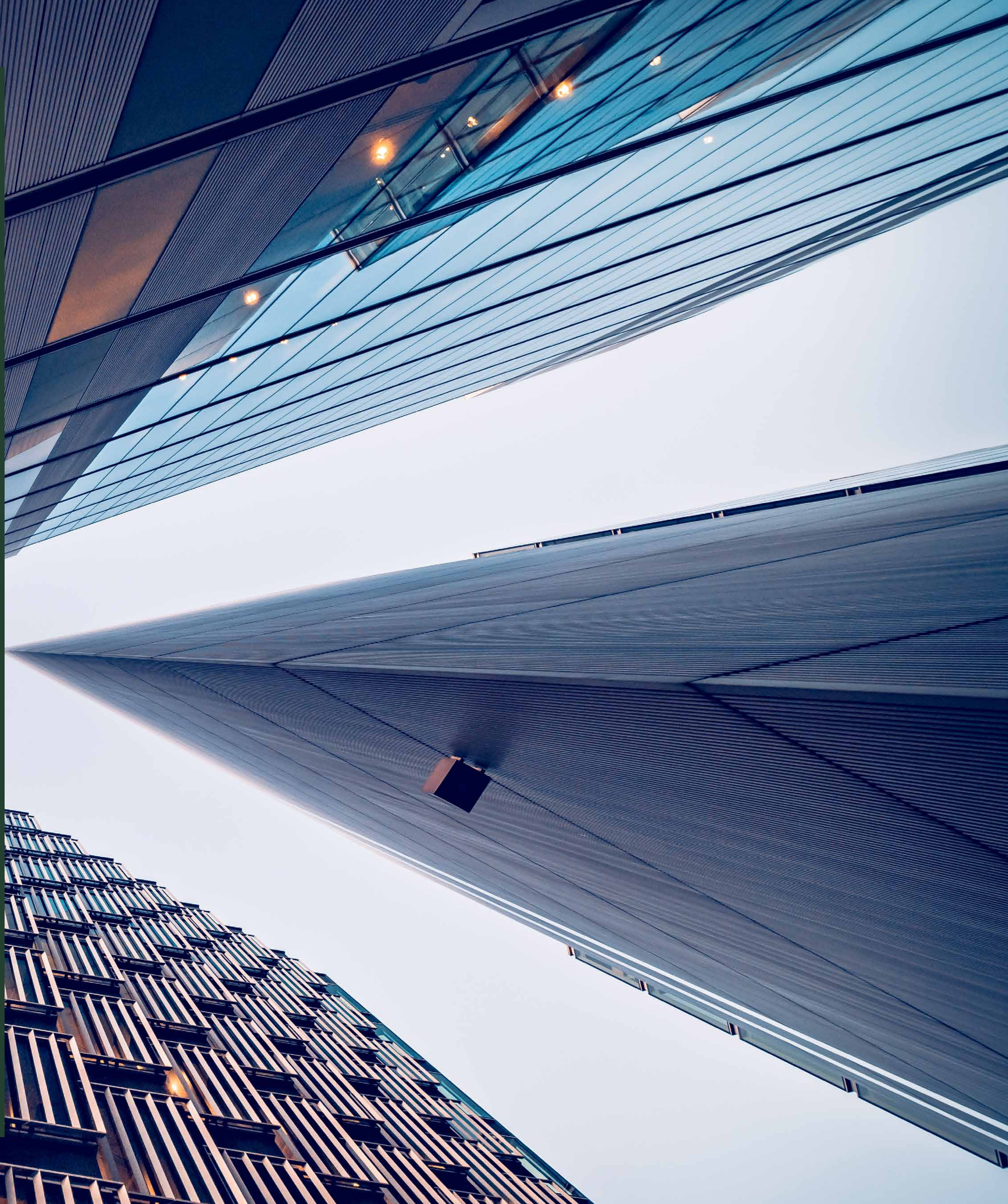
QIC

Liquid Markets Group Sustainability Report

2022



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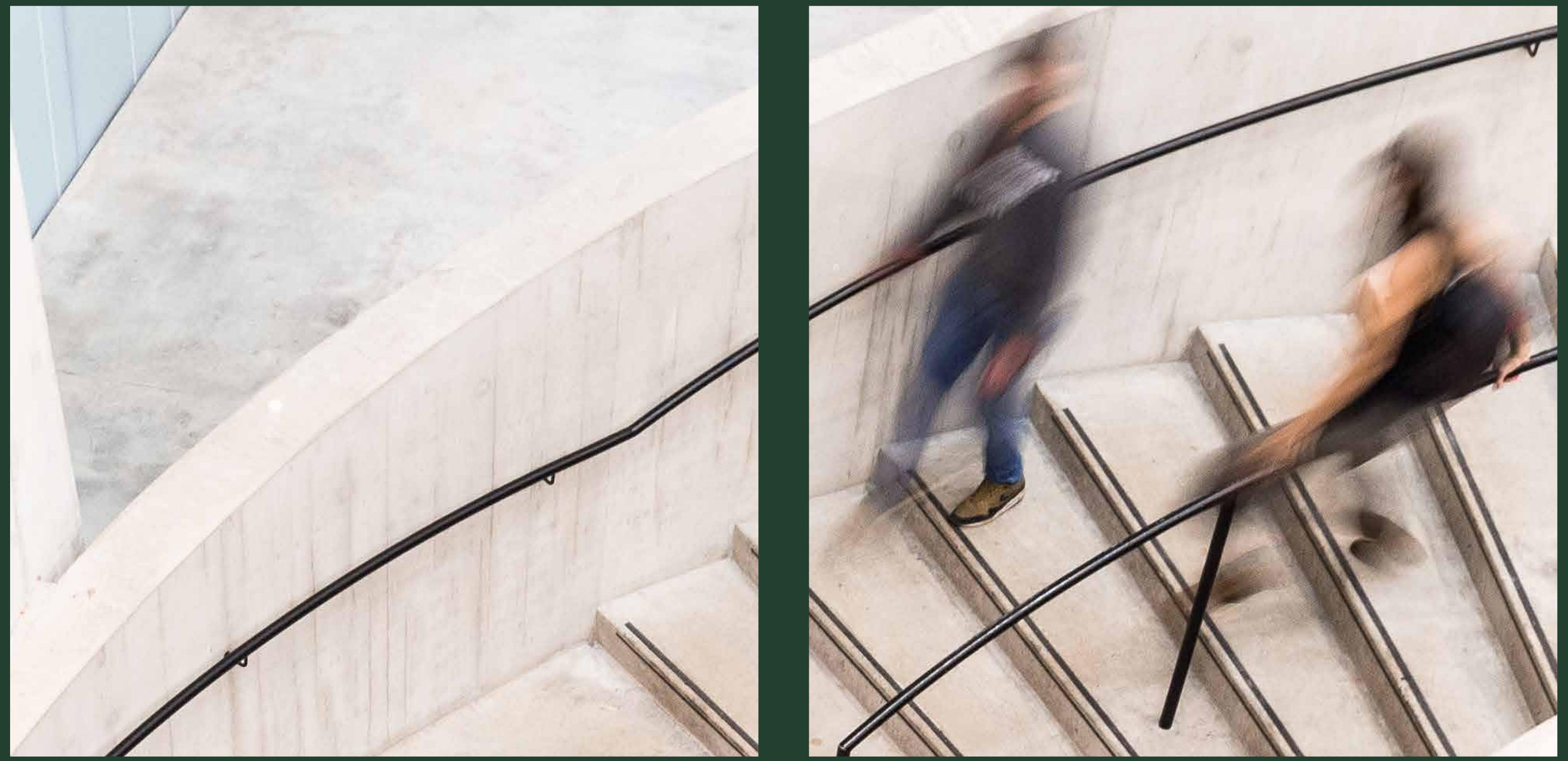
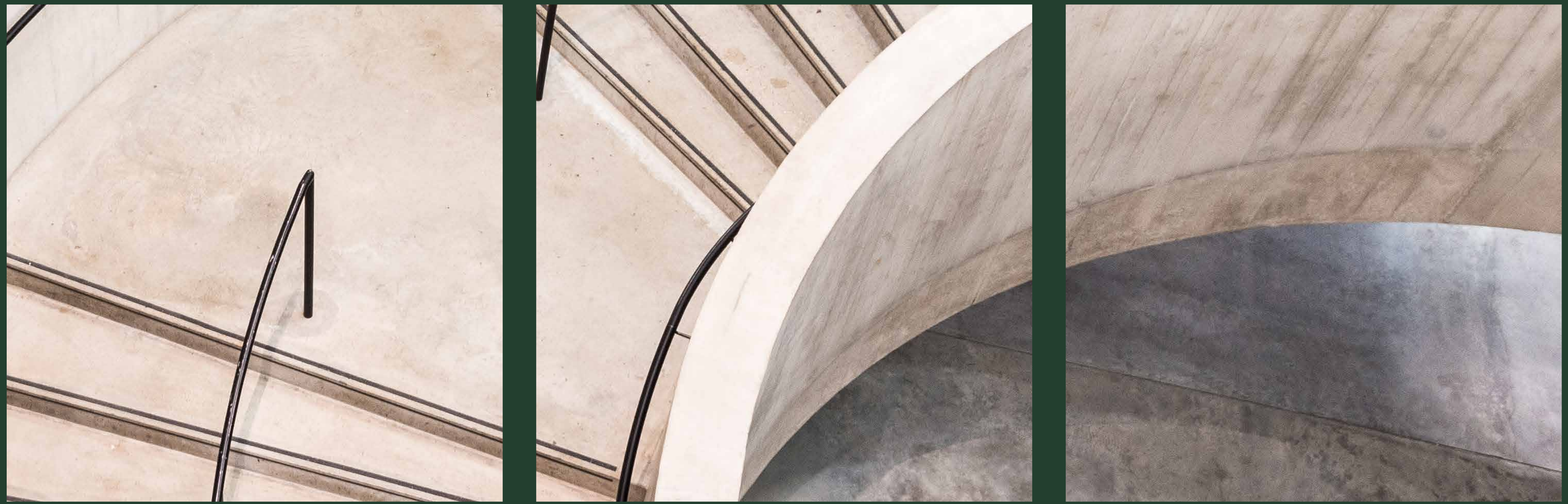


QIC respectfully acknowledges the Traditional Owners and Custodians of Country throughout Australia and recognises their continuing connection to land, water and community. We pay our respects to Elders past, present and emerging.



This report is produced annually and covers our material governance, environmental and social activities during the period from 1 July 2021 to 30 June 2022 (unless noted otherwise). This report should be read in conjunction with the QIC Sustainability Report, QIC Taskforce for Climate Related Financial Disclosure Report and Modern Slavery Statement.

1. Introduction

LIQUID MARKETS GROUP
SUSTAINABILITY REPORT 2022

1. Introduction

This financial year saw an easing of pandemic-related pressures, yet global volatility continued with the invasion of Ukraine and early warning signs of a global slowdown. Under these turbulent conditions, QIC Liquid Markets Group's (LMG) flexible approach to investment decision-making allows us to adapt to current conditions while meeting the needs of our clients.

Despite global tensions, FY22 saw LMG's clients continue to focus on sustainability, with a notable shift in attention from ESG research to portfolio integration. Climate risk, human rights and sensitive sector screening were also priorities for our clients this year.

In this LMG Sustainability Report 2021–22, we summarise the key themes and showcase the ESG initiatives across our institutional offerings of liquid market investment solutions.

During the year under review, QIC's LMG team fielded more requests to screen holdings against sensitive sectors, including those nominated by clients. We screen using a combination of third-party data provider tools that identify product involvements and revenue ties to activities. Examples of screening requests include bonds with revenue ties to gambling, royalty sources, nuclear power, fossil fuels, controversial weapons[1], adult entertainment, alcohol and tobacco retailing, predatory lending practices and additional sectors our clients nominated.

In FY22, the invasion of Ukraine triggered screening requests for potential direct and supply chain exposure to the region. QIC had already excluded investments in bonds of Russian entities as part of the European Union's 2014 sanctions. We also have a compliance screen for bond issuers using tax havens, which was reviewed for potential ties.

In the past 12 months, we have seen heightened interest in sustainability modelling correlating with new regulation requiring market participants to consider the financial implications of climate change. Key climate-related areas on which we have been collaborating with clients include:

- carbon footprints and the mapping of net zero-related decarbonisation pathways of bond portfolios, which includes monitoring guidance around treatment of green bonds and derivatives (the latter of which could be useful for overlay or rebalancing mandates)
- analysis of green and sustainable bond use of proceeds, especially those funding climate initiatives
- physical and transition risk modelling of bonds.

Our LMG sustainability evolution is continuing with work underway to map net zero and beyond pathways for bond portfolios and assessing frameworks for derivatives. Data, whilst challenging at times and requiring additional verification, is improving in our view. We are also examining nature-related risks and opportunities for bond investors, and definitions and categorisation of bond investments are also being developed using QIC's Sustainable Investment Classification Framework.

Marayka Ward
Director, LMG Sustainable Investments

We were proud to support the sustainability leadership of European Investment Bank (EIB) via their A$1.5 billion Sustainability Awareness Bond in January 2022. This record-sized Australian dollar supranational deal provided investors with an opportunity to finance green and social sustainability initiatives aligned with EU regulations.

1 Controversial weapons are defined as biological and chemical weapons, blinding laser weapons, depleted uranium, cluster munitions, landmines, white phosphorous, and weapons that use non-detectable fragments.

QIC

2. Active Ownership — Engagements

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SUSTAINABILITY REPORT 2022

2.1 Active ownership — engagements

At LMG, we recognise that debt investors are an important part of the capital structure and in our experience, companies and sovereigns are interested in the sustainability views and activities of fixed-interest investors.

LMG actively engages with debt issuers on ESG considerations. Since LMG started tracking engagements in 2016, our view of improvements in sustainably practices include:

- the understanding of sustainability issues at executive levels (for example, corporate treasurers now talk about sustainability rather than deferring to an ESG specialist)
- an openness to discuss and collaborate on sustainability practices and plans
- improvement in the provision of sustainability data.

Given this shift, LMG expects our engagement program will evolve to focus on thematic issues of importance to QIC and our clients, such as climate change and target setting. We believe thematic engagement is more effective when done collaboratively, and we anticipate the structure of our program will change towards participating in more group engagements, which will likely see the number of engagements decrease but the depth of each engagement increase.

FY22 engagements are summarised in the following charts. The total number of engagements in FY22 was 40, down from 53 in FY21. Our engagement format was similar to FY21 but a higher proportion of engagements during FY22 was with financials and sovereigns compared to FY21. Further details of our FY22 engagements and outcomes are in Section 5.1.

Figure 1: LMG Engagements by Issuer Type — FY22

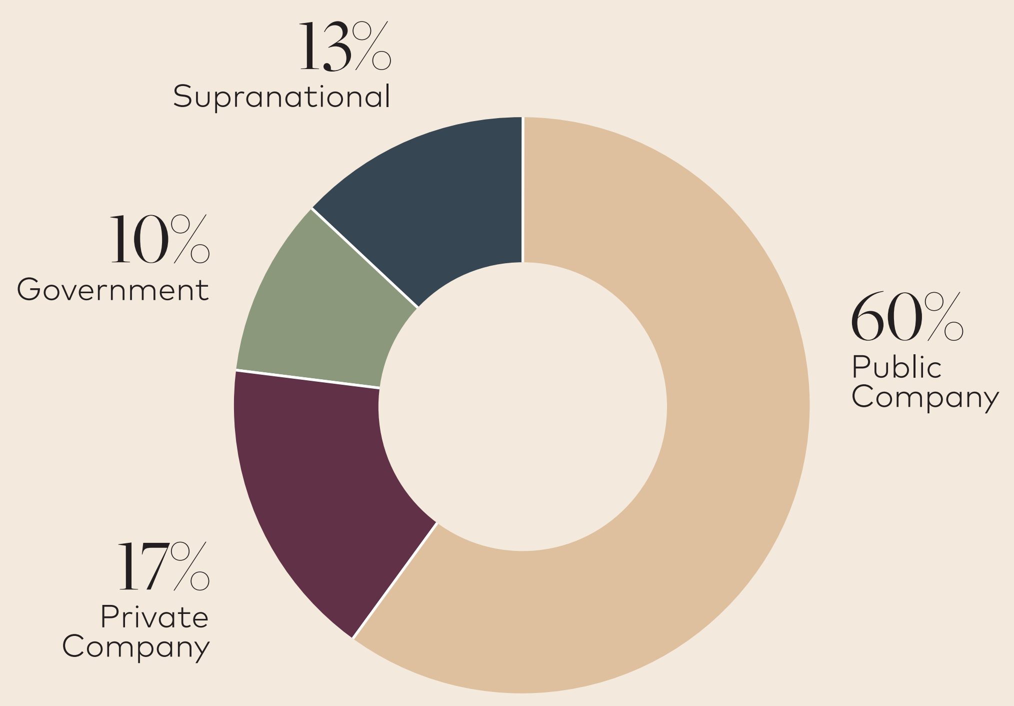


Figure 2: LMG Engagements by Industry — FY22

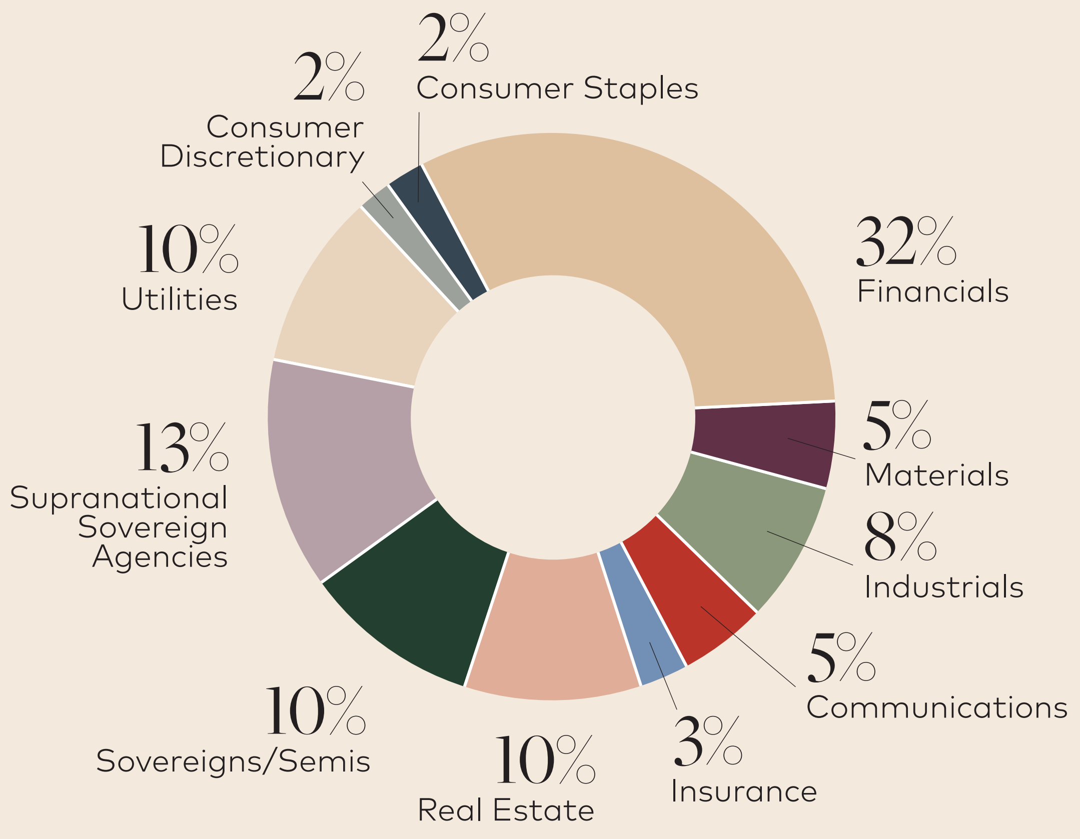


Figure 3: LMG Engagements by Format — FY22

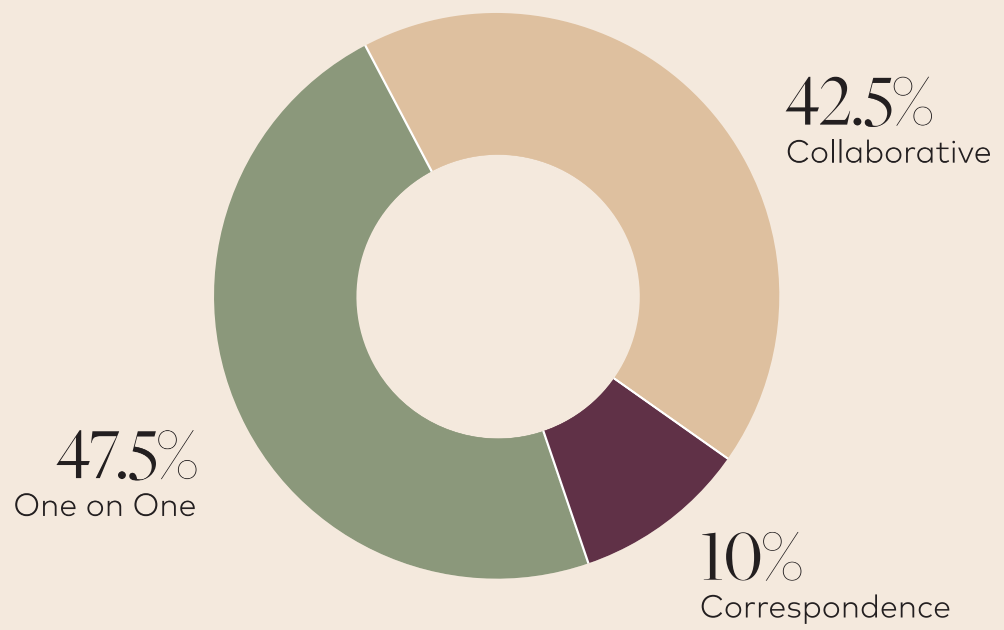
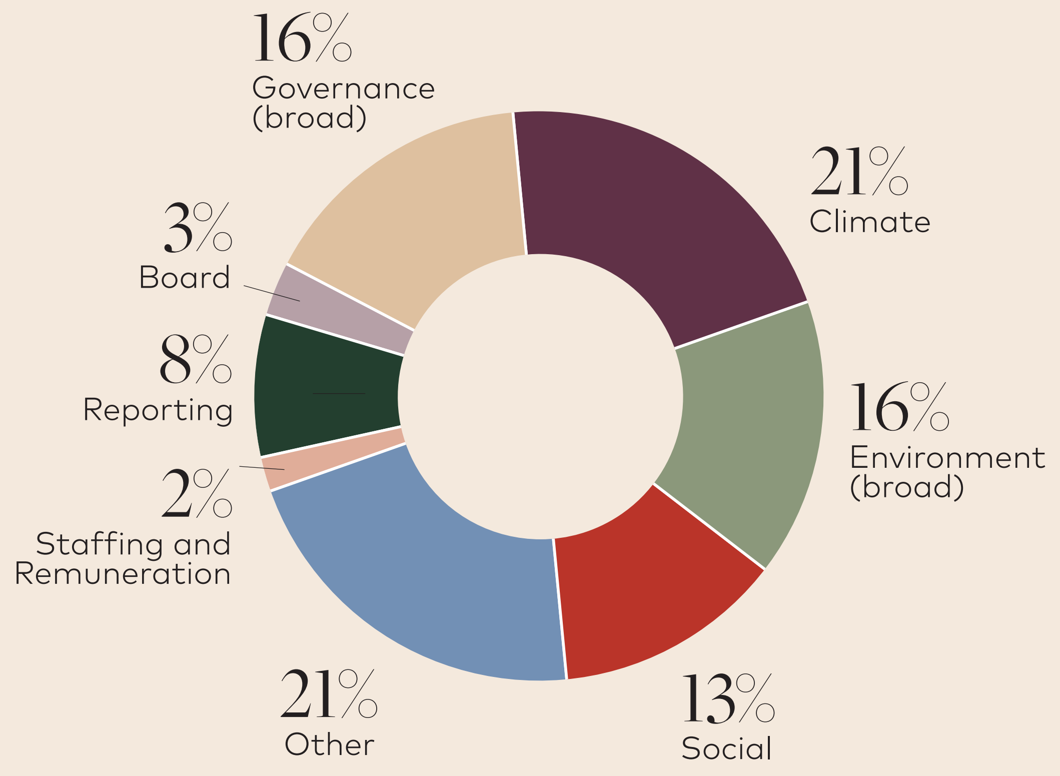


Figure 4: LMG Engagements by Topics — FY22



Source: QIC

QIC

3. Labelled Bonds — Holdings, Turnover, Impact Reporting

LIQUID MARKETS GROUP
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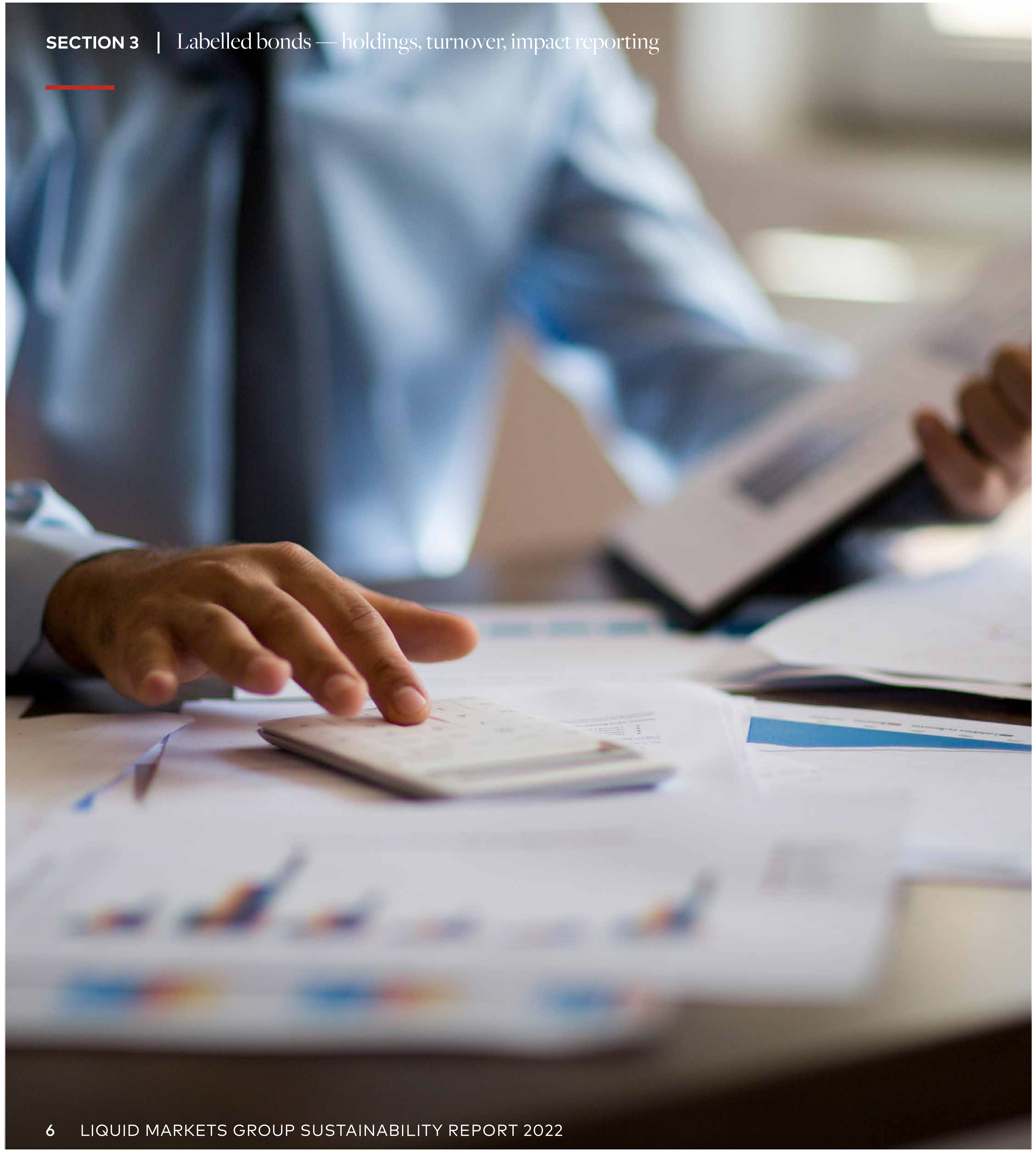


Labelled bonds — holdings, turnover, impact reporting

3.1 Labelled Bond Investment Standard

During the financial year LMG formalised its process for investing in labelled bonds including green, social, sustainable, and sustainability-linked bonds into a Labelled Bond Investment Standard, approved by the LMG Investment Committee.

First and foremost, the issuer of the bond must meet our credit approval process. Then the deal structure must meet our *minimum requirements*. We do not buy a bond merely for its sustainability label or price.

Our Investment Standard contains minimum structural requirements we look for in green, social, sustainable, and sustainability-linked bonds, including a framework aligned to either the Climate Bond Initiative or relevant ICMA principles, supported by a Second Party Opinion. We also require annual ongoing reporting on use of proceeds or progress towards sustainability targets, with a preference for audited data. The minimum requirements apply to labelled bonds acquired in primary and secondary markets from the date of approval (May 2022).

The Investment Standard guides LMG's credit analysts and portfolio managers on security types, frameworks, typical deal lifecycles, our investment principles — what to look for and what to avoid, procedures to follow when trading a labelled bond, and our ongoing monitoring process for labelled bonds. We believe adherence to the Investment Standard will help to minimise involvement in deals that are potentially greenwashed.

3.2 Holdings

At 30 June 2022 we held approximately $480 million (AUD equivalent market value) of labelled bonds.

3.3 Turnover

During FY22 we traded $283 million (AUD equivalent market value — net of buys and sells) in labelled bonds.

Figure 5: AUD equivalent of labelled bond holdings at 30 June 2022

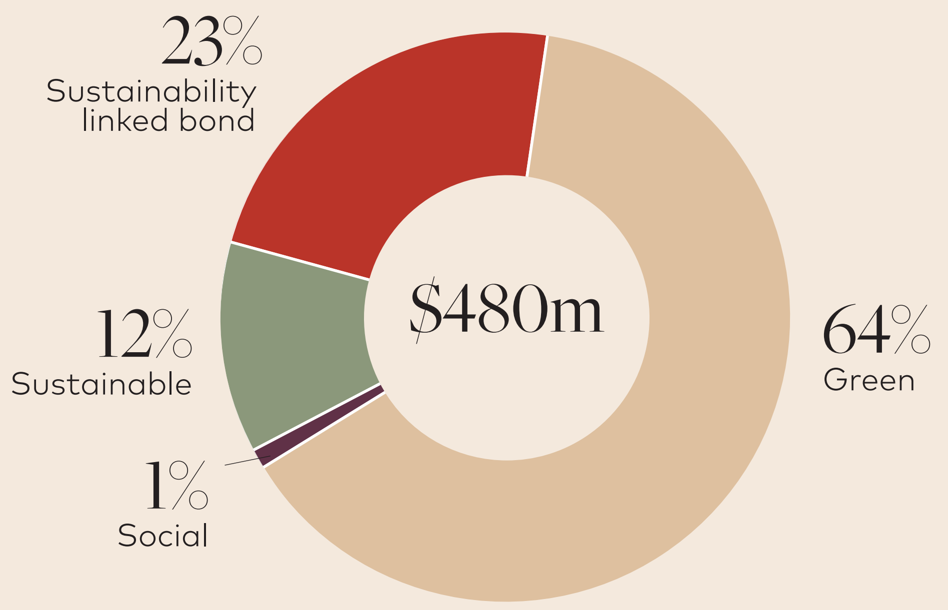
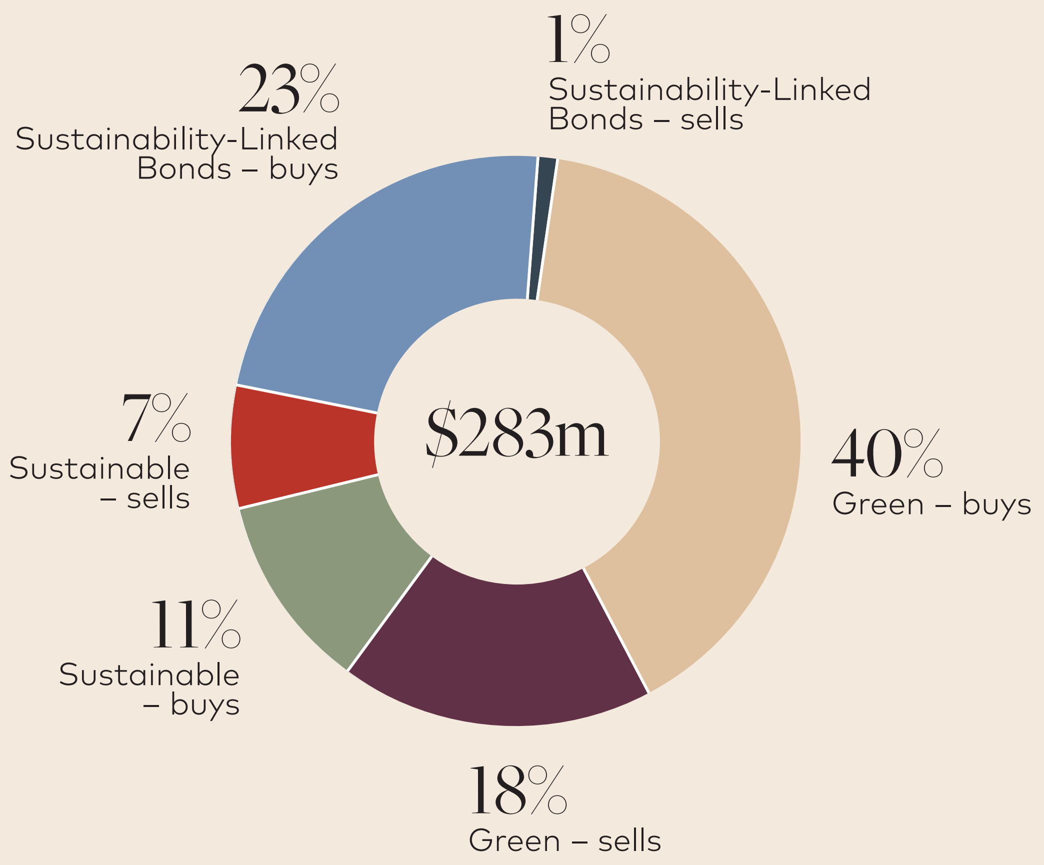
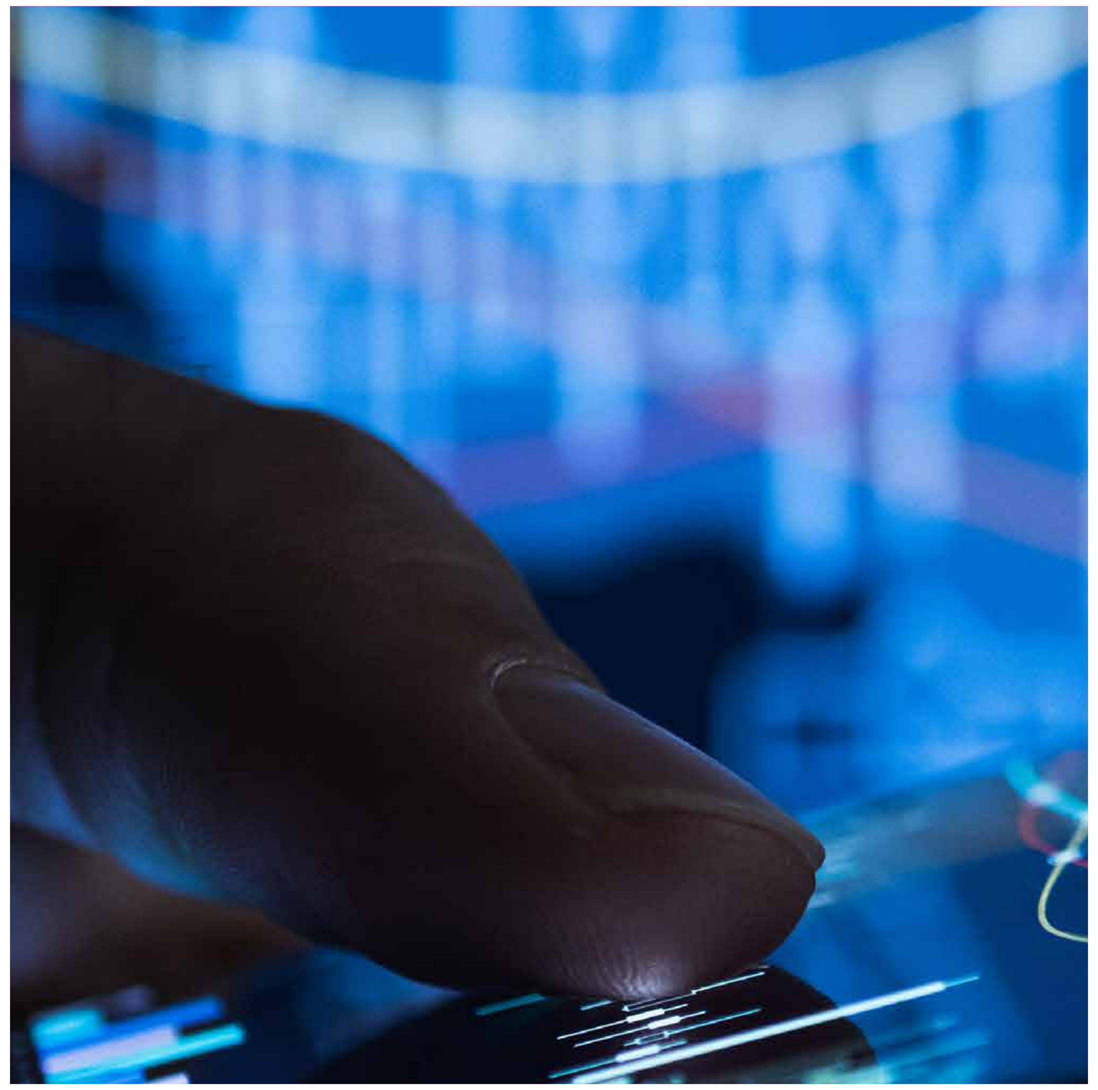
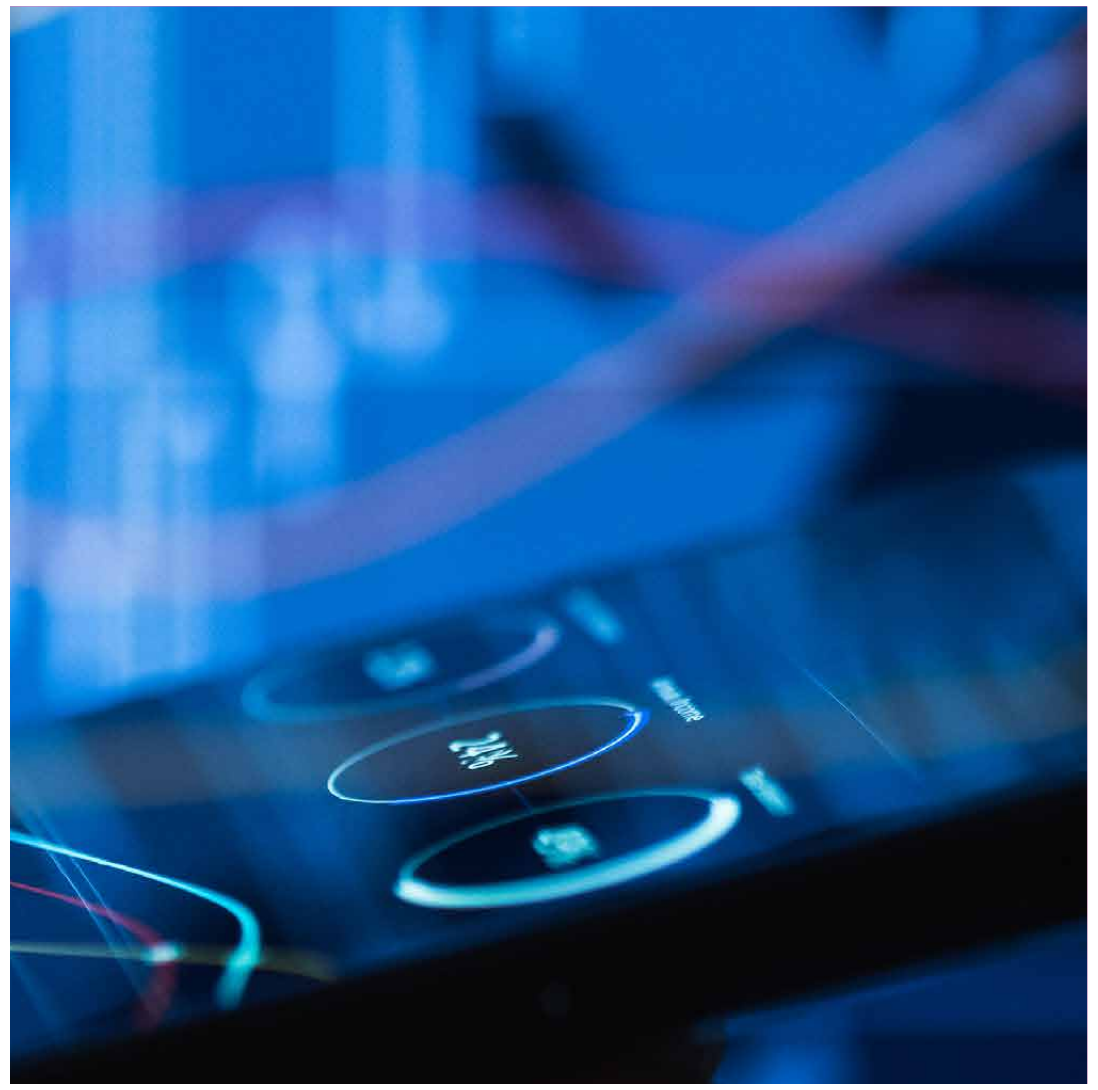


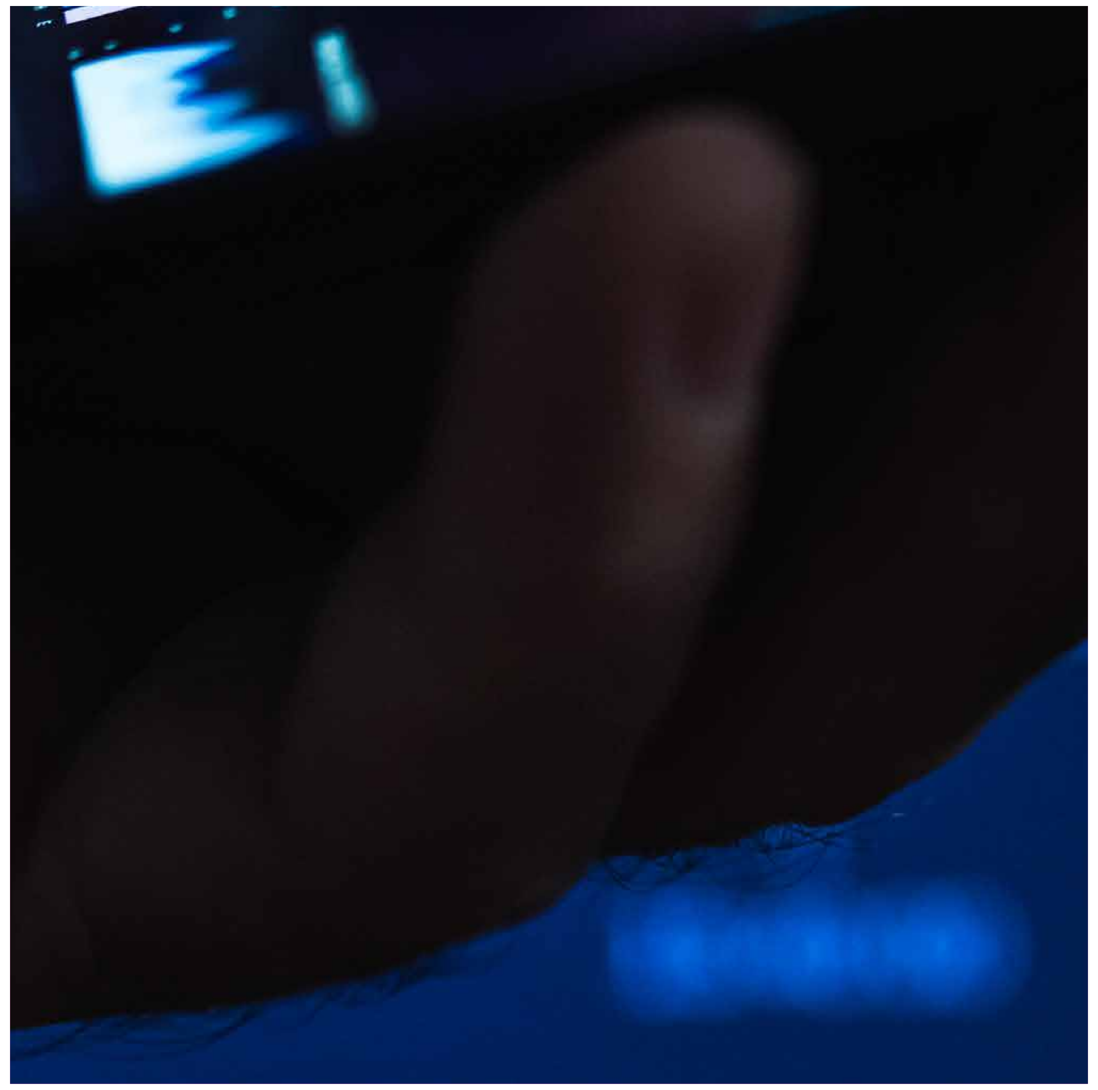
Figure 6: AUD equivalent of labelled bond turnover during FY22 (buys and sells by security type)



Source: QIC
Section 5.2 provides examples of the labelled bonds held, with links to relevant impact or use of proceeds reports.







We believe adherence to the Investment Standard will help to minimise involvement in deals that are potentially greenwashed.

4. Sustainability Modelling and Screening

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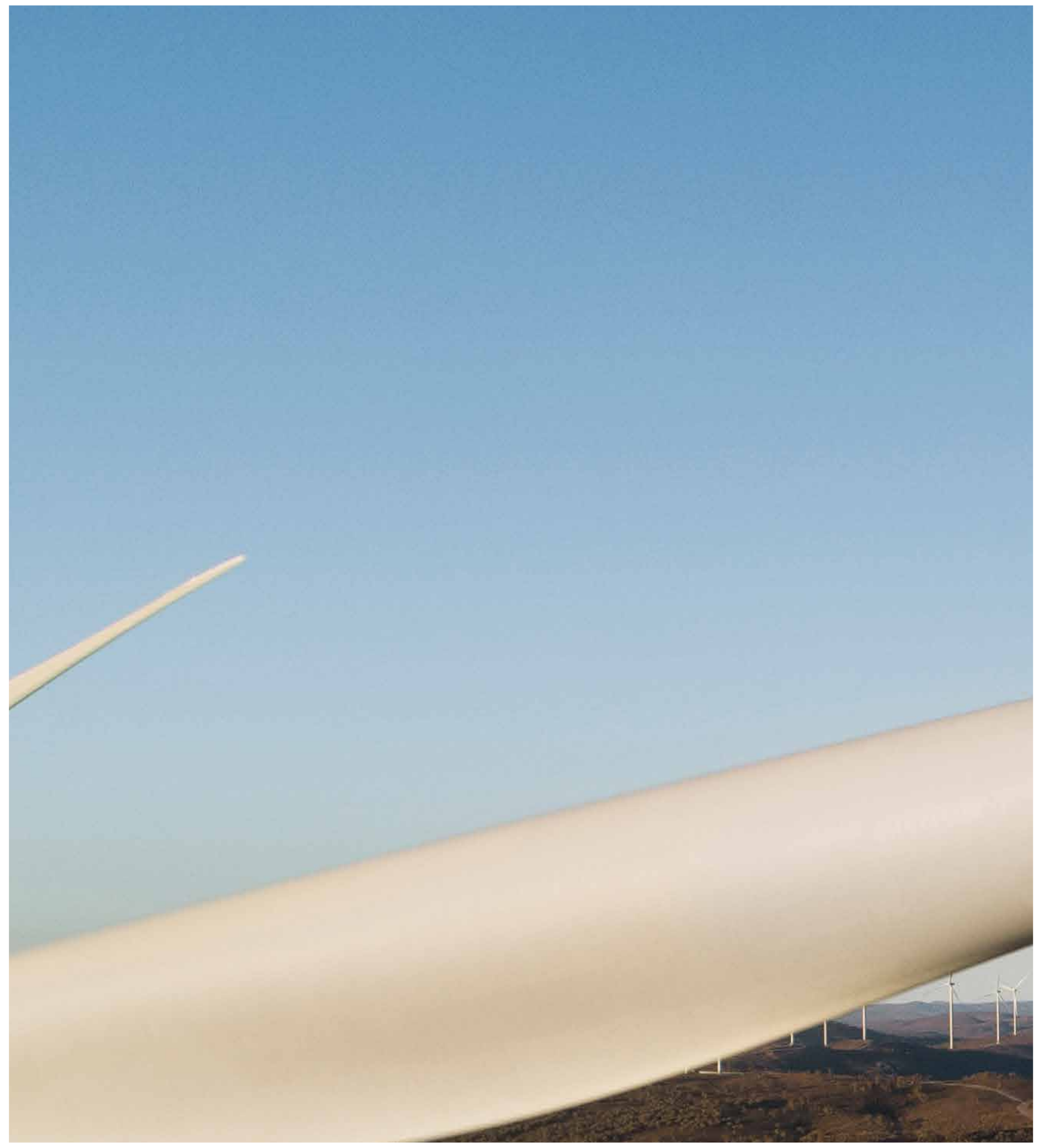
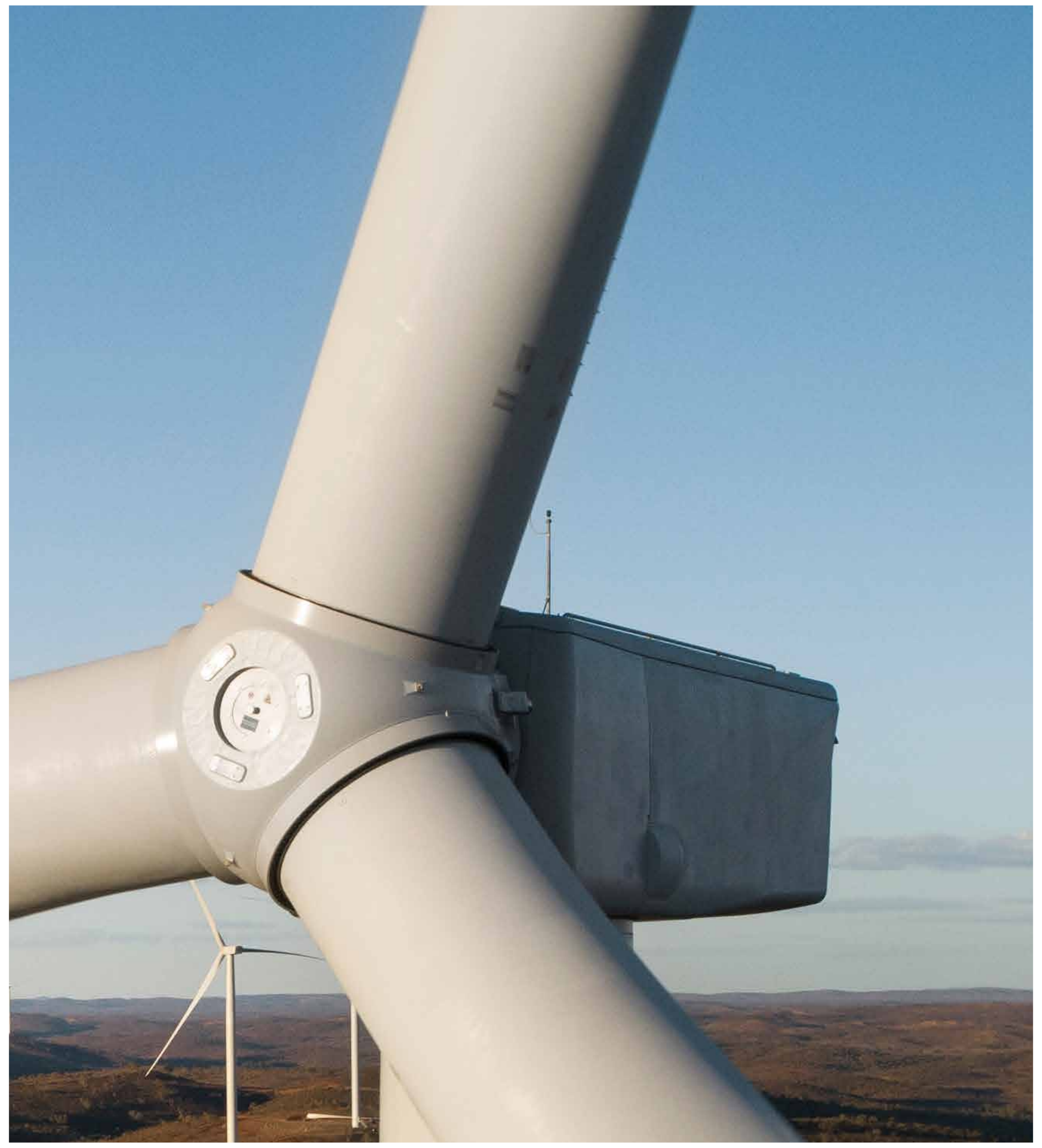
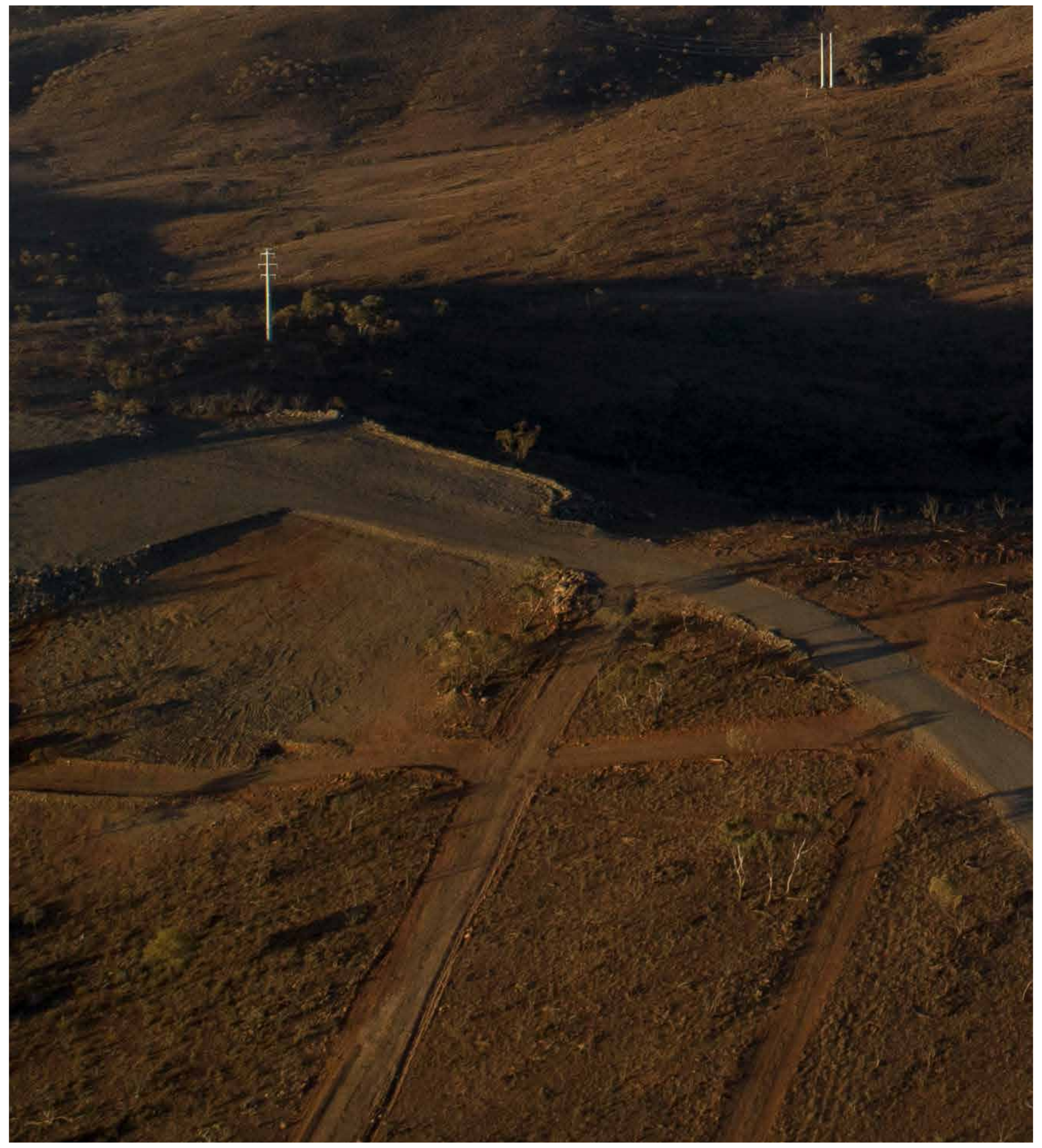
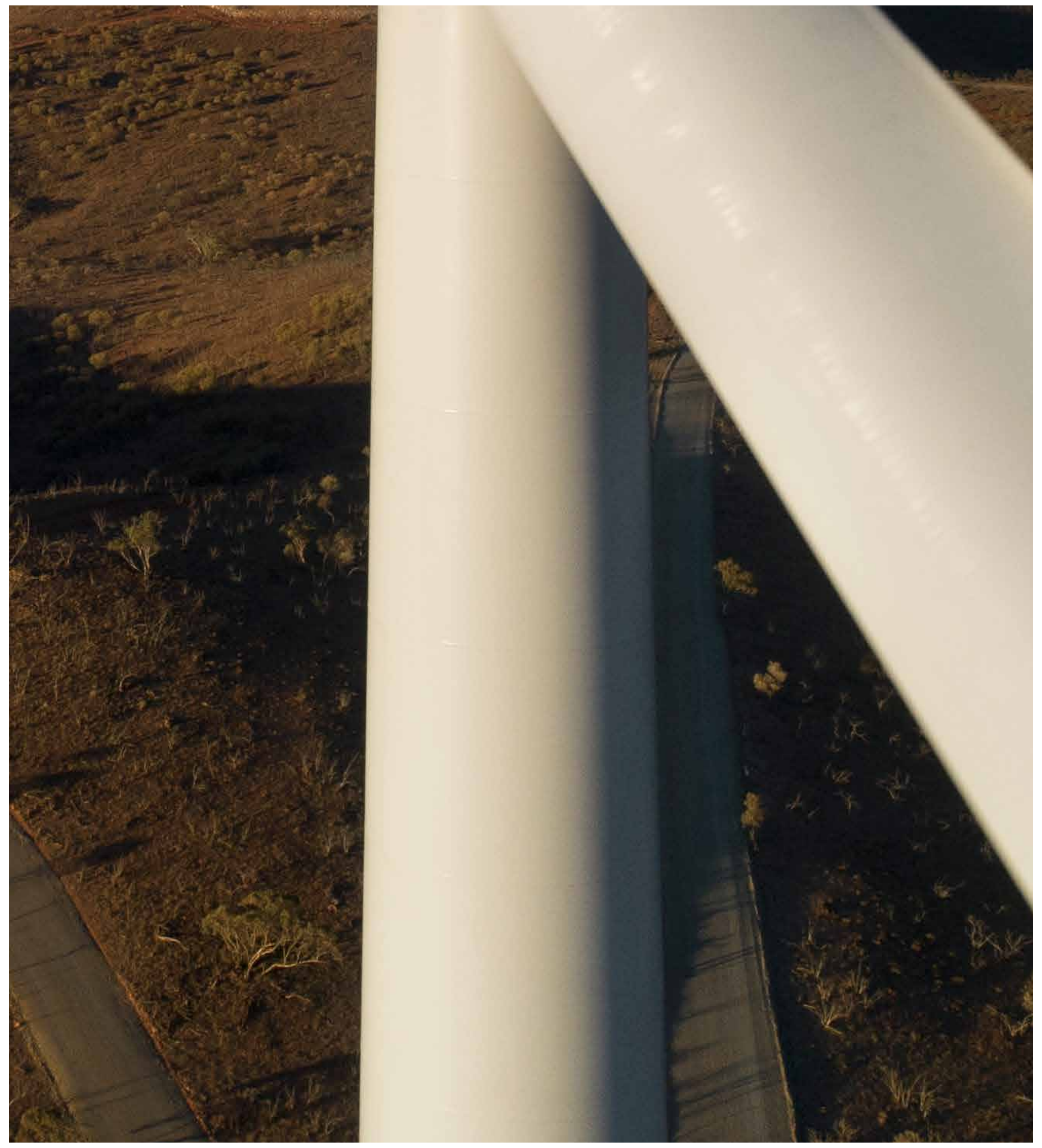





Sustainability modelling and screening

4.1 Physical and transition risk modelling

As clients and LMG work through setting of net zero emissions targets and decarbonisation pathways, we have been advancing modelling capabilities for physical and transition risk and Scope 3 emissions, while also analysing types of emissions reduction targets set by bond issuers.

LMG already models sovereign and corporate portfolio carbon emissions for physical bonds using third-party data, supplemented by our proprietary model where data is unavailable. This covers:

- Absolute Scope 1 and Scope 2 emissions
- Estimated and reported Scope 3 emissions
- Emissions intensity (revenue and EVIC noting we prefer the revenue measure to eliminate potential debt and equity market volatility possible with the EVIC denominator)
- Weighted Average Carbon Intensity (revenue measure)
- Portfolio coverage calculations (percent of portfolio net asset value)
- 2030 projected emissions intensity (where third-party data is available).

Most of our physical bond mandates no longer hold bonds financing oil and gas exploration and production, coal mining, and coal fired power generation. We have also increased holdings (measured by percentage of notional market value of a portfolio) of green, social, sustainable, and sustainability-linked bonds across many of our unitised funds during the financial year. Some of these bonds finance renewable energy and projects to reduce emissions.

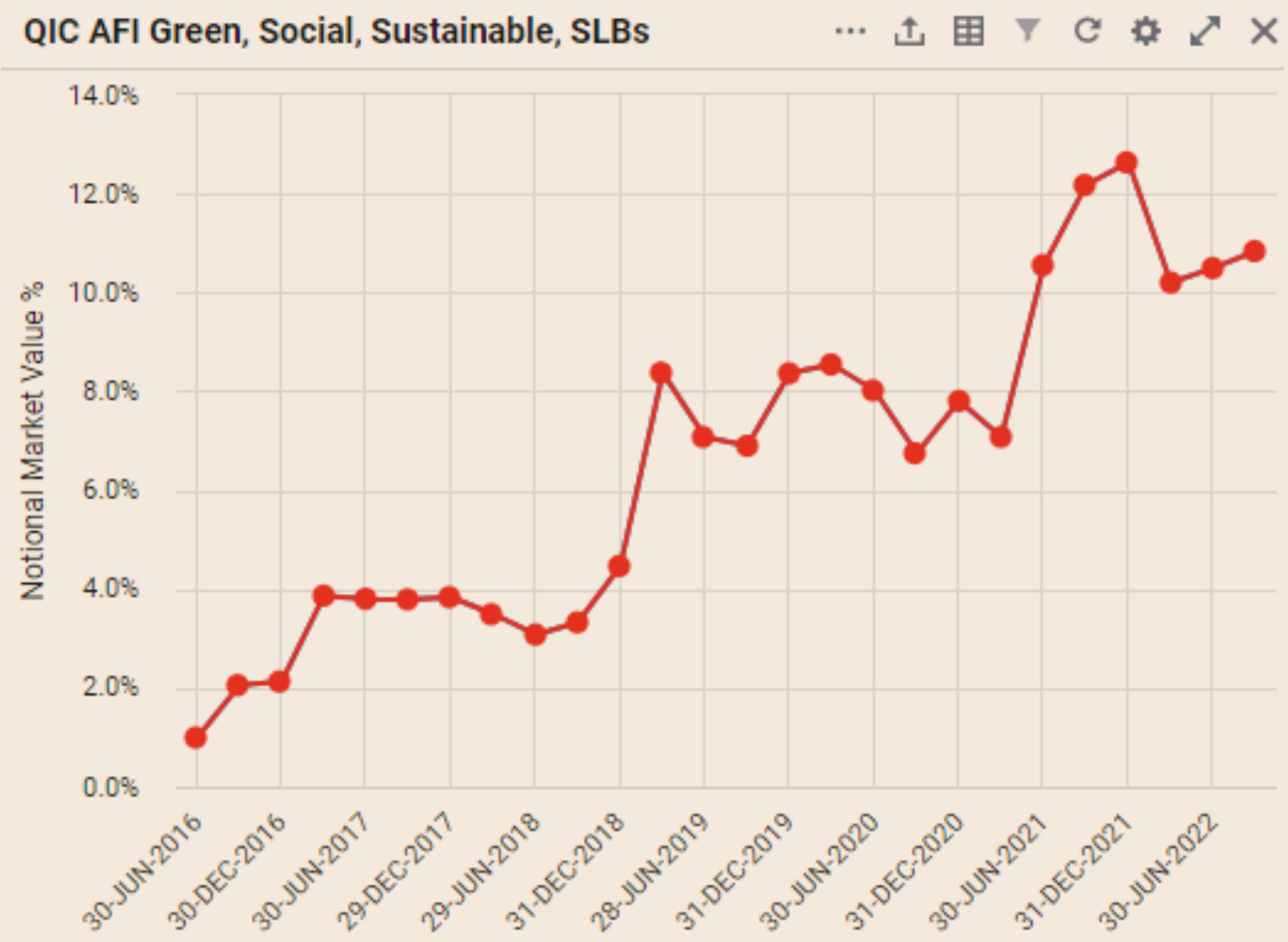
For example, the QIC Australian Fixed Interest Fund increased labelled bond holdings from 7.1% of notional market value at 30 June 2021 to 10.8% of notional market value at 30 June 2022, having been as high as 12.6% of notional market value at 31 December 2021.

Third-party data is a useful tool in sustainability model, but not infallible, which is why we complement it with our own internal credit research. This year we saw a major Australian company flagged through third-party data for not having a net zero target, which our credit research team found to be incorrect. Similarly, it was our credit team in July 2022 that first picked up a modern slavery allegation against a subsidiary of a major global brand, which saw us subsequently take action to divest of all bonds of the parent entity. This demonstrates the importance that we place on diligent, multi-faceted research and review processes.

During the year LMG used third-party data tools to model physical and transition risk, including ISS-ESG and MSCI.

The team also used Munich Re's Location Risk Intelligence Tool to conduct more detailed physical risk analysis of bonds where their use of proceeds or underlying assets could be more easily identified, such as some real estate and infrastructure bonds (as opposed to bonds where proceeds can be used for general corporate purposes).

Figure 7: AUD equivalent of labelled bond holdings at 30 June 2022



Source: QIC and Aladdin

Value at Risk (VaR) output tended to suggest portfolios of Australian dollar corporate bonds faced little financial risk from physical climate risk and while we have seen anecdotes of bonds in areas of greater transition risk pricing wider, we think there is not enough information clearly attributing a financial risk to bond pricing yet.

To analyse emissions reduction targets, LMG used third-party data providers supplemented by our credit analysis, to understand the range of target setting across bond issuers in portfolios and relevant benchmarks, namely:

- No target — we will use engagement to encourage science-based target setting
- Company devised target
- SBTi (Science Based Target initiative) aligned target
- SBTi verified target
- Paris Agreement ratification for government bonds.

LMG believes a portfolio with a higher proportion of bond issuers with SBTi verified targets than no target at all, should stand a better chance of achieving decarbonisation pathways towards net zero.

Analysing targets, incorporating Scope 3 emissions (which we are also modelling given low coverage ratios of reported data), and holding climate aware securities is consistent with net zero frameworks and guidance for bond portfolios.

4.2 Nature and biodiversity risk

We are monitoring development of the Taskforce on Nature-related Financial Disclosures ('TNFDs'), including the Beta Framework 2.0 released in June 2022.

In FY22 we have continued predominantly assessing the risk of negatively impacting nature and biodiversity by providing bond financing to companies that MSCI flags as:

- red or orange for environmental controversies
- operating in geographies of high-water risk
- having business operations with high water risk
- at risk for land use or ecosystem disturbance
- geographic exposed to fragile ecosystems.

MSCI's red and orange flags indicate 'one or more recent very severe controversies' and 'one or more recent severe structural controversies that are ongoing' respectively. MSCI has also started reporting on existence of corporate policies regarding biodiversity and environmental impact.

The LMG team also screened some portfolios comprising government bonds against MSCI's 'vulnerability to environmental events' score which looks at a range of data points to arrive at a country score including but not limited to biodiversity, endangered species and natural disaster vulnerability. For portfolios with Australian Government Bonds, the country level report, while ranking Australia in the top 10 developed market nations for its overall environment score, cites natural disaster impacts and energy resource management as weak.

4.3 Modern slavery and human rights monitoring

LMG also monitors Modern Slavery and human rights risks via:

- Weekly screening of changes to MSCI labour flags, scores, controversies, and compliance with International Labour Organization (ILO) principles and standards for any company in the MSCI ESG Manager database
- Fortnightly RepRisk reporting with a screen for Modern Slavery (we biannually update a list of issuers and counterparties across the portfolios for RepRisk screening).

We also raise Modern Slavery and human rights, when warranted, as part of our ESG engagement program. For example, we joined a group investor update where a rail infrastructure company detailed their Modern Slavery process given the risk their infrastructure could be used for human trafficking.

CASE STUDY

Modern Slavery

The following Modern Slavery allegation case study shows the integration of our sustainability process into our credit monitoring and through to portfolio implementation.

QIC's Liquid Markets Group credit monitoring team became aware of a media article (from a reputable global outlet) late on a Friday. It alleged the use of illegal child labour at a factory in Alabama, USA by a major global brand. The next trading day, on the morning of Monday 25 July, QIC restricted bonds in the parent entity corporation, adding them to our Dynamic Exclusion List.

Following consideration by the portfolio management team and further desk-based due diligence (including review of news articles, SEC filings, the entity's response, child labour and supply chain policies, and a cross-check against RepRisk and MSCI), QIC determined:

- the entity subject to the allegation is majority owned and consolidated by the parent entity in which QIC had its investment, and the parent entity had, or should reasonably have had, control over practices
- the allegation involved a material breach of the entity's child labour policy
- the allegation was from a credible source (police)
- the parent entity's immediate response inadequately and inappropriately sought to shift the blame to third parties
- engagement with the parent entity by QIC would be futile given the ongoing government investigation, management response and other considerations.
- QIC determined it would divest of all bonds in the parent entity. This was actioned on the Monday and by close of the Australian trading session the following day, QIC had sold all Australian dollar bonds in the parent entity. By the end of that week, QIC had also divested all of the remaining US dollar green bonds

4.4 Diversity screening

LMG screens the corporate bonds in the portfolios looking for independence and gender diversity of the Board using MSCI, Bloomberg, and company reporting. The team are seeing some data around workforce diversity policies and gender pay gaps, although there is not sufficient depth of coverage yet to suggest to the team that a theme exists.

LMG has noted some executive appointments to Boards, although the appointment of executive chairs anecdotally appears to be waning. NextEra Energy (one of the largest owners of renewable power and held in Green Bond format) has a combined CEO/Chair.

Some privately owned companies still lack an independent and/or gender diverse board, particularly in the utilities, airport and Middle Eastern/Asian banking space. On gender, we notice for private company boards, alternate director appointments are often female.

Diversity extends beyond gender and in our view a diverse Board should include diversity of experience and age, data that is not always available.

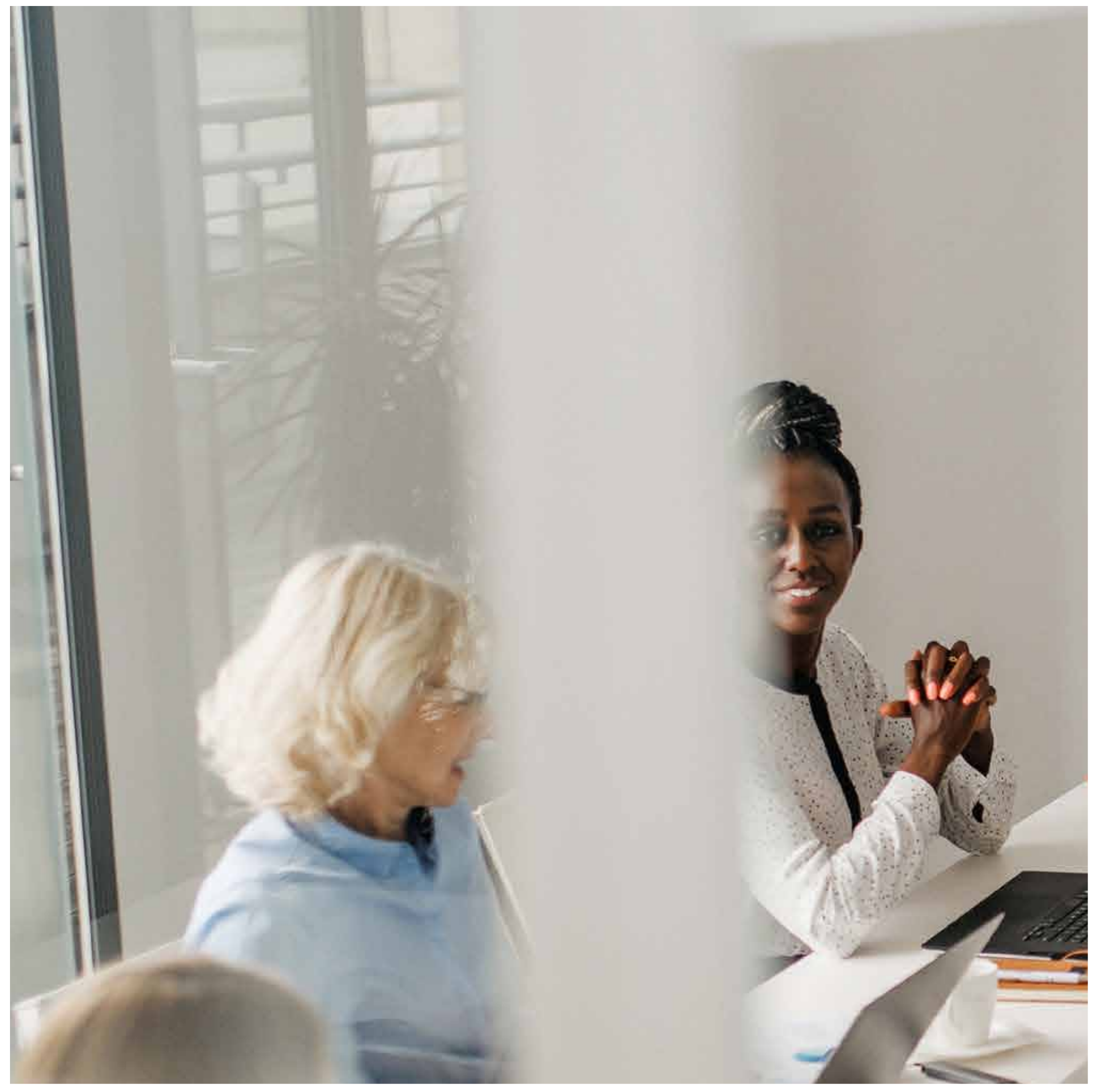
4.5 Product involvement screening

We are noticing increased enquiry to screen holdings against sensitive sectors, and with no set definition of 'sensitive', the sectors are those nominated by our clients.

We screen using a combination of third-party data provider tools that identify product involvements or revenue ties to activities. Examples of screening requests include bonds with revenue ties to:

- Fossil fuels
- Royalty sources
- Nuclear
- Predatory lending practices
- Adult entertainment
- Alcohol and tobacco retailing
- Gambling.

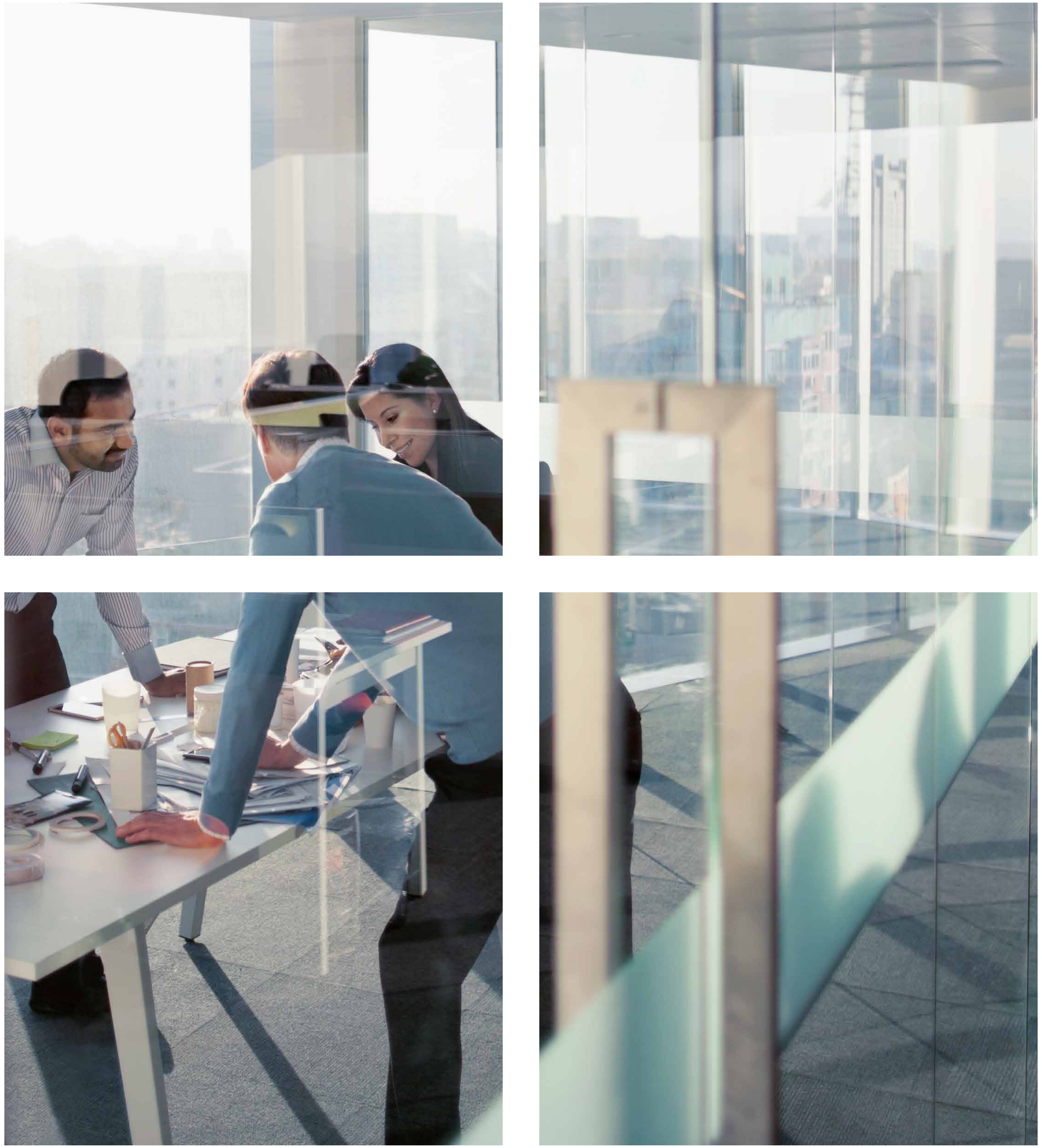
At this stage, in our view, client enquiry appears to be for awareness rather than to trigger investment decisions.



Diversity extends beyond gender and in our view a diverse Board should include diversity of experience and age, data that is not always available.

5. Sustainability Thought Leadership Contributions

LIQUID MARKETS GROUP
SUSTAINABILITY REPORT 2022



5.1 Sustainability thought leadership contributions

Event	Participation
CONFERENCES	
KangaNews/Commonwealth Bank	Roundtable participant in July 2021 discussing green, social, and sustainable bonds (Marayka Ward).
Westpac ESG roundtable	ESG roundtable participant in November 2021 (Marayka Ward).
Climate Change and Government Bond Investing Industry Workshop panel	Industry workshop panellist discussing sovereign bonds and implications of climate change in February 2022 (Marayka Ward).
ICMA Event — Sustainable bonds for gender equality — the Australian perspective	Panellist discussing gender bonds in April 2022 (Marayka Ward).
KangaNews Sustainable Debt Summit: ESG is not Black and White panel	Panellist discussing emerging grey areas in ESG analysis in May 2022 (Marayka Ward).
COMMITTEES	
AFMA ESG Risk Forum	Marayka Ward, Director, Sustainable Investing, is a member of AFMA's ESG Risk Forum, an AFMA policy committee that considers ESG-related regulatory, policy and legislative reform together with ESG-related legal and compliance risk relevant to AFMA members. This group also looks at global ESG developments applicable to members operating in global markets.
AFMA Sustainable Finance Forum	Marayka Ward is a member of AFMA's Sustainable Finance Forum, an AFMA policy committee that considers sustainable finance regulatory, policy and legislative reform relevant to AFMA members.
BBSW Advisory Committee	Laurent Danoy, Senior Portfolio Manager, LMG, is a member of the ASX BBSW Advisory Committee, which is the industry consultative committee reforming the BBSW benchmark, comprised of the RBA, ASIC, APRA and around 10 market participants.
Bloomberg Women's Buyside Network, Australia/NZ Chapter	Susan Buckley[2], Managing Director Liquid Markets Group, is a founding member of the BWBN, Australia/NZ Chapter. Focused on the goal of achieving greater diversity in the next generation of investment industry leaders, the Chapter's charter is — to inspire women into the investment industry (from school and universities), to highlight the talented women already in key buy-side roles and grow the pipeline of female talent to be able to step into future investment industry leadership roles. Focused specifically on gender balance in the buy-side industry, BWBN will be helping to shape the future of investing at a time when ESG is front and centre of all investment decision-making.
Global Foreign Exchange Committee	Stuart Simmons is Australia's sole private sector representative on the Global Foreign Exchange Committee (GFXC), a forum bringing together central banks and private sector participants with the aim to promote a robust, fair, liquid, open and appropriately transparent FX market. During this time Stuart has co-chaired the Buyside Outreach Working Group and actively participated in the Pre-Hedging Working Group.
Griffith University Student Investment Fund Investment Committee	Marayka Ward is a member of the Investment Committee. The SIF invests real money in ASX200 listed companies and excludes investments in companies that derive revenue from fossil fuels. The Investment Committee determines holdings based on student recommendations and provides an excellent mentoring opportunity for future finance industry professionals.
PRI Sovereign Debt Advisory Committee	Marayka Ward is a member of the UNPRI's global Sovereign Debt Advisory Committee.
RIAA Nature Working Group	Marayka Ward (and Andrew Saunders from QIC Natural Capital Fund) is a member of the Leaders Committee of the Nature Working Group, an initiative to support members to protect nature and biodiversity risks and finance opportunities through their operations and investments.
S&P ESG Leadership Council	Marayka Ward contributes to S&P's ESG Leadership Council. This group, arranged by credit rating agency Standard & Poor's discusses latest global sustainable finance developments, resources, and evaluations.

2 Susan Buckley resigned from QIC effective 31 October 2022.

5.2 Labelled bonds

The following table includes details of assets and targets funded by some of the labelled bonds held across mandates and funds LMG manages during FY22, with links to the issuers' impact reports, where available.

Any data points of reported impact are sourced from issuer reporting available by September 2022. This is not a complete list of holdings.

QIC has not independently verified any reported impact or allocations beyond accessing independent verification reports made available by the issuers.

AXA SA

ISIN: XS2314312179

Alignment

ICMA Green Bond Principles 2018

Use of Proceeds/KPIs

Allowable Use of Proceeds include:

- Green buildings
- Renewable energy
- Clean transportation
- Energy efficiency
- Natural resources/sustainable forestry.

Allocation or Reported Impact

993,046 tonnes of CO_2-e avoided or sequestered and 100% of projects contribute to a low carbon future.

As at 7 April 2022, €450 million has been allocated to green projects:

- Project 1: 22 Bishopsgate (green building) — 25% ownership. 4,339 tonnes CO_2-e avoided
- Project 2: Forest Clover 1 (sustainable forestry) — 100% ownership. 77,851 tonnes CO_2-e sequestered
- Project 3: Acciona Energia Int. (renewable energy) — 20% ownership. 4,581,057 tonnes CO_2 avoided, 2,511 MW installed capacity, 6,739,948 MWh energy generation.

The remaining €550 million was in a money market fund pending allocation to new eligible projects.

ACCESS
AXA — Sustainability Bond Framework and Reports

Bank of Ireland Group PLC

ISIN: XS2311407352

Alignment

ICMA Green Bond Principles 2018

Use of Proceeds/KPIs

Allowable Use of Proceeds include:

- Green buildings and energy efficiency (residential)
- Green buildings and energy efficiency (commercial)
- Renewable Energy
- Clean transportation.

No allocations relating to direct financing of activities in the fossil fuel, nuclear, defence, alcohol, tobacco or gambling industries will be made.

Allocation or Reported Impact

10,932 buildings or projects financed with estimated carbon emissions of 12,651 tonnes CO_2-e per annum, installed renewable energy capacity of 186 MW, and estimated avoided energy consumption of 132,076 MWh per annum or 54,832 tCO_2-e per annum.

ACCESS
Bank of Ireland — Allocation Report

Bank of Ireland — Impact Report

Green | Social | Sustainable | Sustainability Linked Bond

Federal Republic of Germany

ISIN: DE0001030708

Alignment

ICMA Green Bond Principles 2018

Also mapped to six environmental objectives of the EU Sustainable Finance Taxonomy

Use of Proceeds/KPIs

Allowable Use of Proceeds include:

- Clean transport
- International cooperation
- Research, innovation and awareness raising
- Energy and industry
- Agriculture, forestry natural landscapes and biodiversity.

ACCESS

Browsertitel — Green federal securities

Federal Ministry of Finance — German government publishes its first impact report for German green bonds issued in 2020

Kommunalbanken AS

ISIN: AU3CB0256162, AU3CB0283596

Alignment

Nordic Public Sector Issuers Position Paper on Green Bond Impact reporting

ICMA Handbook on Green Bond Impact Reporting

Final report on EU Green Bond Standard

Use of Proceeds/KPIs

Allowable Use of Proceeds include loans to Norwegian municipalities for:

- Low carbon transport
- New green buildings
- Water and wastewater management
- Waste management
- Energy efficiency
- Renewable energy
- Sustainable land use
- Climate change adaptation.

Eligible transport projects are strictly fossil-free; energy production is all renewable and buildings that meet their criteria cannot be heated by fossil fuels or oil.

Allocation or Reported Impact

This Green Bond represents 9% of the impact of KBN's green bond project pool, which is onlent to the project areas below. Reported impact statistics (quoted as 'reduced and avoided GHG (tCO_2-e annually)):

- Buildings: 14,779
- Renewable energy: 21,498
- Transportation: 740
- Waste and circular economy: 164
- Water and wastewater management (n/a)
- Land use and area development projects (n/a)
- Climate change adaptation (n/a).

KBN reports the projects generate 78,551,024 kWh of renewable energy annually and avoid 38,361,315 kWh of energy annually (page 4 2021 Impact Report).

ACCESS

KBN — Impact Report — 2021

Green | Social | Sustainable | Sustainability Linked Bond

Woolworths Group Ltd

ISIN: AU3CB0262533

Alignment

CBI

ICMA Green Bond Principles

Use of Proceeds/KPIs

Woolworth's first Australian dollar green bond was also the first green bond using supermarket CBI criteria. Eligible use of proceeds include:

- Energy Management Centre to monitor and manage energy consumption across all supermarket stores providing real-time visibility and optimisation of energy usage
- Installing solar panels on the roofs of stores and distribution centres, including introducing solar panels on top of car park shade sails to help cut energy usage and reduce the store environmental footprint
- Retrofitting stores with LED lighting
- Upgrading refrigeration systems to hybrid or HFC-free
- Trialling a solar and TESLA battery system at the Erskine Park Liquor Distribution Centre
- Installation of soft plastic recycling bins in all supermarket stores for both the store and customers
- Reduction of plastic on fruit and vegetables, whilst investing in long term solutions to protect quality and extend shelf life to reduce wastage
- Establishment of the Woolworths Organic Growth Fund, in partnership with Heritage Bank, to support Australian farmers investing in Australian organic farming projects
- Partnering with the World Wide Fund for Nature (WWF) Australia to improve sustainable sourcing of Woolworths Group's Own Brand seafood products.

Whilst the project pool is established Woolworths is able to repay and redraw its revolving credit facility.

Allocation or Reported Impact

Woolworths' Green Bonds finance a portfolio of approximately $452 million of eligible assets in:

- Low Carbon Buildings (supermarkets): 32 Low Carbon Woolworths stores, 14,280 tCO_2e emissions avoided annually with 12,393 tCO_2e emissions avoided annually attributable to the Green Bonds, representing an equivalent of 5,082 cars off the road each year in Australia
- Solar Energy Projects: Over 10,500 kW of capacity installed in 69 stores with 12,894 MWh energy generated, equivalent to 2,266 households powered
- LED lighting upgrades: 366 stores with LED lighting upgrades and 498 stores with HVAC optimisation completed. 141,085 MWh energy avoided and 24,800 equivalent households powered.

Woolworths group have 138 sites with rooftop solar panels (including 132 stores) and 1000+ supermarkets with LED lighting installed. Over FY21 CO_2 system upgrades continued in 55 stores. Woolworths reports sustainability investments have delivered a 27% reduction in Scope 1 and Scope 2 emissions (2015 baseline).

ACCESS
Woolworths — Impact Report — 2021

QIC Finance (Shopping Centre Fund)

ISIN: AU3CB0265700

Alignment

ICMA Green Bond Principles,

CBI

Use of Proceeds/KPIs

Proceeds of the green bond will be allocated to staged redevelopment of three shopping centres, Eastland, Robina Town Centre and Grand Central.

Redevelopments will include:

- Energy efficiency programmes
- Solar PV rollout
- To be eligible for Climate Bonds Certification under the Low Carbon Buildings — Property Upgrades criteria, the upgrades must achieve at least 30% carbon emissions intensity reduction for a 5-year bond moving to 34% for a 10-year bond.
- This bond requires a minimum 30.8% minimum reduction.

Allocation or Reported Impact

The Fund's climate change initiatives are focused on reducing carbon emissions and achieving the 2028 Net Zero Carbon Emissions target, as well as maximising asset level climate change resilience. The Green Bond has funded:

- 6.5 MW capacity solar installation at two of the three shopping centres, with the systems expected to reduce carbon emissions at the centres by more than 10,000 tonnes CO_2e annually
- Mechanical plant upgrades, chiller replacement and decommissioning of end-of-life chillers at Robina Town Centre
- Carbon emissions (Scope 1 and 2) across the core retail portfolio during FY22 (to end of March 2022) are ~11% lower than the carbon emissions for the same period in FY21. Most of this reduction has been driven by our onsite solar systems coming online which have now been in operation for up to a year. This performance is in line with our longer-term net zero carbon emissions target by 2028, which includes a short-term target for FY22 to achieve a 10% year on year reduction in carbon emissions compared to FY21.
- Electrification Studies: An engineering consultancy has completed initial assessments on existing natural gas-powered systems at several assets to assist in the development of effective electrification solutions in line with the Fund's 2028 Net Zero Carbon Emissions commitment. While the scale of these electrification projects means that detailed scoping and planning is continuing, the 10-year capital plans for the relevant assets have been updated to allow for the estimated upgrade costs. Upgrade works are currently planned to commence in FY23 and run through to FY26.

ACCESS
QIC — ESG Report — 2021

Green | Social | Sustainable | Sustainability Linked Bond

NEXTera Energy Capital Holdings In

ISIN: AU3CB0268829

Alignment

ICMA Green Bond Principles

Use of Proceeds/KPIs

Management of NEXTera asserts that an amount greater than the net proceeds set from the December 2019 issuance of AUD$500m aggregate principle around of the Company's 2.2% Green Kangaroo Fixed Rate Medium-Term Notes Due December 2, 2026 was expended by the Company during the period from 1/1/18 through 30/11/19 for financing of, or investments in, Eligible Green Projects as per below:

- Blue Summitt II Completed in Dec 2018 99.4 MW wind energy power generation facility in Texas (US$87m)
- Torrecillas Completed in Dec 2018 299.8 MW wind energy power generation facility in Texas (US$286m).

Allocation or Reported Impact

The proceeds from the Green Bond have been put towards two projects, including the Blue Summit II, a 99.4 MW wind energy power generation facility in Texas, and Torrecillas, a 299.98 MW wind energy power generation facility also in Texas.

ACCESS
NEXTera — Impact Report — 2021

Lendlease Group

ISIN: AU3CB0275550 | ISIN: AU3CB0278711

Alignment

ICMA Green Bond Principles

ICMA Social Bond Principles

ICMA Sustainability Bond Guidelines

Use of Proceeds/KPIs

Bond proceeds will be used to support the delivery of green buildings and are earmarked to eligible projects within Lendlease's $110 billion global development pipeline — including 22 major urbanisation projects such as Sydney's Barangaroo, the UK's International Quarter London and Chicago's Southbank.

Eligible projects include:

- Sustainable Water Management
- Renewable Energy & Energy Efficiency
- Green Buildings
- Clean Transportation
- Pollution Prevention and Control
- Climate Change Adaptation.

Allocation or Reported Impact

A$0.8 billion worth of Green Bond proceeds are earmarked against eligible assets of A$1.8 billion. These assets span across Sydney, London, Milan, Kuala Lumpur, Chicago, and Singapore and are a mix of residential, commercial and mixed-use developments.

Expected total environmental impact for eligible assets once projects are in operation (Chicago and Singapore still under development):

- Total annual energy savings: 60,838 MWh per annum, representing 24% saving over baseline (equivalent to enough energy to power 5,192 homes for a year).
- Total annual CO_2 avoidance: 24,779 tCO_2-e per annum, representing 21% saving over baseline (equivalent to taking more than 5,389 cars off the road).
- Total water savings: 336 M Litres per annum, representing a 40% saving over baseline (equivalent to enough water savings to fill over 130 Olympic swimming pools).

KPMG estimates by asset are available in the Impact Report.

ACCESS
Lendlease — Impact Report — 2021

Green | Social | Sustainable | Sustainability Linked Bond

Landwirtschaftliche Rentenbank

ISIN: AU3CB0283190

Alignment

ICMA Green Bond Principles

Rentenbank contributes to EU Environmental Objective 1, Climate Change Mitigation

Rentenbank supports the EU Green Deal and the German Climate Action Plan 2050 through the promotion of wind and solar energy

Rentenbank contributes to 'Affordable and Clean Energy' (no 7) and 'Climate Action' (no 13) of the UN Sustainable Development Goals

Use of Proceeds/KPIs

Proceeds of Green Bonds are onlent with eligible projects including production, storage, and distribution of wind and solar energy.

Proceeds must:

- Be in accordance with requirements defined in Rentenbank's Rural Energy promotional programme
- Comply with the German Renewable Energy Sources Act (EEG)
- Be projects located in Germany and connected to the electricity grid
- Be onshore if they are wind and solar projects.

Allocation or Reported Impact

At 31 December 2021, the AUD green bond had been allocated to wind and solar project loans with an installed capacity of 5,174 MW, generating 7,856 GWh of renewable energy annually and avoiding 5,824,600 tonnes of CO_2 equivalent.

GHG emission savings attributable to the Rentenbank portfolio of PV installations increased by 8% compared to 2020, amounting to 1,003,900 tCO_2-e.

GHG emissions avoided per kWh:

- Photovoltaic energy — 685
- Wind energy onshore — 754.

ACCESS
Rentenbank — Green Bond Investor Report — 2021

GPT Wholesale Office Fund No. 1

ISIN: AU3CB0284289

Alignment

ICMA Green Bond Principles

Use of Proceeds/KPIs

Assets that contribute towards the United Nations Sustainable Development Goals (UN SDG) and that meet the low carbon buildings criteria set out in the Climate Bonds Initiative Standard. The GWOF Green Bond has been certified by the CBI and proceeds will be used to refinance existing GWOF assets that meet the Low Carbon Buildings Criteria.

Allocation or Reported Impact

Impact report not yet due; bond was issued in October 2021.

NRMBS_18-1 G

ISIN: AU3FN0040622

Alignment

CBI

Use of Proceeds/KPIs

The green tranche of the $2 billion RMBS deal comprises $300 million of NAB-originated mortgages for Australian residential properties (apartments and houses) that meet the Climate Bonds Standard Criteria for Australian low carbon residential buildings. The green tranche is rated AAA and was 'cornerstoned' by the Clean Energy Finance Corporation.

Approved building codes: NSW, Victoria, Tasmania; compliance by location, type and building dates maintained for the term of the bond.

CBI criteria leverages building code energy efficiency requirements as a proxy for carbon emissions performance where emissions data is limited or non-existent.

Allocation or Reported Impact

Mortgages for 1,310 residential properties which meet the Climate Bonds Standard criteria for Australian low carbon residential buildings diversified across NSW, Victoria, and Tasmania.

Remaining mortgage balance: A$175,496,885; outstanding issue amount: A$99,050,000 as at 30 September 2021.

ACCESS
NAB RMBS — Impact Report — 2021

Green Social Sustainable Sustainability Linked Bond

Mercury NZ Ltd

ISIN: AU3CB0284677

Alignment

CBI

ICMA Green Bond Principles

Use of Proceeds/KPIs

Eligible assets include geothermal and wind power generation in New Zealand.

The vertically integrated gentailer's generation portfolio is 100% renewable.

Allocation or Reported Impact

Impact report not yet due; bond was issued in November 2021.

International Finance Corporation (World Bank)

ISIN: AU3CB0251379

Alignment

ICMA Green Bond Principles

Use of Proceeds/KPIs

Allowed Use of Proceeds include select projects from:

- IFC's Banking on Women program
- IFC's Inclusive Business program.

Allocation or Reported Impact

Between 2017 and 2021 IFC issued 63 social bonds raising USD3.8 billion to contribute towards 194 projects across farming, food supply, power supply, provision of communications and technology, access to medicines, clean water and microfinance.

ACCESS
IFC — Impact Reports

BNG Bank Nv

ISIN: AU3CB0264018

Alignment

ICMA Sustainability Bond Guidelines

Use of Proceeds/KPIs

Bank Nederlandse Gemeenten's A$400 million sustainability bond issued in May 2019 is allocated to lending to sustainable municipalities and sustainable social housing associations in The Netherlands. Projects are evaluated and selected by an independent party, the Sustainability Centre of Tilburg University (TSC-Telos) using methodologies based on the UN SDGs that rank Dutch municipalities on a range of sustainability measures:

- Framework for Best-in-Class Municipality Investment
- Framework for Dutch Social Housing Associations.

BNG Bank then uses the Sustainable Bond proceeds to (re) finance loans to the top 15 sustainability ranking of 380 Dutch municipalities and tracks and internally audits the allocations. TSC-Telos then prepares performance / impact reporting.

Allocation or Reported Impact

The Municipalities elected ('Elected Municipalities') to have sustainability bond funding allocation continued to outperform the total group of municipalities based on the evaluation system that applies to the project (54.2 in 2021 vs 52.1 in 2018). More than 98% of Elected Municipalities maintained or improved their total sustainability score compared to last year.

Approximately 95% of the Elected Municipalities also reduced CO_2 emissions from 2018–2019, and the group also reduced CO_2 emissions over the last year with 4% less CO_2 emissions on average.

ACCESS
BNG — Impact Report — 2021

European Investment Bank

ISIN: AU3CB0285682

Alignment

ICMA Green Bond Principles

ICMA Social Bond Principles

ICMA Sustainability Bond Guidelines

Use of Proceeds/KPIs

The EIB's Sustainability Awareness Bond (SAB) is allocated to lending activities that contribute 'to sustainability objectives in line with evolving EU sustainable finance legislation'. The SABs complement EIB's Climate Awareness Bonds (CABs) with eligible activities, that make substantial contribution to and do no significant harm with minimum social safeguards, in the areas of water supply and management, wastewater collection and treatment, sustainable forest management, flood protection, education, and health.

Allocation or Reported Impact

Impact report not yet due; bond was only issued in January 2022.

ACCESS
EIB — Sustainability Reporting

Green | Social | Sustainable | Sustainability Linked Bond

Wesfarmers Ltd

ISIN: AU3CB0281046, AU3CB0281053

Alignment

ICMA Sustainability Linked Bond Principles 2020

Use of Proceeds/KPIs

Performance-based: Proceeds can be used for general corporate purposes.

The performance targets relate to increasing the use of renewable energy in the Group's retail divisions (SPT 1: 100% renewable energy by 31 December 2025) and reducing the CO_2e emissions intensity of ammonium nitrate production in the Wesfarmers Chemicals, Energy and Fertilisers division, the most emissions intensive part of the conglomerate (SPT 2: 0.25 tCO_2e per tonne of AN produced or lower by 31 December 2025 measured over the preceding 24 months).

Allocation or Reported Impact

For calendar year ending 31 December 2021, proportional renewable electricity use was 47% for Bunnings, 18% for Kmart Group, and 22% for Officeworks.

AN emissions intensity per tonne of 0.20 tCO_2-e per tonne of ammonium nitrate for the 24 months to 31 December 2021.

ACCESS
Wesfarmers — Sustainability Targets Report — 2021

Enel SpA

ISIN: XS2066706909

Alignment

This bond was issued in 2019, before the ICMA Sustainability Linked Bond Principles 2020 existed.

Use of Proceeds/KPIs

Enel's Sustainability-Linked SDG Bond includes a coupon step-up of 25 basis points if Enel fails to meet targets that include:

- >55% of installed generation capacity to be renewable by 31 December 2021
- reduce GHG emissions per kWh by 70% by 2030 (i.e. = or < 125g of CO_2 per kWh).

Allocation or Reported Impact

KPMG verified Enel's renewable energy installed capacity as 58.0% or 51,031 MW at 30 June 2022 having met the 'greater than 55% target' by 31 December 2021.

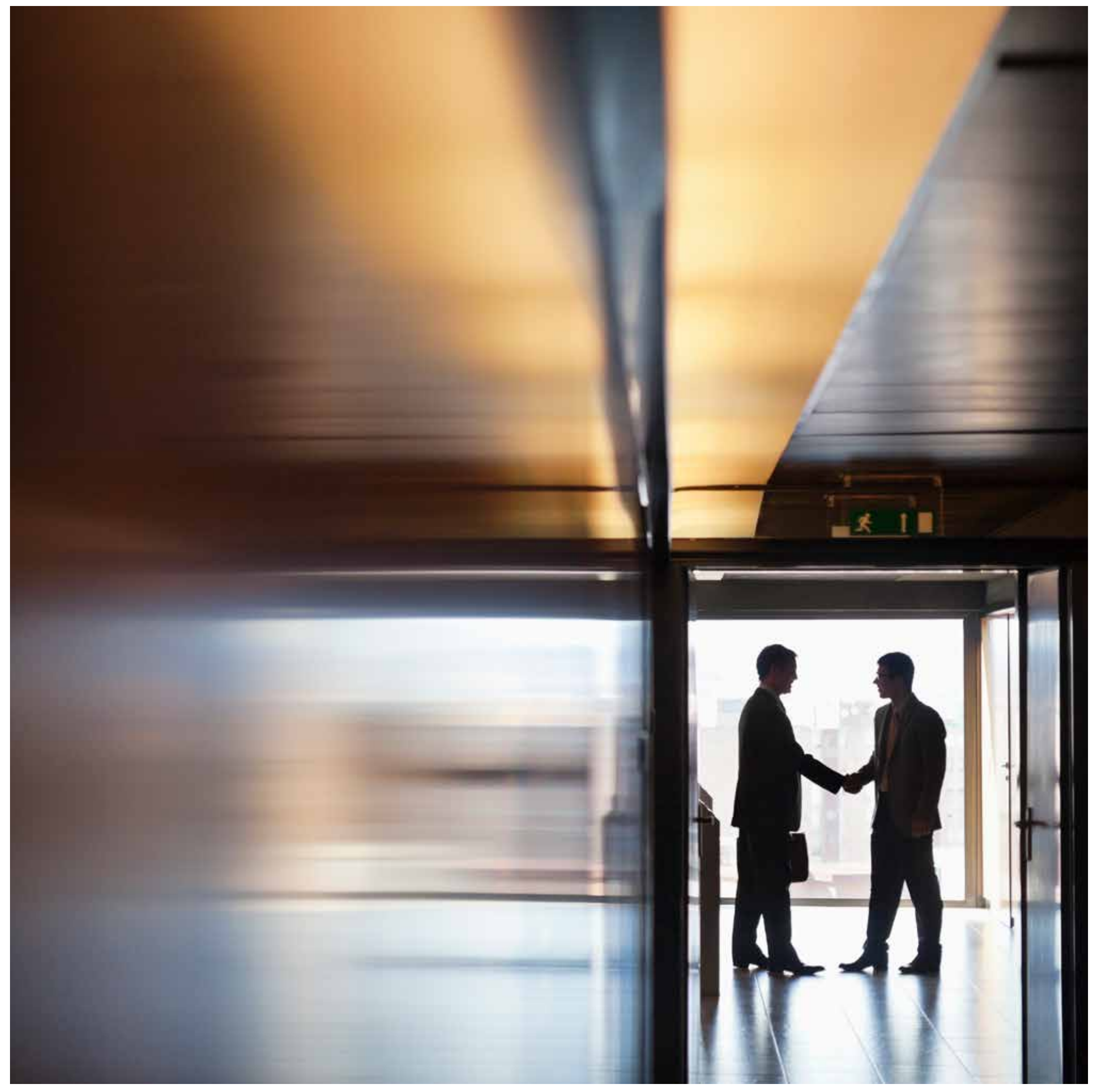
ACCESS
Enel Group — Sustainability-Linked Bonds

Green Social Sustainable Sustainability Linked Bond

5.3 Engagements

The following table provides further insight to our FY22 engagements.

Industry	Engagement format	Areas covered	Engagement purpose*	Outcomes
Consumer Discretionary	Group	Sustainability policies	General ESG update	Updates on commitment to climate change, which included investment in Sustainable Aviation Fuel. No further action.
Consumer Staples	One on one	New SLB	Thematic	QIC to monitor potential SLB issuance.
Financials	One on one	Cyber security	Thematic	Continue the relationship, maintaining communication surrounding future issuances.
Financials	One on one	Earnings for 1H21 Sustainability framework Fossil fuel policies	General ESG update	QIC to follow up regarding net zero pathway, following the query into whether they would amend their timeframe to the more challenging IEA NZE pathway.
Financials	Group	Sustainability policies Remuneration Climate risk	General ESG update	No further outcomes.
Financials	Group	Governance Social — gender, cultural diversity, remuneration Modern slavery Affordability Customer vulnerability Climate policies Board committees	Laggard	Continue to monitor their ESG activities and movements, nothing further to follow up on.
Financials	Group	Climate policies ESG Corporate structure	Thematic	Net zero plan to be verified by SBTi; strong focus on green or dark green investments.
Financials	One on one	ESG Climate Environment	Leader	QIC agreed to arrange a follow up call with head of carbon trading.



General ESG update | Thematic | Laggard | Leader

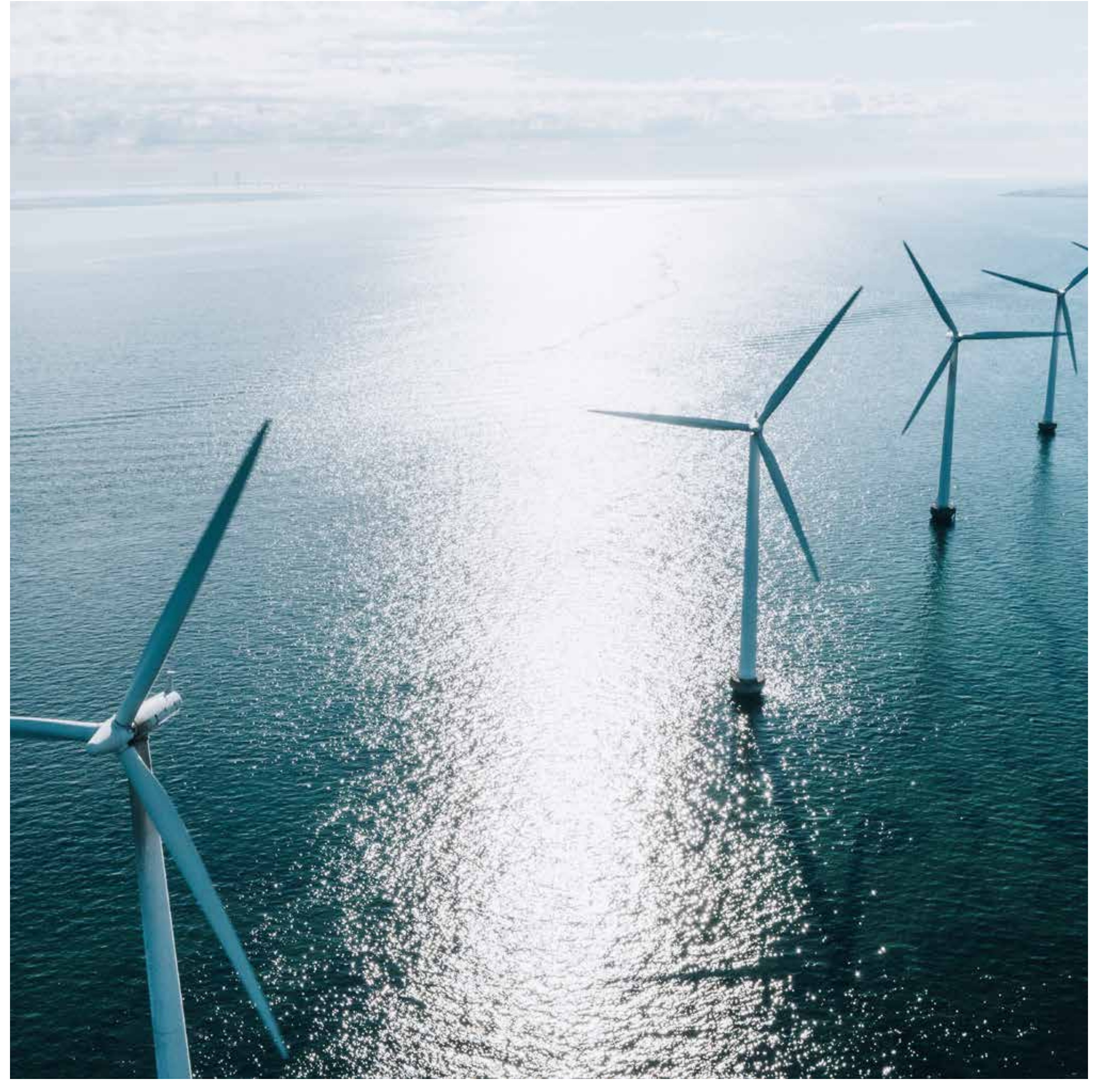
*LMG opinion

Industry	Engagement format	Areas covered	Engagement purpose*	Outcomes
Financials	One on one	ESG Governance Social Corporate structure	Laggard	Follow up engagement; retain restriction.
Financials	One on one	Climate risk Financial inclusion Responsible lending	General ESG update	Monitor for improvements in ESG credentials.
Financials	Group	Corporate structure General governance Social	Leader	Company confirmed that they have minimal exposure to Russia.
Financials	One on one	Gender equality Governance	General ESG update	Communicated our concerns regarding declines in diversity.
Financials	One on one	Governance Environment Social Corporate structure	Leader	Monitor for Scope 3 financed emissions example.
Financials	One on one	Governance Environment Social Corporate structure	General ESG update	N/A trends discussion.
Financials	One on one	Governance Environment Social Corporate structure	Leader	N/A trends discussion.
Government	One on one	Carbon emissions Governance	Thematic	We were provided with a document about the sovereign's climate programs.
Government	One on one	Human rights Environment Climate	Thematic	Updates on climate policy and post election expectations.

General ESG update   Thematic   Laggard   Leader

*LMG opinion

Industry	Engagement format	Areas covered	Engagement purpose*	Outcomes
Government	One on one	Climate Environmental Social Corporate structure General governance		No further outcomes.
Industrials	Group	Climate Reporting standards Modern Slavery Diversity Health and safety		QIC to monitor impact reporting, as well as the evolution of coal servicing.
Industrials	Group	ESG		QIC to monitor impact reporting from the SLB, as well as commitment to the net zero target.
Infrastructure	Group	Reporting Climate Environment Social		Monitor for community impact around noise complaints.
Insurance	Group	ESG Climate Environment		Net zero commitment. Phasing out thermal coal underwriting.
Materials	Group	Corporate structure Climate Risk General Governance		Potential SLB issuance.
Materials	Group	Corporate structure Climate Risk General governance		Monitor for equity issuance.
Real Estate	One on one	ESG		Continue to monitor progression on the creation of an ESG strategy.
Real Estate	Group	ESG Climate Environment		Monitor targets and their alignment to KPIs.



General ESG update Thematic Laggard Leader

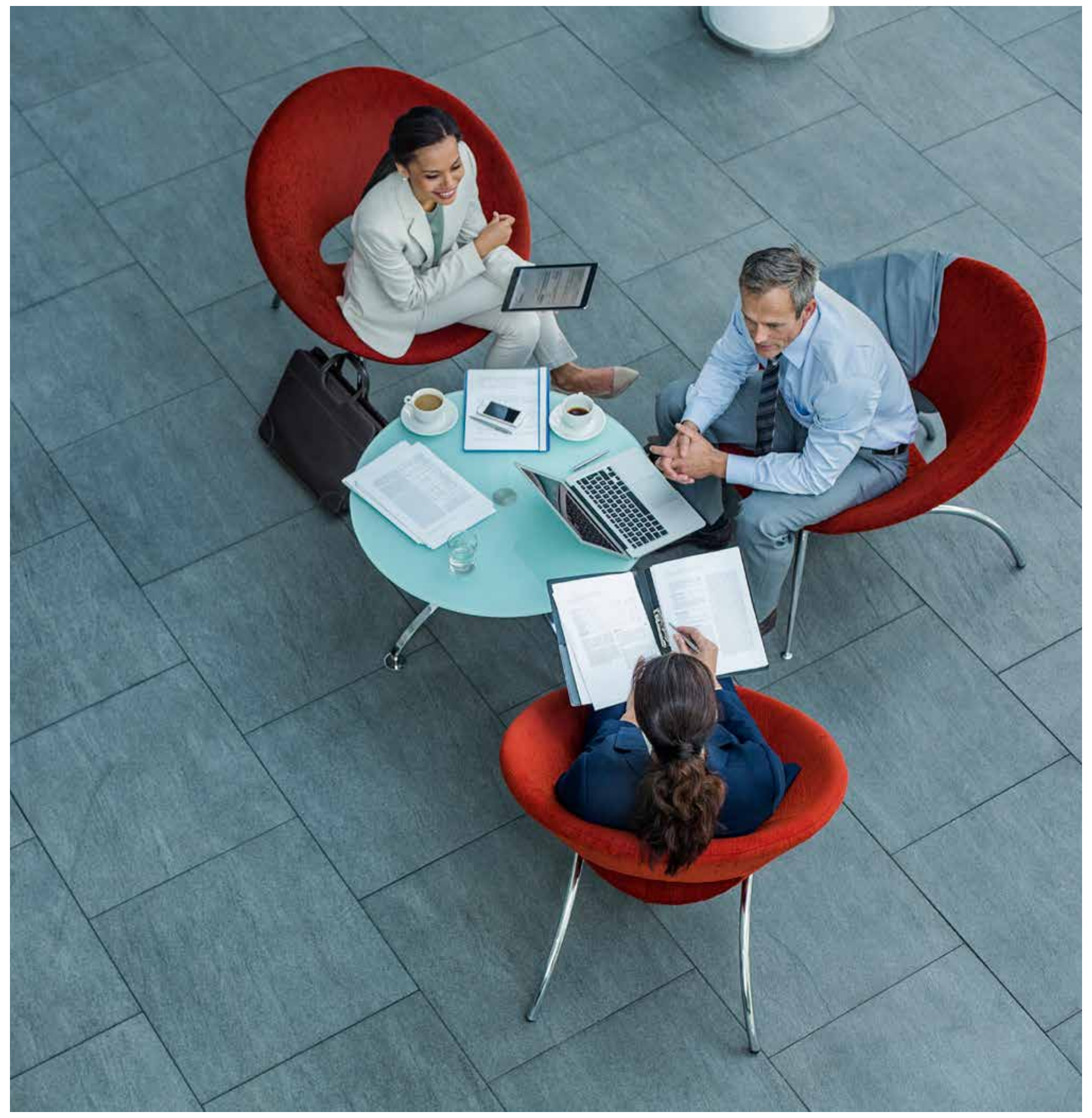
*LMG opinion

Industry	Engagement format	Areas covered	Engagement purpose*	Outcomes
Real Estate	Group	ESG Climate Environment	General ESG update	Potential issue of Green Bond.
Real Estate	One on one	Climate Environmental General governance	Leader	Communicated our structuring preferences.
Semi government	One on one	Climate Environmental Corporate structure	General ESG update	Introductions to RIAA and a major bank for additional structuring advice.
Supranational	One on one	ESG Social Environment — climate Environment — nature Reporting and frameworks Governance	Leader	Reporting requirements; ability to influence sustainable building standards.
Supranational	One on one	Climate Environmental General governance	Laggard	ICMA alignment confirmed.
Supranational	One on one	Corporate structure General governance Social Environmental	Leader	No further outcomes.
Supranational	One on one	Corporate structure General governance Social	Laggard	No further outcomes.
Supranational	One on one	Climate Corporate structure General governance	Leader	No further outcomes.
TMT	Group	ESG Governance	General ESG update	No further outcomes, QIC to monitor Green Bond issuance.

General ESG update   Thematic   Laggard   Leader

*LMG opinion

Industry	Engagement format	Areas covered	Engagement purpose*	Outcomes
TMT	One on one	Climate Environmental	General ESG update	Communicated our structuring preferences.
Utilities	One on one	Carbon emissions Renewable energy Reporting Governance Diversity Health and safety	Thematic	Commitment to distributing data direct to bondholders, likely through a debt investor portal.
Utilities	Group	ESG Climate Environment	Leader	Potential issue of Green Bond.
Utilities	Group	Corporate structure Environment Social	General ESG update	No further outcomes.
Utilities	One on one	Social Climate Environmental	General ESG update	Continue to monitor decarbonisation target given it's first of its kind.



General ESG update Thematic Laggard Leader

*LMG opinion

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