February 2021

SUSTAINABLE FINANCE UPDATE

AN AUSTRALASIAN PERSPECTIVE ON SUSTAINABLE FINANCE MARKETS

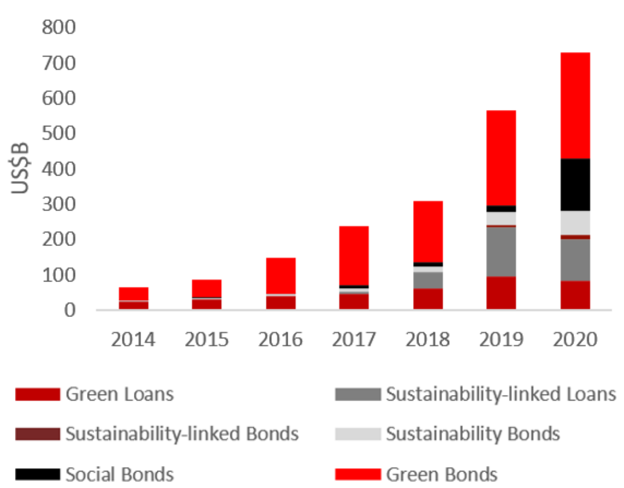
This document was prepared by National Australia Bank's Corporate Finance personnel and is not research.

MARKET OVERVIEW

Sustainable Finance Market 2020 overview

- According to BNEF, 2020 was a record year for sustainable debt issuance with annual issuance reaching US$732.1 billion across both bond and loan formats, representing a 29% uplift on 2019 levels.
- Green bond issuance volumes were down during the early phases of the COVID-19 pandemic in 2020, but soared through September and the fourth quarter when several sovereigns entered the market, according to a quarterly update by the International Capital Market Association (ICMA). Overall, 2020 green bond issuance was 13% up on 2019, reaching an annual record of US$305.3 billion.
- According to BNEF, issuance of social bonds surged sevenfold to US$147.7 billion while sustainability bond issuance volumes rose to US$68.7 billion, an 81% increase on 2019. The bulk of this jump in issuance was from government and supranational issuers raising additional funds for healthcare and other pandemic relief projects and expenditures.
- Sustainability-linked loans and green loans, on the other hand, both saw 15% reductions in issuance, down to US$119.5 billion and US$80.3 billion respectively.

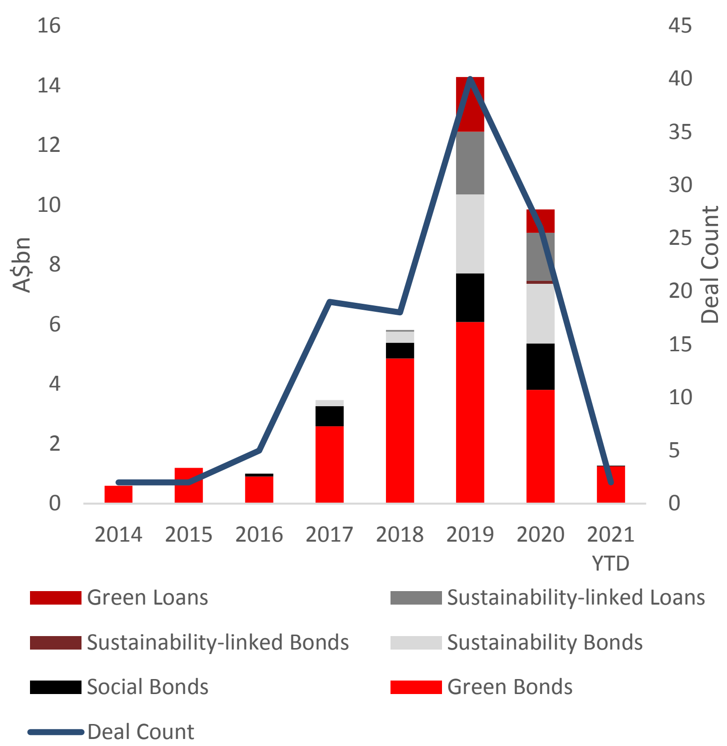
Global Sustainable Debt Annual Issuance (US$bn)
Source: BloombergNEF Sustainable Debt Tool



Australian Sustainable Finance Market 2020 overview

- A total of A$9.85 billion was raised in the Australian sustainable debt market in 2020, down from A$14.2 billion in 2019, according to data from KangaNews and Refinitiv.
- Green bonds comprised 39.8% of the 2020 Australian sustainable debt market issuance at A$3.8 billion.
- YTD issuance volumes as at 27 January 2021 were A$1.275 billion, led by a A$1.25 billion European Investment Bank green bond and a A$25 million International Finance Corporation social bond.

Australian Sustainable Debt Annual Issuance (A$bn)
Source: KangaNews, Refinitiv 27 January 2021



SELECTED RECENT DEALS

Canberra Metro enters Green Loan financing

- Canberra Metro has entered into a A$280 million green loan to finance the Canberra Light Rail Project.
- The project is the first green loan on a public-private partnership (PPP) transport project in Australia and targets net zero carbon emissions in both construction and operation.
- The green loan has been certified under the Climate Bonds Standard's Low Carbon Transport sector criteria. **NAB was a Mandated Lead Arranger on the deal.**

TRIG secures £500m ESG-linked SONIA credit facility

- The Renewables Infrastructure Group (TRIG), a London-listed infrastructure fund, has secured a £500 million multicurrency syndicated ESG-linked, SONIA based credit facility for investment in renewable energy assets. **NAB acted as lender on the deal.**
- The facility margin and commitment fee are linked to performance against three sustainability KPIs including number of homes powered by clean energy from TRIG's portfolio, number of community funds supported by TRIG and maintaining a low Lost Time Accident Frequency Rate.

Contact Energy signs second sustainability-linked loan

- New Zealand electricity provider Contact Energy has signed a four-year, NZ$75 million sustainability-linked loan.
- The company now has two sustainability-linked loans totalling NZ$125m, each tied to its ESG performance as measured by independent rating agency RobecoSAM.

Coriance wins Best Refinancing of the Year

- First Sentier's Coriance has won Best Refinancing of the Year at the IJInvestor Awards 2020 for its €100m refinancing, incorporating a sustainability linked loan.
- **NAB acted as Joint Lead Sustainability Arranger** for the deal, which is linked to 3 KPIs including CO_2 emissions per unit sold, frequency of accidents and share of renewable energy in production mix.

Odfjell SE issues first shipping sustainability-linked bond

- Shipping company Odfjell SE has issued a NOK 850 million sustainability-linked bond, the first of its kind in the international shipping industry.
- The bond has two sustainability KPIs linked to Odfjell's long-term climate targets, including the status of Odfjell's fleet transition plan and reducing carbon intensity of its controlled fleet by 50% by 2030, compared to 2008 levels.

INVESTOR & MARKET NEWS

Hesta invests in listed impact investment with Australian Unity

- HESTA has committed A$20 million in Australian Unity's inaugural issuance of innovative listed Mutual Capital Instruments (MCIs).
- The A$100 million issuance seeks to assist retail investors to invest for social impact alongside large institutional investors.

Investors plan to double sustainable assets - BlackRock survey

- BlackRock undertook its first sustainable investment survey of clients in 2020 to better understand investors' drivers and challenges to sustainable investing.
- The survey of 425 investors representing US$25 trillion in AUM found 54% consider sustainable investing to be fundamental to their investment process.
- Respondents plan to double sustainable AUM in the next five years; 53% said poor quality ESG data is a barrier to greater sustainable investment; and 88% said the environment is the priority ESG factor.
- In his annual letter to CEOs, BlackRock CEO Larry Fink called on companies to accelerate their transition plans for a net-zero economy.

Climate change poses risk to mortgage defaults

- CoreLogic has warned of the risks climate change poses to property prices as climate models are indicating an increased risk of cyclones in regions of southern Queensland.

New Natural Capital Investment Alliance

- Prince Charles has launched a new natural capital initiative at the One Planet Summit in Paris, the Natural Capital Investment Alliance, founded by HSBC Pollination Climate Asset Management, Lombard Odier and Mirova.
- The initiative aims to accelerate development of natural capital, and mobilise US$10 billion to invest by 2022, seeking ways to protect natural assets such as soil, water and biodiversity.

EU examines sustainability-related ratings, data and research

- The European Commission has released findings of an in-depth study on sustainability-related ratings, data and research highlighting three key biases including company size, geographical location and industry.
- The study issued a set of eight core recommendations for improvements in the sustainability data industry, addressing areas such as transparency, company engagement, conflicts of interest, and materiality.

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