



# SUSTAINABLE FINANCE UPDATE

## AN AUSTRALASIAN PERSPECTIVE ON SUSTAINABLE FINANCE MARKETS

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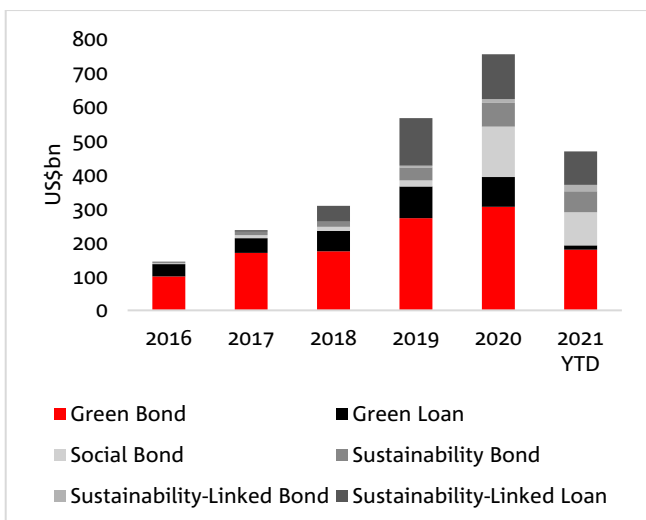
### MARKET OVERVIEW

#### Sustainable Finance Market Overview – 2021 YTD

- US\$469.1bn of sustainable debt has been issued in the year to date, more than double the US\$175.6bn issued over the same period in 2020, according to Bloomberg New Energy Finance (BNEF).
- Green Bonds comprised over 38% of the sustainable debt market at US\$179.1bn, more than double the US\$75.8bn issued over the same period in 2020.
- Sustainability-Linked Loans doubled in growth with issuance volume of US\$98.4bn compared to US\$41.4bn issued over the same period in 2020.
- Social Bonds grew over four times with issuance volume of US\$97.6bn compared to US\$21.8bn issued over the same period in 2020.
- Sustainability-Linked Bond issuance has surpassed the total annual 2020 issuance with volume of US\$19.1bn compared to US\$11.4bn.
- Sustainability Bond issuance of US\$62.1bn is close to surpassing 2020’s total annual issuance of US\$70.3bn.
- Green Loan issuance totalled US\$12.9bn, a decrease from US\$23.2bn issued over the same period in 2020.
- According to [Refinitiv Deals Intelligence](#), Sustainable Finance Bonds set an all-time quarterly record in Q1 2021. As a percentage of global debt capital markets proceeds, Sustainable Finance bonds accounted for a record 11.5% of first quarter activity, up from 9.5% during fourth quarter 2020.

#### Global Sustainable Debt Annual Issuance

Source: BloombergNEF Sustainable Debt Tool (30th April 2021)



### SELECTED RECENT DEALS

#### Port of Newcastle refinancing includes Sustainability-Linked Loan and Green Loan

- Port of Newcastle’s (“PON”) [A\\$666m refinancing](#) incorporates the world’s first loans to align with the ICMA Climate Transition Finance Handbook. PON is the first Australian borrower to include both a Green Loan and a Sustainability-Linked Loan in a single financing, and the first local seaport to enter a labelled financing. **NAB acted as Sustainable Finance Structuring Advisor, Mandated Lead Arranger and Bookrunner.**
- The A\$515m SLL features five targets reflecting PON’s ESG Strategy. It is the first local Sustainability-Linked Loan to include a modern slavery assessment metric alongside metrics on emissions reduction, mental health first aid, diversity and inclusion, and achieving certified recognition against the NSW Government Sustainability Advantage Scheme.
- Proceeds from the up to A\$50m Green Loan will go towards a pool of Eligible Green Projects in accordance with the APLMA Green Loan Principles (GLP).

#### ISPT delivers Australia’s largest-ever Sustainability Linked Loan facility

- ISPT has committed 100% of its core fund’s bank facilities to sustainable debt with a [A\\$2.8bn Sustainability-Linked Loan](#).
- The Loan is linked to targets described in ISPT’s [Sustainable Debt Framework](#). **NAB acted as Joint Sustainability Coordinator and Lender.**

#### Anchor Hanover in landmark Sustainability-Linked Loan and Swap

- Anchor Hanover’s [£300m refinancing](#) is the first syndicated Sustainability-Linked Loan in the UK housing association sector, and is partially hedged by a Sustainability-Linked Swap provided by NAB. **NAB acted as Sustainability Coordinator.**
- The unsecured Sustainability-Linked Loan and the Sustainability-Linked Swap each measure performance across five areas: number of additional homes, proportion of rented homes at affordable rent, energy efficiency of new homes, resident wellbeing initiatives and initiatives to improve workforce diversity.
- NAB worked closely with Anchor Hanover to develop a broad sustainability financing framework.

### **New Generation Rollingstock (NGR) refi gets Climate Bond Certification**

- Qctec's [A\\$630 refinancing](#) of the NGR project achieved Climate Bond certification under the low carbon transportation sector criteria and will help to avoid greenhouse gas emissions from alternative modes of transport.
- **NAB acted as Lender.**

### **Paradigm issues debut £350m sustainability bond**

- Paradigm Housing Group issued a [£350m sustainability bond](#) to support its ambition to invest in good quality, safe and energy efficient homes in England's south-east.
- **NAB acted as Sustainability Coordinator and Bookrunner.**

### **Koole Terminals refinancing includes Sustainability-Linked Loan and Swap**

- Koole Terminals, which owns nine terminals across Europe, has refinanced and restructured its debt facilities, now linking some financing to [ESG targets](#).
- The targets incentivise reductions in the number of long-term injuries in Koole Terminal's operations, tier one spills of gas or fuel oil, and percentage of revenue that is derived from mineral storage operations, as the company moves towards more renewable fuels, according to an IFR briefing.
- **NAB acted as Lender and Swap counterparty.**

### **Ramsay Health Care refinances with Sustainability-Linked Loan**

- Global hospital group Ramsay Health Care has launched a refinancing of its multi-currency revolving credit facilities with a [A\\$1.39bn Sustainability-Linked Loan](#).
- **NAB has been appointed as a Mandated Lead Arranger and Bookrunner.**

### **Lendlease closes second Green bond**

- Lendlease priced a [10-year, A\\$300m Green bond](#). The Bond was oversubscribed and follows the issue of its debut green bond in October 2020.
- Proceeds from the Bond are earmarked to green buildings that benefit from lower carbon emissions and a reduction of environmental impact from materials, as well as health and wellbeing benefits.

### **Incitec Pivot completes a Sustainability-Linked Loan**

- The industrial chemical, fertiliser and explosive business Incitec Pivot Limited entered a 3-year Sustainability-Linked Loan facility comprising two tranches – [A\\$490m and US\\$200m](#).
- The Loan is linked to [three targets](#): greenhouse gas emissions, water usage and soil testing.

### **Berlin Hyp becomes first bank to issue a Sustainability-Linked Bond**

- German based real estate and mortgage bank, Berlin Hyp issued a [10-year €500m Sustainability-Linked Bond](#).
- The Bond's coupon is linked to a 25bp increase if the Bank fails to reduce the carbon footprint of its loan portfolio by 40% from a 2020 base figure by 2030.

### **NRW Bank issues second Social Bond in the Australian capital market**

- German based NRW Bank placed a [5-year A\\$300m Social Bond](#).
- Proceeds from the bond will be used to refinance sustainable projects for housing, business and municipalities in North Rhine-Westphalia.

### **Kāinga Ora (Housing NZ) adds NZ\$600m to Wellbeing Bond**

- In April, Kāinga Ora tapped their [2028 Wellbeing Bond for an additional NZ\\$600m](#).
- **BNZ acted as Joint Lead Manager.**

### **Precinct Properties launches NS\$100m Green Bond**

- Owner and developer of premium inner-city real estate, Precinct Properties, has launched a [6-year NZ\\$100m Green Bond](#) under its [sustainable debt framework](#).
- Proceeds from the Bond are earmarked to finance and refinance energy efficient buildings that meet a minimum 5-star NZGBC Green Star Built Rating or 4-star NABERZ Energy Base Building Rating or Energy Whole Building Rating.
- **BNZ acted as Joint Lead Manager.**

### **AIIB prices inaugural Sustainable Development Kangaroo Bond**

- The Asian Infrastructure Investment Bank priced a [5-year A\\$500m Sustainable Development Bond](#).
- Proceeds from the Bond will finance sustainable infrastructure in its members for projects that fall under four themes – green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure and private capital mobilisation.

### **IBRD prices NZ\$1bn Sustainable Development Bond**

- The World Bank (International Bank for Reconstruction and Development) has priced a [7-year NZ\\$1bn Sustainable Development Bond](#).
- Proceeds from the bond will go towards eligible [Sustainable Development Projects](#) in IBRD's member countries.
- **BNZ acted as Joint Lead Manager on the deal.**

### **Frasers Property Australia issues 15<sup>th</sup> sustainable loan with A\$300m Sustainability-Linked Loan**

- Frasers Property Australia (FPA) has issued a [5-year A\\$300m Sustainability Linked Loan](#).
- FPA will receive an interest cost reduction if it maintains a GRESB rating of four-stars or above.

### **ADB launches Gender Kauri Bond**

- The Asian Development Bank has launched a [10-year minimum NZ\\$150m Gender Bond](#).
- **BNZ acted as Joint Lead Manager.**
- Proceeds from the Bond will be allocated to lending towards [projects](#) that address gender equality and women's empowerment.

## INVESTOR & MARKET NEWS

### Greater resilience in green funds

- According to the EU securities watchdog the European Securities and Markets Authority, funds that invest in polluting companies ('brown') are likely to be hit harder in a climate-related shock than those who invest in environmentally friendly industries ('green'), [Reuters reported](#).
- Greater concentration risks exist across funds whose portfolios hold more brown assets.

### Study conducted on Australian ESG Super funds

- Rainmaker Information has released an [ESG Superannuation Taxonomy Study](#) to explore what it means to be an ESG super fund.
- The study found that 71% (A\$1.6 trillion) of superannuation savings overseen by APRA follow environmental, social and governance (ESG) principles. This equates to 60 super funds, representing approx. one-third of all Australian super funds.

### New Social Loan Principles published

- In April, the Loan Syndications and Trading Association (LSTA), Loan Markets Association (LMA) and the Asia Pacific Loan Market Association (APLMA) released the [Social Loan Principles](#) ('SLPs').
- The SLPs build on and refer to the Social Bond Principles, with a view to promoting consistency across financing markets.

### Climate change laws introduced in New Zealand

- In April, New Zealand became the [first country in the world](#) to introduce a law that requires its financial firms to report on the effects of climate change.
- The law aims to bring climate risks to the fore front of business decision making.

### BlackRock launches new ESG fund

- The world's largest asset manager, Blackrock, established a new [Carbon Transition Readiness ETF](#) in April. Investors poured over US\$1.25bn, making it the biggest launch in the ETF industry's three-decade history.

### APRA releases climate change guidance

- The Australian Prudential Regulatory Authority (APRA) has released draft guidance to banks, insurers and superannuation trustees on how to [manage the financial risks of climate change](#).

### Sustainable finance commitments grow

- April saw a surge in climate action and environmental financing target commitments. This includes:
  - JPMorgan Chase, which has committed to more than [US\\$2.5trn over 10 years](#) to advance Climate Action and Sustainable Development.
  - Citi, which has committed to [US\\$1trn to sustainable finance by 2030](#).
  - Morgan Stanley, which has committed to mobilise [US\\$1trn to support sustainability solutions by 2030](#), including US\$750bn of low carbon solutions.
  - Bank of America, which has significantly increased its commitment to their Environmental Business Initiative from a target of US\$300b to [US\\$1trn by 2030](#), as part of a broader US\$1.5trn sustainable finance goal.

### The EU publishes technical criteria, defining "green"

- The EU has published the first set of [technical criteria](#) which set performance thresholds for economic activities to earn a sustainable label.
- Eligible activities must make a significant contribution to one of six environmental objectives, without impeding the other five.
- The EU Taxonomy seeks to provide transparency in order to encourage companies to launch new projects, or upgrade existing ones, to meet these criteria and incentivise investors to finance transition projects.

### Mandatory sustainability reporting expands in EU

- The European Commission has adopted more stringent measures aimed at bringing [sustainability reporting](#) on par with financial reporting.

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