



NEW ZEALAND'S EXCHANGE

Climate Change and Business Conference

Wednesday 10 October 2018

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NZX

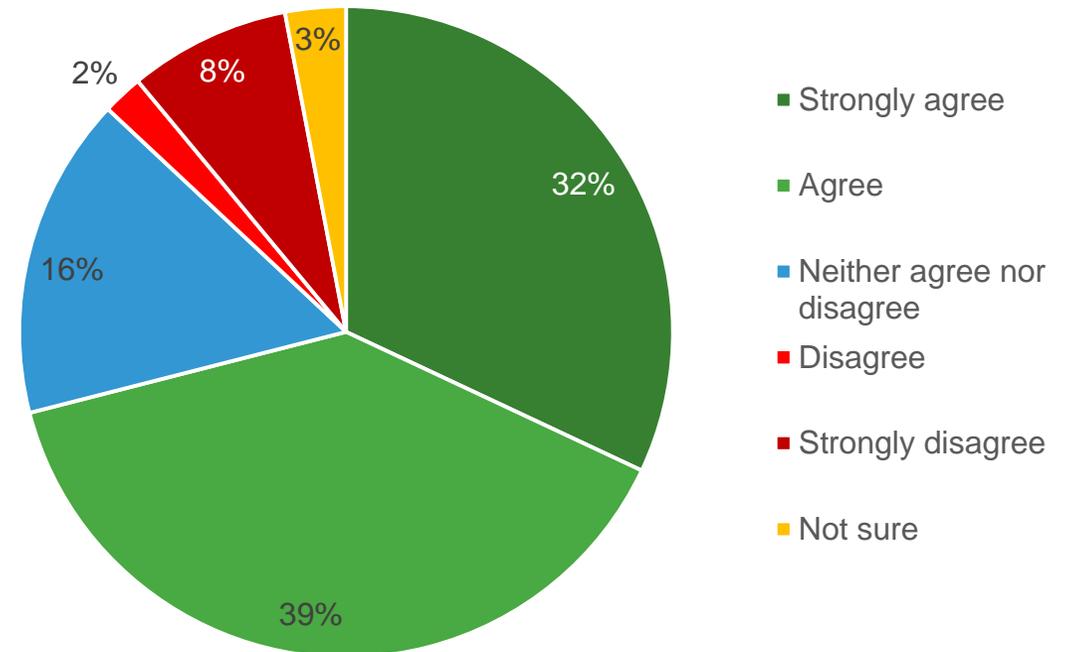


Why is sustainable investment important?



- Sustainable investing is now mainstream and is related to more asset classes
- Studies have linked corporate ESG risk management to stronger cash flows and corporate performance
- There is emerging evidence that ESG factors are drivers of value across a portfolio
- Responsible NZ share funds outperformed the relevant benchmarks over 1, 3, 5, and 10 year periods
- NZ investor demand for sustainable investments is increasing – this is driven by millennials and those over 60
- 62% would shift their funds if inconsistent with their values

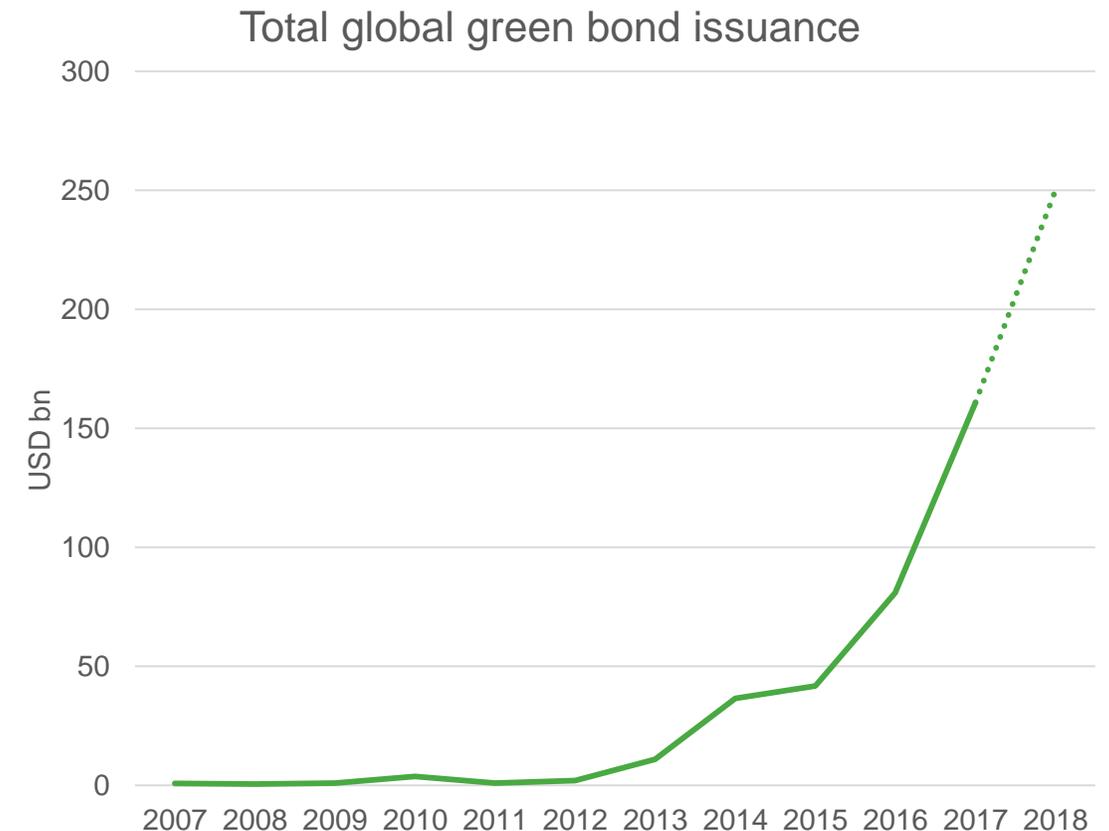
Expectation for KiwiSaver / investments to be responsibly invested



Green bonds growing role in ESG investing?



- Green bonds align investors with environmentally friendly projects and provide crucial social benefits
- Historically investors focused on governance to understand risks and opportunities associated with investing
- Green bonds allow investors to directly address the environment and social aspects of their investments
- Demand for green bonds is surging. Green bond issuance has steadily increased since 2007 and is expected to surpass USD 250bn in 2018
- Have seen integrating ESG factors and green bonds into a portfolio may lead to better returns
- Green bonds also allow investors to participate in disruptive technologies - e.g. transportation / EVs



Role of exchanges in accelerating the growth of green bonds



Developing green bond guidelines



Promoting transparency and encouraging the development of common practices



Establishing green bond lists or segments



Supporting green bond indices or ETFs



Fostering market dialogue and collaboration among all market participants



Fostering market education

NZX Corporate Governance Code



- Released May 2017 – Appendix 16 of the NZX Main Board Rules
- 8 principles, 32 recommendations and commentary
- Came into effect on 1 October 2017 (Rule 10.4.5), for reporting periods ending 31 December 2017 and beyond
- The overarching purpose of the CGC is to promote strong corporate governance, recognising that boards are in place to protect the interests of shareholders and to provide long-term value

ESG focus – NZX GCC recommendation 4.3



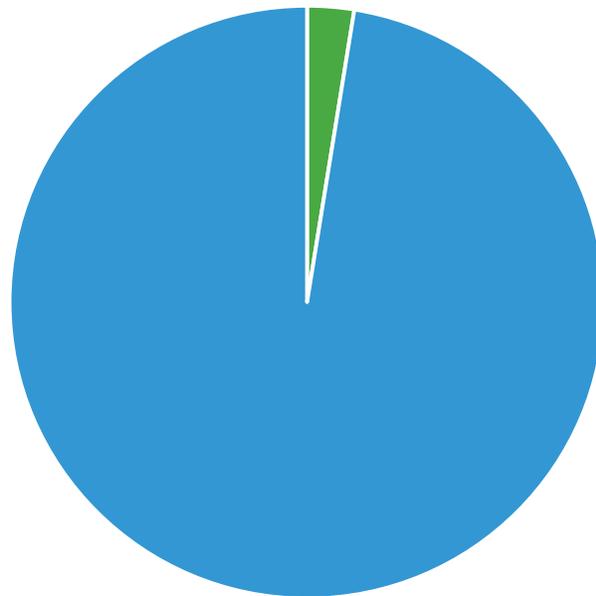
“Financial reporting should be balanced, clear and objective. An issuer should provide non financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non financial targets are measured.”

- This was seen as an opportunity for growth
- New Zealand is party to the UN Sustainable Development Goals
- NZX is a member of the UN Sustainable Stock Exchange Initiative and Green Finance Advisory Group
- New Zealand already has a clean, green reputation internationally – best practice ESG reporting represents a chance to leverage this
- Introduced guidance regarding green bonds

NZX green bond market



NZDX listed bonds



- Listed green bonds
- Other listed bonds

- Green bonds are in a nascent stage in NZ:
 - IFC: NZD 100m Kauri green bond (July 2017)
 - Auckland Council: NZD 200m retail issue (July 2018)
 - First retail issue and first by domestic issuer, listed on NZX
 - AC Green Bond Framework – low emission transport (trains)
 - Contact Energy has had its existing debt programme CBI-certified, resulting in a NZD 1.8bn green borrowing programme to fund its geothermal generation assets
 - Part of ANZ's green bond pool is invested in NZ projects
- Contrast to Australia, where – from intermittent beginnings – issuance is booming and market participants have established standards and led a series of innovations

What is NZX's role in accelerating green bond growth in New Zealand?



- Support the development of green bonds market in NZ, mainly by listing bonds compliant with certain green criteria, tracking performance of green assets and providing guidance on green securities to market participants.
- Specifically, in the future the NZX may:
 - Set up green bond lists or segments:
 - Develop guidelines for green bond listings
 - Support green bond indices & ETFs
 - Continue market education



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