

Second-Party Opinion

NBN Co Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Energy Efficiency, Renewable Energy and Access to Essential Services and Socio-economic Advancement and Empowerment – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION NBN Co's Sustainability Bond Advisory Group will be responsible for the process of evaluating and selecting eligible projects as per the Framework's criteria. NBN Co has established internal policies and a risk management standard to support the management of environmental and social risks associated with the projects and assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS NBN Co's Sustainability Bond Advisory Group will be responsible for management of proceeds using sustainable bond register. NBN Co intends to allocate net proceeds to eligible projects within 24 months from issuance. Pending allocation, unallocated proceeds will temporarily be held in cash or cash equivalents. This is in line with market practice.



REPORTING NBN Co commits to report on allocation of proceeds in its sustainability bond report which will be published on its website on an annual basis until the maturity dates of the bond. In addition, NBN Co is committed to report on relevant impact metrics, where feasible. Sustainalytics views NBN Co's allocation and impact reporting as aligned with market practice.

Evaluation date	March 5, 2024 ¹
Issuer Location	Sydney, Australia

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendix	9

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¹ This document is an update of Sustainalytics' Second-party Opinion dated 16 February 2022.

Introduction

NBN Co Limited, (“NBN Co” or the “Company”), is a government business enterprise wholly-owned by the Commonwealth of Australia. Established in 2009, NBN Co is involved in the process of designing, building and operating wholesale broadband access network and related activities in Australia. As of 30 June 2023, the Company has employed 4,759 personnel and served 8.56 million homes and businesses.²

NBN Co has developed the NBN Co Sustainability Bond Framework dated February 2022 (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing or future projects that are expected to reduce the carbon footprint of the Company’s business activities and enable digital inclusion providing social benefits in Australia.

The Framework defines eligibility criteria in two environmental areas:

1. Energy Efficiency
2. Renewable Energy

The Framework defines eligibility criteria in one social areas:

1. Access to Essential Services and Socio-economic Advancement and Empowerment

NBN Co engaged Sustainalytics to review the Framework³ and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2023 (SBP).⁴ The Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023, 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 1.15, 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 NBN Co’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NBN Co representatives have confirmed (1) they understand it is the sole responsibility of NBN Co 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.

² NBN Co, “Annual Report 2023”, at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/financial-reports/nbn-co-annual-report-2023.pdf.coredownload.pdf>

³ The Framework is available on NBN Co’s website, at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/debt-investor/2022/NBN-Co-sustainability-bond-framework-second-party-opinion-february-2022.pdf>

⁴ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁵ The NBN Co Sustainability Bond Framework is available on NBN Co’s website at: <https://www.nbnco.com.au/corporate-information/about-nbn-co/debt-investor-information/debt-investor-overview>

⁶ 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.

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

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. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of 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 NBN Co has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Framework

Sustainalytics is of the opinion that the NBN Co Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Energy Efficiency, Renewable Energy and Access to Essential Services and Socio-economic Advancement and Empowerment – are aligned with those recognized by the GBP and SBP.
 - NBN Co has established 36 months look-back period for its refinancing activities, which Sustainalytics considers to be in aligned with market practice.
 - Under the Energy Efficiency category, the Company may finance or refinance network technologies and activities to increase the energy efficiency⁷ of its network and associated infrastructure. The projects to be financed under the Framework are:
 - Network development projects including the deployment of fixed-line fibre-optic connections to replace copper-based networks, including fibre to the premise (FTTP), fibre to the building (FTTB), fibre to the node (FTTN), fibre to the curb (FTTC), hybrid fibre coaxial (HFC) and transit network infrastructure (TNI).
 - Sustainalytics considers investments under this activity to be aligned with market practice and encourages NBN Co to report on estimated or achieved energy efficiency gains, where feasible.
 - In the Renewable Energy category, the Company may finance or refinance renewable energy generation projects through long-term (greater than 5 years) power purchase agreements with wind, solar, and battery storage technologies that are directly connected to renewable energy. Sustainalytics considers the investment under this activity to be aligned with market practice.
 - Under the Access to Essential Services and Socio-economic Advancement and Empowerment category, the Company may finance or refinance projects that aim to enable digital inclusion and advancing digital skills and abilities for underserved regional and remote communities.^{8,9} The Company has confirmed to Sustainalytics that expenditures related to providing access to NBN Co network services will be aimed toward underserved regional and remote communities that have historically had no or limited access to adequate broadband services. Projects may include network infrastructure, facilities, technologies and solutions such as fixed wireless and

⁷ Measured by the amount of energy consumed per gigabyte of data (kWh/GB) when compared to copper-based networks.

⁸ The Company has defined underserved regional and remote communities as people living in regional and remote parts of Australia which have a low take-up of broadband services. Communities with low take-up are defined as those with limited NBN network service penetration, as measured by the number of premises ready to connect compared to the total number of premises connected to an NBN network service, and where mobile and legacy broadband services are reported to be substandard.

⁹ Regional Australia includes all towns, small cities and areas that lie beyond the major capital cities (Sidney, Melbourne, Brisbane, Perth, Adelaide and Canberra), according to the Regional Australia Institute, at: <http://www.regionalaustralia.org.au/home/what-is-regional-australia/>.

- Sky Muster Satellite. Sustainalytics considers such expenditures as socially impactful in improving access to essential services in underserved and remote communities in Australia.
- Sustainalytics notes that the Framework excludes financing for the following projects or activities: i) weapons; ii) gambling; iii) tobacco; and iv) fossil fuel production. Sustainalytics views positively the presence of exclusionary criteria in the Framework.
 - Project Evaluation and Selection:
 - NBN Co's Sustainability Bond Advisory Group will be responsible for evaluating and selecting eligible projects. The Company's Financing Committee, a sub-committee of its board of directors, will be responsible for reviewing and providing final approval for proposed projects that comply with the Framework's eligibility criteria.
 - The Company has established internal policies and a risk management standard in accordance with ISO 31000:2018 Risk Management Guidelines to support the management of environmental and social risks associated with assets and projects financed under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, please refer to Section 2.
 - Based on the process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be aligned with market practice.
 - Management of Proceeds:
 - The Sustainability Bond Advisory Group will oversee the process of validating and monitoring the allocation of net proceeds to eligible assets and projects. The Company will track the allocation of net proceeds to eligible assets and projects through its sustainable bond register. The Sustainability Bond Advisory Group will review the register annually to account for any reallocations, repayments or withdrawals on the eligible projects.
 - The Company intends to allocate proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held temporarily in cash or cash equivalents.
 - Based on the established tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice
 - Reporting:
 - NBN Co commits to report on the allocation and impact of proceeds in its sustainability bond report on an annual basis, until the maturity dates of the bond. The report will be made publicly available on NBN Co's website.
 - Allocation reporting may include a list of all bonds issued and the outstanding amount in the reporting period, a summary of the terms of each transaction and details of use of proceeds as per the Sustainable Bonds Register.
 - In addition, the Company is committed to reporting on relevant impact metrics, subject to availability. Impact reporting may include metrics such as improvement in energy intensity (measured in kWh/GB), annual GHG emissions reduced (measured in tCO_{2e}) and reduction in 'unconnected' people by target group.
 - Sustainalytics considers NBN Co's allocation and impact reporting commitments to be aligned with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Framework aligns with the four core components of the GBP and SBP.

Section 2: Sustainability Strategy of NBN Co

Contribution to NBN Co's sustainability strategy

Sustainalytics is of the opinion that NBN Co demonstrates a commitment to sustainability by incorporating environmental and social (E&S) considerations into its business operations through the following: (i) its objective of enhancing the digital capability of all Australians, (ii) the establishment of a value creation model that creates sustainable value for all of its stakeholders, and (iii) the implementation of a company-wide Sustainability Program.¹⁰ NBN Co's Sustainability approach and program is informed by materiality assessments to identify topics and related issues that have a significant impact on NBN Co or that are impacted by the Company's operations and are considered important to both NBN Co and its stakeholders.¹¹ Material E&S topics identified include social equity, economic contribution, resilient network, climate action (mitigation and adaptation), diversity and inclusion, transparent and accountable business, and digital inclusion.^{12,13}

In 2023, NBN Co committed to achieving net-zero emissions by 2050 or sooner and had its near-term 2030 science-based emissions reduction targets validated by the SBTi.¹⁴ To support its commitment, the Company has set the following targets: i) reduce absolute scope 1 and 2 emissions by 95% by 2030 from 2021 levels; ii) addressing scope 3 – Supplier (supply chain emissions), NBN Co commits that 80% of its suppliers by spend, covering purchased goods and services, capital goods and downstream transportation and distribution, will have science-based targets by 2027; and iii) targeting scope 3 – Customer (use of products emissions), NBN Co is committed to reducing these GHG emissions by 60% per device by 2030 from 2021 levels.¹⁵

The Company is implementing initiatives to support achievement of these targets, which include: i) reducing annual energy use by 25 GWh by December 2025; ii) purchasing 100% renewable electricity from December 2025; iii) transitioning to electric or hybrid vehicles, where suitably available by 2030; iv) selecting new fixed wireless network termination device (NTD); v) selecting new FTTP network termination device; and vi) engaging with executive strategic supplier forums.¹⁶ In 2022, NBN Co conducted a companywide climate change risk assessment and worked to align its risk management processes and disclosures according to the recommendations of the Task Force on Climate-Related Financial Disclosures.¹⁷

To support digital inclusion, NBN Co initiated and chairs the Low-Income and Digital Inclusion Forum (LIDIF) with the aim of identifying targeted initiatives for improving access, affordability, and digital skills for low-income, vulnerable, and unconnected users of its network.¹⁸ The Company is committed to delivering accessible and inclusive products and services to its customers and the wider community, and aims to accelerate its ambitions for the inclusion of people living with a disability.¹⁹ To achieve these goals, NBN Co has established an Accessibility Inclusion Plan, outlining how the Company will support access to healthcare, education, and online government services during times of technological advancements and digitization.²⁰ Furthermore, the Company's fourth Reconciliation Action Plan (RAP) focused on connecting communities, delivering customized product offerings and providing educational programs to enhance the digital literacy of First Nations people.²¹ In May 2023, NBN Co launched its fifth RAP, covering up to 2026, which continues the strong emphasis on connecting more communities, delivering customized product offerings and educational programs to lift First Nations people's digital literacy.²²

Sustainalytics is of the opinion that the NBN Co Sustainability Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

¹⁰ NBN Co, "Sustainability Report 2021", at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/sustainability-reports/nbn-sustainability-report-2021.pdf>

¹¹ NBN Co, "Annual Report 2022", at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/financial-reports/nbn-co-annual-report-2022.pdf.coredownload.pdf>

¹² Ibid.

¹³ NBN Co, "Annual Report 2023", at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/financial-reports/nbn-co-annual-report-2023.pdf.coredownload.pdf>

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the bonds issued under the Framework will be directed towards projects that are expected to have positive environmental and social 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 may include waste, land use and biodiversity issues associated with network infrastructure, optical network security risks, occupational health and safety, responsible procurement and the potential for increased social inequalities in the case of insufficient digital inclusion

Sustainalytics is of the opinion that NBN Co is able to manage and mitigate potential risks through implementation of the following:

- To mitigate risks related to waste, land use and biodiversity, NBN Co has an environmental management system in place which is in line with ISO 14001:2015 certification scheme. Furthermore, the Company will continuously monitor and evaluate emerging nature and biodiversity-related frameworks and market mechanisms across the domestic and international landscape, such as the Taskforce on Nature-related Financial Disclosures.²³
- To ensure the security of optical networks, NBN Co has adopted a security approach that integrates and coordinates various aspects under a common Security Governance Framework, aligning with the Enterprise Risk Management Policy for risk assessment, control and mitigation. Additionally, the Company regularly conducts threat assessments and scenario planning to facilitate the development and implementation of appropriate safeguards, ensuring that threat capabilities evolve in accordance with industry practices.²⁴
- To ensure worker health and safety, NBN Co has revised its safety and wellbeing strategy plan. This revision enhances safety and wellbeing management systems for both its employees and extended workforce. The plan places emphasis on safety leadership and culture, critical risk prevention and controls, learning and engagement, health and wellbeing, and assurance best practices. Additionally, the Company has implemented a health, safety and environment (HSE) management system that aligns with the requirements of ISO 45001:2018, covering the design, project management of broadband roll-out as well as the operations and maintenance of communications infrastructure.²⁵
- NBN Co's supplier code of conduct outlines Company's expectations for responsible procurement from suppliers. It emphasizes shared commitments to ethical, safe, and socially responsible practices. Suppliers, including associated entities, are expected to comply with this code, which sets minimum standards for human rights, workplace relations, health, safety, environment, ethical behavior and management systems.²⁶
- To mitigate the risk of exacerbating social inequalities in digital inclusion, NBN Co engages with stakeholders to address digital inclusion and capability barriers for underrepresented stakeholders, including low-income families, senior citizens, First Peoples and residents of rural and remote locations. Through focused programmes, the Regional Development and Engagement team undertakes outreach activities for regional Australians.²⁷

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

²³ NBN Co, "Annual Report 2023", at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/financial-reports/nbn-co-annual-report-2023.pdf.coredownload.pdf>

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

Section 3: Impact of Use of Proceeds

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

Importance of energy-efficient technology in the telecom sector in Australia

As of 2021, the Information Communication and Technology (ICT) sector as a whole contributed 3-4% of global GHG emissions, with the telecom sector accounting for 1.6%.²⁸ Although it is relatively small in terms of GHG emissions, the sector's rapid growth stresses the importance of addressing and limiting any expansion in its carbon footprint.²⁹ Increasing global data use and advancements in technology require additional infrastructure from telecom companies, generating more emissions. The introduction of 5G alone could result in the sector consuming up to 2-3 times more energy than in 2019³⁰ and account for 14% of global GHG emissions by 2040.³¹ As most emissions of the telecom sector come from energy consumption, energy efficiency measures may reduce energy-related GHG emissions by 40% over the next two decades.³² Reducing the energy demand per unit of data traffic in the ICT sector, for example, could eliminate up to an estimated 15% of all global emissions by 2030.³³

In Australia, the telecom and IT sector consumed approximately 4% of the country's electricity in 2019-20.³⁴ Between 2018 and 2020, the energy-related GHG emissions from this sector increased by 2.5%. As of 2020, the telecom and IT sector accounted for 0.77% of Australia's total GHG emissions,^{35,36} while every 1% rise in ICT development results in a 0.66% increase in GHG emissions in Australia, according to a University of Southern Queensland study.³⁷ Technologies that use fibre-optics have the ability to significantly reduce the sector's energy consumption and are considered to be one of the most energy-efficient means of broadband access.³⁸ Compared to copper cables, fibre-optics consumes less than one-fifth of energy per user.³⁹ In order to accelerate the low-carbon transition, Australia committed to reduce its GHG emissions by 43% below 2005 level by 2030 and achieve net zero emissions by 2050 under the Paris Agreement.^{40,41}

Sustainalytics is of the opinion that NBN Co's investment in energy-efficient network technologies are expected to help in improving the energy efficiency in the telecom sector and contribute to Australia's emissions reduction targets.

Importance of digital inclusion in Australia

As per the Australian Digital Inclusion Index, one out of four people in Australia were digitally excluded in 2023. The digital exclusion rates remain elevated for specific demographic groups in Australia.⁴² Notably, individuals with disabilities (55.1%), residents of public housing (64.1%), individuals aged over 75 (65.2%), and those currently unemployed (69.4%) continue to face significantly higher levels of digital exclusion.⁴³ According to the Australian Digital Inclusion Index 2023, there is a significant digital divide between First Nations and non-First Nations people and the gap widens further in remote and very remote areas. The report also notes that

²⁸ BCG, "Telco Sector Can Be Game-Changer on Sustainability", (2021), at: <https://www.bcg.com/press/24june2021-telco-sector-game-changer-sustainability-shrinking-carbon-footprints>

²⁹ International Telecommunication Union, "Greenhouse gas emission trajectories for the information and communication technology sector compatible with the UNFCCC Paris Agreement", (2020), at: https://www.itu.int/rec/dologin_pub.asp?lang=s&id=T-REC-L.1470-202001-!!!PDF-E&type=items

³⁰ GSMA Future Networks, "Energy Efficiency: An Overview", (2019), at: <https://www.gsma.com/futurenetworks/wiki/energy-efficiency-2/>

³¹ BCG, "Telco Sector Can Be Game-Changer on Sustainability", (2021), at: <https://www.bcg.com/press/24june2021-telco-sector-game-changer-sustainability-shrinking-carbon-footprints>

³² International Energy Association, "Energy Efficiency 2020", at: https://iea.blob.core.windows.net/assets/59268647-0b70-4e7b-9f78-269e5ee93f26/Energy_Efficiency_2020.pdf

³³ Ibid.

³⁴ Greenpeace, "Reenergise: Solar Streaming: Who's leading the telco, tech & IT race to renewables?", (2021), at: <https://reenergise.org/wp-content/uploads/2021/06/GPAP-RE-Telco-Briefer.pdf>

³⁵ Ibid.

³⁶ IEA, "Australia: Country Profile", (2020), at: <https://www.iea.org/countries/australia>

³⁷ Khanal, A. (2021), "The Role of ICT and Energy Consumption on Carbon Emissions: An Australian Evidence Using Cointegration Test and ARDL Long-run and Short-run Methodology", International Journal of Energy Economics and Policy, at: <https://eprints.usq.edu.au/43426/1/The%20Role%20of%20ICT%20and%20Energy%20Consumption%20on%20Carbon%20emissions.pdf>

³⁸ TalkTalk Business, "Full Fibre Most Energy-Efficient Connectivity Method", at: <https://www.talktalkbusiness.co.uk/news-and-insight/blogs/fttp-ftw-new-research-full-fibre-most-energy-efficient-connectivity-method/>

³⁹ Multicom, "Copper v/s Fibre – Which to choose?", at: <https://www.multicominc.com/training/technical-resources/copper-vs-fiber-which-to-choose/>

⁴⁰ UNFCCC, "Nationally Determined Contribution Communication: Australia", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/NDC%202022%20Update%20Letter%20to%20UNFCCC.pdf>

⁴¹ IEA50, "Net zero 2050 - Australia's long-term emissions reduction plan", (2023), at: <https://www.iea.org/policies/14379-net-zero-2050-australias-long-term-emissions-reduction-plan>

⁴² Australian Digital Inclusion Index, "Key findings and next steps", at: <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

⁴³ Ibid.

access to technology and the internet presents a major challenge, especially in remote First Nations communities.⁴⁴

The government of Australia has rolled out initiatives such as the Universal Service Guarantee to enable access to fast, affordable broadband throughout the country, and the Mobile Black Spot Program to improve mobile network coverage.⁴⁵ In addition, the Australian Digital Inclusion Alliance (ADIA) has put forward a National Digital Inclusion Roadmap in 2020 aimed at ensuring affordability and accessibility, as well as enhancing digital skills among communities at risk of exclusion.⁴⁶

Sustainalytics is of the opinion that NBN Co’s initiatives to expand the broadband network to the underserved regional and remote communities will enable digital inclusion in Australia.

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 Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	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
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Access to Essential Services and Socio-economic Advancement and Empowerment	9. Industry, innovation and infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Conclusion

NBN Co has developed the NBN Co Sustainability Bond Framework under which it may issue green bonds, social bonds and sustainability bonds and use the proceeds to finance or refinance projects related to energy efficiency, renewable energy, and access to essential services and socioeconomic advancement and empowerment. Sustainalytics considers that the projects funded by the green, social and sustainability bond proceeds are expected to reduce the carbon footprint of the Company’s business activities and enable digital inclusion providing social benefits in Australia.

The NBN Co Sustainability Bond Framework outlines a process for tracking, allocation, and managing proceeds, and make commitments to report on the allocation and impact of the use of proceeds.. Sustainalytics believes that the NBN Co Sustainability Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN SDGs 7 and 9. Additionally, Sustainalytics is of the opinion that NBN Co has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that NBN Co is well positioned to issue green, social and sustainability bonds and that that Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles and Social Bond Principles.

⁴⁴ Australian Digital Inclusion Index, “Australian Digital Inclusion Index 2023”, at: https://www.digitalinclusionindex.org.au/wp-content/uploads/2023/07/ADII-2023-Summary_FINAL-Remediated.pdf

⁴⁵Australian Government Department of Industry, Science, Energy and Resources, “What is government doing to improve inclusion?” at: <https://www.industry.gov.au/data-and-publications/australias-tech-future/inclusion/what-is-the-government-doing-to-improve-inclusion>

⁴⁶ ADIA, “A National Digital Inclusion Roadmap”, (2020), at: <https://www.digitalinclusion.org.au/wp-content/uploads/2020/10/ADIA-A-National-Digital-Inclusion-Roadmap.pdf>

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

Section 1. Basic Information

Issuer name:	NBN Co Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	NBN Co Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 5, 2024
Publication date of review publication:	
Original publication date:	

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.
- 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 – Energy Efficiency, Renewable Energy and Access to Essential Services and Socio-economic Advancement and Empowerment – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

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 recognized 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: NBN Co's Sustainability Bond Advisory Group will be responsible for the process of evaluating and selecting eligible projects as per the Framework's criteria. NBN Co has established internal policies and a risk management standard to support the management of environmental and social risks associated with the projects and assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and 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: NBN Co's Sustainability Bond Advisory Group will be responsible for management of proceeds using sustainable bond register. NBN Co intends to allocate net proceeds to eligible projects within 24 months from issuance. Pending allocation, unallocated proceeds will temporarily be held in cash or cash equivalents. 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: NBN Co commits to report on allocation of proceeds in its sustainability bond report which will be published on its website on an annual basis until the maturity dates of the bonds. In addition, NBN Co is committed to report on relevant impact metrics, where feasible. Sustainalytics views NBN Co's allocation and impact reporting as aligned 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 recognized 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 specialized 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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