

SUSTAINABLE FINANCE UPDATE

A monthly look at the Australasian ESG Debt Markets

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MARKET OVERVIEW

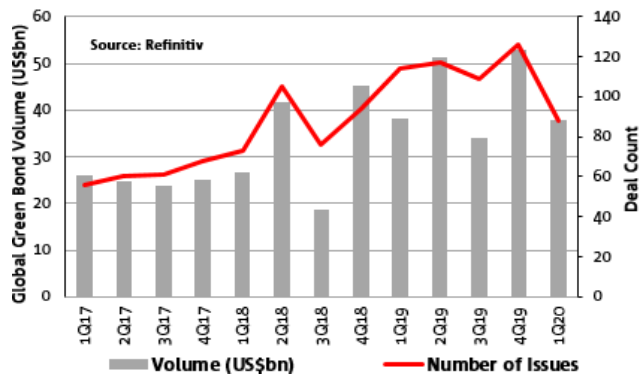
COVID-19 Bonds

- The global COVID-19 outbreak has led to a rush in issuance of COVID-19 related social bonds in recent weeks. These social bonds allow borrowers to deploy the proceeds to projects that mitigate COVID-19 related social issues and bring about positive social outcomes, especially for target populations, affected by the crisis.
- To date, SSA issuers have made up the bulk of COVID-19 social bonds, with notable deals from IFC, NIB, AfDB and EIB.

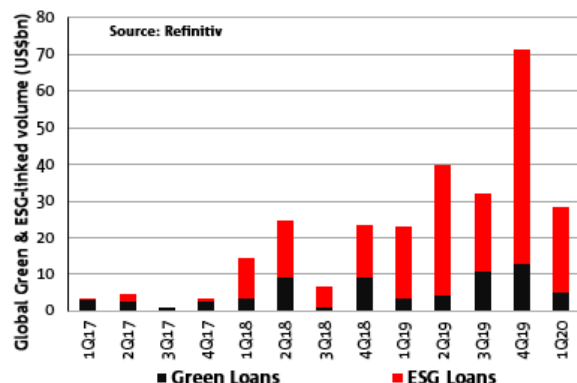
Q1 2020 – Sustainable Debt Issuance Review

- Total aggregate sustainable financing issuance in Q1 2020 was US\$92.8bn, up 3% vs Q1 2019, with US\$37.8bn green bonds and US\$28.3bn from green and sustainability linked loans, according to Refinitiv data.
- The recent surge in COVID-19 related bond deals has seen aggregate social bond volume of over US\$14bn year-to-date in 2020 already pass 2019's issuance of US\$13.3bn.

Global Green Bond Volume



Global Green and ESG Loan Volume



SELECTED RECENT DEALS

IFC Active with Social Bonds in the A\$ and US\$ Markets

- The International Finance Corporation continues to grow its ESG footprint in the A\$ market, as it priced an A\$200m 15-year social bond on 3 April. IFC also printed a 3-year US\$1bn social bond on 11 March, with the use of proceeds to help sustain jobs in developing countries to reduce the economic impact of COVID-19.

NIB prices two COVID-19 "Response" Bonds in EUR and SEK

- The Nordic Investment Bank (NIB) used its freshly set-up Response Bond Framework on 30 March. The NIB Response Bonds will finance eligible projects that aim to alleviate the social and economic consequences caused by the COVID-19 pandemic in the Bank's Nordic-Baltic member countries.

World Bank prices four Sustainable Bonds in a single week

- The World Bank priced a total of US\$14bn Sustainable Development Bonds across four different markets (US\$, EUR, SEK and GBP) between 14 and 18 April.
- The use of proceeds are aligned to SDG #3 "Good Health & Well-Being", and help raise awareness for the World Bank's activities to support its members as they address the human and economic impact of COVID-19.

Investa Secures New Green Loan

- Investa Commercial Property Fund recently closed a A\$100m 5-year green loan with NAB, bringing its total a year on from its first green loan to A\$870 million.
- Investa said the fund will continue to look for new opportunities in 2020 to further green its portfolio.

Housing NZ prices NZ\$1bn Wellbeing Bonds

- Housing New Zealand (HNZ) priced NZ\$500m Jun-25 tap, and NZ\$500m 10-year new issue. The notes were issued as Wellbeing Bonds under HNZ's Sustainability Financing Framework. BNZ acted as JLM.

INVESTOR & MARKET NEWS

ICMA Outlines Criteria for COVID-19 Bonds

- ICMA and the executive committee of the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines, have [issued guidance](#) on the types of crisis projects that qualify.
- Eligible Covid-19 projects for social or sustainability bonds include related healthcare or medical research and vaccine development, investment in additional medical equipment or manufacturing facilities to produce more health and safety equipment and hygiene supplies, and

specific projects designed to alleviate unemployment generated by the crisis.

Sustainalytics Expands Taxonomy for Covid-19

- Sustainalytics has [revised its methodology](#) for assessing which activities related to the fight against Covid-19 can be financed through the issuance of labelled social bonds.
- Sustainalytics has expanded its internal taxonomy to explicitly identify several potential uses of bond proceeds related to the virus. These fall into two main areas -- healthcare and socio-economic impact mitigation.

RIAA Report Highlights Demand for Responsible Investing in Australia

- The Responsible Investment Association Australia released [a study on consumer demand](#) for responsible investing in Australia for 2020. Key highlights from the report indicated that:
 - 86% of Australians now expect their savings and superannuation to be invested responsibly and ethically;
 - 67% of Australians who are not currently investing their money in ethical companies, funds or superannuation would consider doing so, with more than a quarter indicating they would do so within 12 months.

EU Taxonomy and European Green Bond Standards

- The Technical Expert Group (TEG) published its [final report on EU Taxonomy](#) to support the European Commission in the development of the delegated acts on climate change mitigation and climate change.
- TEG has also released a [usability guide](#) for the EU Green Bond Standard. It was developed to enhance transparency, comparability, accountability and credibility with best practice guidance for green bonds.

EU Consultation Paper for Renewed Sustainable Finance Strategy

- A new European Commission paper outlines that as the EU moves towards climate-neutrality and steps up the fight against environmental degradation, the financial and industrial sectors will have to undergo a large-scale transformation. While progress has already been made, efforts need to be stepped up so there is a need for a more comprehensive and ambitious strategy.
- The [consultation paper](#) covers 102 questions, including whether it is necessary to develop an EU taxonomy for economic activities that are most exposed to the transition due to their current negative environmental impacts - a so-called "brown taxonomy".

EC Consultations on Sustainable Benchmarks

- The EC has published three consultations on draft delegated regulations for ESG benchmarks that set out:
 - Minimum [requirements](#) for a benchmark to be labelled as an EU Climate Transition Benchmark or a EU Paris-aligned Benchmark.
 - Minimum [content](#) to be disclosed for how ESG factors are reflected in each benchmark provided.
 - Details on [information](#) to be disclosed regarding how ESG factors are reflected in the relevant benchmark methodology.

APRA Announces Climate Change Assessment

- The Australian Prudential Regulation Authority published a [letter to all APRA-regulated entities](#) outlining plans to develop a prudential practice guide focused on climate-related financial risks, as well as a climate change vulnerability assessment.
- The assessments would look at the impact of climate change, including extreme weather events, on banks' balance sheets, as well as the risks that might arise from the global transition to a low-carbon economy.

APRA also said it intends to develop and consult on a climate change financial risk prudential practice guide. This will outline the regulator's views on the management of climate change financial risks including governance, strategy, risk management and disclosure.

Australian Sustainable Finance Initiative (ASFI)

- As the impacts of the COVID-19 crisis are being felt across the financial services sector and the immediate need for crisis management, the ASFI Secretariat has [pushed back](#) the anticipated delivery date for the final report and the Sustainable Finance Roadmap. These have been delayed several months and may be as late as November or December 2020.

New Zealand Sustainable Finance Forum

- In light of recent developments with Covid-19, the Secretariat of the New Zealand Sustainable Finance Forum has [extended the timeline](#) for delivery of the final report and roadmap, with this now not expected until at least the end of October 2020.

Treasurers Confirm Green Bonds Attract New Investors

- In the first survey of its kind, the Climate Bonds Initiative has [surveyed](#) Green Bond Treasurers from organisations representing about US\$222bn of green bonds on issue. Among the key findings, 98% of respondents said that their green bond had attracted new investors and 91% said a green bond facilitated more engagement with investors.

Japan Publishes Updated Green Bond Guidelines

- Japan's Ministry of the Environment (MoE) has published updated [Green Bond Guidelines](#) (now in English).
- The scope of the guidelines has been expanded to also include Green Loans and Sustainability Linked Loans.

MAS to Broaden Range of Climate Risks Included in Stress Tests

- The Monetary Authority of Singapore will be issuing a [consultation paper](#) on environmental risk management guidelines for various financial institutions later this year, according to Singapore's Education Minister Ong Ye Kung.
- Mr Ong also confirmed the MAS is working towards incorporating a broader range of climate change-related risks in thematic scenarios as part of its future industry-wide stress test.

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