

HANSARD p. 7: Senator MOORE: Mr Hurley, can I just ask you on notice—because this is something I do not understand and Senator Gallacher will—for some more information on the SDG-linked bond that you talked about earlier in your contribution as a practical process in the financing area. That could be something that we could learn from.

Mr Hurley: Absolutely. I am happy to do that. I can point briefly to some work that is happening internationally on this. With the UN Global Compact—I might get the terminology wrong—they have effectively highlighted a substantive focus on innovative financing around the SDGs, including SDG bonds, as a major priority over the next year or so. This might be something you hear a bit more about in other evidence to the inquiry, but I am certainly happy to provide some information.

ANSWER

SDG bonds are an emerging type of sustainability bond that are aligned with the Sustainable Development Goals. Conceptually, the structure of the bonds can vary: use-of-proceed SDG bonds involve strict controls to ensure the funds raised are directed towards eligible green, social or climate activities linked with the SDGs, while general purpose bonds provide funding for organisations that have adopted a wider commitment and strategy to contribute to the SDGs. These bonds could be issued by companies, municipalities, sovereigns and multilateral institutions, or to finance particular assets and projects.¹

Because of the broad and well-structured framework the SDGs provide for measuring sustainability impact and performance, there is considerable interest in the role that the SDGs in general and SDG-aligned bonds in particular can play in sustainable investing.² To date, while there has been a growing trend for issuers of green, social and sustainability-related bonds to explain how these are aligned with the SDGs, the market for SDG bonds remains nascent. However, there is potential to build on the frameworks and processes developed in the more established green bond market, where global issuance is forecast to exceed \$200 billion in 2018.³

The world's first SDG bonds were launched by the World Bank in 2017. There have also been examples in Australia. ANZ issued an SDG bond in February 2018, raising €750 million in European wholesale debt capital markets to fund ANZ loans and expenditures that directly promote nine SDGs.⁴ The ANZ bond framework establishes eligibility criteria for investments across each of the chosen SDGs,⁵ developed in line with the International Capital Market Association's established principles for green, social and sustainability bonds.⁶ NAB launched its first 'SDG Green Bond' in July 2018,⁷ with funds earmarked against projects and assets which meet eligibility requirements under the Climate Bonds Standard and also contribute towards meeting specific SDGs.⁸ Earlier this year, the NSW Government established a Sustainability Bond Program;⁹ its framework specifies that proceeds will be used to finance or refinance "projects and assets that...align with and contribute towards meeting the UN SDGs." (Its first issuance was a green bond in November 2018¹⁰).

The role of financial innovations, and SDG bonds in particular, is emerging as an important focus area for driving greater investment toward the SDGs. For example, the UN Global Compact Action Platform on Financial Innovation for the SDGs recently released a White Paper on SDG Bonds and Corporate Finance which highlights the role SDG bonds can play as part of a market for mainstream SDG investments that attracts large institutional investors and finances a broad set of private and public sector activities in support of the SDGs.¹¹

¹ Adapted from UN Global Compact, *SDG Bonds and Corporate Finance White Paper*

<https://www.unglobalcompact.org/docs/publications/SDG-Bonds-and-Corporate-Finance.pdf>

² See for example PIMCO, 'SDG bonds: creating a world of opportunity of issuers and investors', September 2018

<https://www.pimco.com.au/en-au/insights/viewpoints/sdg-bonds-creating-a-world-of-opportunity-for-issuers-and-investors/>

³ Bloomberg, March 2018 <https://www.bloomberg.com/professional/blog/blossoming-green-bond-market-growing-toward-250-billion-year/>

⁴ ANZ Institutional Banking, February 2018 <https://institutional.anz.com/insight-and-research/ANZ-Prices-First-750m-SDG-Bond>

⁵ The ANZ SDG Bond Framework is available here: <http://debtinvestors.anz.com/file/2617/download?token=KR2Ellg3>

⁶ ICMA has now mapped these principles against the SDG goals, highlighting the extent to which the SDG framework is becoming a key focus for sustainability-aligned investments across the board. See: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Mapping-SDGs-to-Social-and-Sustainability-Bonds-Final-030818.pdf> Similarly the Climate Bonds Initiative has published briefing papers on synergies between green bonds and the SDGs: <http://sdg.iisd.org/news/climate-bonds-initiative-launches-briefing-series-on-sdgs-and-green-bonds/>

⁷ NAB Media, July 2018 <https://news.nab.com.au/nab-leads-the-way-in-supporting-green-projects-around-the-world/>

⁸ The NAB SDG Green Bond framework is available here: https://capital.nab.com.au/docs/NAB_SDG_Green_Bond_Framework.pdf

⁹ NSW Government media release, 15 June 2018: https://www.treasury.nsw.gov.au/sites/default/files/2018-06/20180615%20-%20Media%20Release%20-%20Perrottet%20-%20NSW%20Budget%202018%20-%20Sustainability%20Bonds%20herald%20new%20era%20of%20investment_0.pdf

¹⁰ For details see NSW Treasury Corp, Green Bond Investor Term Sheet:

https://www.tcorp.nsw.gov.au/resource/NSW_Green_Bond_Term_Sheet%20_15_November_2018.pdf

¹¹ UN Global Compact, *SDG Bonds & Corporate Finance White Paper*. <https://www.unglobalcompact.org/docs/publications/SDG-Bonds-and-Corporate-Finance.pdf>