Issuance Details



# Trade Details

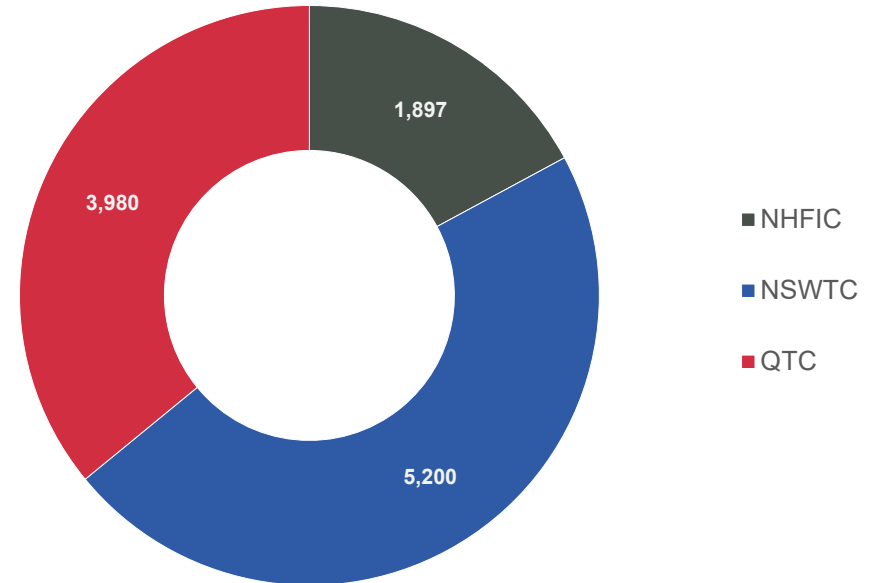
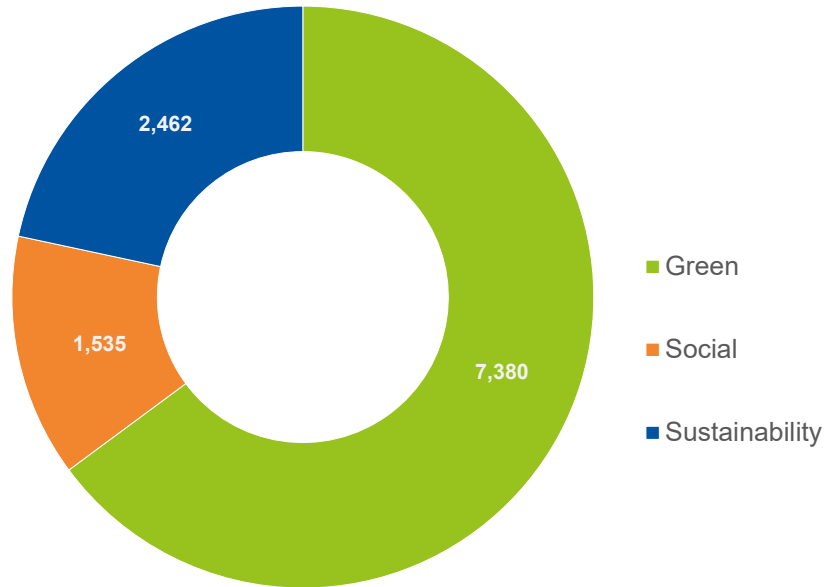
Maturity	17 September 2035
Launch size	Benchmark
Timing	Subject to market conditions

The bond will:

- be the only 2035 benchmark bond on the TCV curve
- increase over time to an issuance size comparable with other TCV benchmark bonds
- receive the same dealer support and support from TCV as any other benchmark bond.

# GSS issuance in Australian Government sector

A\$ at 30 June 2021





Treasury Corporation of Victoria

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Thank you.

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