



Green Bonds Workshop 1 – Definitions, Selection and Verification

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Mats Olausson

Senior Advisor

Climate & Sustainable Financial Solutions

+46 8 50 62 32 62, mats.olausson@seb.se

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SEB

Green Bonds born





Launches its first Green Bonds

SEK 2,325,000,000

6-year 3.5% Green Bonds

Investing to reduce global warming

Sole Lead Manager



Key Investors



Länsförsäkringar
Bank & Försäkring



skandia:



AP3
Third Swedish National Pension Fund

Andra
AP-fonden



Second Swedish National Pension Fund - AP2

Senior Co-Manager



Co-Manager







SEB's role in the Green Bond market

A reliable partner and the global leader in Green Bonds

SEB in the Green Bond market

Investor relations

- SEB has met with nearly 800 investors worldwide in dedicated Green Bond meetings
- SEB has placed Green Bonds to around 500 investors
- SEB has been and is advising a large amount of investors on how to implement Green Investment strategies, including
 - ✓ State Street Global Advisors
 - ✓ Nikko Asset Management
 - ✓ Zurich Insurance
 - ✓ Blackrock
 - ✓ State of California Treasury
 - ✓ The Nobel Foundation

Issuer relations

- SEB is advising issuers of all types globally in their preparation to issue Green Bonds
 - ✓ Advice on establishing Green Bond frameworks
 - ✓ Coordinating second opinions
 - ✓ Developing issuance strategies

International engagement

- Examples of international engagement:
 - ✓ SEB is active in the reference group created to support a board member of the UN Climate Fund
 - ✓ SEB is interacting with a number of governments to develop mechanisms to engage private capital in climate investments
 - ✓ SEB and GIZ have a strategic alliance on Green Bond market development in G20 emerging markets
- SEB has been invited and been a speaker in high profile event such as
 - ✓ UN General Assembly
 - ✓ UN Foundation / INCR Investor Summit
 - ✓ OECD Roundtable
 - ✓ Environmental Finance Conference
 - ✓ US State Department

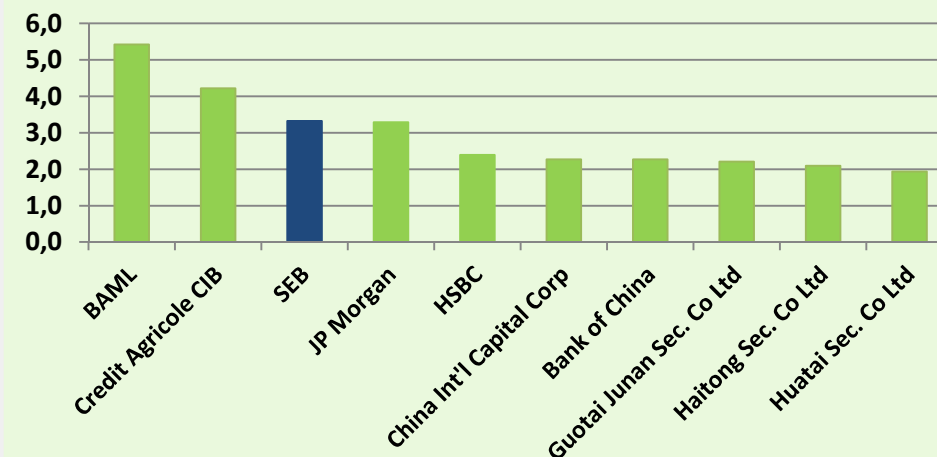


Global Green Bond underwriters

Selected Green Bond issues underwritten by SEB

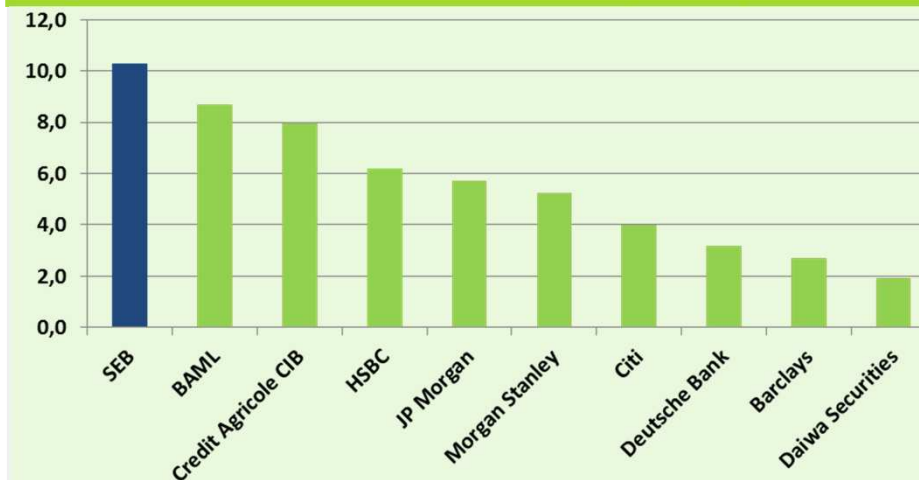


Top 10 underwriters 1 Jan – 21 Oct 2016 (USDmn)



Source: Bloomberg

Top Green Bond Underwriters 2007- 2015 (USDbn)



Source: Bloomberg

A Green Bond database for climate financing

- Overview of Green Bond issuers with a second opinion
- Create your own Green universe with the help of academic experts
- Investors can create their Green Bond universe
- Market tool to create Green framework and Second Opinion application

Select Green Profile:	Reporting	Examined Account	Homepage	2nd Opinion	2nd Opinion Document	Issuance
SCA	☒	☒	Website	CICERO	2nd opinion	View issue
World Bank	☒	☒	Website	CICERO	NA	View issue
European Investment Bank (EIB)	☒	☒	Website	N/A		View issue
International Finance Corporation (IFC)	☒	☒	Website	CICERO	available for investors	View issue
Korea Export Import Bank (KEXIM)	☒	☒	Website	CICERO	available for investors	View issue
Vopakem	☒	☒	Website	CICERO	2nd opinion	View issue
African Development Bank (AfDB)	☒	☒	Website	CICERO	2nd opinion	View issue
Asian Semi Conductor (ASE)	☒	☒	Website	CICERO	Not available	View issue
BKX	☒	☒	Website	CICERO	2nd opinion	View issue
State of California	☒	☒	Website	-None-		View issue
Export Development Canada (EDC)	☒	☒	Website	CICERO	2nd opinion	View issue
European Bank for Rec. and Dev.	☒	☒	Website	CICERO	2nd opinion	View issue
Finnvera	☒	☒	Website	CICERO	2nd opinion	View issue
City of Götterburg (Götterburg Stadt)	☒	☒	Website	CICERO	2nd opinion	View issue
Bendro	☒	☒	Website	Viges	2nd opinion	View issue
Kommunbanken Norway (KBN)	☒	☒	Website	CICERO	2nd opinion	View issue
KFV	☒	☒	Website	CICERO	2nd opinion	View issue
Nordic Investment Bank (NIB)	☒	☒	Website	CICERO	2nd opinion	View issue
NWB Bank	☒	☒	Website	anwinn research	2nd opinion	View issue
Niederlande Waterschapbank N.V. (NWB Bank)	☒	☒	Website	CICERO	2nd opinion	View issue
Dresden Municipality (Dresden Kommune)	☒	☒	Website	CICERO	2nd opinion	View issue
Province of Ontario (OIA)	☒	☒	Website	CICERO	2nd opinion	View issue
Rakham	☒	☒	Website	CICERO	2nd opinion	View issue

Issuers can create a Green Bond framework in line with market guidelines

Explore the Green Library

The Green Library provides an exhaustive guide to Green Bond investments.

Create the Green Bond Framework document

The Green Bond Framework document is a starting point for issuing a Green Bond. [Click here](#) to login if you have already saved a draft.

Apply for a 2nd Opinion

2nd Opinion assessment is provided by CICERO. [Click here](#) to login if you have already saved a draft.

Online application for Second Opinions with step-by-step guidance

Green Bond Framework Template

Name of issuer: Issuer Type: Select Issuer Type

City of Residence: Country: Select Country

Homepage URL:

Business of issuer:

1. USE OF PROCEEDS

a. General Description

b. Eligible Assets

c. Green Categories and Technologies

d. Other points relevant for Use of Proceeds

2. PROCESS FOR ASSETS EVALUATION AND SELECTION

a. Selection of Eligible Assets

b. Eligible Asset Selection Process

CICERO

Application For Green Bond 2nd Opinion

Issue Name:

Reporting: ☐ Examined Account: ☐ No fossil energy generation: ☐ No Nuclear: ☐

Please write an introduction letter to the verifier to secure the objective of the application.

If Add New Eligible Project Type: ☐ Select a Green Bond Framework Template to import:

Eligible Project Types: Category:

Please answer the following questions and, where applicable, state in which of the supporting documents (uploaded at the end of this form) more information can be found.

1. Please describe the issuer's core activities and how it relates to a low carbon and climate related sector.

2. Short description of issuer's climate and environmental policies (goals) and achievements.

3. To what extent are projects that include fossil fuel elements eligible under the framework? Please indicate in which category?

4. Does the issuer have any policies that make sure that mitigation and adaptation activities are well coordinated?

5. Will there be assessments of the projects that include relevant effects and resource analysis?

Green Bonds defined



GREEN BOND DEFINITION



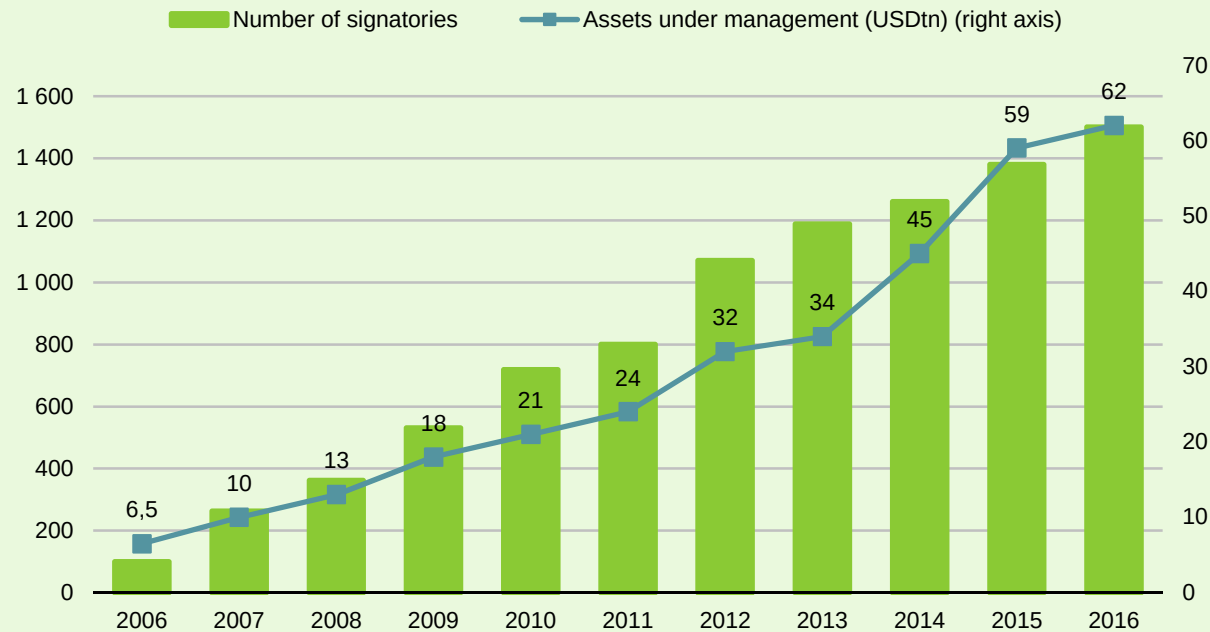
Green Bonds are any type of **bond instrument** where the **proceeds** will be **exclusively** applied to finance or re-finance in part or in full new and/or existing **eligible Green Projects** (see section 1 Use of Proceeds) and which are aligned with the **four core components of the GBP**.

Green Bonds – in response to investor demand

1500 investors with AUM of USD 62 trillion aim to integrate ESG in their investment decisions

Increasing number of investors signing off on the 6 Principles for Responsible Investments (PRI) ⁽¹⁾

- 1 Incorporate ESG⁽²⁾ into investment analysis and decision making process
- 2 Incorporate ESG into ownership policies and practices
- 3 Seek appropriate disclosure on ESG by entities in which we invest
- 4 Promote acceptance and implementation of the Principles within the industry
- 5 Work together to enhance our effectiveness in implementing the Principles
- 6 Report our activities and progress towards implementing the Principles

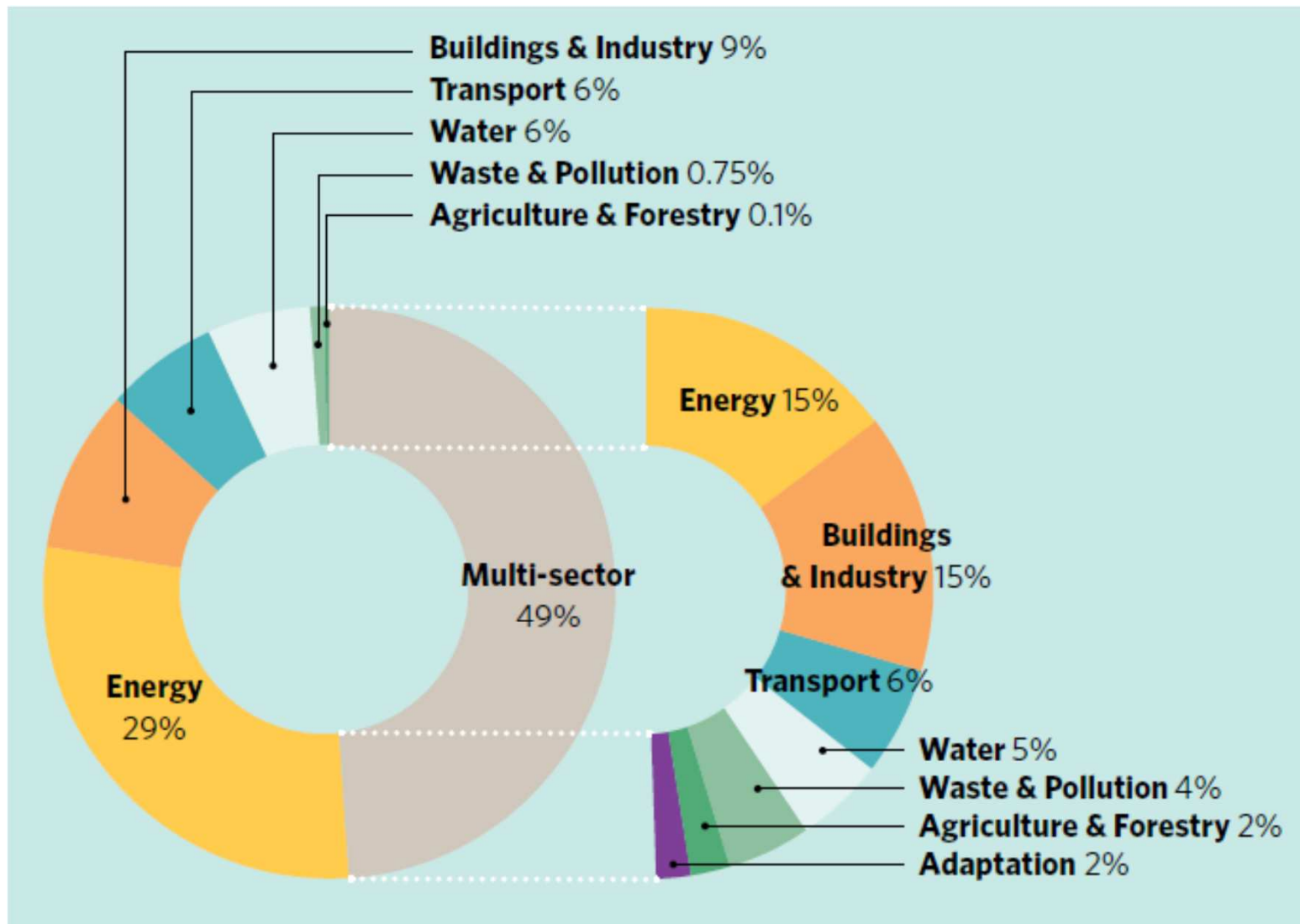


Source: Unpri.org

(1) PRI is an investor driven initiative in partnership with UNEP Finance Initiative and the UN Global Compact

(2) ESG=Environmental, Social & Governance

Where is Green Bond money used?



Source, Climate Bonds Initiative. The State of the Market in 2016

Why do Green Bonds work - What's in it for You?

Investors

- Achieve intelligence on climate related issues inside existing management structure
 - Risk management
 - Climate stress
 - Regulations
 - Technology transition
- Live your values - competitiveness

Issuers

- Strengthen the financial position:
 - Investor diversification
 - Deepened dialogue
- Establish a targeted dialogue between operations (projects), Finance and Management
- Live your values - competitiveness

Society

- Activate (mobilize) human capital inside finance for society goals

The five pillars of Green Bonds

1 Define – What is Green

2 Select – Who decides

3 Verify – Credibility from external, independent environmental experts

4 Monitor – Keep track of proceed with an earmarked account

5 Communicate – Transparency through annual reporting to investors



The Green Bond Principles – a voluntary guideline

Overview

In efforts to develop standards for the green bond market, On January 13. 2014 a consortium of major banks developed a set of voluntary guidelines called the Green Bond Principles “GBP”.

1. Use of Proceeds:

- ▶ Issuer should declare the eligible green project categories upfront, providing clear environmental benefits.

2. Process for Project Evaluation and Selection:

- ▶ Issuer should outline the process of selection and work to establish impact objectives.

3. Management of Proceeds:

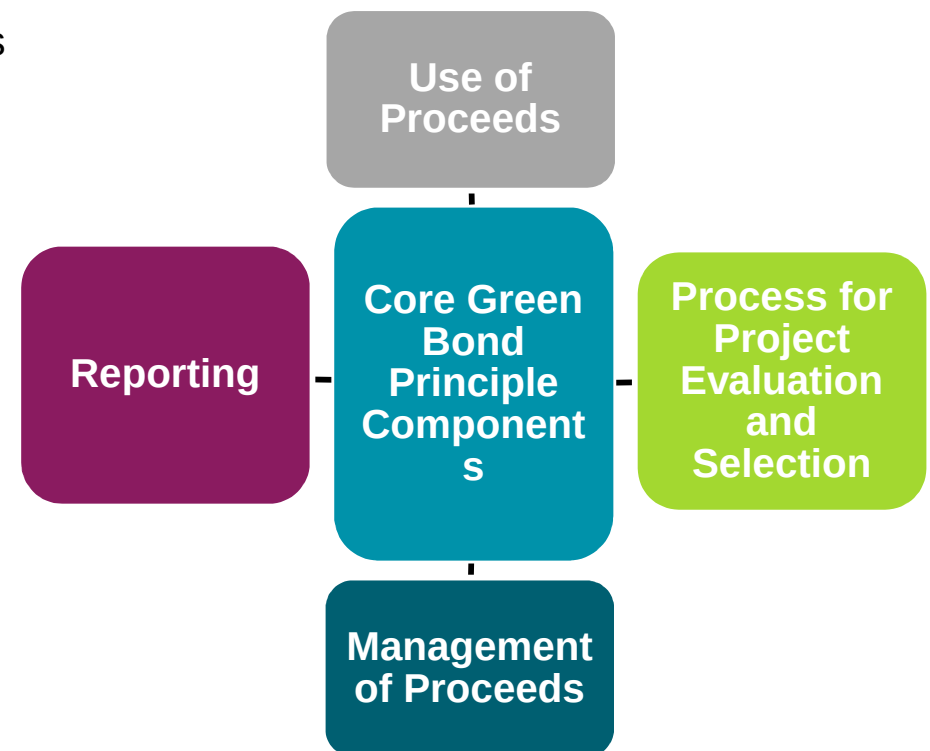
- ▶ Funds should be segregated or otherwise tracked.

4. Reporting:

- ▶ Issuers should report at least annually on projects and where feasible, the impact of the specific investment.

Recommendations - External Reviews:

- ▶ The GBP encourage a high level of transparency and recommended that issuers use an external review to verify the green definitions/criteria and the processes and systems applied



Strengths and weaknesses in the Green Bond market

Strengths

- **Mobilizes human capital** necessary to generate financial capital needed for green investments
- Helps **optimize resource allocation** in the longer term
- Enhances **competence building** to the mutual benefit of financial and environmental experts
- Improves **risk management** skills among investors as well as issuers to allow for:
 - avoiding risks
 - ceasing opportunities
 - adjusting to changing regulations

Weaknesses

- Adds **additional work for issuers and investors** alike compared to regular bond transactions (the price for higher awareness and understanding)
- Risk of **green washing** – may backfire at the expense of goodwill for
 - issuers
 - investors and
 - underwriters

Summing up - Key documents

Green Bond Framework



Kommuninvest – Green Bonds Framework

12 January 2016

1. EARMARKED ACCOUNT

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support Kommuninvest's lending for Eligible Loans. As long as the Notes are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to Kommuninvest's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Loans. An amount equal to the special account balance will be held in cash, Green Bonds, Swedish covered bonds, Municipality and/or Government risk with a minimum, average credit rating of A- by Standard & Poor's or corresponding credit rating by another rating agency approved by Kommuninvest.

Second Opinion

23 November 2015

'Second Opinion' on IFC's Green Bond Framework

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Annual investor reporting

Green Bond IMPACT REPORT JUNE 2016



The Green Bond Principles



Green Bond Principles, 2016

Voluntary Process Guidelines for Issuing Green Bonds

16 June 2016

INTRODUCTION

Green Bonds raise funds for new and existing projects with environmentally sustainable benefits. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market. They are intended for broad use by the variety of actors participating in the market and are designed to provide the information needed to increase capital allocation to environmentally sustainable purposes without any single arbiter.



Key trade-offs in creating a Green Bond Framework and how to balance them

São Paulo, 13 & 14 December 2016

Mats Olausson

Senior Advisor

Climate & Sustainable Financial Solutions

+46 8 50 62 32 62, mats.olausson@seb.se

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A typical Green Bond issuance process

1. **Internal decision** to finance Green Projects with Green Money
 - Who is the internal driver: treasury – sustainability – management?
2. Prepare a **Green Bond Framework - define what is green**
 - Can/will financial and environmental divisions must join forces?
 - Volume vs. quality, broad and comprehensive or narrow and quick, level of specification?
3. Establish a **process for selecting** eligible projects
 - Integrate environmental competence in the decision process
 - If needed, in-source adequate environmental competence
4. Secure **verification** - get a **Second Opinion**
 - Choice of Second Opinion provider – most demanding/quickest/cheapest?
 - Chance to adjust Framework based on critical feedback from external, environmental experts
5. Safeguard monitoring by establishing an **earmarked account** for proceeds/allocation
 - Practical but prudent
6. Commit to **transparency** with regards to use of proceeds
 - How much impact reporting can the issuer comit to?
 - Additional work or synergies with other reporting and communication?
7. Coordinate **communication**, internal as well as external
 - Press release, web page and intra net, add in business paper, conferences and events
8. Prepare the **transaction** to maximize beneficial impact
 - Maximize investor diversification, road show, maturity etc.

Meet the press with a successful Green Bond issue/investment



Swedish bank SEB tops green bond league table

A Swedish bank is beating major global players as top underwriter to the green bond market

SEB remains biggest green bond underwriter in first quarter of 2014



Cicero, SEB to broaden exclusive relationship

Cicero, the Oslo-based climate research institute, is to end its exclusive relationship with SEB in the green bond market. Talks are under way that would enable other banks — probably starting with one or a few — to start using Cicero's services as an adviser. SEB hopes this will involve creating a wider certification platform for green bonds.

Skanska sells first green bond to strong demand



Bonds Tied to Green Investments are Booming

March 22, 2014

Source: The Economist

Bond 'Infrastructure' to Aid Clean Energy: SEB

BY ANGUS MCCRONE,
BLOOMBERG NEW ENERGY FINANCE



Green bonds

Green grow the markets, O

The market for green bonds is booming. But what makes a bond green?

Green bonds grow with SCA deal, Skanska expected tomorrow



KfW enters green bond arena with aplomb



March 2014: Green bonds are set to play a vital role in funding environmentally friendly projects in the fight against climate change. Christopher Flensburg, head of sustainable products at SEB, the Swedish bank, discusses their future with Chris Flood of FTfm



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Thank you!

Mats Olausson

Senior Advisor

Climate & Sustainable Financial Solutions

+46 8 50 62 32 62, mats.olausson@seb.se

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