

*Green Bond financing Sustainable Forestry & Forest lands
Moa Duvhammar, Danske Bank Sustainable Bonds*

2019-09-26

Agenda

01. *Introduction to Green Bonds*

02. *Green Bonds financing sustainable forestry*

What is a Green Bond?

CONVENTIONAL BONDS

Type of financing

Loan from investors to a borrower, or “issuer”

Use of Proceeds

Typically for general corporate purposes

GREEN BONDS

Type of financing

Loan from investors to a borrower, or “issuer”

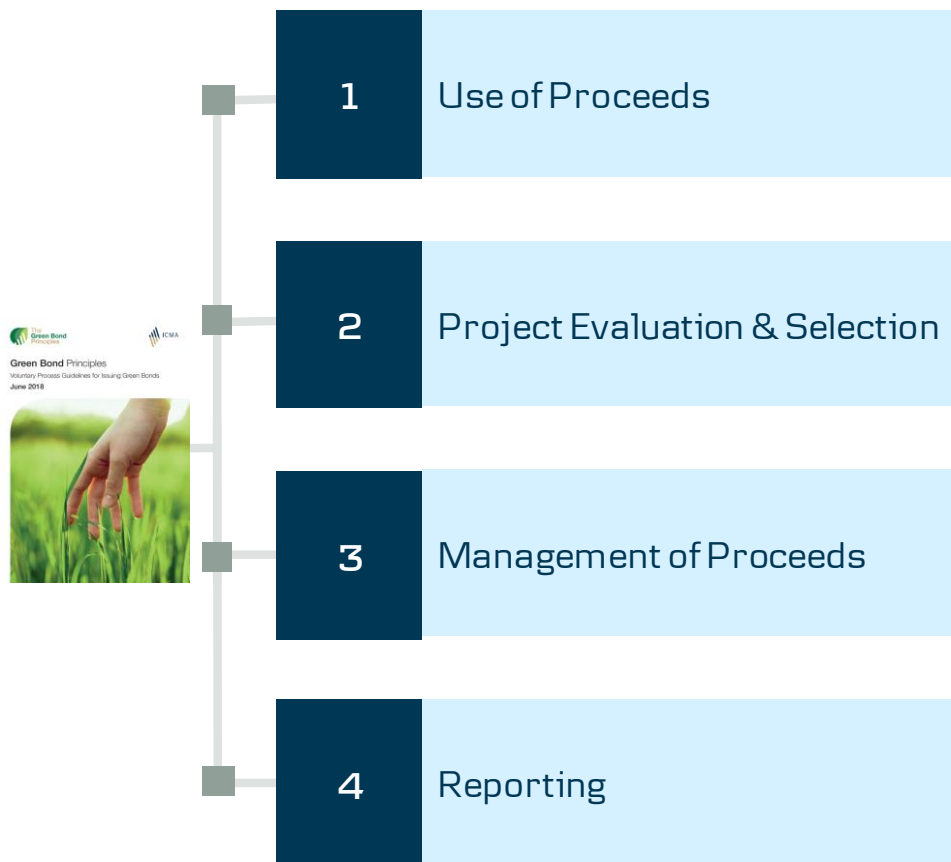
Use of Proceeds

In line with Green Bond Framework



Guidance on the key components involved in launching a credible Green Bond

ICMA's Green Bond Principles (GBP) – the four core components



Use of Proceeds - Eligible Green Project categories

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings

External reviews of the Green Bond Framework/Programme

External review

1 Consultant Review

An issuer can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second party opinions" may fall into this category.



2 Verification

An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.



3 Certification

An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.



4 Rating

An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks/programmes.



CICERO
Shades of
Green

Dark Green

Projects and solutions that implement a 2050 climate solution today



Medium Green

Projects on the way to a 2050 climate solution



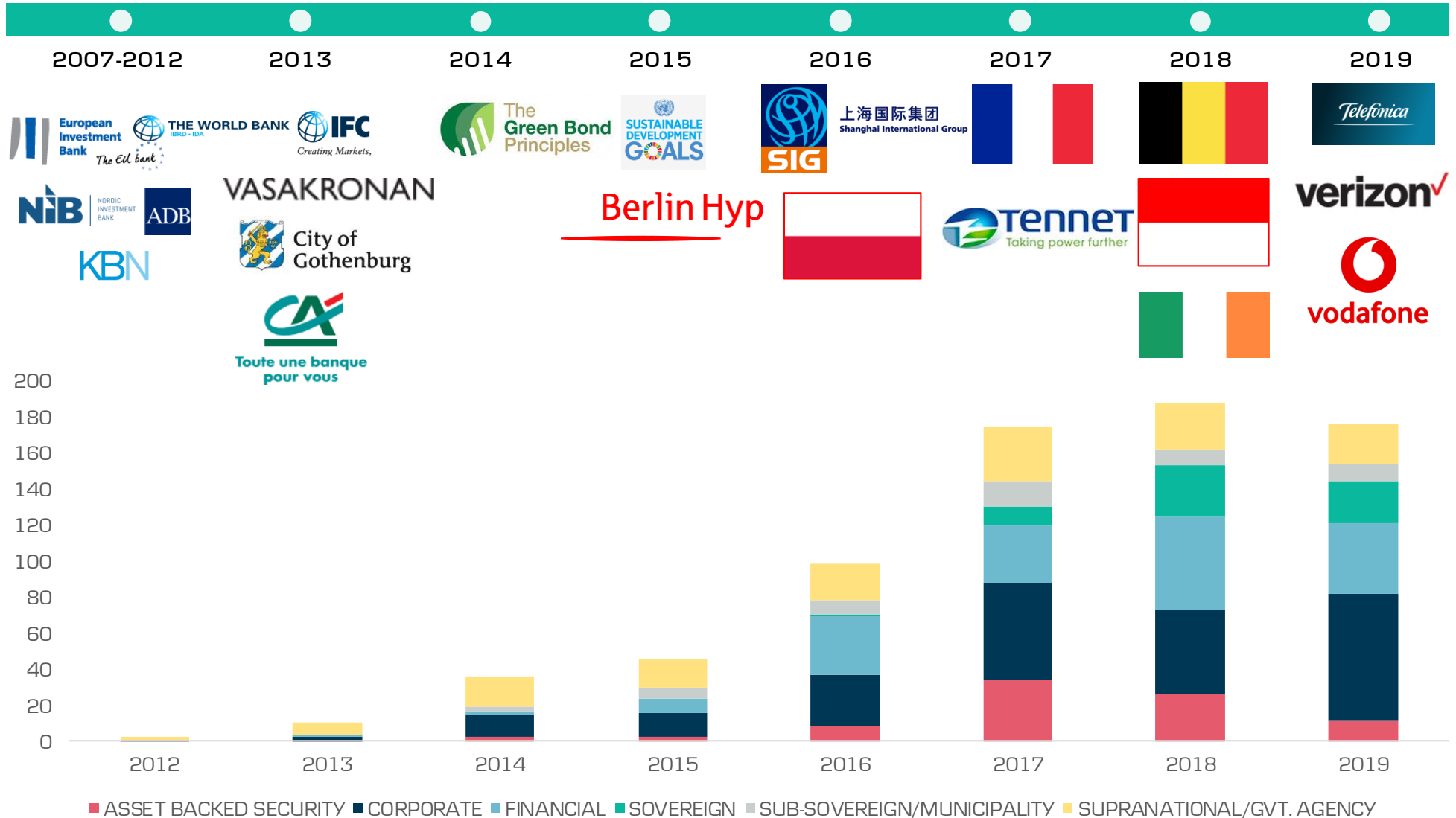
Light Green

Short term gain but not a long term climate solution contributor



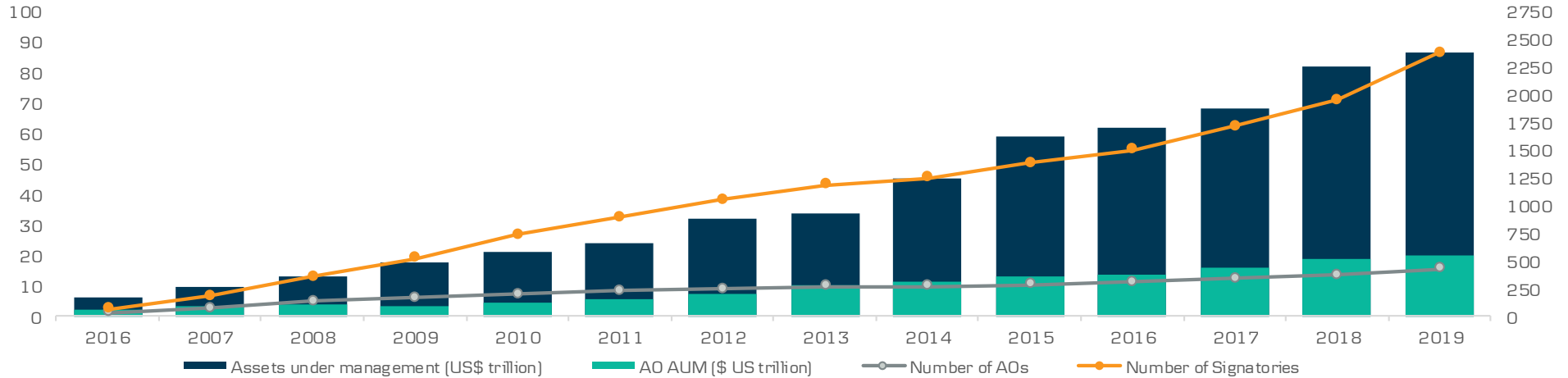
Green Bond definition relates to investment selection, management of proceeds and reporting

Historic development of the global Green Bond market (USDbn)



Increased focus on sustainability globally

2,400 market participants have committed to the UN PRI - representing about USD 90 trillion in assets under management



More than 40 Green Bond funds globally and numerous green mandates

40 Green Bond funds globally

AuM USD 5.34bn

FIM

Öhman Handelsbanken Fonder

storebrand

CAPTOR CAPITAL CORP.

SEB

VanEck

LYXOR Asset Management

Raiffeisen Capital Management

ERSTE Asset Management

mirova Responsible Investing

Calvert

J. SAFRA SARASIN

nikko am

Amundi ASSET MANAGEMENT

BlackRock

AIM Affirmative Investment Management

NN investment partners

PULAETCO DEWAY

VON DER HEYDT INVEST

Allianz Global Investors

Humanis

Investment Managers

Union Investment

CREDIT SUISSE

CM-CIC Investissement

nuveen

BNP PARIBAS

AlphaFixe Capital

Foresight group

EURIZON ASSET MANAGEMENT

VINCI

Folksam

Folketrygdfondet

atp=

alecta

Swedbank Robur

skandia:

pka

OSLO PENSJONSFORSIKRING

ALP

Svenska kyrkan

NIB

FÖRSTA AP-FONDEN

Andra AP-fonden

AP3 Tredje AP-fonden

AP Fjärde AP-fonden

NORGES BANK INVESTMENT MANAGEMENT

Länsförsäkringar

VARMA

Danske Bank

AMF

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Sveaskog – issuer of the world's first green bond financing sustainable forestry

Sveaskog in brief

- Sweden's largest forest owner, selling sawlogs, pulpwood and biofuel
- Sveaskog also works with land transactions and develops the forest as a venue for hunting, fishing and other nature-based experiences
- Environmental target to allocate land for long-term conservation corresponding to 20 per cent of its productive forest land
- Three instruments of nature conservation are used to achieve the target:
 - Development of ecoparks
 - Nature conservation forests
 - Environmental consideration in the productive forest land
- All the company's forests must comply with the Swedish Forest Stewardship Council (FSC) standards and the PEFC
- Danske Bank helped Sveaskog set up their Green Bond Framework in autumn 2017 and their green bond was the first to finance sustainable forestry

Green Bond Framework

- Research and development of energy and fuel from forests and other innovation projects aiming to increase the use of wood raw material
- Investments in Sustainable Forest Management of FSC certified forest
- Acquisition of new FSC certified forest land, or refinancing of existing forest land holdings



Landshypotek Bank

Landshypotek Bank

- Landshypotek Bank is a Swedish niche bank, targeting investments for the development of the countryside
- The bank's mission is to finance the investments of farmers and foresters, and has done so since 1836
- Profits earned by the bank are invested back into the agricultural and farming industries for continuous growth and development

Green Bond Framework

- First bond, issued last year, financed 320,000 hectares of forest, corresponding to 1.4 percent of the total forest area in Sweden
- Landshypotek's Sustainable Forestry criteria is based on the work Danske Bank did with Sveaskog's Green Bond Framework. The difference is that Landshypotek's clients, being mostly private owners, do not certify their forest holdings.
- We created a criteria based on the high standards in the Swedish Forestry Act in combination, including:
 - an up-to-date green forest management plan, including nature conservation action plans for at least 5% of productive area (section nature protection and habitat management) and a minimum target of 5% deciduous tree (deciduous trees are beneficial to many species and make the forest more resistant in the event of storms)
 - The criteria also includes forestry certified through Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC)



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