



# The five pillars of Green Bonds

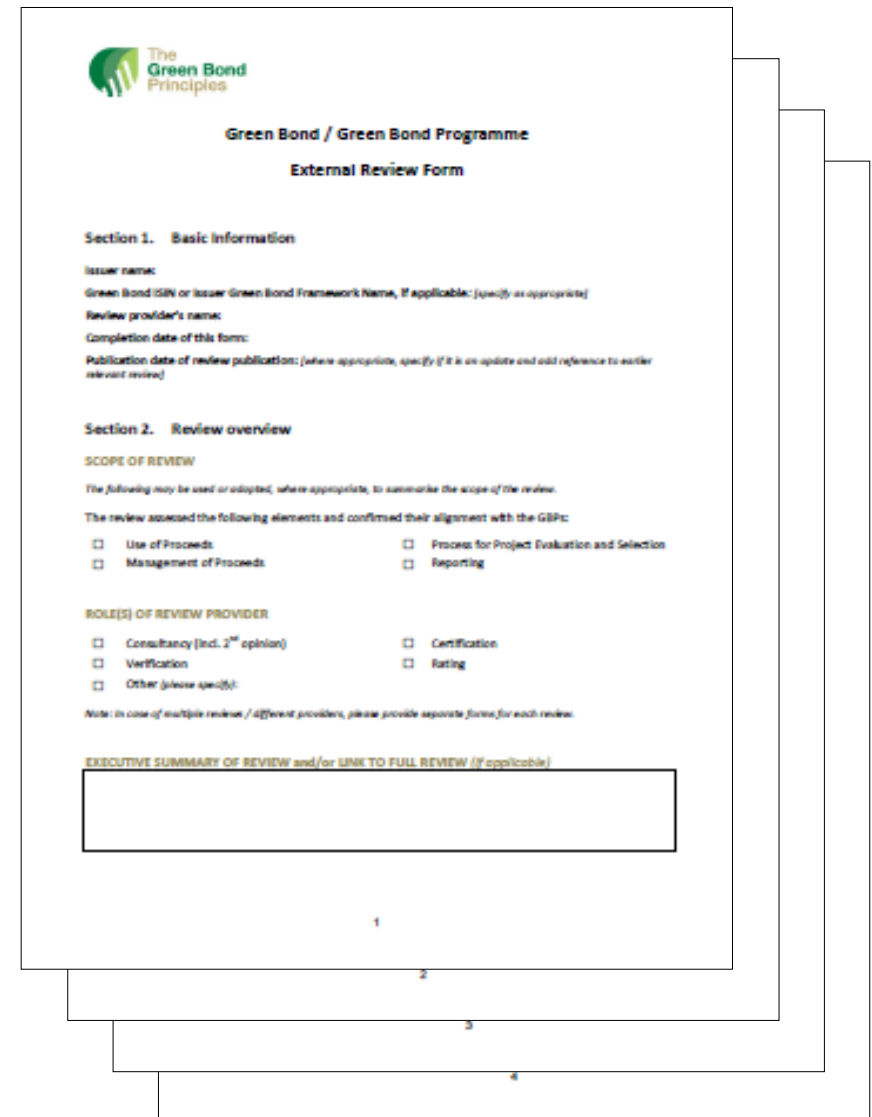
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Strictly confidential

**S|E|B**

# International alignment of Green Bonds

- On 13 January 2014, a consortium of major banks developed a set of voluntary guidelines called the Green Bond Principles (GBP) to
  - ✓ develop a common approach;
  - ✓ promote integrity; and
  - ✓ provide recommendation on transparency and disclosure for the Green Bond market
- Harmonisation of the market secures scalability
- Views on what is Green amongst stakeholders varies and transparency ensures investors can select Green Bonds with criteria that suit their investment mandates



The image shows a document titled 'The Green Bond Principles External Review Form'. It is a form for external review of Green Bonds. The form is divided into two main sections: Section 1. Basic Information and Section 2. Review overview. Section 1 includes fields for Issuer name, Green Bond ISIN or Issuer Green Bond Framework Name, Review provider's name, Completion date of this form, and Publication date of review publication. Section 2 includes a SCOPE OF REVIEW section with checkboxes for Use of Proceeds, Management of Proceeds, Process for Project Evaluation and Selection, and Reporting. It also has a ROLE(S) OF REVIEW PROVIDER section with checkboxes for Consultancy (incl. 2<sup>nd</sup> opinion), Verification, Other (please specify), Certification, and Rating. At the bottom, there is a box for EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable). The form is numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

Source: ICMA webpage

# The five pillars of the Green Bond framework

1

Definition – Use of proceeds

2

Selection – Process for project evaluation

3

Traceability – Management of proceeds

4

Transparency – Monitoring and reporting

5

Verification – Assurance through external review

# Use of proceeds

Examples of the Green Bond universe*		
<b>Mitigation &amp; Environmental preservation</b>	✓ Renewable Energy	<ul style="list-style-type: none"> <li>▪ Wind, solar etc.</li> <li>▪ Related infrastructure</li> </ul>
	✓ Energy Efficiency	<ul style="list-style-type: none"> <li>▪ Building efficiency incl. environmental certification systems such as LEED, BREEAM or equivalent</li> <li>▪ SmartGrids</li> </ul>
	✓ Pollution Prevention and Control	<ul style="list-style-type: none"> <li>▪ Waste water management</li> <li>▪ Recycling and waste-to-energy</li> </ul>
	✓ Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> <li>▪ Sustainable agriculture</li> <li>▪ Sustainable forest management</li> </ul>
	✓ Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none"> <li>▪ Protection of coastal, marine and watershed management</li> <li>▪ Nature reserve management</li> </ul>
	✓ Clean transportation	<ul style="list-style-type: none"> <li>▪ Public transportation and related infrastructure</li> <li>▪ Alternative fuel vehicles</li> </ul>
	✓ Sustainable Water Management	<ul style="list-style-type: none"> <li>▪ Infrastructure for clean and / or drinking water</li> <li>▪ Energy recovery from waste water</li> </ul>
	✓ Eco-efficient Products, Production Technologies and Processes	<ul style="list-style-type: none"> <li>▪ Eco labelled and certified products</li> <li>▪ Resource efficient packaging and distribution</li> </ul>
<b>Adaptation</b>	✓ Climate Change Adaptation	<ul style="list-style-type: none"> <li>▪ Flood protection</li> <li>▪ Disaster early warning systems</li> </ul>

\* As outlined in the Green Bond Principle updated 16 June 2016

# Management of proceeds

- The issuer commits to track and monitor the proceeds of the Green Bond issuance
- Recommendation to make known intended types of temporary placement for the balance of unallocated proceeds
- Annual assurance recommended to verify internal tracking method for allocation of proceeds

## 1 Earmarked account

- A separate account is established within the existing account structure
- Once eligible project(s) have been identified the cash is released to the master account for distribution to the project(s)

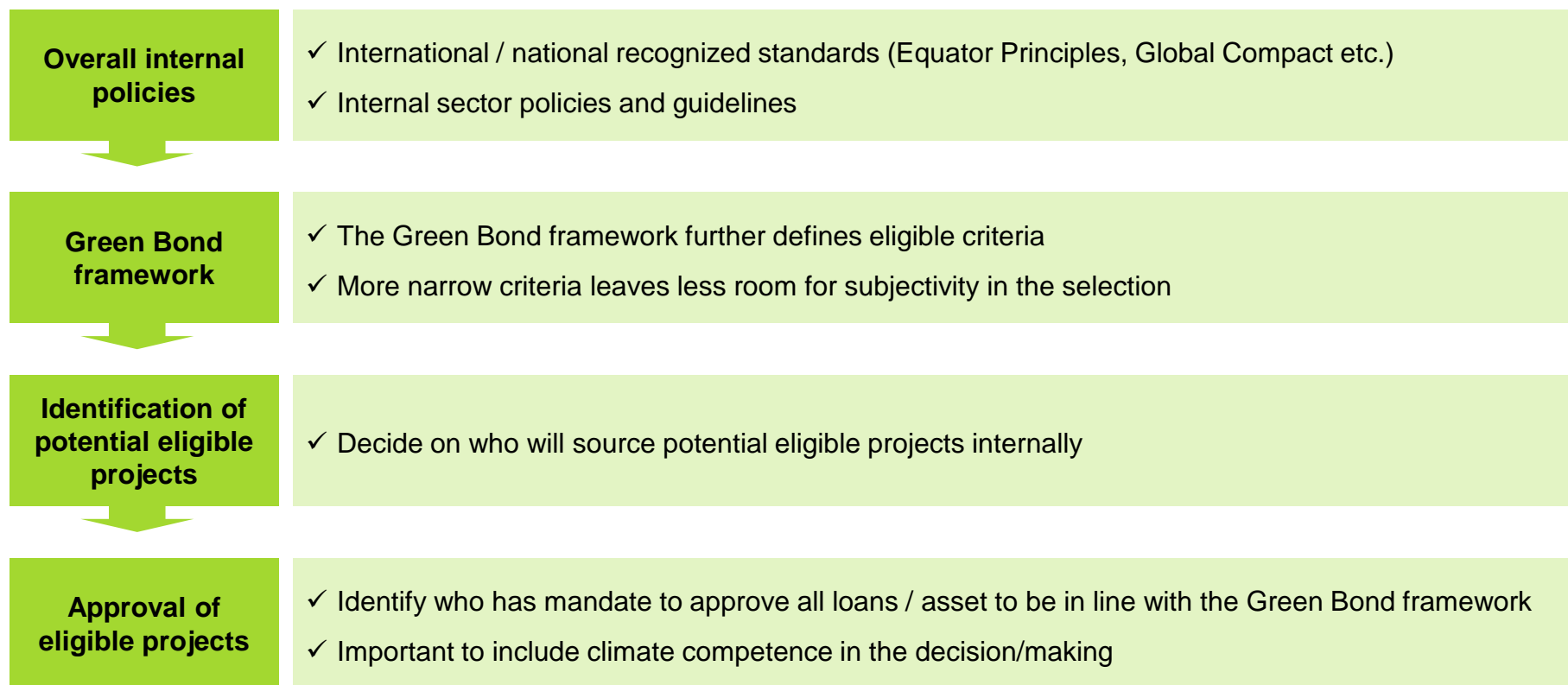
## 2 Virtual Green balance sheet

- A separate portfolio is established whereby the proceeds are managed to match eligible projects
- Undisbursed funds will be managed as regular liquidity management and through the virtual balance sheet these will also be tracked

## 3 Balanced earmarked positions

- Create an earmarked position where the Green proceeds are booked and matched with earmarked positions of identified eligible projects
- Establish a register to match and track the Green positions

## Process for Project Evaluation and Selection





# Monitoring and reporting

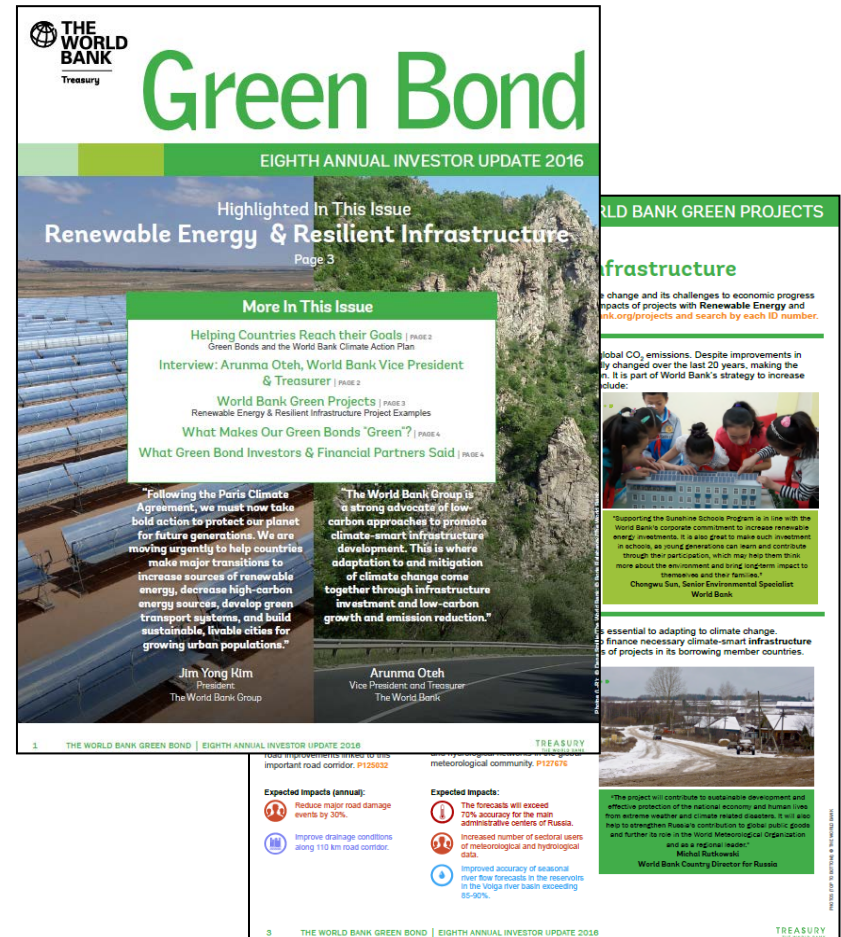
To ensure transparency the issuer commits to report back to investors on at least an annual basis

## ■ The investor letter

- A list of eligible projects / assets financed
- A selection of eligible project / asset examples
- A summary of the issuer's Green Bond development
- Impact reporting

## ■ Impact reporting

- ✓ Identify underlying methodologies and benchmarks
- ✓ Decide on impact metrics



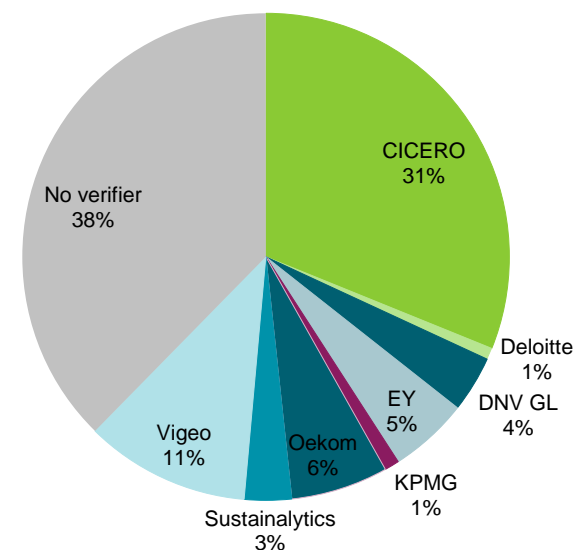
World Bank Green Bond investor letter 2016

# Assurance through external review

To secure alignment with international guidelines it is recommended to obtain an external third party opinion on the Green Bond framework and set up

<b>Consultant Review</b>	<ul style="list-style-type: none"> <li>Including Second Opinion from institution with recognized climate / environmental expertise</li> </ul>
<b>Verification</b>	<ul style="list-style-type: none"> <li>An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors</li> </ul>
<b>Certification</b>	<ul style="list-style-type: none"> <li>An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard</li> </ul>
<b>Rating</b>	<ul style="list-style-type: none"> <li>An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties</li> </ul>

**Second opinion providers for all issued Green Bonds (share of volume)**



Source: Bloomberg & SEB, as at H1 2016



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