P.R.I.M.E. Finance
Panel of Recognized International Market Experts in Finance

Sustainable Finance

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Sustainable growth and development

- Overall goal = Sustainable growth, Sustainable development
- Sustainable development has been defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (The Brundtland Commission)
- As a contributor to sustainable growth and development: Sustainable finance
Definition of sustainable finance

• EU definition of Sustainable finance:
  Sustainable finance is the provision of finance to investments taking into account environmental, social and governance considerations (ESG)

• Aligned with:
  – UN 2030 Agenda and Sustainable Development Goals (2015)
International Financial Institutions

• International Financial Institutions (IFIs): Treaty based; promoting an agreed mandate
• Financing projects to promote their mandate. Require Sustainability (safeguards) criteria to be fulfilled.
• Have introduced sustainability also to their funding, to the capital markets by issuing bonds linked to sustainable goals
Multilateral Lending Institutions
ESG thematic bond map

MLI ESG Thematic Bonds

- Environmental bond*
  - Green bond
  - Blue bond
  - Water bond
  - Forest bond

- Sustainability bond§
  - Social development & inclusion bond
  - EYE bond
  - Vaccine/pandemic/health bonds

- Social bond†
  - Banking on women/gender bond
  - Inclusive business bond

*Environmental bond: Bonds that fund projects which have environmental and/or climate benefits.
†Social bonds: Aim to help address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively, for a target population(s). (ICMA)
§Sustainability bonds: Hybrid between a green and social bond (ICMA). Source: S&P Global Ratings.

Source: Standard and Poor’s

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NEB: Selection Process
NIB's Mandate Rating Framework

A prosperous and sustainable Nordic-Baltic region

**PRODUCTIVITY GAINS**
- Technical progress and innovation
- Human capital and equal economic opportunities
- Improvements in infrastructure
- Market efficiency and business environment

**ENVIRONMENTAL BENEFITS**
- Pollution reduction
- Preventive measures
- Resource efficiency
- Climate change mitigation

**MANDATE RATING SCALE**
- Excellent
- Good
- Moderate
- Marginal
- Neutral
- Negative

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NEB: Use of proceeds
7 categories

- **Energy efficiency**
  Reduction of energy use by min. 30%

- **Renewable Energy**
  Wind, solar, tidal / wave, geothermal, biofuels and – gas, hydropower

- **Transmission, distribution and storage systems**

- **Water management and protection**

- **Resources and waste management**

- **Clean transport solutions**

- **Green buildings**
  Certification LEED Platinum or BREEAM Excellent / Outstanding

Projects per use of proceeds category (total EUR 3,248 million)

- Renewable Energy (27%)
- Water management and protection (27%)
- Green buildings (23%)
- Clean transport solutions (13%)
- Energy efficiency (6%)
- Resources and waste management systems (4%)
Total impact of projects financed by NEBs in 2017

Projects that have been allocated funds from NIB Environmental Bond (NEB) proceeds during 2017 have the following total estimated impact, presented with NIB’s prorated share:

- 193 MW added renewable energy production capacities (NIB’s prorated share: 47 MW)
- 458,000 t CO₂e avoided annually (NIB’s prorated share: 175,000 t CO₂e)
- 0.7 TWh of added renewable energy generation annually (NIB’s prorated share: 0.1 TWh)
- 965,000 Added wastewater treatment capacity of 965,000 population equivalents (NIB’s prorated share: 475,000 PE)
- 316,500 m² Green buildings: a total of 316,500 m² to be certified in accordance with LEED Gold criteria (NIB’s prorated share: 142,000 m²)

NIB Environmental Bond Report 2017
Regulatory initiatives globally

- EU Regulation
- China Regulation
- India Regulation
- Japan guidelines
- ASEAN guidelines
## Regulatory initiatives globally

<table>
<thead>
<tr>
<th>Region</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>ASEAN</strong></td>
<td>• ASEAN Capital Markets Forum (ACMF) Launch ASEAN Green Bond Standards to drive Sustainable Investments for <a href="#">ASEAN Green Bonds</a> aligned with the GBP (Nov 2017)</td>
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<td><strong>China</strong></td>
<td>• China has released <a href="#">Government guidelines</a> largely based on international market practices referring to the GBP and with an official green taxonomy</td>
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<td><strong>EU</strong></td>
<td>The action plan on sustainable finance adopted by the European Commission in March 2018 has 3 main objectives 1) reorient capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth 2) manage financial risks stemming from climate change, environmental degradation and social issues and 3) foster transparency and long-termism in financial and economic activity. <a href="#">EU Action Plan on Financing Sustainable Growth</a></td>
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<td><strong>India</strong></td>
<td>• The Securities Exchange Board of India has released <a href="#">listing disclosure requirements</a> for Green Bonds based on the GBP and international market practice</td>
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<tr>
<td><strong>Japan</strong></td>
<td>• Japan released <a href="#">Green Bond guidelines</a> in March 2017 following an extensive consultation process</td>
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ESG and Multilateral Lending Institutions
Rating Criteria (S&P)

For S&P, ESG factors mainly affect business profile assessment (both the policy importance and governance/management expertise). In instances where ESG factors provide a monetary benefit for an MLI, they consider that in their financial profile assessment.

For instance, if we perceive that an MLI has been exposed to considerable ESG-related controversies, such as infrastructure projects that create environmental damage or dislocate local communities, this could call into question our view of the MLI's track record in fulfilling its public policy mandate.

"Other factors, particularly our assessment of governance and management expertise, may enhance or detract from an MLI's ESG strength."

"However, we have seen anecdotal evidence that suggests that green and social bonds, in particular, may be priced slightly better and attract a more diverse group of investors."

SACP: Stand-alone credit profile
ICR: Issuer Credit Rating