

Second-Party Opinion

NBN Co

Sustainability Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the NBN Co Sustainability Bond 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, and Access to Essential Services and Socioeconomic Advancement and Empowerment– are aligned with those recognized by 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, 9 and 10.



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's Sustainability Bond Advisory Group, along with the sustainability team, is responsible for identifying and managing potential environmental and social risks associated with the eligible projects. Sustainalytics considers these risk management systems and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS NBN Co's Treasury and Corporate Finance teams, with validation from the Sustainability Bond Advisory Group, will be responsible for management of proceeds, and will track the allocation of net proceeds using a 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 will report on allocation and impact of proceeds in its sustainability bond report, which will be published on its debt investor information portal on an annual basis until the maturity of the bond. Allocation reporting will 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. Sustainalytics views NBN Co's allocation and impact reporting as aligned with market practice.



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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 designing, building and operating wholesale broadband access network and related activities in Australia. As of 31 May 2024, the Company employs 4,472 personnel and serves 8.6 million homes and businesses.¹

NBN Co has developed the NBN Co Sustainability Bond Framework dated June 2024 (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 areas:

1. Energy Efficiency
2. Access to Essential Services and Socioeconomic Advancement and Empowerment

NBN Co engaged Sustainalytics to review the Framework 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).² The Framework will be published in a separate document.³

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ 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.

Morningstar Sustainalytics, a globally recognized provider of ESG research, ratings and data, evaluated NBN Co's Framework and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of the Framework. The Second Party Opinion, whether in whole or in part shall not be construed as part of the offering and shall not be considered as an offer or advertisement to buy a security, solicitation of votes or proxies, investment advice, expert opinion or negative assurance letter as defined by the applicable legislation. 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 1.16, 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.

¹ This information has been communicated to Sustainalytics by NBN Co.

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>

² 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/>

³ The NBN Co Sustainability Bond Framework is available on NBN Co's website at: www.nbnco.com.au/debt-investor

⁴ 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.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

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 NBN Co Sustainability Bond 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 and Access to Essential Services and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP and SBP.
 - NBN Co has established a 36-month look-back period for its refinancing activities, which Sustainalytics considers to be aligned with market practice.
 - Under the Energy Efficiency category, the Company may finance or refinance expenditures related to improving network technologies and the associated infrastructure in order to increase the energy efficiency⁵ of its network. Examples of the projects under this category include:
 - Network development projects, such as the deployment of fixed-line fibre-optic connections to replace copper-based networks, including fibre to the premise (FTTP), hybrid fibre coaxial (HFC) and transit network infrastructure (TNI).
 - Sustainalytics considers investments in this category 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 related to network infrastructure, facilities, technologies and affordable solutions to provide adequate broadband services aimed at enabling digital inclusion or advance digital skills and abilities for underserved regional and remote communities. The Company has confirmed to Sustainalytics that the intended expenditures will be aimed towards upgrading broadband services to meet or exceed the expectations of the Australian Government for the target population,⁶ which currently have access to lower-quality broadband services.⁷ In this context, Sustainalytics notes that, in 2022,

⁵ Measured by the amount of energy consumed per gigabyte of data (kWh/GB) when compared to legacy technology, such as copper-based networks.

⁶ The Company has defined the target population as people living in underserved regional and remote communities located outside of metropolitan areas and who have access to lower quality broadband services.

⁷ Lower-quality broadband services mean the broadband services being upgraded to meet or exceed the expectations of the Australian Government including as per the requirements set out in NBN Co's Statement of Expectations (SOE). The SOE, dated 19 December 2022, includes the following expectations for the regional and remote areas of Australia: i) Efficiently implementing upgrades to provide all premises in the fixed wireless network with access to wholesale download speeds of up to 100 megabits per second (Mbps) and typical wholesale busy hour speeds of at least 50 Mbps, and ii)

98.5% of Australian premises had access to broadband speeds of at least 25 Mbps.⁸ However, challenges remain in regional and remote areas, where the reliability of telecommunication services is often limited. According to the Australian Digital Inclusion Index 2023, 23.6% of the country's total population are classified as digitally "excluded" and "highly excluded", which presents a barrier to basic amenities and services, such as education and healthcare.⁹ Moreover, the need for reliable telecommunication and broadband services in rural, regional and remote areas of Australia has increased since 2018 due to natural disasters, such as the 2019-20 bushfires, the 2021 Eastern Australia floods, Cyclone Seroja, and the Covid-19 pandemic.¹⁰ Further, Sustainalytics notes that the definition of access to lower-quality broadband services set out in the Framework (which is aligned with the expectations of the Australian Government), is broader than the minimum threshold set by the International Telecommunication Union.¹¹ However, given the remaining challenges in access to telecommunication services in regional and remote areas in Australia, Sustainalytics views these investments as socially impactful.

- Sustainalytics notes that the Framework excludes financing for activities involving: 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 (the "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's Advisory Group, along with the Sustainability team, is responsible for identifying and managing potential environmental and social risks associated with the eligible projects. 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 of project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Company's Treasury and Corporate Finance teams will be responsible for monitoring the allocation of proceeds to eligible projects and assets. The Treasury and Corporate Finance teams will report on the use of proceeds to the Advisory Group for validation of allocation to eligible projects. Further, NBN Co will track the allocation of net proceeds to eligible assets and projects through a sustainable bond register.
 - 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 in line with market practice.
- Reporting:
 - NBN Co commits to report on allocation and impact of proceeds in its sustainability bond report on an annual basis, until the maturity of all bonds. The report will be made publicly available on NBN Co's debt investor information portal. The Company commits to have an external third-party reviewer provide a limited assurance verification of the allocation of proceeds and the impact indicators until full allocation.
 - 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 of all the GSS bonds.

Ensuring at least 80% of premises in regional and remote Australia have access to wholesale download speeds of at least 100 megabits per second by 2025.

NBN Co, "NBN Co Limited, Statement of Expectations", (2022), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/policies/statement-of-expectations-2022.pdf.coredownload.pdf>

⁸ Australian Government, "Australia's Broadband Performance" (2021), at: <https://www.infrastructure.gov.au/sites/default/files/documents/bcarr-australias-broadband-performance-march2022.pdf>

⁹ Australian Digital Inclusion Index, "Measuring Australia's Digital Divide - Australian Digital Inclusion Index", (2023), at: <https://www.digitalinclusionindex.org.au/download-reports/>

¹⁰ Australian Government, "2021 Regional and Telecommunication Review", at: <https://www.infrastructure.gov.au/sites/default/files/documents/2021-rtirc-report-a-step-change-in-demand.pdf>

¹¹ United Nations, "Achieving universal and meaningful digital connectivity – Setting a baseline and targets for 2030", at: https://www.itu.int/itu-d/meetings/statistics/wp-content/uploads/sites/8/2022/04/UniversalMeaningfulDigitalConnectivityTargets2030_BackgroundPaper.pdf

- In addition, the Company is committed to reporting on relevant impact metrics, where relevant. Impact reporting may include metrics such as energy intensity measured per unit of activity, emissions intensity measured per unit of activity, a cumulative annual increase in the total number of homes and businesses connected and reduction in unconnected people by target group.
- Based on the commitment to both allocation and impact reporting, 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 NBN Co Sustainability Bond 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

NBN Co adopts a principles-based approach to drive sustainability across its business units. The material ESG topics identified by the FY2024 materiality assessment are climate change transition, digital inclusion, enabling economic and social opportunities, and network resilience, reliability and security.¹²

In 2023, NBN Co committed to setting long-term greenhouse gas emissions reduction targets and achieving net zero emissions by 2050 or earlier. NBN Co's near-term emissions reduction targets were validated by SBTi in 2023.^{13,14} The Company's targets include: i) reducing absolute scope 1 and 2 GHG emissions by 95%, and reducing scope 3 emissions from the use of sold products by 60% per device by FY2030 compared to FY2021; and ii) having 80% of its suppliers by spend (covering purchased goods and services, capital goods, and downstream transportation and distribution) to have science-based targets by FY2027.¹⁵ Additionally, NBN Co has committed to reduce annual energy use by 25 GWh by 2025 and has set a target to achieve 100% renewable energy purchases from December 2025.¹⁶ Furthermore, the Company has established a Climate Transition Plan to enable strategic planning, implementation and engagement on climate mitigation and adaptation.¹⁷

To support digital inclusion, NBN Co has committed to providing connectivity in regional areas of Australia, including for low-income, vulnerable and isolated customers.¹⁸ The Company has established the Low-Income and Digital Inclusion Forum to improve access, affordability and digital skills for vulnerable, low-income and unconnected people.¹⁹ Additionally, NBN Co introduced an updated Accessibility Inclusion Plan in May 2023, outlining how the Company will support access to healthcare, education and online government services amidst growing technological advancements and digitization.²⁰ The Company's fifth Reconciliation Action Plan, updated in May 2023, builds on previous efforts to connect communities, deliver customized product offerings and enhance First Nations people's digital skills through educational programmes.²¹ As of 2023, NBN Co's Sky Muster satellite services also support 130 out of 301 First Nations communities served by the National Indigenous Australians Agency's Remote Indigenous Communities Telecommunications Wi-Fi programme.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.

¹² NBN Co. communicated to Sustainalytics that this information will be included in NBN Co's public disclosures during 2024.

¹³ SBTi, "Companies Taking Actions", at: <https://sciencebasedtargets.org/companies-taking-action>

¹⁴ 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>

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ NBN Co, "Corporate Plan 2024", (2024) at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/corporate-plan/nbn-co-corporate-plan-2024.pdf.coredownload.inline.pdf>

¹⁹ NBN Co, "Low-Income and Digital Inclusion Forum", at: <https://www.nbnco.com.au/rsp/industry-consultation/low-income-and-digital-inclusion-forum>

²⁰ NBN Co, "NBN Accessibility and Inclusion Plan", (2023), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/policies/2023-2026-accessibility-and-inclusion-plan.pdf.coredownload.pdf>

²¹ NBN Co, "NBN Innovate Reconciliation Action Plan", (2023), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/policies/nbn-reconciliation-action-plan-april-2023-april-2026.pdf.coredownload.pdf>

²² 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>

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible 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 mitigate potential risks through implementation of the following:

- To mitigate risks related to waste, land use and biodiversity, NBN Co has an Environmental policy which outlines the Company's commitment towards protection and restoration of the environment, and reduction of its carbon emissions and environmental impacts.²³ The Company's environmental management system (EMS), which is certified to ISO 14001:2015, outlines objectives including the identification of significant environmental risks associated with the Company's products and services, implementation of effective measures to reduce or prevent impacts on the environment, ensuring compliance with applicable environmental laws and regulations, and regular evaluation of its environmental performance. The policy also focuses on minimizing the use of natural resources, promoting reuse and recycle of resources and reducing generation of waste through the application of circular economy and environmental design principles in the Company's products and services.^{24,25}
- To improve security in its optical networks, NBN Co has adopted an integrated Security Governance Framework aligned with the Company's Enterprise Risk Management (ERM) policy for risk assessment, control and mitigation. NBN Co's ERM Framework adheres to ISO 31000:2018.^{26,27} Additionally, to keep up with industry practices and facilitate the development and implementation of appropriate safeguards, the Company conducts threat assessments and scenario planning regularly.²⁸
- To mitigate risks related to worker health and safety, NBN Co has established a safety management system (SMS) for its employees and contractors, in line with the Australian standard AS/NZS and ISO 45001:2018, covering the design, project management of broadband roll-out as well as the operations and maintenance of communications infrastructure.^{29,30} Additionally, the Company has revised its safety and well-being strategy plan to enhance the safety and well-being management systems for its employees and extended workforce, emphasising safety leadership and culture, critical risk prevention and controls, learning and engagement, health and well-being, and assurance best practices.³¹
- In relation to responsible procurement, NBN Co's supplier code of conduct sets requirements for responsible procurement from suppliers, including commitments to ethical, safe and socially responsible practices, as well as minimum standards for human rights, workplace relations, health, safety, environmental protection, ethical behaviour and management systems.³²
- 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

²³ NBN Co, "Environmental Policy", (2024), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/policies/environment-policy-2024.pdf.coredownload.pdf>

²⁴ Ibid.

²⁵ 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>

²⁶ Ibid.

²⁷ ISO, "ISO 31000:2018- Risk Management- Guidelines", at: <https://www.iso.org/standard/65694.html> <https://www.iso.org/iso-14001-environmental-management.html>

²⁸ Ibid.

²⁹ Standards Australia, "AS/NZS ISO 45001:2018", at: <https://www.standards.org.au/standards-catalogue/standard-details?designation=as-nzs-iso-45001-2018>

³⁰ NBN Co, "Safety and Wellbeing Policy", (2023), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/policies/safety-wellbeing-policy-december-2023.pdf.coredownload.pdf>

³¹ 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>

³² NBN Co, "Supplier Code of Conduct", (2023), at: <https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/partners-and-suppliers/nbn-supplier-code-of-conduct-2023-final.pdf.coredownload.pdf>

locations. Through focused programmes, the Regional Development and Engagement team undertakes outreach activities for regional Australians.³³

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.

Section 3: Impact of Use of Proceeds

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

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

As of 2022, the ICT sector accounted for at least 1.7% of global GHG emissions, with telecom operators responsible for 0.4% of global GHG emissions from energy and 1% of global electricity consumption.³⁴ In addition, the sector's rapid growth stresses the importance of addressing and limiting any expansion in its GHG footprint.³⁵ Improving energy efficiency will be essential for the telecom sector's decarbonization pathway by transitioning from legacy to newer technologies.³⁶ Notably, 5G and fibre-enabled smart digital solutions have the potential to reduce global CO₂ emissions by up to 15%,³⁷ with fibre touted as the most energy-efficient technology for broadband networks.³⁸

In Australia, the telecom sector was responsible for approximately 2.1% of the country's total electricity consumption^{39,40} and 0.5% of its total GHG emissions from energy in 2022.^{41,42} To accelerate the low-carbon transition, Australia has committed to reduce its GHG emissions by 43% by 2030 (from 2005) and achieve net zero emissions by 2050 under its Nationally Determined Contribution.^{43,44} GeSI estimates that the ICT sector could facilitate ripple efficiency effects across other sectors (transport, buildings, agriculture, manufacturing, etc.), enabling an abatement of carbon emissions estimated at up to 188 MtCO₂e in Australia.⁴⁵

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

Importance of digital inclusion in Australia

Nearly one-third of the global population (2.6 billion people) lacked internet access in 2023.⁴⁶ In Australia, digital exclusion affected 25% of the population in 2023.⁴⁷ More specifically, individuals with disabilities (55%), residents of public housing (64%), individuals aged over 75 (65%) and those unemployed (69%) continue to face much higher levels of digital affordability stress in the country.⁴⁸ There is also a significant digital access

³³ 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>

³⁴ World Bank and International Telecommunication Union, "Measuring the Emissions & Energy Footprint of the ICT Sector: Implications for Climate Action", (2024), at: <https://documents1.worldbank.org/curated/en/099121223165540890/pdf/P17859712a98880541a4b71d57876048abb.pdf>

³⁵ International Telecommunications Union, "Greenhouse gas emission trajectories for the information and communication technology sector compatible with the UNFCC Paris Agreement", (2020), at: https://www.itu.int/rec/dologin_pub.asp?lang=s&id=T-REC-L.1470-202001-1!!PDF-E&type=items

³⁶ International Telecommunications Union, "Greening Digital Companies: Monitoring emissions and climate commitments", (2022), at: <https://www.itu.int/en/ITU-D/Environment/Documents/Publications/2022/Greening-Digital-Companies-22June2022.pdf>

³⁷ European Telecommunications Network Operators' Association and BCG, "Connectivity & Beyond: How Telcos Can Accelerate a Digital Future for All", (2021), at: <https://etno.eu/library/reports/96-connectivity-and-beyond.html>

³⁸ Europacable, "Fibre: the most energy-efficient solution to Europe's bandwidth needs", (2022), at: <https://europacable.eu/wp-content/uploads/2022/07/Europacable-Whitepaper-on-Energy-Efficiency-of-Fiber-networks-05-July-2022.pdf>

³⁹ World Bank and International Telecommunication Union (ITU), "Measuring the Emissions & Energy Footprint of the ICT Sector: Implications for Climate Action", (2024), at: <https://documents1.worldbank.org/curated/en/099121223165540890/pdf/P17859712a98880541a4b71d57876048abb.pdf>

⁴⁰ IEA, "Australia: Electricity", (2022), at: <https://www.iea.org/countries/australia/electricity>

⁴¹ World Bank and International Telecommunication Union (ITU), "Measuring the Emissions & Energy Footprint of the ICT Sector: Implications for Climate Action", (2024), at: <https://documents1.worldbank.org/curated/en/099121223165540890/pdf/P17859712a98880541a4b71d57876048abb.pdf>

⁴² IEA, "Australia: Emissions", (2022), at: <https://www.iea.org/countries/australia/emissions>

⁴³ UNFCCC, "Nationally Determined Contribution Communication: Australia", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/NDC%202022%20Update%20Letter%20to%20UNFCCC.pdf>

⁴⁴ IEA, "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>

⁴⁵ Global e-Sustainability Initiative, "Explore the Data", (2018), at: <https://smarter2030.gesi.org/explore-the-data/>

⁴⁶ ITU, "Population of global offline continues steady decline to 2.6 billion people in 2023", (2023), at: <https://www.itu.int/en/mediacentre/Pages/PR-2023-09-12-universal-and-meaningful-connectivity-by-2030.aspx>

⁴⁷ Australia Digital Inclusion Index (ADII), "Key findings and next steps", at: <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

⁴⁸ Ibid.

divide between First Nations and non-First Nations people in Australia, with a persistent and pronounced gap in remote and very remote areas.⁴⁹ Digital inclusion scores in Australia also decline according to remoteness, with outer regional and very remote areas scoring the lowest.⁵⁰ Improving digitalization and digital inclusion is inherently important for participation in work, education and healthcare,⁵¹ as well as for tapping on digital innovation opportunities, which are worth an estimated AUD 315 billion (USD 210 billion) addition to Australia’s economy in productivity and sustainable growth by 2028.⁵² In spite of the above difficulties, digital inclusion continues to improve steadily in the country since 2020, partly thanks to a recent AUD 2.2 billion (USD 1.4 billion) in investments of the Australian Government towards improving telecommunications for regional, rural and remote Australia.^{53,54} These investments have come as part of plans such as the Better Connectivity Plan for Regional and Rural Australia and the Regional Connectivity Program and the Universal Service Guarantee, which are meant to improve country-wide access to enhanced telecommunications services,⁵⁵ following some of the recommendations in the Australian Digital Inclusion Alliance’s National Digital Inclusion Roadmap of 2020.^{56, 57} Sustainalytics is of the opinion that NBN Co’s investments to expand the broadband network to the underserved regional and remote communications are expected to 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 NBN Co Sustainability Bond Framework are expected to help advance the following SDG and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in 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
Access to Essential Services and Socioeconomic 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
	10. Reduced Inequalities	10.3 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

⁴⁹ Ibid.

⁵⁰ Australian Digital Inclusion Alliance, “Measuring Australia’s Digital Divide: Australian Digital Inclusion Index 2023”, (2023), at: https://www.digitalinclusionindex.org.au/wp-content/uploads/2023/07/ADII-2023-Summary_FINAL-Remediated.pdf

⁵¹ Australian Digital Inclusion Alliance, “Digital inclusion: the Australian Context in 2023”, (2023), at: <https://www.digitalinclusionindex.org.au/digital-inclusion-the-australian-context-in-2023/>

⁵² Commonwealth Scientific and Industrial Research Organisation, “Australia’s \$315bn opportunity in digital innovation”, (2018), at: <https://www.csiro.au/en/news/all/news/2018/september/australias-315bn-opportunity>

⁵³ Australian Digital Inclusion Alliance, “Australian Digital Inclusion Index, Key findings and next steps,” at: <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

⁵⁴ Government of Australia, The Hon Michelle Rowland MP, Minister for Communications, “Australian Digital Inclusion Index Highlights First Nations digital inclusion gap”, (2023), at: <https://minister.infrastructure.gov.au/rowland/media-release/australian-digital-inclusion-index-highlights-first-nations-digital-inclusion-gap>

⁵⁵ Government of Australia, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, “Universal Service Guarantee (USG)”, (2021), at: <https://www.infrastructure.gov.au/sites/default/files/documents/universal-service-guarantee-usg-3september2021.pdf>

⁵⁶ Australian Digital Inclusion Alliance, “A National Digital Inclusion Roadmap”, (2020), at: <https://www.digitalinclusion.org.au/wp-content/uploads/2020/10/ADIA-A-National-Digital-Inclusion-Roadmap.pdf>

⁵⁷ First Nations Digital Inclusion Advisory Group, “Discussion Paper – First Nations digital inclusion roadmap”, (2024), at: <https://www.infrastructure.gov.au/sites/default/files/documents/roadmap-discussion-paper.pdf>

Conclusion

NBN Co has developed the NBN Co Sustainability Bond Framework under which it may issue sustainability bonds and use the proceeds to finance or refinance projects related to energy efficiency, and access to essential services and socioeconomic advancement and empowerment. Sustainalytics considers that the eligible projects are expected to contribute to reducing 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 processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the NBN Co Sustainability Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 10. Additionally, Sustainalytics considers 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 Limited is well positioned to issue green, social and sustainability bonds and that NBN Co Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

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