GREEN BOND MARKETS – CEFC'S EXPERIENCE ON THE BUY-SIDE

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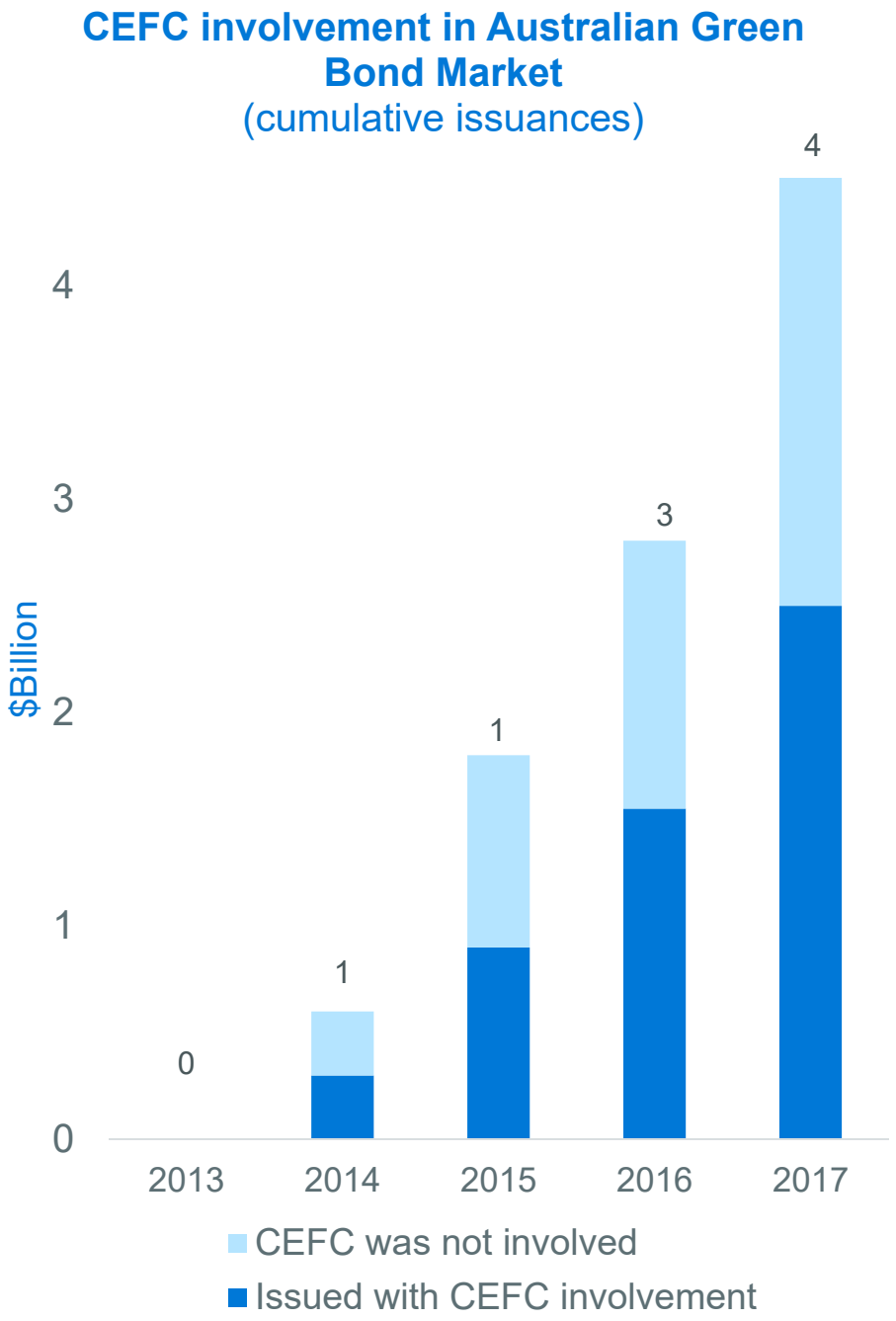
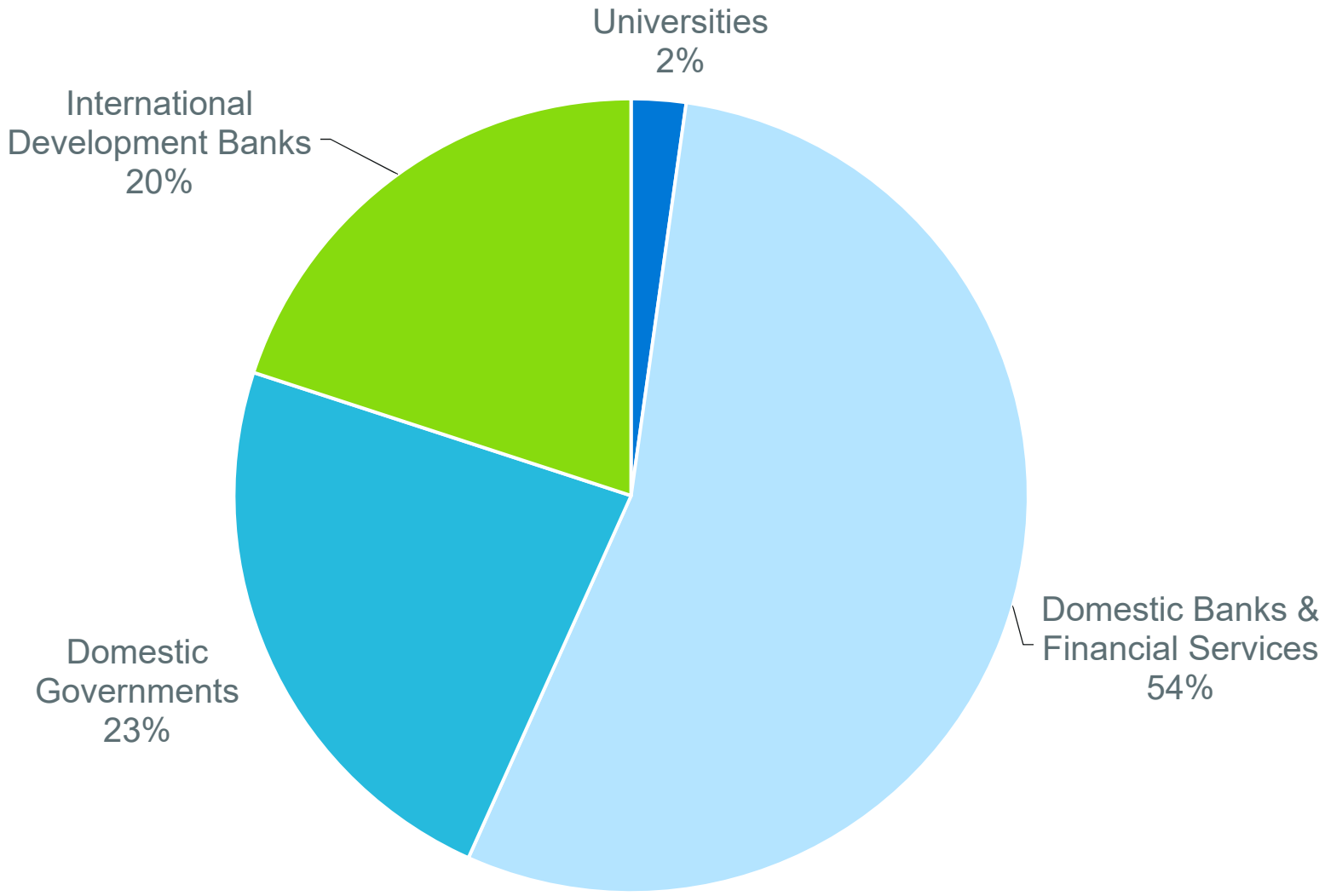
AUSTRALIAN GREEN BOND MARKET

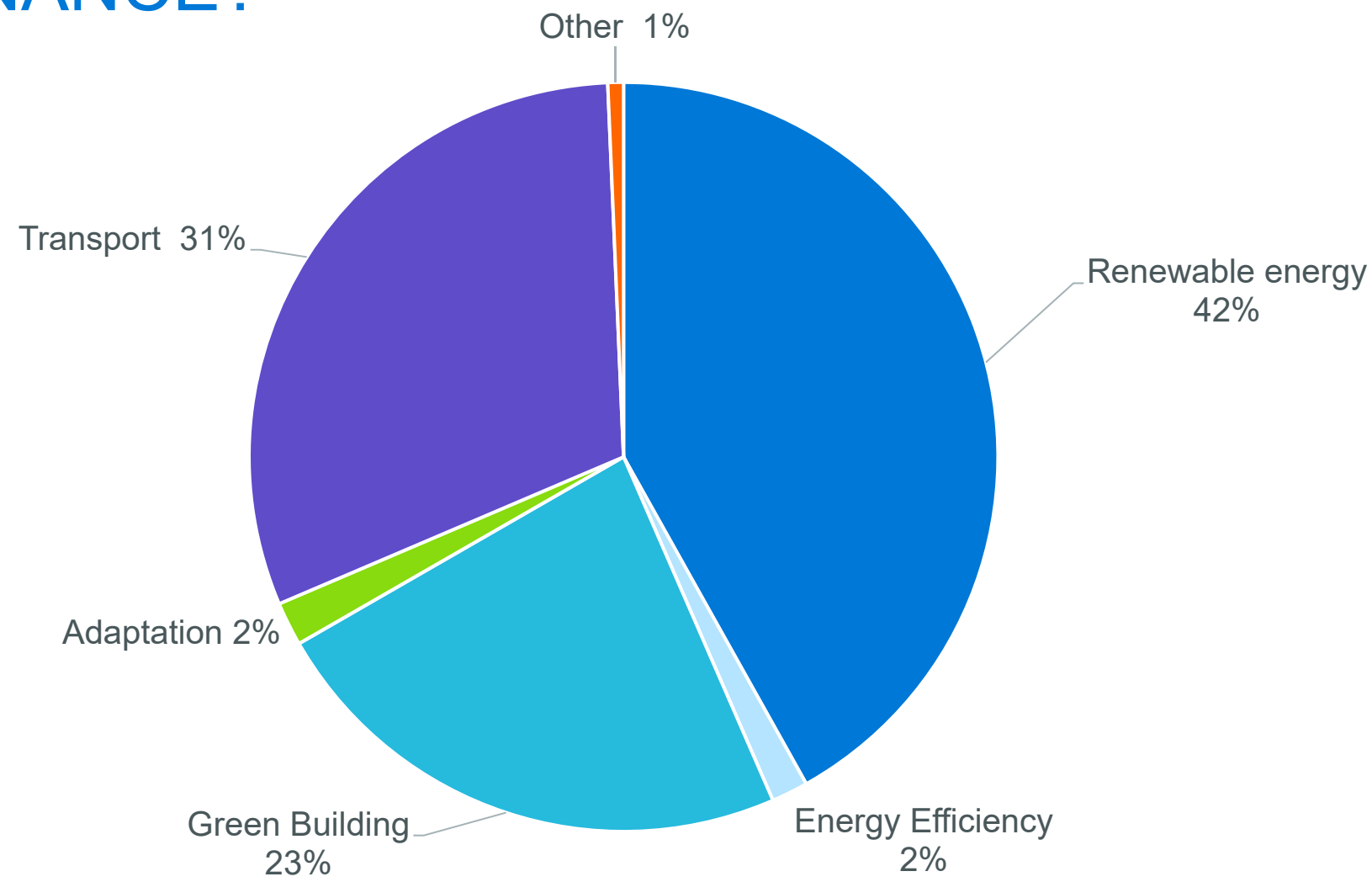
- The Australian green bond market didn't exist in 2013
- CEFC has:
  - invested in **8 of 14 green** bond issuances
  - invested **$360m**
  - been one of largest investors in the market
- The size of the Australian Green Bond market is now **$4.5bn**



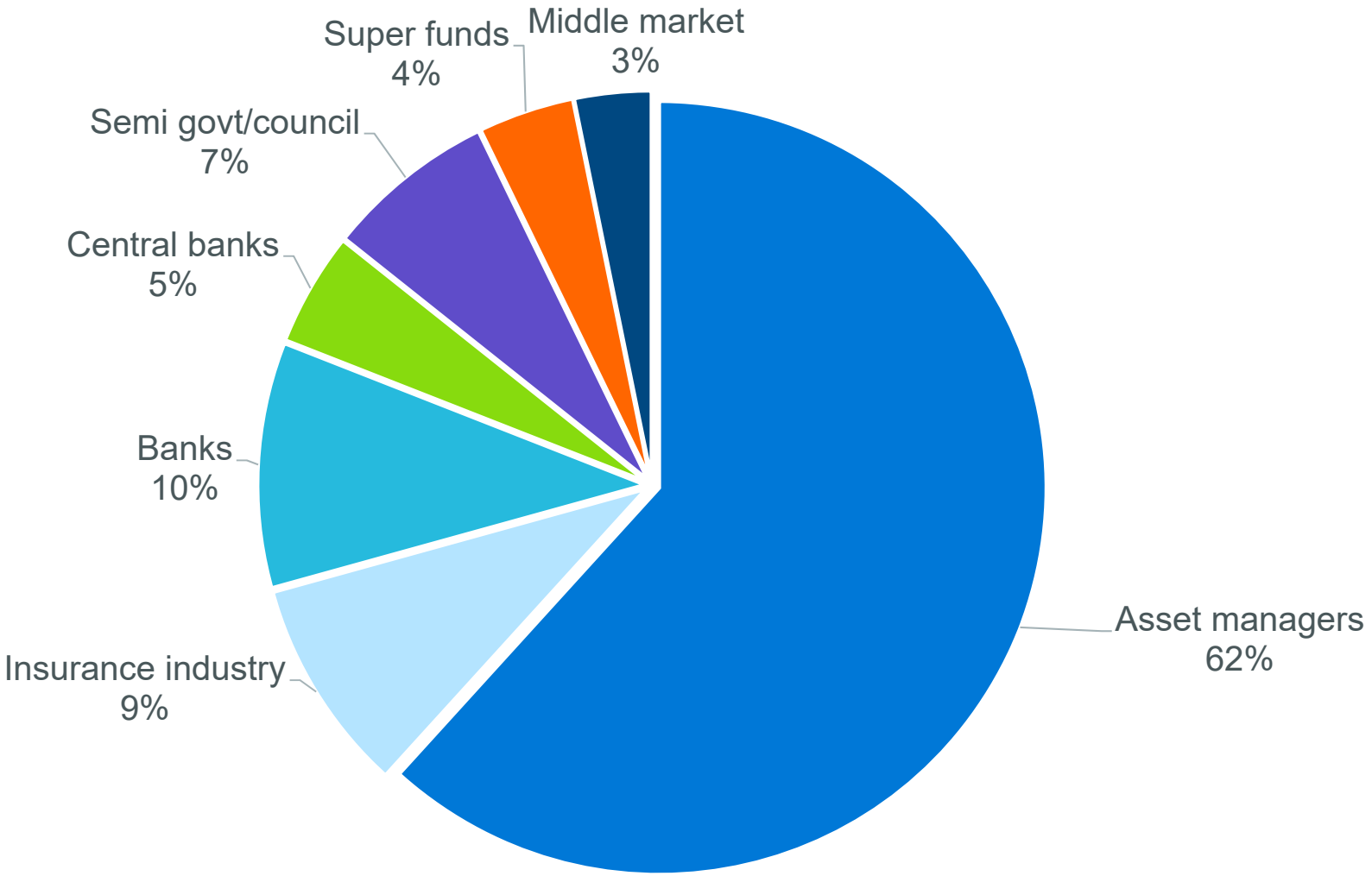
WHO ISSUES GREEN BONDS IN THE AUSTRALIAN MARKET?



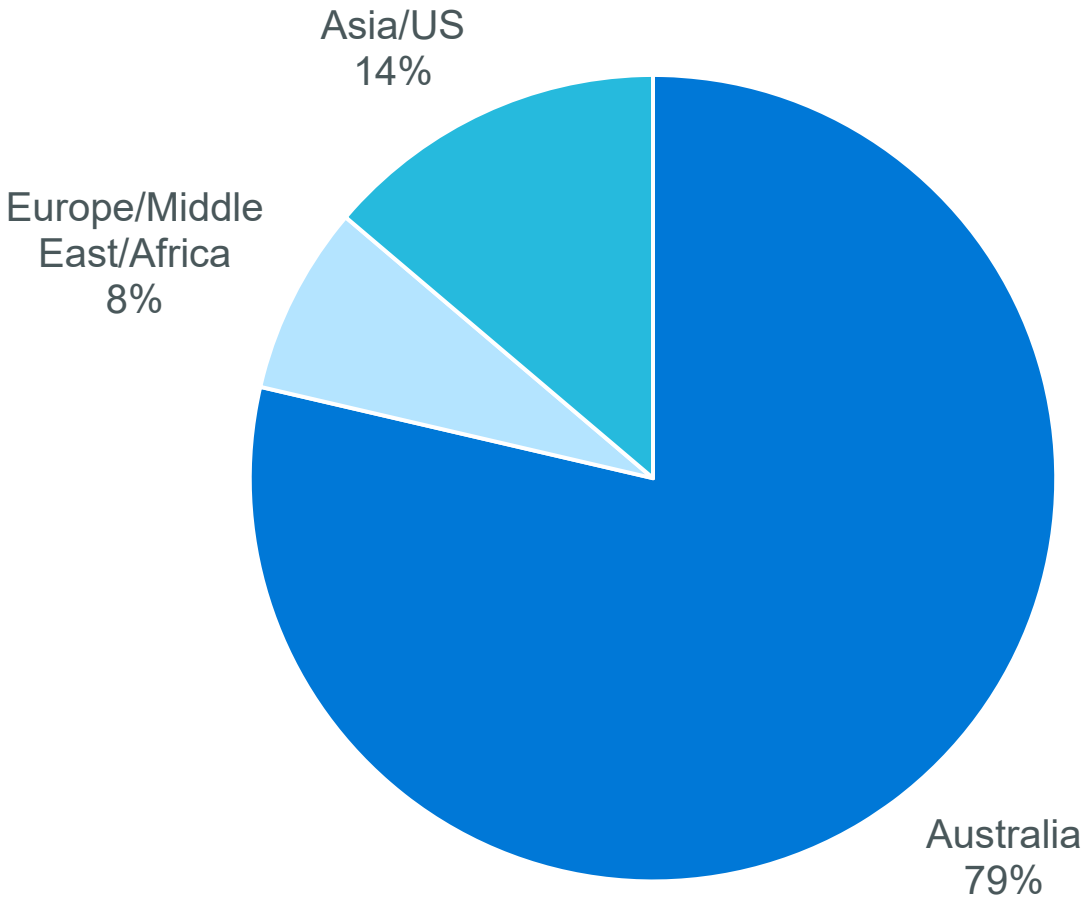
WHAT DO AUSTRALIAN GREEN BONDS FINANCE?



INVESTORS BY CLASS IN THE AUSTRALIAN GREEN BOND MARKET



WHERE DO INVESTORS INTO AUSTRALIAN GREEN BONDS COME FROM?



CEFC IN THE GREEN BOND MARKET

MAJOR BANKS

2014 National Australia Bank
2016 Westpac
2017 Commonwealth Bank of Australia

CORPORATE

2017 Invest Commercial Property Fund
2017 Investa Office Fund

SECURITISATION

2016 Flexi Group
2017 Flexi Group

UNIVERSITIES

2016 Monash University

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WHY SHOULD GREEN BANKS LIKE THE CEFC GET INVOLVED?

Green Bank involvement in the green bond market can help:

- Increase **issuer confidence**, particularly for those who are debating whether to enter the market or not and thus widens the pool of issuers
- Increase **investor confidence** and therefore promote demand and diversify the pool of investors, increasing flows of capital into the clean energy market
- By **working with new issuers**, like universities, corporates and local councils to explain the opportunities and help them tap into the market
- By working work with existing issuers to encourage them to consider a second issuance.

Green bank involvement can, and in our experience has, **accelerated the growth of the domestic green bond market**

APPENDIX – CASE STUDIES

Major Banks: We have four major banks in Australia and all of them have now participated in the Australian Green Bond Market.

- In 2014, the CEFC invested in the first ever Australian green bond by a major Australian bank, National Australia Bank.
- The next year, we made a cornerstone commitment in ANZ's green bond, but the bond was fully subscribed by private investors so our commitment wasn't drawn on.
- Last year, we invested in Westpac's first green bond which was one of the first bonds to focus on low-carbon buildings.
- And this year we invested in the Commonwealth Bank's first green bond which was the biggest ever issued by a major bank, showing the growing interest in the market.

APPENDIX – CASE STUDIES

Corporates: For the first time ever, corporates have begun entering the Australian green bond market this year. The CEFC invested in the first two corporate issuances which both came from Investa, which is one of Australia's largest commercial real estate companies. The bonds will finance a stock of low-carbon commercial buildings located in Australian capital cities.

APPENDIX – CASE STUDIES

Securitisation: We have also invested in a new securitisation bond issued by FlexiGroup which included a 'green' tranche linked to solar PV and renewable energy assets.

- This transaction was Australia's first asset backed green bond note and the world's first certified asset backed security transaction. In a market first, the green tranche achieved a better price than the comparable uncertified tranche, which was identical except for the lack of Climate Bond certification, showing that investors are willing to pay a premium for exposure to environmentally friendly assets. The issue was so successful, that Flexigroup issued another in 2017 which the CEFC also invested in.

- Experience in the Australian green bond market has shown that by certifying a green tranche, issuers would attract a wider pool of investors, however the Flexi issuances demonstrated that there is also a potential financial benefit as well.

APPENDIX – CASE STUDIES

Universities: In 2016, we invested in the Monash University climate bond which was the first certified climate bond from the university sector globally. The bond will primarily be used to finance low-carbon buildings at the university.

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