



Sustainability Linked Financing Framework



CONTENTS

PART A: INTRODUCTION	4
ABOUT US	4
OUR COMMITMENT TO SUSTAINABILITY	5
PART B: OUR SUSTAINABILITY FINANCING FRAMEWORK APPROACH	10
SCOPE.....	10
EXCLUSIONS.....	12
EXTERNAL REVIEW	12
PART C: BEHAVIOUR BASED TRANSACTIONS – SUSTAINABILITY LINKED LOANS..	13
RELATIONSHIP TO OUR ENVIRONMENT, SOCIAL GOVERNANCE STRATEGY.....	13
TARGET SETTING – MEASURING OUR SUSTAINABILITY	14
REPORTING.....	14
REVIEW	15
PART D: APPENDICES	16
REFERENCES.....	16
IMPACT REPORTING	17
KEY CONTACTS.....	18
\$515M SUSTAINABILITY LINKED FINANCING ENTERED INTO ON APRIL 29 TH 2021.	19
REVISION HISTORY	20

DOCUMENT PROPERTIES

Document Title	Sustainability Linked Financing Framework
Sustainable Finance Structuring Coordinator	
Owner	Senior Manager ESG, Jackie Spiteri
Approved By	Chief Financial Officer, Nick Livesey
Approval Signature	
Approval Date	3 rd May 2021

PART A: INTRODUCTION



FIGURE 1: BIRDSEYE VIEW OF THE PORT OF NEWCASTLE CHANNEL ENTRANCE

ABOUT US

Port of Newcastle is the largest port on the East Coast of Australia. As a global trade gateway for more than 220 years, PON deliver safe, sustainable, and efficient logistics solutions for our customers.

With a deep-water shipping channel, capacity to double trade volumes, available portside land, and berthside connections to the heavy rail network, few Australian ports can match the unique capabilities of Port of Newcastle.

Port of Newcastle is integral to the prosperity of our region and the state, enabling businesses across the Hunter and around New South Wales to successfully compete in international markets.

It creates jobs and generates more investment in our local communities. This contribution has been valued at \$1.6 billion to the Lower Hunter economy and 9,000 local jobs per annum.

As custodians of our region's most critical asset, we are striving every day to create a safe, sustainable, and environmentally and socially responsible Port for the future.

OUR COMMITMENT TO SUSTAINABILITY

PON IS COMMITTED TO DRIVING THE PRINCIPLES OF SUSTAINABILITY THROUGHOUT ITS OPERATIONS, INTERNAL CULTURE, AND THE WAY IT ENGAGES WITH CUSTOMERS AND COMMUNITIES.

PON RECOGNISES ITS RESPONSIBILITY TO MANAGE THE PORT IN A WAY THAT MINIMISES ITS IMPACTS ON THE LOCAL ENVIRONMENT AND IS COMMITTED TO ADOPTING SUSTAINABLE PRACTICES.

As the first port in Australia or New Zealand to become a member of the International EcoPorts network, PON also became the first port in the region to be certified under the framework in 2019. EcoPorts provides a consistent and globally recognised approach to environmental management in the ports sector.

PON are a member of the NSW Government Sustainability Advantage program, achieving Bronze recognition in 2019 for its sustainability performance.

To benchmark its sustainability performance against other assets PON participates in the GRESB ESG benchmark for Real Assets. PON used the feedback from its first GRESB assessment in 2019 to set a baseline for determining sustainability opportunities that have since been integrated into its business strategy.

During the 2020 GRESB assessment, PON improved its overall sustainability performance by a remarkable 87.5% from 40/100 to 75/100 (against a GRESB average of 61).

In 2020 PON released its first Sustainability Report, prepared in line with the Global Reporting Initiative.



PON'S ENVIRONMENT SOCIAL GOVERNANCE (ESG) STRATEGY IS FOCUSED ON FOUR KEY THEMES, OUR PEOPLE, OUR PLANET, OUR PROSPERITY AND OUR PARTNERSHIPS, EACH OF WHICH HAVE EQUAL WEIGHTING TO ENSURE A SUSTAINABLE AND RESILIENT ASSET FOR FUTURE GENERATIONS.



PON'S APPROACH TO SUSTAINABILITY ALIGNS WITH THE PRINCIPLES OF THE UN SUSTAINABILITY GOALS TO PROMOTE PROSPERITY WHILST PROTECTING THE PLANET.

Of the 17 SDGs, PON has identified those that directly resonate with its business. To enable PON to focus on making its greatest contribution, those relevant SDGs have been prioritised across three categories, being Priority SDGs, Supporting SDGs and Underlying SDGs.

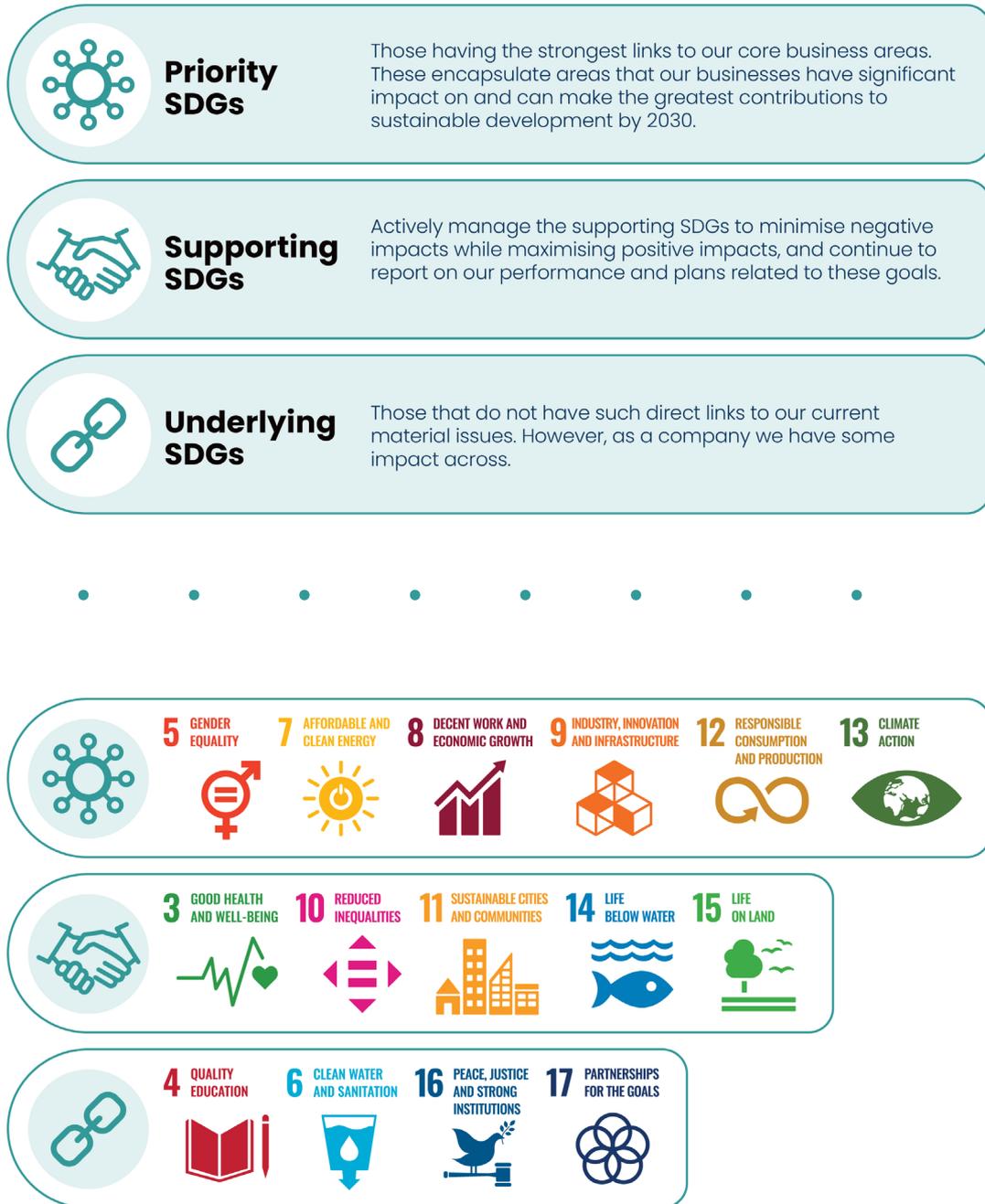


FIGURE 2: PON PRIORITY SDG, SUPPORTING SDG AND UNDERLYING SDG ALIGNMENT

AT THE HEART OF OUR OPERATIONS ARE OUR PEOPLE. WE SEEK TO PROVIDE A SAFE, SECURE, AND INCLUSIVE ENVIRONMENT THAT PROTECTS PEOPLE AND PROMOTES THEIR WELLBEING, AND WE STRIVE TO HAVE ROBUST SYSTEMS IN PLACE, ENABLING COMPLIANCE, COMMERCIALITY AND EFFICIENCY WITHIN A CULTURE OF MUTUAL RESPECT.

Over the past two years there has been a material transformation in Port of Newcastle’s safety culture. This is a result of an intended shift that has positioned the safety and wellbeing of our people and our port community as a top priority. This focus extends to the mental wellbeing of our people as well as their physical health. PON endeavours to ensure its employees are supported both at work and at home through a range of programs, policies, workplace benefits, training and development opportunities, and wellbeing initiatives.

PON has implemented a Mental Health First Aid training program and provides regular seminars to eliminate the stigma around mental health and to provide staff with the skills needed to support their peers and enhance their own wellbeing.

Our policies encourage workplace diversity and empower social inclusion – irrespective of age, sex, disability, race, ethnicity, origin, religion, or other status.

At PON, we challenge what has traditionally been a male dominated port industry by promoting the empowerment of women and providing equal opportunities for leadership. We are committed to achieving greater equality and diversity in the workplace. PON’s latest sustainability report showed that 76% of new recruits were women.



OUR PEOPLE

76%

NEW RECRUITS FEMALE



CORPORATE FITNESS PROGRAM



MENTAL HEALTH FIRST AID PROGRAM

OUR VALUES



COMMUNITY

We are engaged with our communities and proud of the Port’s role in the region



WELLBEING

We support and invest in our people and their wellbeing



INTEGRITY

We are genuine, open and respectful in everything we do



CURIOSITY

We challenge the status quo by questioning if there is a better or safer way

PON ARE ASSESSING BOTH THE PHYSICAL AND TRANSITIONAL RISKS ASSOCIATED WITH CLIMATE CHANGE IN LINE WITH THE TASKFORCE FOR CLIMATE RELATED DISCLOSURES RECOMMENDATIONS.

In addition to understanding and managing the direct business risks associated with climate change, we are committed to supporting the multilateral efforts to limit the global temperature rise this century to well below two degrees centigrade.

Port of Newcastle will be responsive to changes in global demand and national economic policy. Our diversification agenda positions Newcastle as Australia’s leading Energy Port, supporting the region’s transition to alternative energy solutions. Already we are the port of choice for windfarm developments in regional NSW.



THE PROSPERITY OF THE PORT IS IMPORTANT NOT ONLY FOR OUR BUSINESS, BUT FOR THE PEOPLE OF NEWCASTLE AND THE HUNTER REGION.

As well as embedding sustainability principles across the Port’s operations, our focus is on diversifying trade and the regional economy, improving the efficiency of existing supply chains, and supporting the global trend towards the use of renewable energy.

PON will comply with all laws and policies in relation to the Modern Slavery Act and have processes in place to analyse modern slavery risks in our supply chain.

Major initiatives that will underpin our diversification strategy include:

- Increasing capacity and efficiency at the Newcastle Bulk Terminal with state-of-the-art infrastructure.
- The development of the Newcastle Multi-Purpose Deepwater Terminal.
- The development of green star rated commercial properties.
- Continuing to build partnerships with stakeholders to maximise use of the automotive and Roll-on, Roll-off (ro-ro) hub.
- The continuation and growth of major bulk trades.
- Supporting EPIK’s Newcastle GasDock project to increase supply to the NSW domestic gas market.



OUR PLANET

26 SMART ELECTRICITY METERS

100% ELECTRIC VEHICLE FLEET BY 2023

100% RENEWABLE POWER FOR PORT ENERGY NEEDS BY 2021

29 SMART WATER METERS



OUR PROSPERITY

\$25 BILLION IN ANNUAL TRADE

\$1 BILLION HOUSEHOLD INCOME GENERATED \$900 MILLION IN THE LOWER HUNTER

GENERATES 10,000 JOBS ACROSS NSW

PARTNERSHIPS ARE AT THE CORE OF PON'S SUSTAINABILITY MISSION.

PON work with the community on initiatives that contribute to local and regional sustainability outcomes such as through the Community Sponsorship Program.

PON are providing funding and in-kind support to community projects that give rise to thriving, prosperous communities. We collaborate with our customers to co-create operational efficiencies, contributing to economic growth through a superior supply chain.

PON partner with tenants on initiatives that provide lasting social and environmental benefits.

PON are encouraging all stakeholders to join us as we embark on an ambitious diversification strategy that will utilise the full capacity of our assets to grow trade through establishing new, efficient, and cost-effective supply chains.

OUR PARTNERSHIPS

\$30K  **INDIGENOUS STUDENTS IN STEM SCHOLARSHIPS**

PUBLIC EV CHARGING STATIONS  **PARTNERSHIP WITH LOCAL COUNCIL**

PART B: OUR SUSTAINABILITY FINANCING FRAMEWORK APPROACH



FIGURE 3: PON WELCOME SIGN WITH ABORIGINAL ARTWORK DESIGN BY LOCAL INDIGENOUS ARTIST SARRETTA FIELDING

SCOPE

We have developed this Sustainability Linked Financing Framework (Framework) and our Green Financing Framework to demonstrate how we intend to enter into Sustainability Financing Transactions (SFTs). We have formed a Sustainable Finance Working Group to oversee this Framework and our Green Financing Framework and all SFTs entered into under them. The Sustainable Finance Working Group consists of representatives from each of the following teams:

- Finance/ESG
- Legal
- Corporate Affairs and Strategy
- Operations
- Projects

Entering into SFTs will help us demonstrate how we are managing the port in a way that minimises its impacts on the local environment and our commitment to adopting sustainable practices.

We are currently considering entering into Sustainability Linked Loans under this Framework and Green Loans and Green Bonds under our Green Financing Framework. In future, we may also consider the issuance of Sustainability Linked Bonds. This Framework and our Green Financing Framework may be subsequently updated, or new frameworks entered into, as the Sustainable Finance market evolves.



FIGURE 4: PON SUSTAINABILITY FINANCING FRAMEWORK APPROACH

Sustainability Linked Loans drawn under this Framework will be aligned with the LMA/APLMA/LSTA Sustainability Linked Loan Principles 2020 as they may be amended from time to time (SLLP).

The use of proceeds in relation to a Sustainability Linked Loan is not a determinant in its categorisation and, in most instances, we will use the proceeds of Sustainability Linked Loans for general corporate purposes. By entering into a Sustainability Linked Loan we will be incentivised to improve our sustainability profile over the term of the loan as the loan terms will be aligned to our performance against predetermined Sustainability Performance Targets (SPTs).

Each Sustainability Linked Loan will align with the following four core components of the SLLP as described in Part C of this Framework:

1. Relationship to Borrower's Overall Environment Social Governance (ESG) Strategy
2. Target Setting – Measuring the Sustainability of the Borrower
3. Reporting
4. Review

EXCLUSIONS

PON will not knowingly be involved in financing any of the following activities through the proceeds of any SFT: weapons, gambling, tobacco or predatory lending.

EXTERNAL REVIEW

We have engaged a third-party assurance provider to complete an external review of this Framework and confirm it is prepared in accordance with market standards. DNV GL, as the third-party assurance provider, has issued a second party opinion confirming that this Framework is aligned with the SLLP, as well as the ICMA Climate Transition Finance Handbook 2020.

Third party assurance will also be sought for any Sustainability Linked Loan entered under this Framework.

PART C: BEHAVIOUR BASED TRANSACTIONS – SUSTAINABILITY LINKED LOANS



FIGURE 5: PON HAS COMMITTED TO TRANSITIONING 100% OF ITS FLEET TO ELECTRIC VEHICLES

RELATIONSHIP TO OUR ENVIRONMENT, SOCIAL GOVERNANCE STRATEGY

At PON, our ESG Strategy defines objectives targeted at decarbonising operations and ensuring a safe, sustainable, efficient, and resilient asset for future generations that supports employees and embraces diversity and equality.

At PON we are committed to setting ambitious targets directly related to our material sustainability issues.

We currently consider the following topics to be our material sustainability issues:

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

The PON Environmental Management System is accredited under the globally recognised EcoPorts PERS program, a globally recognised Environmental Management System framework, aligned with ISO 14001 standard, specifically tailored for ports and terminals.

PON is an active member of the NSW Government Sustainability Advantage Program. Having already achieved Bronze recognition, PON is committed to continuous improvement in its sustainability performance and leadership, with a view to growing its recognition as it continues to participate in the program.

As a means to benchmark itself alongside other similar assets PON regularly participates in the Global Real Estate Sustainability Benchmarking initiative (GRESB). This initiative enables PON to assess its current performance as well as identifying opportunities to improve its ongoing performance.

Our achievement of ambitious targets relating to our material sustainability issues will be incentivised through the terms of our Sustainability Linked Loans, complementing the delivery of our commitment to driving the principles of sustainability throughout our operations, internal culture, and the way we engage with customers and communities.

TARGET SETTING – MEASURING OUR SUSTAINABILITY

Ambitious sustainability performance targets that are meaningful to our business will be agreed with our lenders for each Sustainability Linked Loan on a case-by-case basis.

In selecting relevant key performance indicators, consideration will be given to measurability, ability to be verified by an external reviewer, and the availability of historic and/or industry data.

Potential key performance indicators which may be used to measure our improvement include:

- delivery of mental health first aid training and accreditation of mental health first-aiders
- greenhouse gas 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

When entering a new Sustainability Linked Loan, PON and its lender(s) will agree on the appropriate information to be incorporated into the documentation for that Sustainability Linked Loan, including the items below:

- 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.

REPORTING

PON will make and keep readily available up to date information relating to our key performance indicators and performance against our Sustainability Performance Targets within our internal record keeping system. We will be required to submit an annual report to the lender(s) under each Sustainability Linked Loan, which provides evidence of performance against each Sustainability Performance Target.

On an annual basis until all Sustainability Linked Loans are fully and finally repaid, PONs performance against the key performance indicators underpinning our Sustainability Performance Targets will be reported in our annual Sustainability Report and made available on our website. PON will also seek third party assurance from an appropriate review provider to demonstrate compliance to our Lenders. This will be presented in the form of a Sustainability Linked Loan Annual Verification Report provided to the relevant lenders under each Sustainability Linked Loan.

Where possible, we will provide qualitative and/or quantitative reporting of the environmental and/or social impacts resulting from the projects undertaken to meet our Sustainability Performance Targets.

Subject to the availability of information, we will look to utilise the impact reporting guidelines as detailed within the ICMA Green, Social and Sustainability Bonds Principles Resource Centre.

The following information will be produced and provided as shown below:

Item	Frequency	Availability
Sustainability Financing Framework	At the time of entry into the first Sustainability Linked Loan entered into under this Framework, then for any subsequent Framework updates.	PON website
Second Party Opinion on Framework	At the time of entry into the first sustainability linked loan entered into under this Framework.	PON website
Annual Sustainability Report	Annually.	PON website
Second Party Opinion on Sustainability Linked Loan	At the time of entry into the each sustainability linked loan entered into under this Framework.	To Lenders
Sustainability Linked Loan Annual Verification Report	Annually for all outstanding Sustainability Linked Loans.	To Lenders

REVIEW

We have engaged DNV GL to provide an external review in the form of a Second Party Opinion on this Framework and the underlying procedures and confirm alignment with the SLLP.

DNV GL has confirmed the alignment of this Framework and the underlying procedures with the SLLP.

The Second Party Opinion is publicly available on our website at www.portofnewcastle.com.au.

PON will engage DNV GL, or another appropriate external review provider, to independently verify our performance against our key performance indicators as necessary for each Sustainability Linked Loan. This includes external review prior to entry into the Sustainability Linked Loan and on an ongoing basis as required (expected to be annually) for the tenor of the loan. This external review may take the form of assurance, second party opinions, evaluations from organisations such as rating agencies and sustainability advisors, or any other form of independent review that is accepted by the market.

PONs annual Sustainability Report will provide an overview of PONs performance across its material sustainability issues. This annual Sustainability Report will be available on the PON website at www.portofnewcastle.com.au.

Once reporting has been completed and external review has taken place, the lender(s) under each Sustainability Linked Loan will evaluate our performance against the Sustainability Performance Targets based on the information provided by the external review provider. The interest rate on the loan will be adjusted according to performance against the Sustainability Performance Targets using margin adjustments agreed between PON and the lender(s).

PART D: APPENDICES

REFERENCES

Port of Newcastle

[Environment Social Governance Strategy](#)

[EcoPorts Certification](#)

[Sustainability Advantage Bronze Recognition](#)

[Sustainability Report 2019](#)

[Active Environmental Management 2019](#)

LMA/APLMA/LSTA

Green Loan Principles 2020

<https://www.lsta.org/content/green-loan-principles/>

Sustainability Linked Loan Principles 2020

<https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

ICMA

Green Bond Principles 2018

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

ICMA Climate Transition Finance Handbook 2020

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook>

Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals

<https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainabledevelopment-goals/>

United Nations

United Nations Sustainable Development Goals (SDGs)

<http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

IMPACT REPORTING

We will look to utilise potential environmental and social impact reporting indicators summarised below, as further detailed in the ICMA Green, Social and Sustainability Bonds Resource Centre and guidance developed by the ICMA Green Bond Principles and Social Bond Principles Impact Reporting Working Groups, subject to the availability of information and confidentiality requirements.

<https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/#>

We will endeavour to report against all indicators of chosen categories but note that not all may be applicable to all bond/loan issuances.

Health and Wellness	<ul style="list-style-type: none"> • Number of mental health first aid training courses delivered • % employees enrolled in corporate fitness program • Number of safety conversations • Number of flu shots provided to employees • Total recordable work-related injuries
Climate Change	<ul style="list-style-type: none"> • Total Scope 1 GHG Emissions • Total Scope 2 GHG Emissions • % renewable electricity • % vehicle fleet transitioned to electric vehicles • Performance against our science-based, well below 2-degree scenario trajectory
Diversity & Inclusion	<ul style="list-style-type: none"> • Development of Aboriginal and Torres Strait Islander student internship program • Number of indigenous internships completed • % employees receiving cultural awareness training • % female recruits • No. senior management team female • % workforce over 30/50 years old
Resource Management	<ul style="list-style-type: none"> • % waste diverted from landfill • Volume dredged clean sand used for beach renourishment
Environmental Compliance	<ul style="list-style-type: none"> • Number regulatory non-compliances
Anti-corruption	<ul style="list-style-type: none"> • % suppliers screened for modern slavery risk
Benchmarking	<ul style="list-style-type: none"> • NSW Sustainability Advantage recognition level • GRESB rating

KEY CONTACTS

Nick Livesey
Chief Financial Officer
nick.livesey@portofnewcastle.com.au

Daniel Ryan
Deputy CFO
dan.ryan@portofnewcastle.com.au

Jackie Spiteri
Senior Manager ESG
Jackie.spiteri@portofnewcastle.com.au

Christian Pynsent
Senior Financial Analyst
Christian.Pynsent@portofnewcastle.com.au

\$515M SUSTAINABILITY LINKED FINANCING ENTERED INTO ON APRIL 30TH 2021

In April 2021, we entered into a \$666m financing which incorporated \$515m of sustainability linked loans having ambitious sustainability performance targets tied to sustainability improvements relating to:

- Diversity and Inclusion;
- Health and Wellness;
- Decarbonisation;
- Modern Slavery; and
- Achieving certified recognition under the NSW Government Sustainability Advantage program,

The key performance indicators will be measured and reported annually.

DNV GL has confirmed the appropriateness of the key performance indicators and Sustainability Performance Targets.

DNV GL has independently verified our performance against the key performance indicators prior to entry into the loan and it (or an appropriately qualified alternative assurance provider) will verify our performance on an annual basis throughout the term of the loan.

REVISION HISTORY

This document shall be reviewed every 3 years or sooner in the event of a change in legislation or otherwise approved.

Version	Release date	Modified by	Comment
1	30.04.2021	Jackie Spiteri	First Version
2	DD/MM/YYYY	First name Surname	
3	DD/MM/YYYY	First name Surname	
Last Review Date:		30.04.2021	
Next Review Date:		30.04.2024	

Sustainability Linked Finance Framework

Final Audit Report

2021-05-03

Created:	2021-05-03
By:	laura.rudling@portofnewcastle.com.au
Status:	Signed
Transaction ID:	CBJCHBCAABAAXLsOQZJvfGZ9anrosbFAxSytI-LqWvbP

"Sustainability Linked Finance Framework" History

-  Document created by laura.rudling@portofnewcastle.com.au
2021-05-03 - 2:22:05 AM GMT- IP address: 49.255.175.6
-  Document emailed to Nick Livesey (Nick.Livesey@portofnewcastle.com.au) for signature
2021-05-03 - 2:22:39 AM GMT
-  Email viewed by Nick Livesey (Nick.Livesey@portofnewcastle.com.au)
2021-05-03 - 2:23:34 AM GMT- IP address: 104.47.71.254
-  Document e-signed by Nick Livesey (Nick.Livesey@portofnewcastle.com.au)
Signature Date: 2021-05-03 - 2:23:45 AM GMT - Time Source: server- IP address: 49.187.98.144
-  Agreement completed.
2021-05-03 - 2:23:45 AM GMT