



# Sustainable Finance newsletter

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

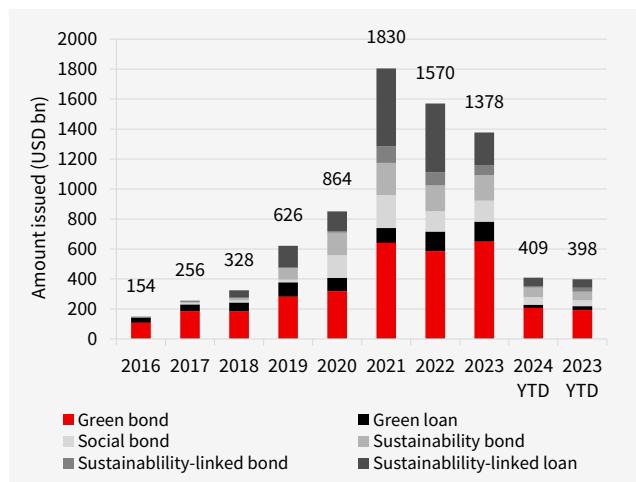
## Market overview – March 2024 data

USD  
**\$228bn**  
 Green bond and loan issuance

USD  
**\$51bn**  
 Total social bond issuance

USD  
**\$66bn**  
 Sustainability and sustainability-linked loan (SLL) and bond issuance

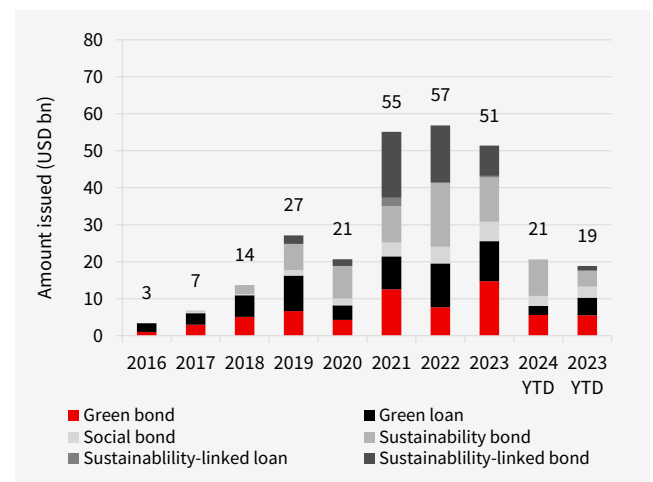
### Global sustainable debt issuance (USD billions)



Source: BNEF Sustainable Debt Tool – 31 March 2024

- Global first quarter 2024 volumes of green, social, sustainability and sustainability-linked (GSSS) bonds and loans were USD\$409bn buoyed by a strong January.
- Globally green bonds continue to be the most popular format with USD\$207bn issued in the first quarter.
- Sustainability Bond issuance first quarter 2024 of USD\$62bn slightly up vs Q1 2023 of USD\$57bn globally.
- Global issuance of Sustainability-linked bonds of USD\$11bn less than half the USD\$25.6bn issuance in first quarter 2023.

### Australian sustainable debt issuance (AUD billions)



Source: BNEF Sustainable Debt Tool – 31 March 2024

- Total AUD GSSS volume for first quarter of 2024 hit AUD\$20bn, slightly higher than AUD\$18bn in Q1 2023.
- AUD\$9.9bn issuance of Sustainability bonds in the first quarter of 2024, more than double that issued in the first quarter of 2023. The added flexibility of sustainability bonds over green or social bonds may drive growth going forward.
- Sustainability-linked volumes down with no AUD denominated Sustainability-linked bonds and loans reported by BNEF in the first quarter.

## Investor and market news

- **Australian Office of Financial Management (AOFM)** and **Treasury** released the [Australian Government Green Bond Framework](#) setting out the nation's climate change and environmental priorities and projects, with investor roadshows now underway ahead of inaugural issuance expected before end of June 2024. **NAB** is joint structuring advisor and a joint lead manager for the issuance.
- Consultation has now closed on the Federal Government's [Sustainable Finance Strategy paper](#) which proposes a range of measures to “underpin development of Australia’s sustainable finance markets” across three proposed pillars and 12 key priorities.
- **NAB** has launched the [Green Finance for Commercial Real Estate](#) to help support investment in the development or retrofit of eligible commercial buildings.
- **Mandatory climate-related financial disclosures** for Group 1 entities in Australia is set for a [staged approach](#) from [January 1, 2025](#) when the largest emitters and organisations begin reporting against the new national standard, largely based on the International Sustainability Standards Board's (ISSB) [IFRS S2](#). The Australian Accounting Standards Board (AASB) released [Exposure Draft SR1](#) for comment ahead of the bill. Earlier, the **Australian Institute of Company Directors (AICD)** published a [guide](#) to support transition planning and climate scenario risk assessment in preparation for the new requirements.
- The **Australian Sustainable Finance Institute (ASFI)** has released two papers on key [methodological design features](#) for Australia's sustainable finance taxonomy in development.
- **ASFI** and the **Green Building Council of Australia (GBCA)**, have released a [Practical Guide for Sustainable Finance in the Australian Real Estate Sector](#). The guide reviews current green building certifications, benchmarks, and rating tools.
- Analysis from **Bloomberg New Energy Finance** shows companies can avoid USD\$9 in losses for every USD\$1 invested in resilience and risk mitigation. This aligns with the **Resilience Investment Vehicle (RIV) Insights Report** convened by **NAB** and **IAG**.
- The [First National Climate Risk Assessment Report](#) and the [National Adaptation Plan Consultation](#) paper released on how Australia can best prepare for, and adapt to, the impacts of climate change. The [National Adaptation Plan Issues](#) paper is consistent with the findings of **NAB's** work on the [RIV](#).
- The expansion of the Federal Government's [Capacity Investment Scheme \(CIS\)](#) aims to secure 23 gigawatts (GW) of new **utility-scale renewable energy generation** and 9GW of dispatchable capacity by 2030.
- Australian [Sectoral decarbonisation plans](#) are under development to form part of the nation's **Net Zero Plan** for transition.
- **International Capital Markets Association's (ICMA)** published analysis on [greenwashing](#) as well as a paper on [Transition Finance in the Debt Capital Markets](#). ICMA also appointed **NAB** to the [Advisory Council of the Principles Executive Committee](#), the 3rd year **NAB** has been appointed to the Advisory Council.
- The **International Organisation of Securities Commissions (IOSCO)** published [Supervisory Practices to Address Greenwashing and a Voluntary Carbon Markets, Consultation Report](#).
- The **ASEAN Taxonomy Board** has released [the ASEAN Taxonomy Version 2](#).

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## Regulatory developments

- New [Nature Finance Council](#) (NFC) expert group set up to advise the Federal Government on ways to increase private sector financial flows to benefit nature and to position Australia as a global leader in nature finance. **NAB's Head of Sustainable Finance David Jenkins** is a Member of the NFC.
- The [Nature Repair Act \(2023\)](#) has also come into effect, as a framework for a legislated, national, voluntary biodiversity market allowing landholders to create certificates through restoring nature and biodiversity.
- Australia's [New Vehicle Efficiency Standard](#) will come into effect on 1 January 2025 aiming to incentivise carmakers to increase the supply of low and zero emissions vehicles, reduce emissions from new passenger and roughly halve the emissions of new light commercial vehicles.
- **ASIC's enforcement priorities for 2024** again prioritise “misleading conduct in relation to sustainable finance including greenwashing”. ASIC indicates future enforcement may cover a range of other [obligations](#).
- The **ACCC** instituted its [first enforcement action on greenwashing](#) against Clorox Australia Pty Ltd. **ACCC** also released a [guide for businesses on making environmental claims](#) to mitigate risks of both greenwashing and “green hushing”. The regulator again focuses on consumer, product safety, fair trading and competition concerns in relation to environmental claims and sustainability in the [2023-24 Compliance and Enforcement Priorities](#) paper.
- The Asia Pacific Loan Market Association (**APLMA**), Loan Market Association (**LMA**) and Loan Syndications and Trading Association (**LSTA**) published a [Guide to the Application of the Sustainability-Linked Loan Principles in Fund Finance](#), and an updated version of the [Sustainable Lending Glossary](#). They also published final findings from the [External Review Guidance for Sustainability-Linked Loans](#) and an [Introduction to Green Loan Frameworks](#).
- The UK's **Financial Conduct Authority's (FCA)** has published its final [Sustainability Disclosure Requirements \(SDR\)](#) and investment labels regime. The SDR includes clarification of labels, anti-greenwashing guidance as well as naming and marketing rules. FCA-authorized fund managers (AFMs) will need to identify and mitigate any greenwashing risks without delay. Consultation on the [Final guidance on anti-greenwashing](#) rule has now closed.
- The UK's [Transition Plan Taskforce \(TPT\)](#) mandate has been extended to at least 31 July 2024, to align with the [Transition Finance Market Review](#) (TFMR) launched in January. The Taskforce has delivered the [TPT Disclosure Framework](#).
- Lawmakers in the **European Parliament** have approved the adoption of the **European Commission's** proposed [Directive on Green Claims](#). The directive requires companies to substantiate voluntary green claims in business-to-consumer commercial practices.
- The **Taskforce for Nature-related Financial Disclosures (TNFD)** has published the [framework for nature-related risk management and disclosure](#) who will begin disclosing nature-related indicators in 2025. The framework recommends 14 disclosures structured around the same four pillars as the **Taskforce for Climate-related Financial Disclosures (TCFD)**. The **TCFD** utilised the [Integrated Biodiversity Assessment Tool \(IBAT\)](#) and published a [getting started](#) guide with a five-level [TNFD in a Box](#) capacity building tool along with the TNFD Framework Recommendations.
- The **IFRS Foundation's International Sustainability Standards Board's (ISSB)** has released a [preview of its jurisdictional guide](#) for comparing global information for capital markets.



## Selected recent deals

- **Cbus Property** [converted A\\$930m of bank debt into green loans](#) in line with its [Sustainable Finance Framework](#), with NAB acting as joint sustainability coordinator. The transaction brings Cbus Property's sustainable finance facilities to \$1.585 billion.
- NAB was joint lead arranger of **Igneo Infrastructure Partners' (Igneo) Global Diversified Infrastructure Fund (GDIF)**'s [A\\$750 million revolving cash advance facility that includes a Green Tranche Credit Facility \(GTCF\)](#), certified by the Climate Bonds Initiative (CBI).
- NAB acted as joint lead manager for **Queensland Treasury Corporation's (QTC)** A\$2.75 billion fixed rate 4.75% 10-year green bond priced on 25 January 2024.
- **Southern Water UK** (SW (Finance) I plc) issued a £450m 18-year sustainability bond and a £550m 16-year sustainability bond with NAB as joint active bookrunner. Proceeds will be used to finance and/or refinance eligible projects as set out by Southern Water's [Sustainable Financing Framework](#).
- **Sovereign Network Group** (Sovereign Housing Capital plc) issued a £450m 33-year sustainability bond with NAB as joint bookrunner. The group's [Sustainable Finance Framework](#) has been updated in line with the merger with Network Homes in 2023 and the [second-party opinion](#) provided by Sustainalytics. Eligible projects include, but are not limited to, affordable housing and access to essential services for target populations as well as a range of green projects.
- **Lighthouse Infrastructure** secured a [\\$A130 million social loan](#) for Specialist Disability Accommodation (SDA), with NAB contributing half of the debt facility. The loan is for the ADAPT 2 (Australian Disability Accommodation Projects 2) fund to acquire a portfolio of 188 operational SDA homes, which accommodate about 400 participants in the National Disability Insurance Scheme (NDIS). The transaction is NAB's biggest single commitment to the SDA sector and marks the first time bank debt has been substituted for equity to finance SDA assets. ADAPT 2 is among the nation's largest pools of SDA dwellings.
- **Bank of New Zealand (BNZ)** has provided a [\\$20 million social loan](#), certified by EY New Zealand, to support the construction of homes in collaboration with the central Tāmaki tangata whenua, Ngāti Whātua Ōrākei.
- **African Development Bank (AfDB)** launched its first [sustainable hybrid capital transaction](#) with the AfDB US\$750 million Perp-NC10.5 sustainable hybrid capital notes. The perpetual hybrid structure allows AfDB to optimise its balance sheet in line with the [G20 Capital Adequacy Frameworks \(CAF\) recommendations](#) for Multilateral Development Banks.
- **Japan** has issued its [global first, sovereign climate transition bond](#). The 800 billion yen transition bonds for 5 and 10 years are the first part of Japan's [green transformation policy](#).
- **Hong Kong's** issuance of [digital green bonds](#) marks the first application of [ICMA's Bond Data Taxonomy](#) (BDT) by a sovereign, supranational and agency (SSA). About HK\$6 billion of bonds denominated in HK dollars (HKD), Renminbi (RMB), US dollars (USD) and euro (EUR) were successfully offered under the Hong Kong [Government Green Bond Programme](#). ICMA's BDT provides standardised and machine-readable language for the key economic terms of a bond and looks to promote automation, reducing the risk of fragmentation across bond issuance, trading, settlement, and distribution.



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