



Sustainable Finance newsletter

Welcome to NAB’s regular newsletter on the Sustainable Finance market from an Australasian perspective.

Market overview – October 2023 data

USD
\$632bn

Green bond and loan issuance

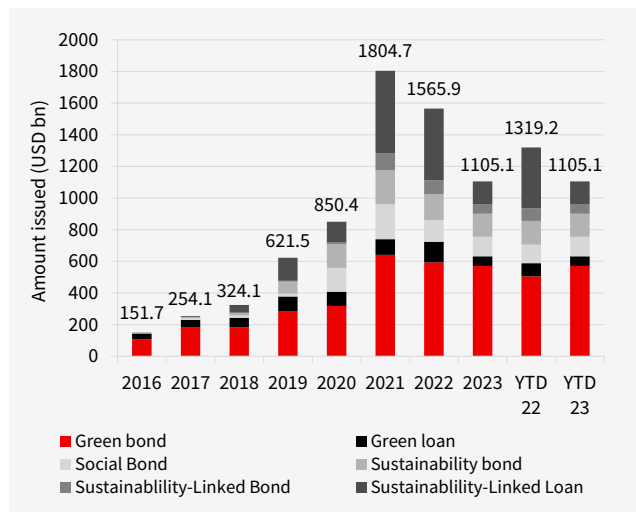
USD
\$123bn

Total social bond issuance

USD
\$350bn

Sustainability and Sustainability-Linked Loan (SLL) and bond issuance

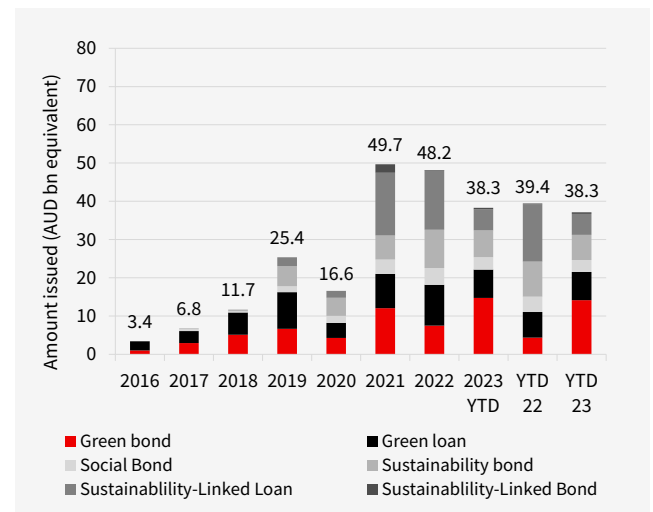
Global sustainable debt issuance (USD billions)



Source: BNEF Sustainable Debt Tool – 31 October 2023

- Cumulative global green bond issuance in October 2023 was US\$7 billion higher and social bond issuance was US\$6 billion higher compared to October 2022.
- Global sustainability-linked bond issuance also fell from US \$7 billion in September to US \$3 billion in October.

Australian sustainable debt issuance (AUD billions)



Source: BNEF Sustainable Debt Tool – 31 October 2023

- Global sustainability-linked loan issuance dropped to US\$3.5 billion from US\$5 billion in September.
- Green, Social and Sustainable debt issuance all dropped compared to Sept 2023 volumes with issuance of Social and Sustainability bonds both more than halved in October to US\$7.3 billion and US\$9 billion respectively

Investor and market news

- The **Australian Institute of Company Directors** (AICD) in conjunction with Deloitte and Minter Ellison released the [Directors guide to Mandatory Climate reporting](#) on 3 October 2023. The goal of the guide is to prepare company directors for mandatory reporting starting July 2024.
- **Final Taskforce on Nature Related Financial Disclosures (TNFD)** recommendations published during NYC climate week (September 17-23) after 2 years of development.
- **The International Capital Markets Association** (ICMA) as Secretariat to the Green, Social, Sustainability and Sustainability-Linked Bond Principles (SLBP) announced the 2023 editions of:
 - Climate Transition Finance Handbook (CTFH)
 - Sustainability-Linked Bond Principles
 - SLBP’s accompanying Key Performance Indicator (KPI) registry.
- The 2023 version of the SLBP includes some adaptations of the five core components of the SLBP to accommodate all types of issuers, including sovereigns and sub-sovereigns.
- **NAB Markets Research** published the results of the [Navigating Net Zero, Business Survey](#). The report includes insights from 800+ Australian corporates across the non-farm business sector (who may or may not be NAB customers) on their progress, plans and strategies to achieve net zero greenhouse gas emissions.
- In August a new research report [All systems go: Powering ahead](#), commissioned by NAB from Deloitte Access Economics, showed that using Australia’s natural advantages in solar, wind and critical minerals could add up to \$435 billion to the national economy by 2050.
- The ‘ESG’ Working Group of the **Australian Securitisation Forum** (ASF) issued a [Market Guideline](#) on ESG Disclosure to support adoption of practices relating to ESG disclosure in the securitisation market. The goal is to provide originators, issuers, investors, and other intermediaries a point of reference for developing ESG practice in securitisation to boost transparency and comparability in the Australian market. The Market Guideline was informed by international approaches.
- The Commonwealth’s debt issuance agency, the **Australian Office of Financial Management** (AOFM), has appointed National Australia Bank and UBS [as joint structuring advisors](#) ahead of the AOFM’s inaugural green bond issue. The AOFM is expected to [issue green bonds](#) on behalf of the Australian government from 2024.
- The **Australian Senate** is running an [inquiry into greenwashing](#). In particular “*claims made by companies, the impact of these claims on consumers, regulatory examples, advertising standards, and legislative options to protect consumers*”. A report is expected on 5 December 2023, submissions closed 28 June.
- The **International Capital Markets Association** (ICMA) published [Bonds to Finance the Sustainable Blue Economy, a practitioners guide](#). ICMA also released a paper on [Market integrity and greenwashing risks in sustainable finance](#). The goal of which is to “*promote a constructive dialogue between the market, civil society and regulators on addressing greenwashing.*”



Regulatory developments

- **The Australian Sustainable Finance Institute (ASFI)** published [the Australian Taxonomy Transition Methodology Research Paper](#). The paper includes key considerations for a taxonomy transition methodology, informed and adapted from more advanced transition methodologies currently under development internationally. The prior [Australian Framing Paper: Designing Australia's sustainable finance taxonomy](#), published by ASFI, demonstrated strong support for the inclusion of a transition category for the Australian Sustainable Finance Taxonomy.
- **Californian Legislature** has passed a groundbreaking [Climate Corporate Data Accountability Act](#) requiring companies operating in the state with USD\$1bn in annual revenue to report Scope 1 and 2 greenhouse gas (GHG) emissions from 2026 and Scope 3 GHG emissions from 2027.
- **Australian Competition & Consumer Commission (ACCC)** published its [draft guidance](#) to improve the integrity of environmental and sustainability claims made by businesses and protect consumers from greenwashing. Businesses have obligations under the Australian Consumer Law (ACL) not to make false or misleading representations or engage in misleading or deceptive conduct. The draft guidance sets out what the ACCC considers to be good practice for businesses making environmental claims and complying with ACL. It identifies eight practical principles (including examples for each) which the ACCC encourages businesses to apply when making environmental claims. Consultation period closed 15 September.
- **UK, EU, Singapore, Japan, South Korea, and India** have either issued or proposed rules for the providers of ESG scores and ratings to increase trustworthiness. The main responsibility will still fall on the investor to clearly understand how the ratings are measuring ESG performance.
- **The Australian Treasury** released [Consultation paper on Climate-related Disclosure](#) (building on the previous discovery consultation), which looks to integrate the recommendations provided by the ISSB within IFRS S2. The consultation period closed 21 July 2023. Detailed disclosure standards will be formally established by the Australian Accounting Standards Board (AASB). The AASB is expected to consult on these in the second half of 2023. Treasury will continue to work closely with the AASB on the development of Australia's climate-related disclosure requirements and where legislation is required to give effect to the new requirements, exposure draft legislation will be released.
- **The Australian Prudential Regulatory Authority (APRA)** published its [Statement of Intent](#) in response to the release of Australian Treasury's updated Statement of Expectations (SoE). The SoE outlines the Australian Government's expectations for how APRA will achieve its objectives, carry out its functions and exercise its powers. And for the first time, it explicitly includes the requirement for APRA to consider risks related to climate change. Specifically, the Government expects APRA to "*promote prudent practices and transparency in relation to climate-related financial risks and the adoption of climate reporting standards by regulated entities*", which includes banks, insurers, and superfunds.
- In July the **European Securities and Markets Authority (ESMA)** issued its [Statement on the sustainability disclosure in prospectuses](#). The statement sets out the ESMA's expectations on sustainability-related disclosure necessary to satisfy the specific disclosure requirements of the Prospectus Regulation (PR) in equity and non-equity prospectuses.
- **The International Sustainability Standards Board (ISSB)** issued its [inaugural global sustainability disclosure standards](#) – IFRS S1 and S2. IFRS S1 and IFRS S2 are to be effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted if the other (either IFRS S1 or S2) is also applied.
 - [IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information](#), requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term. It prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out the requirements for disclosing information about an entity's sustainability-related risks and opportunities.
 - [IFRS - IFRS S2 Climate-related Disclosures](#) sets out the requirements for disclosing information about an entity's climate-related risks (climate related physical and transition risks) and opportunities and is designed to be used with IFRS S1.
- **UN's Global Climate Litigation report** released July 2023. The report indicates that climate litigation cases worldwide are increasing, including in Australia. This report, an update from the UN's 2020's report shows as of Dec 2022 there has been 2,180 climate-related cases filed in 65 jurisdictions compared to 884 cases in 2017 and 1,550 cases in 2020.

Selected recent deals

- **Australia Post Sustainability Bond** issued their [inaugural sustainability bond](#). The proceeds will help deliver a range of projects which aim to minimise the environmental impact of Australia Post's operations and to promote socio-economic development in Australia. NAB was joint sustainability coordinator and joint lead manager.
- **La Trobe University' inaugural Green Bond** will fund a diverse range of eligible projects in areas such as renewable energy, green buildings, energy efficiency, clean transportation and pollution prevention and control. NAB was sole sustainability coordinator and sole lead manager.



- **PAG**, a leading Asia-Pacific-based investment firm, established a [sustainability-linked](#) subscription line credit facility for funds managed by its Private Debt strategy. The facility provides incentives for achieving sustainability milestones for both PAG and its borrowers, helping drive positive ESG impact as well as enhanced investor returns. NAB was a joint sustainability coordinator for the transaction.
- **Overseas-Chinese Banking Corporation**, Sydney Branch, priced a A\$1bn 3-year [Green Bond](#). According to [Kanga News](#) as at August 2023 this transaction is the largest single-tranche deal by a Singaporean issuer in Australia. NAB acted as joint lead manager on this transaction.
- **Genesis Energy Ltd** issued NZD\$240m of 30-year unsecured, subordinated green capital bonds. The initial interest rate was set at 6.50% and will reset every 5 years starting from July 2028. Genesis intends to notionally allocate the proceeds of the capital bonds to finance or refinance renewable energy assets, or other projects, assets and/or activities, that meet the eligibility criteria set out in its [Sustainable Finance Framework](#). BNZ was joint lead manager.
- **The Western Australian Treasury Corporation (WATC)** published its [Sustainability Bond Framework](#) and on 8 June priced its inaugural A\$1.9bn 10-year [Green Bond](#).
- **The World Bank** (International Bank for Reconstruction and Development - **IBRD**) priced a NZ\$950m 3-year [Sustainable Development Bond](#). Proceeds are to be allocated to achieve positive social and environmental impacts and outcomes in line with IBRD's twin goals. IBRD's [Sustainable Development Bond Framework](#) and a broader list of eligible projects, programs, and activities can be found [here](#). BNZ acted as joint lead manager.
- **QIC Infrastructure** and Vector Ltd announced the financial close of a A\$1.6bn of [green loans](#) for the acquisition of the smart metering business - Vector Metering. The loans were the first Use of Proceeds instrument certified under the Climate Bonds Standard v4.0 Electrical Grids and Storage eligibility criteria. Financing comprised of green term loans to fund QIC's 50% interest in Vector Metering in addition to green capex facilities to fund the business' ongoing electricity smart metering expansion across Australia and New Zealand. NAB was a joint sustainability coordinator to the transaction.
- **Asian Development Bank (ADB)** printed a NZD \$675m Gender bond. According to the [ADB](#) "*Gender bonds provide access to resources and women's economic empowerment by mobilizing much-needed financial resources from traditional financial institutions to women-owned or -led micro, small, and medium-sized enterprises (WMSME).*" BNZ acted as joint lead manager.
- **Cbus Property** announced the successful closure of its first offshore debt funding transaction which consists of a [syndicated 15-year offshore green loan](#). The syndicate is made up of two Japanese life insurance companies and two Japanese Banks. NAB was the sole mandated lead arranger, bookrunner and Green Loan coordinator to the transaction.
- **Brighte Green Trust 2023-1** priced its latest renewable energy technology securitisation for A\$200m of which A\$183m were [CBI certified Green](#) tranches. According to [Kanga News](#) "*Brighte now has A\$580m on loan to Australian homeowners to support financing of rooftop solar, battery storage solutions, solar hot water systems and energy efficiency upgrades*". NAB acted as sustainability coordinator, arranger, and sole lead manager.
- **NBN Co** priced a A\$850m green bond making NBN the [largest corporate green bond issuer in Australia](#) as at August 2023. The net proceeds will be fully allocated to eligible green projects undertaken as part of the company's commitment to energy efficiency in line with its [Sustainability Bond Framework](#). NAB acted as joint lead manager and joint sustainability coordinator.

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