

BROUGHT TO YOU BY



# STRIVING TO MAKE SUSTAINABILITY MAINSTREAM

An ANZ-sponsored roundtable, jointly held in Sydney and Auckland, heard how an ever-sharper focus on green, social and sustainability (GSS) debt will help foster new industry norms for issuers and investors alike.

Irrefutable evidence of the transformative nature of sustainable financing is the increasingly close alignment between governments, the private sector and communities towards a greener future.

In the debt capital markets, this is being reflected by continued innovation – such as the relatively recent emergence of sustainability-linked bonds and loans – plus soaring issuance volume of GSS instruments and increasingly diverse investor appetite, as highlighted by the findings from the 110 respondents to the 4th annual ANZ / FinanceAsia survey.

Yet maintaining this momentum relies on market participants overcoming several hurdles. These include, for example, gathering enough of the right data, borrowers providing clear and relevant corporate objectives and more technically-competent investors.

This was according to various issuers and investors from Australia and New Zealand at the roundtable. Along with their counterparts across the region, they want to see changes in issuance practices that will also re-define investor expectations.



*“The ultimate goal is for sustainable financing to become the mainstream in accessing capital”*

**WHEN**

June 2021

**WHERE**

ANZ offices in Sydney and Auckland

**WHO**

**Yen Wong**, Head of Credit Research, *Altius Asset Management*

**Peter Jones**, Senior Manager, Responsible Investment, *ANZ Investments*

**Mia Prkusic**, Fund Manager Fixed Interest, *ANZ Investments*

**Peter Mence**, Chief Executive Officer, *Argosy Property*

**John Bishop**, Treasurer, *Auckland Council*

**Patricia Gacis**, Credit Analyst, *First Sentier*

**Alan Ng**, Senior Credit Analyst, *First Sentier*

**Jason Bligh**, Treasurer, *Kāinga Ora*

**Michael Larkin**, Treasurer, *Lendlease*

**Geoff Smits**, Acting Treasurer, *Mercury NZ*

**Stephanie Tiah**, Senior Analyst, Funding and Balance Sheet, *NSW Treasury Corporation*

**Marayka Ward**, Senior Credit and ESG Manager, *QIC*

**Christina Tonkin**, Managing Director, Corporate Finance, *ANZ*

**Dean Spicer**, Head of Sustainable Finance, New Zealand, *ANZ*

**Tessa Dann**, Director, Sustainable Finance *ANZ*

Their ultimate goal is for sustainable financing to become the mainstream in accessing capital.

**GENUINELY GREEN**

For the time being, issuers need to ensure they can deliver the kind of GSS exposure that investors want as they look for required comfort with the overall sustainability journey.

This starts with the motivation of the individual borrower, in terms of how a particular issuance fits with that organisation's corporate ESG objectives and broader sustainability strategy. This needs to be consistent to alleviate investors' heightened concerns.

In short, a lot of borrowers need to demonstrate that their corporate purpose is reflected in their GSS instrument.

Taking this a step further, issuers must be able to clearly map the application of their green bond, for instance, to green projects.

Data is a big challenge for issuers, too. From availability to accuracy to traceability, establishing a baseline is difficult task. Yet it is an essential one, especially since investors face growing pressure from end-clients to understand the extent to which their money is being managed in ethical and responsible ways.

Such barriers have delayed some issuers coming to market with a GSS instrument – with such hesitation in part stemming from their desire to avoid being tarred with the 'greenwashing' brush.

Those borrowers with GSS experience, however, said they have had a positive experience with investors overall. And encouraging more activity of this type will accelerate the development of the market in a way that can help overcome certain barriers.

**UPSKILLING**

There is no doubt about demand; most GSS-related transactions are oversubscribed, plus are outperforming regardless of the underlying investment credentials. As a result, investors are playing their part in the process of driving a sustainability mind-set.

At the same time, this is making more investors mindful of the need for greater sustainability knowledge to spur confidence in incorporating GSS-focused trades within portfolios.

For example, regardless of efforts to integrate ESG into investment processes, the multiple legislations, definitions and standards make it increasingly challenging for investors to keep up and measure transactions in a consistent way.

Filling the capability, resources and technical knowledge gaps to achieve this is easier said than done. As a result, investors are looking to further train existing staff and add more resources with a specific sustainability background.

Investors are also looking at how to measure the impact of their sustainability investments, in turn demanding better reporting from issuers, especially with some of the 'use of proceeds' bonds.

Perhaps the most important goal for investors, is to maintain market credibility in the GSS space. In line with this, they want to be able to fully assess individual issuers and get comfortable in relation to potential greenwashing concerns.



Dean Spicer



Mia Prkusic



Jason Bligh

*“Investors are also looking at how to measure the impact of their sustainability investments, in turn demanding better reporting from issuers, especially with some of the ‘use of proceeds’ bonds.”*



Tessa Dann



Geoff Smits



Marayka Ward



Alan Ng





Yen Wong



Michael Larkin



Patricia Gacis



Peter Mence



John Bishop



Christina Tonkin



Peter Jones



Stephanie Tiah



*“Issuance strategies need to succinctly identify and explain the key ‘E’, ‘S’ or ‘G’ aspiration they are looking to fulfil – failing to do so creates a risk of being viewed as ‘greenwashing’”*

**BREAKING DOWN BARRIERS**

To further fuel maturity and encourage wider GSS issuance, organisational buy-in is key. To help with this, issuance strategies need to succinctly identify and explain the key ‘E’, ‘S’ or ‘G’ aspiration they are looking to fulfil – failing to do so creates a risk of being viewed as ‘greenwashing’.

It certainly helps that sustainability is increasingly perceived as a competitive advantage. Further, the widening political and corporate commitments to net zero targets create a goal to evolve industry practice.

This is leading to a more pronounced integration of sustainability, corporate and financing strategies than ever before.

**CONTACT**



**Tessa Dann**  
 Director, Sustainable Finance  
 T: +61 468 543 378  
 E: tessa.dann@anz.com

**Dean Spicer**  
 Head of Sustainable Finance,  
 New Zealand  
 T: +64 21 633 295  
 E: dean.spicer@anz.com



Scan QR code to visit ANZ’s website or see [www.anz.com.au](http://www.anz.com.au)