



Second Party Opinion

SECOND PARTY OPINION

PORT OF NEWCASTLE INVESTMENTS (FINANCING) PTY LIMITED SUSTAINABILITY LINKED FINANCING FRAMEWORK

Prepared by: DNV GL Business Assurance Australia Pty. Ltd.

Location: Sydney, Australia

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Disclaimer

Our assessment relies on the premise that the data and information provided by PON to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

DNV GL'S INDEPENDENT ASSESSMENT

SCOPE AND OBJECTIVES

Port of Newcastle Investments (Financing) Pty Limited ("PON") is an investment entity associated with the Port of Newcastle corporate structure. The Port of Newcastle is the largest deep water Port on Australia's East Coast.

PON is committed to operating in a manner which acknowledges and proactively manages those issues which are most material to the long-term sustainability of its business, the environment and the communities in which it operates. This commitment is driven by the Company Values which are core to its business and built into its strategic drivers.

PON has prepared a Sustainability Linked Financing Framework ("SLFF") for the issuance of "Sustainability Linked Loans" ("SLLs") as defined in the Sustainability Linked Loan Principles 2020 ("SLLP") set forth by the Loan Markets Association ("LMA") and Asia-Pacific Loan Market Association ("APLMA").

DNV GL Business Assurance Australia Pty. Ltd. ("DNV GL") has been commissioned by PON to review the SLFF and provide a Second Party Opinion on the alignment of the Framework with the SLLP. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of instruments entered into or issued via the SLFF, the value of any investments, or the long term environmental & social benefits of the transaction. Our objective has been to provide an assessment that the SLFF has met the criteria established on the basis set out below.

RESPONSIBILITIES OF THE MANAGEMENT OF PON AND DNV GL

The management of PON has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform PON management and other interested stakeholders in the SLFF as to whether the SLFF is aligned with SLLP. In our work we have relied on the information and the facts presented to us by PON. DNV GL is not responsible for any aspect of the nominated KPIs or SPTs referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by PON's management and used as a basis for this assessment were not correct or complete.

BASIS OF DNV GL'S OPINION

We have adapted our assessment methodology to create the PON Sustainability Linked Loan Framework Eligibility Assessment Protocol ("Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion.

As per our Protocol, the criteria against which the SLFF has been reviewed are grouped under the four components as below:

1. Relationship to Borrower's Overall Sustainability Strategy

The borrower of a sustainability linked loan should clearly communicate to its lenders its sustainability objectives, as set out in its sustainability strategy, and how these align with its proposed Sustainability Performance Targets ('SPTs').

2. Target Setting – Measuring the Sustainability Performance of the Borrower

Appropriate SPTs should be negotiated and set between the borrower and lender group for each transaction. The SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark.

3. Reporting

Borrowers should, where possible, make and keep readily available up to date information relating to their SPTs, with such information to be provided to those institutions participating in the loan at least once per annum.

4. Review

External review is to be negotiated and agreed between the borrower and lenders on a transaction-by transaction basis. For loans where information relating to SPTs is not made publicly available or otherwise accompanied by an audit/assurance statement, it is strongly recommended that a borrower should seek external review of its performance against its SPTs.

WORK UNDERTAKEN

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by PON in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a PON-specific Protocol, adapted to the purpose of the SLFF, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by PON on the SLFF and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of PON's published materials and websites;
- Discussions with PON management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

FINDINGS AND DNV GL'S OPINION

DNV GL's findings on the alignment with Sustainability Linked Loan Principles are listed below:

1. Relationship to Borrower's Overall Sustainability Strategy

PON has in place key topics to be considered in support of ESG aspects and impact areas including:

- Health and Wellness
- Climate Change
- Anti-Corruption
- Diversity and inclusion
- Resource management
- Biodiversity
- Environmental compliance

PON has an Environmental Management System accredited under EcoPorts PERS program and aligned with ISO 14001 standard, specifically tailored for ports and terminals. The SPTs were confirmed to be well aligned with PON implementing their sustainability related policies, working to achieve stated goals and were consistent with the communication made to stakeholders through its annual Sustainability Reporting.

2. Target Setting

The SPTs were considered to be ambitious, meaningful and appropriate for the setting of further performance improvements. Key Performance Indicators for the SPTs include:

- Mental health first aid training
- GHG emissions
- Hosting of Aboriginal and Torres Strait Islander interns
- Delivery of cultural awareness training
- Modern slavery assessment of suppliers
- GRESB Rating
- NSW Sustainability Advantage Recognition

The Key Performance Indicators were considered to be appropriate in the organisational setting. Each KPI was confirmed to be tied to a sustainability focus within PON's Sustainability Strategy.

3. Reporting

PON has confirmed that it will provide annual reporting on SPT performance to the lenders. This will include information on the Sustainability Linked Loan SPT performance and resulting impact on the predefined facility margin.

4. Review

PON has confirmed that it will undertake annual external assurance on its Sustainability Linked Loan including SPTs for the term of the Loan Facility.

On the basis of the information provided by PON and the work undertaken, it is DNV GL's opinion that the Sustainability Linked Financing Framework proposed meets the criteria established in the Protocol and that it is aligned with the Sustainability Linked Loan Principles 2020. The KPIs are material and relevant to PON's business strategy and are considered to be meaningful to PON's business.

for DNV GL Business Assurance Australia Pty. Ltd.

Sydney, Australia / 3 February 2021



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**SCHEDULE 2: SUSTAINABILITY LINKED LOAN FRAMEWORK ELIGIBILITY ASSESSMENT
 PROTOCOL**

1. Relationship to Borrower’s Overall Sustainability Strategy

| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-------------------------------|--|---|--|
| 1a | Overall Strategy - Objectives | The borrower of a sustainability linked loan should clearly communicate to its lenders its sustainability objectives, as set out in its sustainability strategy, and how these align with its proposed SPTs. | Review of: <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports Discussions with PON management | DNV GL has reviewed PON’s corporate policies and Sustainability Strategy as detailed and benchmarked in their annual Sustainability Reporting. PON’s proposed Sustainability Linked Financing Framework is confirmed by DNV GL to be aligned with and consistent with PON’s overarching Sustainability Strategy and Sustainability Objectives. PON’s Sustainability policy focus areas: <ul style="list-style-type: none"> • Health and Wellness, • Climate Change, • Anti-Corruption, • Diversity and inclusion, • Resource management, • Biodiversity, and • Environmental compliance The potential Key Performance Indicators (‘KPIs’) within the SLFF were considered in the context of PON’s core sustainability outcomes and objectives. The potential KPIs were confirmed to be aligned with some of PON’s core sustainability outcomes and objectives. The potential KPIs include: <ol style="list-style-type: none"> 1. Delivery of mental health first aid training and accreditation of mental health first-aiders <ul style="list-style-type: none"> - (Health and Wellness) |

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| | | | | <ol style="list-style-type: none"> 2. Greenhouse gas emissions <ul style="list-style-type: none"> - (Climate Change) 3. Hosting of Aboriginal and Torres Strait Islander interns <ul style="list-style-type: none"> - (Diversity and inclusion) 4. Delivery of cultural awareness training <ul style="list-style-type: none"> - (Diversity and inclusion) 5. Modern slavery assessment of suppliers <ul style="list-style-type: none"> - (Human Rights) 6. GRESB Rating <ul style="list-style-type: none"> - (ESG Performance) 7. NSW Sustainability Advantage Recognition <ul style="list-style-type: none"> - (ESG Performance) <p>DNV GL’s assessment concludes that the potential KPIs established by PON are consistent with PON’s strategic sustainability framework, policies and plans.</p> |
| 1b | Overall Strategy - Context | Borrowers are encouraged to position this information within the context of their overarching objectives, strategy, policy and/or processes relating to sustainability. | <p>Review of:</p> <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports <p>Discussions with PON management</p> | As per the analysis in Ref 1a above, DNV GL has confirmed that the Sustainability Linked Financing Framework has been positioned in context with PON’s values, strategy and objectives as set out in their Sustainability Reporting and Policies. |
| 1c | Overall Strategy - Standards | Borrowers are also encouraged to disclose any sustainability standards or certifications to which they are seeking to conform. | <p>Review of:</p> <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments | <p>Metrics associated with PON’s SPTs are benchmarked using existing established benchmarks including:</p> <ul style="list-style-type: none"> - GRESB Rating, and - NSW Sustainability Advantage Recognition |

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| | | | <ul style="list-style-type: none"> • PON Sustainability Policies • PON Sustainability Reports <p>Discussions with PON management</p> | |
|--|--|--|--|--|

2. Target Setting – Measuring the Sustainability of the Borrower

| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-----------------------------|---|---|---|
| 2a | Target Setting - Meaningful | The KPIs/SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark. | <p>Review of:</p> <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports <p>Discussions with PON management</p> | <p>The proposed KPI listing is supplemented by a commitment to agree on appropriate information related to the selected KPIs for each Sustainability Linked Loan entered into, including:</p> <ul style="list-style-type: none"> • a set of key performance indicators and associated Sustainability Performance Targets • the respective methodology and baselines for those Sustainability Performance Targets • frequency of measurement of Sustainability Performance Targets (expected to be annually) • timeline for measurement and reporting of sustainability performance • incentives applicable after Sustainability Performance Targets are achieved. <p>The suggested KPIs were considered to be meaningful and appropriate for the setting of further performance improvements. The alignment of the suggested KPIs is considered further below.</p> <p>KPI 1</p> |

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| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|----------|--------------|-----------------|---|
| | | | | <p>According to the WHO, workplaces that promote mental health and support people with mental disorders are more likely to reduce absenteeism, increase productivity and benefit from associated economic gains. The KPI is also in line with PON’s strategic focus on Diversity and Inclusion in the workplace. DNV GL considers KPI 1 to be meaningful in the context of the organisation and appropriate for inclusion.</p> <p>KPI 2 PON has suggested its second KPI related to GHG emissions performance as a part of its long term strategy to reduce emissions under its “Well Below 2 Degrees” initiative. PON has in place a Science Based Targets analysis and trajectory to keep Scope 1 and 2 GHG emissions below the 2025 trajectory level equivalent to 3199 tCO₂e per annum.</p> <p>DNV GL considers KPI 2 to be well aligned to international best practice and is set to meet and exceed the targets set under the Paris Agreement. DNV GL also confirms this KPI is appropriate and meaningful and in line with PON’s strategic position and plan related to Climate Change. Overall the KPI is considered to be suitably aligned with the purpose of the SLLP.</p> <p>KPI 3 PON has proposed Hosting of Aboriginal and Torres Strait Islander interns within the organisation. The purpose of the initiative is to establish an indigenous student internship programme in consultation with the University of Newcastle’s Office of Indigenous Strategy and Leadership and the Employer Engagement Team. Specifically, the programme is proposed to have:</p> <ul style="list-style-type: none"> ○ defined purpose for the roles |

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| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|----------|--------------|-----------------|---|
| | | | | <ul style="list-style-type: none"> ○ defined eligibility criteria for recipients (e.g. educational level, geographical location, indigenous) ○ defined application and selection process ○ defined number of internships to be offered per annum for at least 5 years <p>DNV GL considers KPI 3 to be a meaningful metric associated with the enrichment of the PON workplace and contribution to the strategic focus within the organisation on Diversity and inclusion.</p> <p>KPI 4 The proposed inclusion of the delivery of cultural awareness training within the organisation is proposed to provide employees and management with tools and understanding of handling cultural awareness in the workplace and providing personal growth opportunities in PON’s cross cultural workplace environment. DNV GL considers the inclusion of cultural awareness training delivery to be a meaningful metric associated with the enrichment of the PON workplace and contribution to the strategic focus within the organisation on Diversity and inclusion.</p> <p>KPI 5 As a hub for Global trade, the Port of Newcastle handles cargo and goods from all around the world. PON has in place a system for the monitoring of modern slavery risks associated with goods and services connected with the port. The proposed metric is to be the proportion of suppliers screened for modern slavery risk through Informed365’s platform or equivalent provider, with demonstrated engagement in respect of any supplier which is rated yellow, amber or red (medium, high or very high).</p> |

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| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-----------------------------|--|---|---|
| | | | | <p>DNV GL considers this KPI to be a meaningful and well selected metric for managing PON’s risks and impacts surrounding PON’s operations.</p> <p>KPI 6&7 PON is engaged in local and global sustainability related rating and performance schemes including NSW Sustainability Advantage and the GRESB (Global Real Estate Sustainability Benchmark). PON engages NSW Sustainability Advantage to benchmark performance against these sustainability metrics and has included these as potential KPIs within the Sustainability Linked Financing Framework.</p> <p>DNV GL considers the inclusion of the GRESB and NSW Sustainability Advantage metrics as KPIs in the PON SLFF to be meaningful, appropriate and robust considering the involvement of independent 3rd parties to evaluate and report on the sustainability performance of the organisation. DNV GL notes that target setting for SPTs would be undertaken at the entering into of each SLL. This is considered to be appropriate.</p> |
| 2b | Target Setting - Meaningful | Market participants recognise that any targets should be based on recent performance levels (Baselines). | <p>Review of:</p> <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports <p>Discussions with PON management</p> | <p>PON has included in their Framework a commitment to agree on appropriate information related to the selected KPIs for each Loan entered into, including the respective methodology and baselines for those Sustainability Performance Targets. This was confirmed with PON to include the use of recent data relevant to the KPI and recent in vintage to be relevant to the purpose of comparison with a set SPT.</p> |

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| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-----------------------------|---|---|---|
| 2c | Target Setting - Meaningful | Interaction of the SPTs with the interest rate or equivalent. | Review of: <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports Discussions with PON management | DNV GL has considered the potential basis by which PON would structure the Discount and Premium thresholds for the Sustainability Linked Loans entered into under the Sustainability Linked Financing Framework. PON has determined that these are to be structured for each deal, and that SPTs may or may not have equal contribution toward the interest rate/coupon adjustments. DNV GL considers this to be appropriate and in line with the SLLP. |

3. Reporting

| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-----------|---|---|---|
| 3a | Reporting | Borrowers should, where possible, make and keep readily available up to date information relating to their SPTs, with such information to be provided to those institutions participating in the loan at least once per annum. Borrowers should be encouraged to publicly report information relating to their SPTs and this information will often be included in a borrower's annual report or its sustainability report. | Review of: <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports Discussions with PON management | PON will provide an annual Sustainability Report in addition to dedicated direct reporting to the lenders. SPT related data will be measured and reported annually as part of PON's standard annual internal non-financial reporting processes and will be reported internally to PON management. |

4. Review

| Ref. | Criteria | Requirements | Work Undertaken | DNV GL Findings |
|------|-----------------|--|---|---|
| 4a | External Review | The borrower should have its performance against its SPTs independently verified by a qualified external reviewer, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. | Review of: <ul style="list-style-type: none"> • Facility Terms or equivalent • PON Sustainability Linked Financing Framework commitments • PON Sustainability Policies • PON Sustainability Reports Discussions with PON management | PON have engaged DNV GL to provide an external review in the form of a Second Party Opinion on the Sustainability Linked Financing Framework and the underlying procedures and confirm alignment with the SLLP. DNV GL has confirmed the alignment of the Sustainability Linked Financing Framework and the underlying procedures with the SLLP. |



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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