

Roundtable Discussion – Strategic Alliance
**Green Financial Solutions in Mexico –
How to Move from Niche to Mainstream**
Mexico City - 18 October 2017



**Promoting national green
bond underwriter champions:
The role of domestic banks in
accelerating green financing in Mexico**

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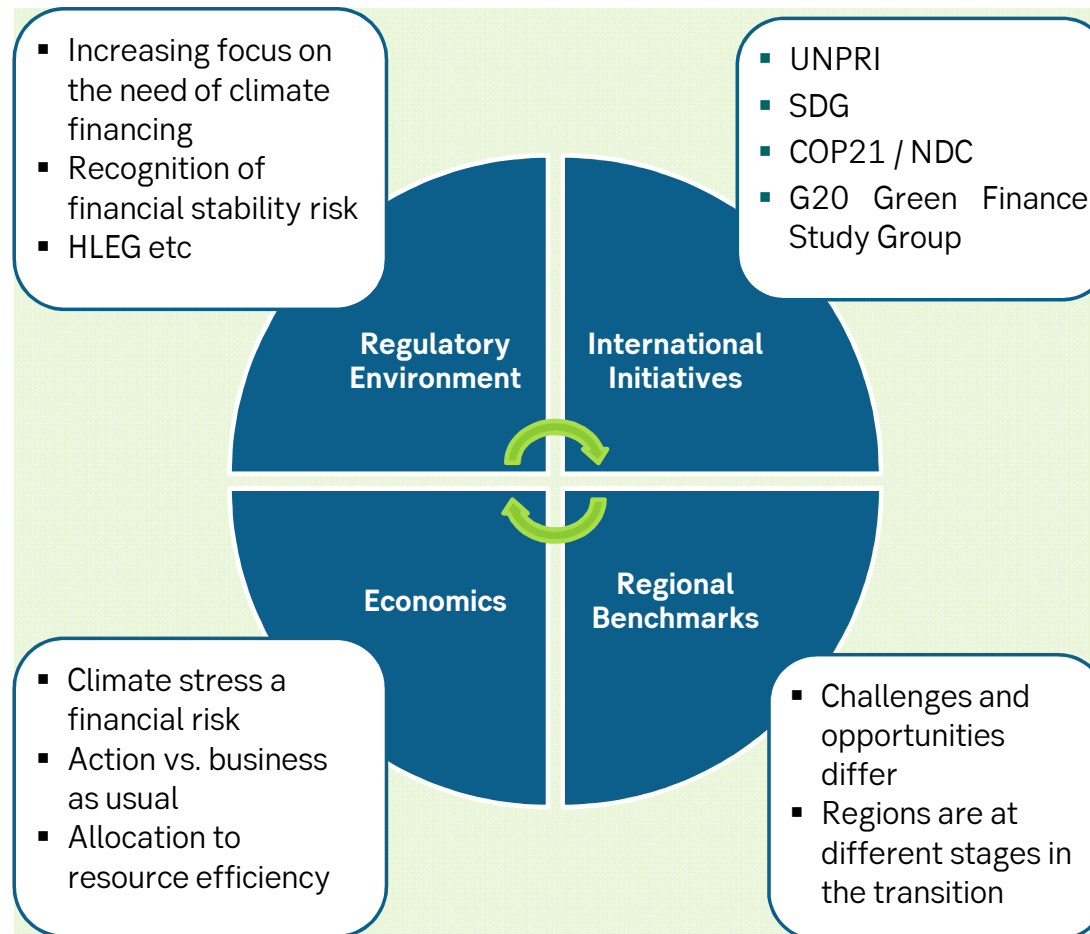
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Climate finance – underlying rationale



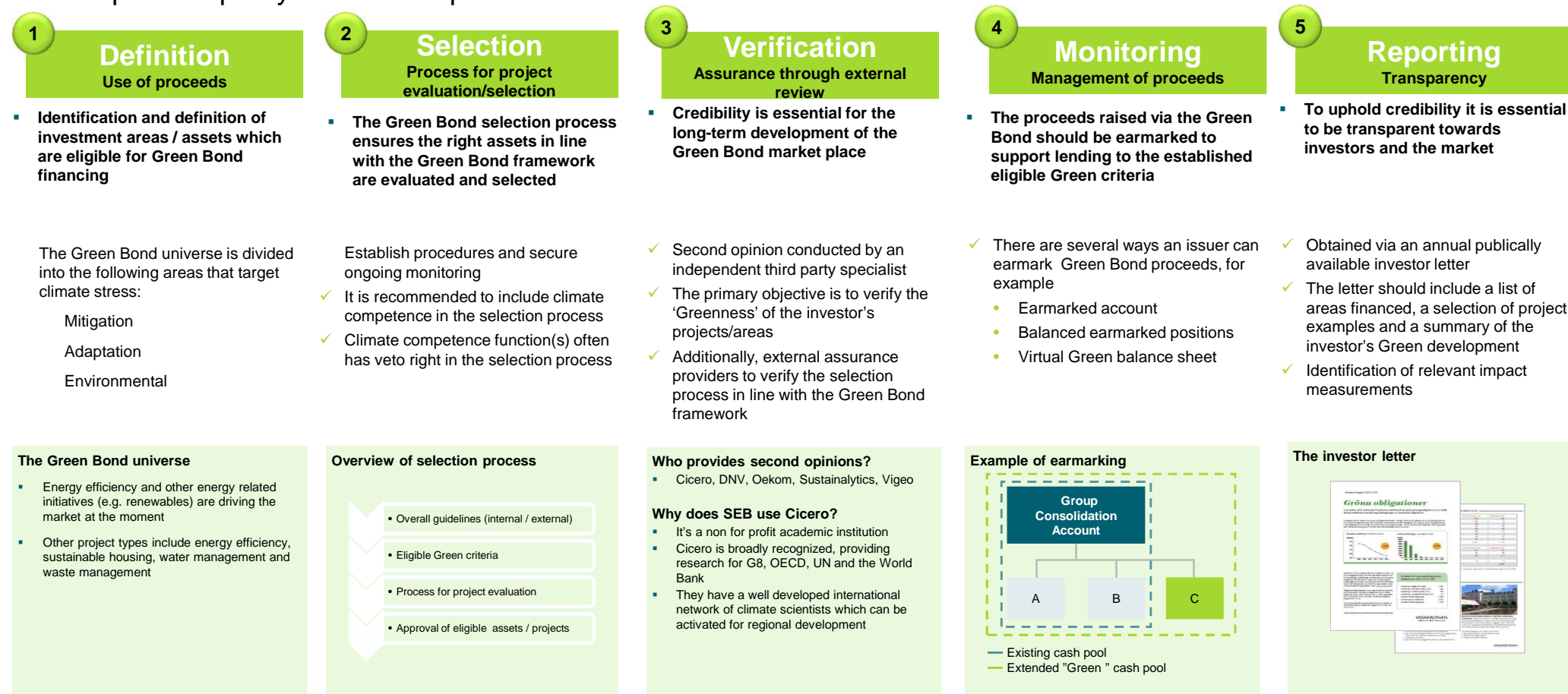
EU High Level Expert Group (HLEG) report on Sustainable Finance

1. **The creation of a classification system for sustainable assets, coordinated by the European Investment Bank**
Aim to help identify projects that support EU environmental policy goals, with a view to broadening into social areas in the future
2. **The creation of “official green bonds standards” and incentives for financial products**
The standards, and corresponding label, would be based on the classification system above, once defined, as well as the Green Bond Principles
3. **The creation of shared fiduciary duty principles which include sustainability considerations**
Clarification should be made in upcoming reviews of legislation and regulation – such as Mifid II, PRIIPs and rules that govern credit ratings agencies – that ESG and **long-term sustainability must be considered as part of fiduciary duty throughout investment and lending chains**
4. **Heightened disclosure around sustainability**
Governance, strategy, risk management and metrics/targets should all be considered in disclosure, and forward-looking information such as scenario analysis should be encouraged.
5. **A sustainability test in financial legislation**
The report calls for the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG Fisma) to improve its impact assessments for proposed legislation and policies. It recommends that DG Fisma takes more seriously its commitment to include “a description of the environmental, social and economic impacts and an explicit statement if any of these are not considered significant”
6. **The creation of a matchmaking body to stimulate green infrastructure development**
“A dedicated advisory and match-making facility between public authorities and private investors” that would give guidance on structuring and developing sustainable infrastructure projects and finding appropriate investors to finance them
7. **The positioning of European Supervisory Agencies on sustainability**
The current review of European Supervisory Agency (ESA) operations should include clarification and enhancement of their role in assessing ESG-related risks in the context of long-term financial stability. The ESAs should encourage participation from experts in sustainability, too
8. **The creation of accounting standards for energy efficiency**
To boost the flow of effective energy efficiency projects – much needed in order to meet EU climate goals – a better interpretation of accounting standards needs to be developed by Eurostat

Source: https://www.responsible-investor.com/home/article/leg_interim/, https://ec.europa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf

The five pillars of Green Bonds

A concept of simplicity built on five pillars



Pillars 1 + 2 + 4 + 5 = the four principles of the Green Bond Principles

The broad value proposition of Green finance

Investors

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

Issuers

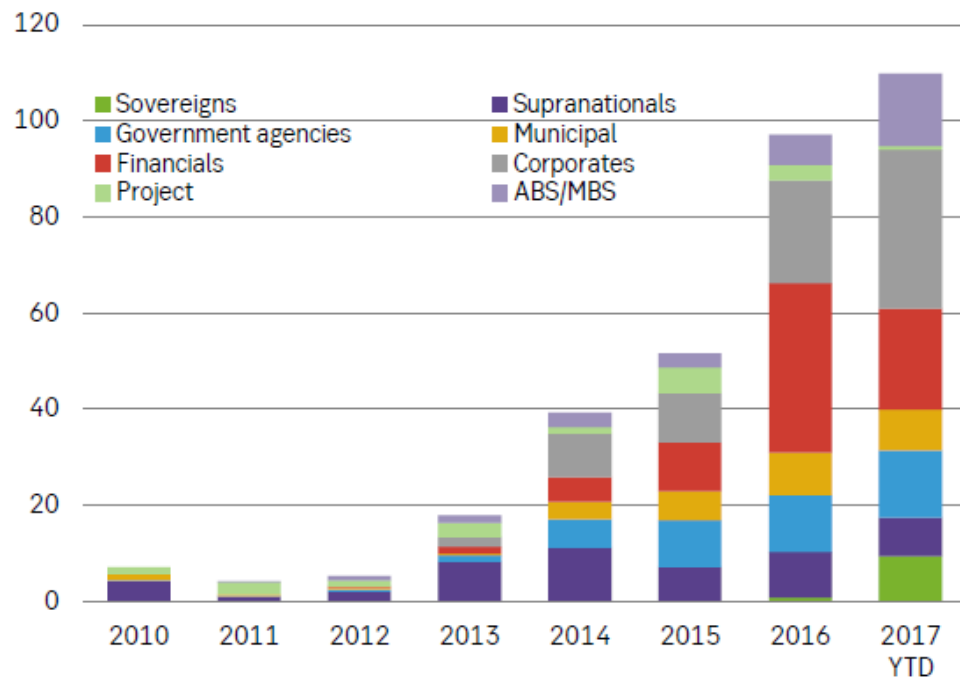
- Strengthen the financial position:
 - Investor diversification
 - Deepened dialogue
 - Enhanced issuance flexibility
- Targeted dialogue between operations (projects), Finance and Management
- Live your values - competitiveness

Society

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

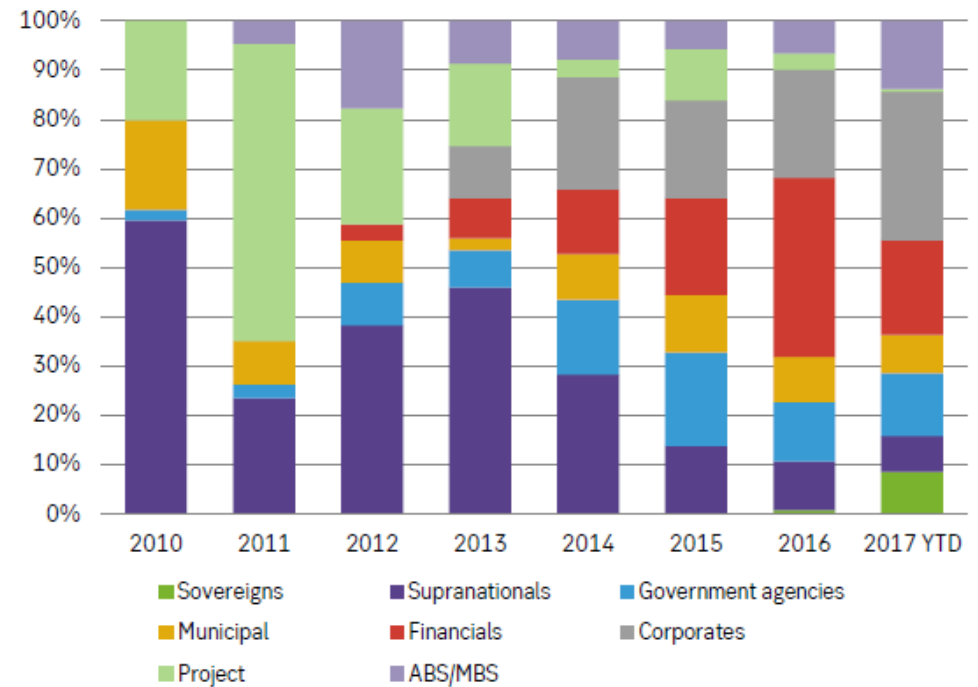
Issuance by year and by sector

Figure 11. Issuance evolution by sector 2010-2017



Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

Figure 12. Sector shares, issuance 2010-2017

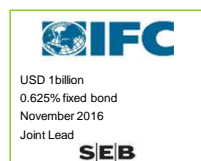


Source: SEB analysis based on Bloomberg/BNEF and SEB data. YTD through October 10.

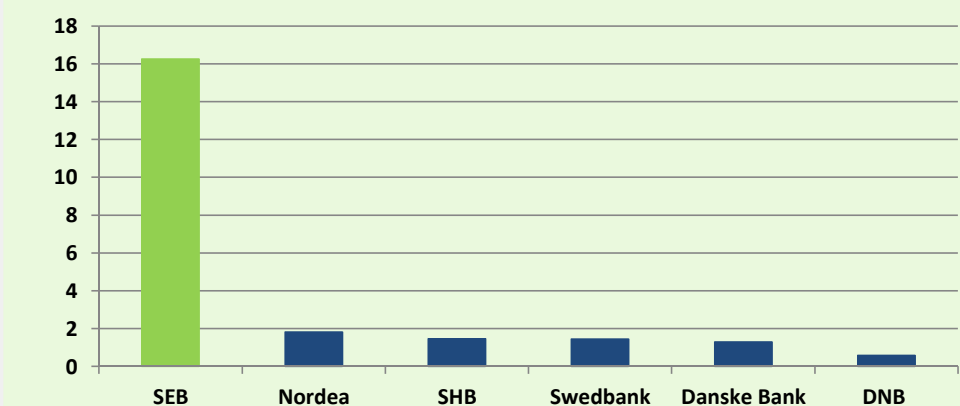
Potential for national/regional champions in new business fields

Example: SEB in the Nordic market of Green Bond underwriters

Selected Green Bond issues



Top Nordic Green Bond Underwriters 1 Jan 2007-31 Aug 2017 (USD bn)



Source: Bloomberg

Top Nordic Green Bond Underwriters 1 Jan 2007 – 31 Aug 2016

	USD mn	Rank	Issues	Global share
SEB	16245	3	162	7,2%
Nordea	1812	33	24	0,8%
SHB	1455	39	29	0,6%
Swedbank	1447	40	26	0,6%
Danske Bank	1294	43	29	0,6%
DNB	575	60	9	0,3%

Source: Bloomberg

Structures of some recent Green Bonds by financial institutions

Diversification of Green Bond framework approaches



	ABN-AMRO	SBAB!	中國銀行 BANK OF CHINA	Rabobank	BNP PARIBAS	SEB
Use of proceeds	Mortgage loans for energy efficient residential buildings (87%), renewable energy and energy efficiency upgrades for residential buildings (2%), commercial real estate loans (7%) including energy efficiency upgrades (4%)	Sustainable buildings (residential & commercial)	Wind, solar, urban rail, wastewater treatment	Solar, wind	Renewable energy, energy efficiency, mass and public transportation, water management and water treatment, recycling	Renewable, Energy Efficiency, Clean Transportation, Pollution Prevention & Control, Water and Wastewater Management, Sustainable Forestry, SSA Green Bonds
Management of proceeds	Specific green bond portfolio	Earmarked account	Tracking through a separate ledger to register the source of capital and use of proceeds	Balanced and matched positions between issuance and eligible loan portfolio	Use of proceeds is monitored via internal information systems	Virtual Green balance sheet
Audit of management of proceeds	External auditor	External auditor	External auditor	External auditor	External auditor	External auditor
Evaluation and selection process	Selection by ABN AMRO Mortgage Group, ALFAM Green Loans, (Commercial) Real Estate Clients and Facility Management, and also ALM Treasury and DCM Green Bonds	Selection by designated staff within Corporate Clients, Real Estate Valuations & Tenant-Owner Association departments	Headquarter will review nominated projects	A dedicated project finance department for wind and solar where credit application requires expert opinion by the sustainability department	Validation by central Green Bond committee where CSR will have final decision	Centralized committee where the environmental function has veto
Reporting	Annual (quarterly on management of flow of funds)	Annual	Annual	Annual	Annual	Annual
Impact reporting	Energy performance and CO2 emissions performance	Yes, when available	Yes, project examples and where feasible adopt quantitative performance measures on a portfolio basis	Estimated installed capacity in GW	Yes, when applicable, focus on CO2 avoided but other indicators may be used when appropriate	Yes, when possible and working towards portfolio impact reporting
Second opinion provider	Oekom	CICERO (Medium Green)	EY / PBoC approved (Dark Green)	Sustainalytics	Oekom	CICERO (Dark Green)
Type of second opinion	Assets	Framework	Assets	Framework	Assets / Framework	Framework
Usage	Existing assets	Existing & future assets	Existing assets	Existing & future assets	Existing & future assets	Existing & future assets

Source: SEB analysis based on relevant frameworks

Example: Why does SEB issue a Green Bond?

Strengthening SEB's financial position while making an impact on the ground

Deepens SEB's sustainability commitment



SEB recognizes the economic and social importance of climate stress.

Issuing a Green Bond:

- Contributes to a greener asset allocation
- Closes the gap - green capital finances green asset
- Recognizes the financial sector's importance when integrating sustainable goals

Increases customer satisfaction



SEB sees deepening client relations when increasing green product portfolio

Issuing a Green Bond:

- Supports customers environmental values
- Helps our clients include Green Finance in their profile
- Improves risk management for our clients

Strengthens SEB's financial position

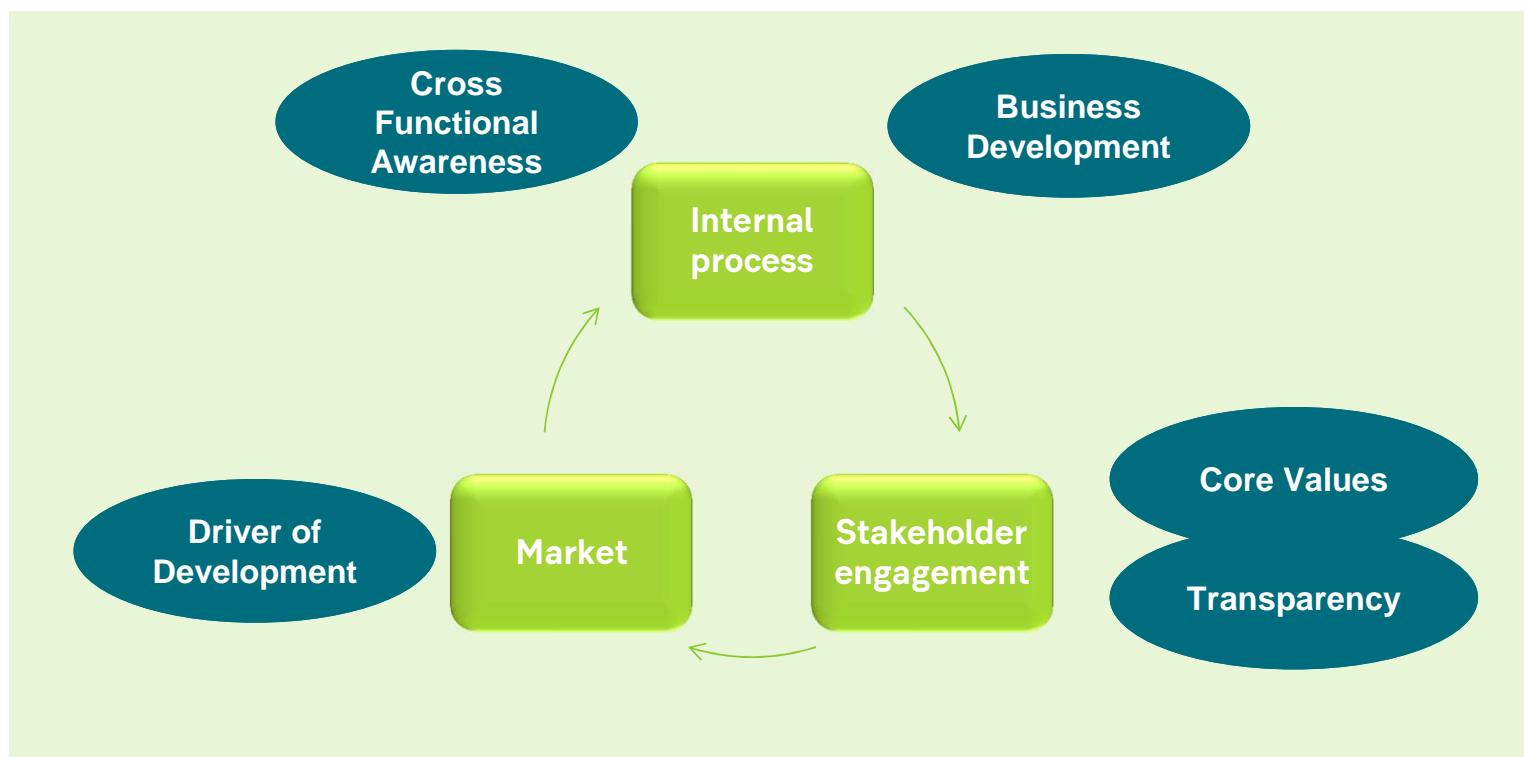


SEB sees an increasingly strong investor demand

Issuing a Green Bond:

- Broadens and diversifies investor base
- Deepens investor relationships
- Encourages a dialogue where Climate intelligence is used to identify financial risk/return issues

Green Loans – mirror image of financial institutions' Green bonds and – deepening of Green finance

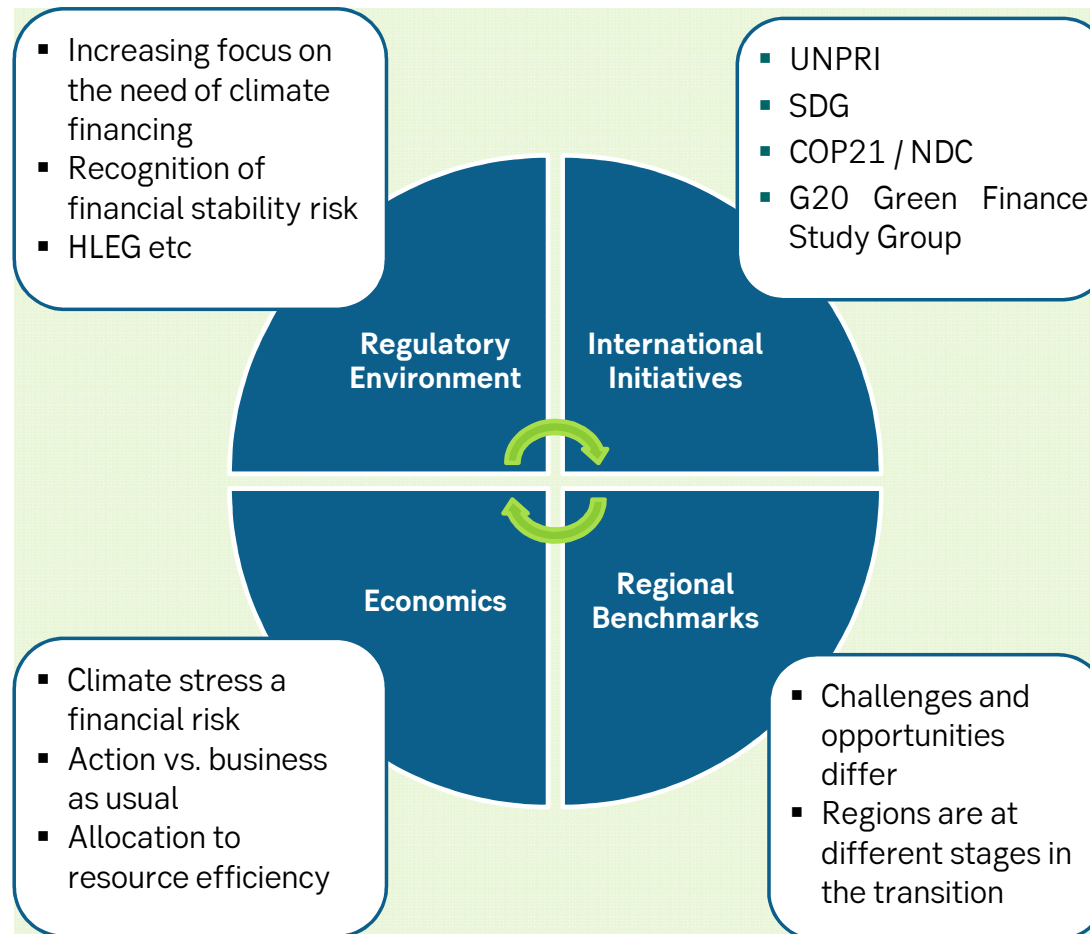


Mitigation of reputational risks

To avoid reputational risks it is highly recommended for borrowers to ensure the bank offering Green Loans has a solid Green infrastructure in place

Climate finance – underlying rationale

Rational finance – underpinning the climate



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Thank you!

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