

SUSTAINABLE FINANCE UPDATE

AN AUSTRALASIAN PERSPECTIVE ON SUSTAINABLE FINANCE MARKETS

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MARKET OVERVIEW

Sustainable Finance Market Overview – 1H 2021

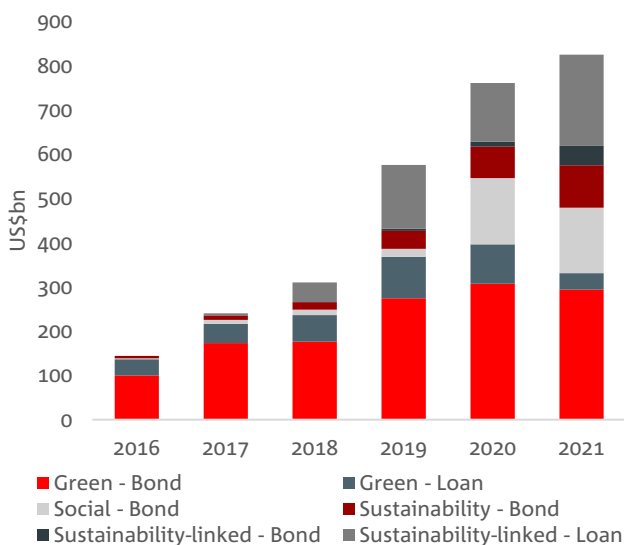
- According to [Refinitiv's Green Lending Review for HY2021](#), sustainable debt issuance (across bond and loan formats) hit record levels in HY21, topping 10% of global bond markets issuance.
- Cumulative sustainable debt issuance has soared past US\$3tn, with HY21 issuance of US\$850bn already surpassing full year 2020 issuance volumes.

Sustainable Finance Market – 2H 2021 outlook

- According to Bloomberg New Energy Finance (BNEF), the approaching United Nations' COP26 climate talks have raised climate finance and climate risk to the top of diplomatic agendas with subsequent acceleration of regulation a positive signal for ESG investing.
- Net inflows to ESG-focused ETFs totalled US\$62.5bn. Over two times, net inflows observed during the same period in 2020.
- Total cumulative issuance of sustainable debt is likely to hit US\$4tn by early 2022.

Global Sustainable Debt Annual Issuance

Source: BNEF Sustainable Debt Tool (June 30, 2021)



SELECTED RECENT DEALS

Anchor Hanover issues landmark Sustainability Bond

- Anchor Hanover Group successfully issued a debut [£450m 30-year Sustainability Bond](#) (including £100m in

retained bonds), the largest UK Housing Association issuance priced in 2021.

- [Proceeds](#) from the bond will go towards building 5,700 'green' homes for the elderly.
- NAB acted as Sustainability Co-ordinator and Joint Lead Manager** on the transaction which followed Anchor Hanover's £300m unsecured Sustainability-Linked revolving credit facility and Sustainability-Linked hedging transaction earlier in the year.
- NAB acted as Sustainability Co-ordinator on both transactions.**
- This was NAB's 5th ESG-linked derivatives transaction closed for a range of infrastructure, housing authority and financial institution customers.

Wesfarmers issues first Sustainability-Linked Bond

- Wesfarmers became the first issuer of Sustainability Linked bonds in the Australian market with a [A\\$1bn dual tranche, 7 and 10-year notes](#).
- The bond's margins are linked to progress against specific renewable energy and greenhouse gas emissions performance targets.
- NAB acted as Joint Lead Manager.**

OCBC issues second Green Bond

- Oversea-Chinese Banking Corporation Limited (OCBC), Sydney Branch, has priced an intraday 3-year, A\$500m Green Bond. The transaction priced on August 5, 2021 and was over five times oversubscribed.
- Proceeds from the bond are earmarked for funding eligible assets as defined within the [OCBC Sustainability Bond Framework](#).
- NAB acted as Joint Lead Manager.**

Kathmandu closes first Sustainability Linked Loan in New Zealand's apparel sector

- Kathmandu Holdings Limited closed a [A\\$100m Sustainability Linked Loan](#) – the largest syndicated Sustainability Linked Loan in New Zealand to date.
- The loan margins are linked to greenhouse gas emissions, B Corp certification and transparency, wellbeing, and labour conditions for workers in the company's supply chain.
- NAB acted as Joint Sustainability Coordinator and Mandated Lead Arranger for the transaction.**

Ramsay closes Sustainability Linked Loan

- Ramsay Health Care has successfully closed a [A\\$1.5bn multi-currency, syndicated Sustainability Linked Loan facility](#).
- The facility is linked to targets relating to the mental health and wellbeing of staff, reduction of energy intensity and emissions, plus responsible sourcing in supply chains.
- **NAB acted as Mandated Lead Arranger and Bookrunner.**

Royal Adelaide Hospital completes world's largest Sustainability Loan in the healthcare sector

- The Royal Adelaide Hospital (RAH) public private partnership project has reached financial close on a [A\\$2.2bn combined Green and Social Loan](#), the largest ever healthcare sector Sustainability loan.
- **NAB is a Lender in the transaction.**

Humm Group prices Green ABS

- Non-bank lender Humm Group (formerly known as Flexigroup), has priced the [A\\$260m Humm ABS Trust 2021-1](#), which included several green tranches.
- The green notes are Climate Bonds Standard certified and will used to refinance [solar receivables](#).
- **NAB acted as sole Arranger and Joint Lead Manager.**

Contact Energy converts to Sustainability Linked Loans

- Contact Energy has converted a total of NZ\$305m in bilateral borrowings to [Sustainability Linked Loans](#).
- Loan margins are linked to achieving specific target scores from RobecoSAM's annual ESG survey.
- **BNZ is Lender** for a NZ\$50m bilateral Sustainability Linked Loan that was also a Climate Bonds Standard certified green loan.

ADB prices second Kauri Gender Bond

- The Asian Development Bank (ADB) priced a 5-year NZ\$750m [Gender Kauri Bond](#) on 27 July, 2021.
- Proceeds will be allocated to ADB's lending for projects that address [gender equality and women's empowerment](#).
- **BNZ was Joint Lead Manager.**

Seaspan completes largest Sustainability-Linked USPP

- The containership leasing firm announced completion of a [US\\$500m Sustainability Linked US Private Placement](#).
- Pricing is linked to achievements relative to two KPIs; alignment of carbon intensity of collateral vessels with the International Maritime Organisation (IMO) 2050 decarbonisation trajectory, as well as fostering cooperation with charterers to advance the decarbonisation agenda.
- **NAB acted as Mandated Lead Arranger.**

JLEN closes new ESG-Linked Revolving Credit Facility

- JLEN Environmental Assets Group has refinanced an existing facility with a [£170m multicurrency ESG-linked RCF](#).

- Margins are linked to performance against three sustainability improvement targets – clean energy production, contribution to community funds and reducing the number of work-related accidents.
- **NAB acted as Mandated Lead Arranger.**

European Investment Bank (EIB) issues first-ever Kauri Climate Awareness Bond

- On May 28, 2021 the EIB priced a NZ\$250m 7-year [Climate Awareness Bond](#).
- Proceeds will be allocated to EIB's lending activities that contribute to climate change mitigation.
- The green bond is New Zealand's first with proceeds tied to the EU sustainable finance legislation.

KfW taps green Kangaroo for A\$400m

- The German development bank, KfW priced a [A\\$350m increase to its July 2024 Green Bond](#) bringing the total outstanding in line to A\$1.3bn at 28 July, 2021.

Repsol issues debut Sustainability Linked Bond

- According to [Reuters](#), the Spanish oil company has issued €1.25bn in Sustainability Linked Bonds under its [Transition Financing Framework](#).
- Sustainability linked bonds issued under the framework will be linked to the company's 2025 and 2030 carbon emissions intensity reduction targets.

Kiwi Property Group (KPG) issues its first Green Bond

- KPG has issued a NZ\$150m 7-year retail Green Bond.
- Proceeds from the bond are earmarked to refinance low carbon and energy efficient buildings that meet the eligibility criteria set out in the [Sustainable Debt Framework](#).

INVESTOR & MARKET NEWS

NAB joins global banks to launch carbon offset platform

- In a joint international effort, NAB, alongside Canadian Imperial Bank of Commerce (CIBC), Itau Unibanco and NatWest Group announced a Voluntary Carbon Marketplace pilot – [Project Carbon](#).
- The pilot aims to support a global marketplace for quality carbon offsets with clear and consistent pricing and standards, providing a pathway for clients seeking to achieve net zero goals.

European Green Deal latest instalment – 'Fit for 55'

- The European Union (EU) has adopted a [package](#) of proposals to reduce net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, with a goal to be the first climate-neutral continent by 2050.
- The [proposals](#) will accelerate the shift away from fossil fuels in every industry with policies covering climate, energy, land use, transport and taxation.

Court orders Shell to make Paris-aligned emissions cut

- On May 26 2021, a [Dutch court ruled](#) that Royal Dutch Shell Plc needed to accelerate its energy transition plan beyond its proposed reduction in greenhouse gas emissions by 45% by 2030 from 2019 levels.

Australian Federal Court finds young people owed climate change 'duty of care'

- The Australian Federal Court has delivered a [landmark ruling](#) finding the Environment Minister Sussan Ley owes a duty of care to protect children from the impacts of climate change.

Sustainability Linked Loan Principles Updated

- On 25 May 2021, the Loan Syndications and Trading Association (LSTA), Loan Markets Association (LMA) and the Asia Pacific Loan Market Association (APLMA) released the updated [Sustainability Linked Loan Principles](#) (SLLPs).
- The revised SLLPs aim to reflect current market trends by further promoting transparency and integrity of the product.

Updated Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines

- On 10 June 2021, the International Capital Market Association (ICMA) issued the [2021 updates](#) for the [Green Bond Principles](#). The 2021 edition includes two key recommendations regarding Green Bond Frameworks and External Reviews, as well as other recommendations to heighten transparency.
- The 2021 edition of the [Social Bond Principles](#) and [Sustainability Bond Guidelines](#) have also been updated.

ASIC review reveals greenwashing

- The Australian Securities and Investments Commission has identified 'greenwashing' in an [examination](#) of climate-change-related disclosures.
- In response, ASIC has established a Sustainable Finance Task Force to address [risks of greenwashing](#) in the market.

UK Government publishes Green Financing Framework

- The UK's Treasury and Debt Management Office has published the long anticipated [Green Financing Framework](#) and [announced](#) planned issuance of retail Green Savings Bonds along with £15bn in Green Gilts.
- The Framework incorporates social co-benefits and is aligned with the UK Taxonomy and Ten Point Plan for a Green Industrial Revolution.

SEC to consider disclosure criteria for sustainable funds

- Chair of the [U.S. Securities Exchange Commissions](#), Gary Gensler, has directed staff to consider recommendations about whether fund managers should disclose criteria and underlying data for sustainability-related investments.

Australia's roadmap to climate disclosure

- The UN Principles for Responsible Investment (PRI), the Investor Group on Climate Change (IGCC) and the Carbon Disclosure Project (CDP) have

- published a roadmap to phase-in adoption of mandatory [climate disclosures](#) for Australian financial regulators by 2025.
- The plan details actions regulators can take to reduce complexity and ensure there is clear and consistent reporting from organisations on climate risk .

Science Based Targets Initiative (SBTi) to tighten corporate climate target requirements from 2022

- The SBTi has revealed a [new strategy](#) to increase ambition in corporate target setting in response to increasing urgency for climate action.
- The 'Well below 2°C' Scope 1 and 2 targets will be phased out, with all companies and financial institutions needing to align with '1.5°C' above pre-industrial levels targets from July 2022.

Revisions to the G20/OECD Principles of Corporate Governance to include ESG risk

- The OECD has released [The Future of Corporate Governance in Capital Markets Following the COVID-19 Crises](#) ('Report') and the [OCED Corporate Governance Factbook 2021](#).
- The Reports highlighted the need for clearer ESG disclosure frameworks, and the role policy should play to ensure investors have access to information that is consistent, comparable, and reliable.

Insights and analysis on the Impact Investing Growth Grant

- Impact Investing Australia has published a [report](#) revealing \$6.8m in [growth grant](#) funding has been distributed to 69 social enterprises (SE) resulting in capital raisings of over \$143m over 6 years.

Australian homes start receiving hydrogen-gas blend

- In an Australian first, South Australian homes will be supplied a blend of green hydrogen with natural gas through the [Hyp SA](#) project.
- The Australian government has recently funded three new projects to scale up hydrogen production and accelerate the switch towards cleaner energy.

Investors call on banks to address climate change and biodiversity

- The [ShareAction coalition](#), made up of 128 investors collectively managing \$43tn in assets, have urged 63 banks to set more aspirational environmental targets relating to biodiversity and the phase-out of coal.
- The push to scale up climate and biodiversity targets is in the lead up to the Convention on Biological Diversity's COP15 summit and COP26.

Proposals for the world's largest 'green hydrogen' plant in New Zealand

- A [proposal](#) backed by Meridian Energy and Contact Energy for a new green hydrogen plant could be an alternative use for the one-seventh of electricity production that is consumed by NZ's Tiwai Point aluminium smelter.

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