

SUSTAINABLE FINANCE UPDATE

An Australasian perspective on Sustainable Finance markets

This document was prepared by National Australia Bank's Corporate Finance personnel and is not research.

MARKET OVERVIEW

S&P sees surge in social bond issuance due to COVID-19

Corporate and financial issuers will be [more active](#) issuers of social bonds as they focus on reducing social risks due to the COVID-19 pandemic, in contrast to the broader global fixed income market this year.

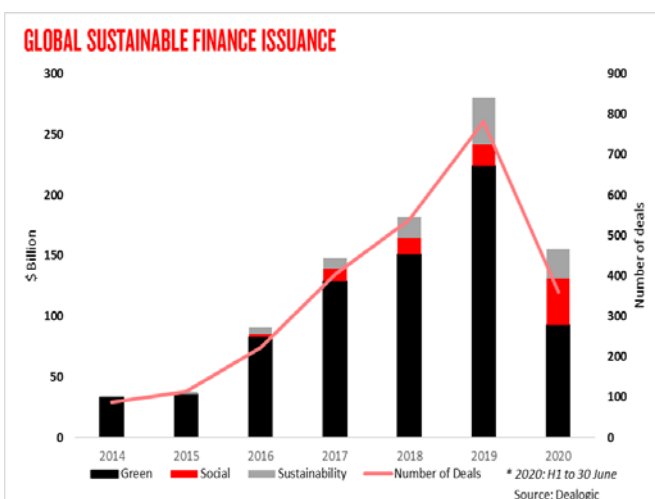
- The market has diversified lately, with government agencies, corporate and FIGs stepping up social bond issuance activity.

Sustainable firms, responsible investments outperform

- The Responsible Investment Association Australasia ([RIAA](#)) [report](#) highlights research from MSCI, AXA, Fidelity, Schroders, Blackrock and Morningstar showing outperformance during the COVID-19 pandemic.

Dealogic H1 20 sustainable finance market update

- Global sustainable finance bond issuance reached US\$155.4bn in H1 2020 (361 deals), a 21% rise from the first half of 2019, marking the highest H1 volume on record.
- The pandemic crisis had a significant impact on market dynamics this year with green bond issuance dropping to US\$92.5bn in 1H20 from US\$99.8bn in H1 19 while social bonds surged with US\$38.5bn of new issuance in H1 20, up 351% on H1 19 volumes. Sustainability bonds also increased 23% year-on-year to US\$24.4bn.
- The majority of social and sustainability issuance was by European borrowers, with a total of US\$98.5bn in H1 20 issuance, followed by North America with \$30.1bn and North Asia with US\$14.0bn.



INVESTOR & MARKET NEWS

HESTA announces net zero goal by 2050

- HESTA has announced a [Climate Change Transition Plan](#) which commits it to reducing the absolute carbon emissions in its investment portfolio by 33% by 2030 and going 'net zero' by 2050.

First State Super aims to reduce carbon intensity by 30%

- First State Super announced plans to divest from thermal coal from October 2020 as part of its [Climate Change Portfolio Transition Plan](#).

Australian Unity launches new green bond fund

- Altius, the firm's Cash and Fixed Interest team, will invest in green, sustainable and social bonds which target investments that [help reduce carbon emissions](#).

Australia signs up to social impact investment plan

- The country's states and territories [have committed](#) to the Commonwealth State Project Agreement, a A\$22.3m plan to tackle social problems including homelessness.

EU reaches agreement on green recovery deal

- The European Union agreed a landmark €1.82trln budget and COVID-19 [recovery package](#), with 30% of the total spending targeting climate-related projects to be invested between 2021 and 2027.
- As part of the budget a [Carbon Border Adjustment Mechanism](#) will be introduced by 1 Jan 2023.

BBVA issues green CoCo Bond

- BBVA issued the [first green contingent convertible bond](#) (CoCo) by a financial institution, raising €1bn and attracting almost €3bn of bids from 225 orders.

SASB and GRI to collaborate on sustainability

- The Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) said they will work together to [improve the sustainability disclosure landscape](#) by providing compatible standards for sustainability reporting.

Investors call for 'Paris alignment' of KPI-linked bonds

- Investors and SPO providers have addressed greenwashing concerns, calling for [KPI-linked bonds to align with Paris Agreement](#) climate targets.

Xylem Inc sells \$1bn debut green bond

- The U.S.-based water technology provider sealed its [maiden green bond offering](#). The proceeds will fund Internet of Things (IoT) technologies, efficiency and circular economy products to lower water use.

Contacts

Jacqueline Fox

GM, Capital Markets & Advisory
Corporate & Institutional Banking
T: +61 411 510 220
E: Jacqueline.fox@nab.com.au

David Jenkins

Global Head of Sustainable Finance
Corporate & Institutional Banking
T: +61 415 130 227
E: David.B.Jenkins@nab.com.au

James Waddell

Director, Sustainable Finance
T: + 61 410 451 563
E: James.Waddell@nab.com.au

Alison Chan

Director, Sustainable Finance
T: +61 436 931 676
E: Alison.Chan@nab.com.au

Jordyn Laina

Senior Associate, Sustainable Finance
T: +61 436 935 232
E: Jordyn.Laina@nab.com.au

Mark Bower

Global Head of Corporate Origination
T: +61 409 224636
E: Mark.Bower@nab.com.au

Melissa Gribble

Global Head of Financials & High Grade
Origination
T: +61 427 506489
E: Melissa.Gribble@nab.com.au

Louise Tong

GM Sustainable Finance – CIB, BNZ
T: +64 21 199 5306
E: louise_tong@bnz.co.nz

Victoria Thieberger

Communications Manager – External
Corporate & Institutional Banking
T: +61 436 654828
E: Victoria.Thieberger@nab.com.au

Important notice

The information in this publication is general in nature and has been prepared by National Australia Bank Limited or one of its affiliates or subsidiaries (collectively, “NABL”). In Australia it is issued by National Australia Bank Limited. This report is compiled by the Corporate Finance Division of the NAB. This report is based on market trading activity and other public information which has been obtained from sources internal and external to NABL. Any opinions herein are based upon, sources believed to be reliable and no guarantees, representations or warranties are made as to its accuracy, completeness or suitability for any purpose. These opinions are subject to change without notice.

This is not independent investment research and is not produced by the NAB research desk. Whilst NAB is not subject to any legal prohibition on dealing ahead of the dissemination of this report, NAB takes reasonable steps to identify and manage conflicts of interest which may arise in the production of this report. NAB maintains an information barrier between the NAB’s Debt Markets origination business and markets sales and the public side of the NAB’s business.

Part of the compensation of the author may be tied to transactions in financial services offered by NAB and/or trading fees including fees, margins or other revenue received from transactions connected with a recommendation or view included in the information. The author also receives compensation based upon, among other factors, the overall profitability of the Corporate Finance Division of NAB.

This publication has been prepared for NAB clients who are wholesale clients and professional investors. It is for information purposes only. It is not for publication in the press or elsewhere. No part of this document may be distributed, published or reproduced without the prior permission of the NAB.

Any statements as to past performance are not representations as to future performance. All statements as to future matters are not guaranteed to be accurate. This publication does not purport to contain all matters relevant to any particular investment or financial instrument. Recipients should independently verify and check the accuracy, completeness, reliability and suitability of the information herein. Recipients should make their own assessment and obtain independent and specific advice from appropriate professionals or experts relevant to their circumstances.

This is not an offer or solicitation of securities or financial products. The NAB does not intend to create legal relations on the basis of the information contained herein.

So far as the law and applicable rules and regulations allow, NAB disclaims any warranty or representation as to the accuracy, reliability, completeness or currency of the information and statements in this document. NAB shall not be liable for any errors, omissions, defects or misrepresentations in the Information or for any loss or damage suffered by persons who use or rely on such Information (including by reason of negligence, negligent misstatement or otherwise). If any law prohibits the exclusion of such liability, the NAB limits its liability to the re-supply of the information, provided that such limitation is permitted by law and is fair and reasonable.

The NAB may have proprietary positions in the products described in this document. The NAB, its affiliates and employees may hold a position, deal or act as a price maker in the financial instruments of any issuer discussed within this document or act as an underwriter, placement agent, adviser or lender to such issuer. The NAB and/or its affiliates may hold or transact derivative instruments, including options, warrants or rights with securities, or may act as a market maker in the securities and other financial products discussed herein and may sell such securities or financial products to or buy from customers on a principal basis.

The opinions in this document accurately reflects the personal views of the author about the securities, issuers and other subject matters discussed, and are based upon sources which the author reasonably believed to be reliable and accurate. The views of the author do not necessarily reflect the views of the NAB Group. This document is for distribution in Australia, New Zealand, Hong Kong, Singapore and Japan.

Hong Kong: In Hong Kong this document is for distribution only to “professional investors” within the meaning of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”) and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person. Issued by National Australia Bank Limited incorporated in Australia with limited liability, a licensed bank under the Banking Ordinance (Cap. 155, Laws of Hong Kong) and a registered institution under the SFO (central entity number: AAO169).

Japan: In Japan this document is for distribution only to “Qualified Institutional Investors” (as defined under Financial Instruments and Exchange Act) only. This material is provided for information purpose only and may be amended, superseded or replaced in its entirety by subsequent material. Although the information contained herein has been compiled or arrived at from sources believed to be reliable, no representation is made as to its accuracy or completeness. Neither National Australia Bank Limited (“NAB”) nor any of its affiliates shall be held responsible for any misunderstanding arising from this material. You may not copy, reproduce, distribute or incorporate into the other document all or any part of this material without our written consent.

Singapore: This document is distributed in Singapore to institutional investors (as defined under the Financial Advisers Regulations) only. If this document is distributed in Singapore, it is made available to you in Singapore by NAB, Singapore branch, through general information circulation only and does not take into account of your specific investment objectives, financial situation or particular needs. If you choose not to seek advice from a financial adviser, you should consider whether the product in question is suitable. Recipients of this material in Singapore should contact NAB, Singapore branch at 12 Marina View, #20-02 Asia Square Tower 2, Singapore 018961, Tel (65) 6419 6875 for any matter arising from, or in connection with, this material. The contents of the Materials have not been reviewed by any regulatory authority in Singapore. If you are in any doubt about any of the contents of the Materials, you should obtain independent advice.

New Zealand: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person’s particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. National Australia Bank Limited is not a registered bank in New Zealand.

Other Jurisdictions: The distribution of this document may be restricted by law in certain jurisdictions and persons into whose possession this document or other information referred to in it comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither this document nor the information contained in this document is for publication, distribution or release, in whole or in part, directly or indirectly, in or into or from any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

If you would like to unsubscribe from the NAB Sustainable Finance Update, please send an email with “Unsubscribe” in the subject line to: NAB.SustainableFinance.CIB@nab.com.au