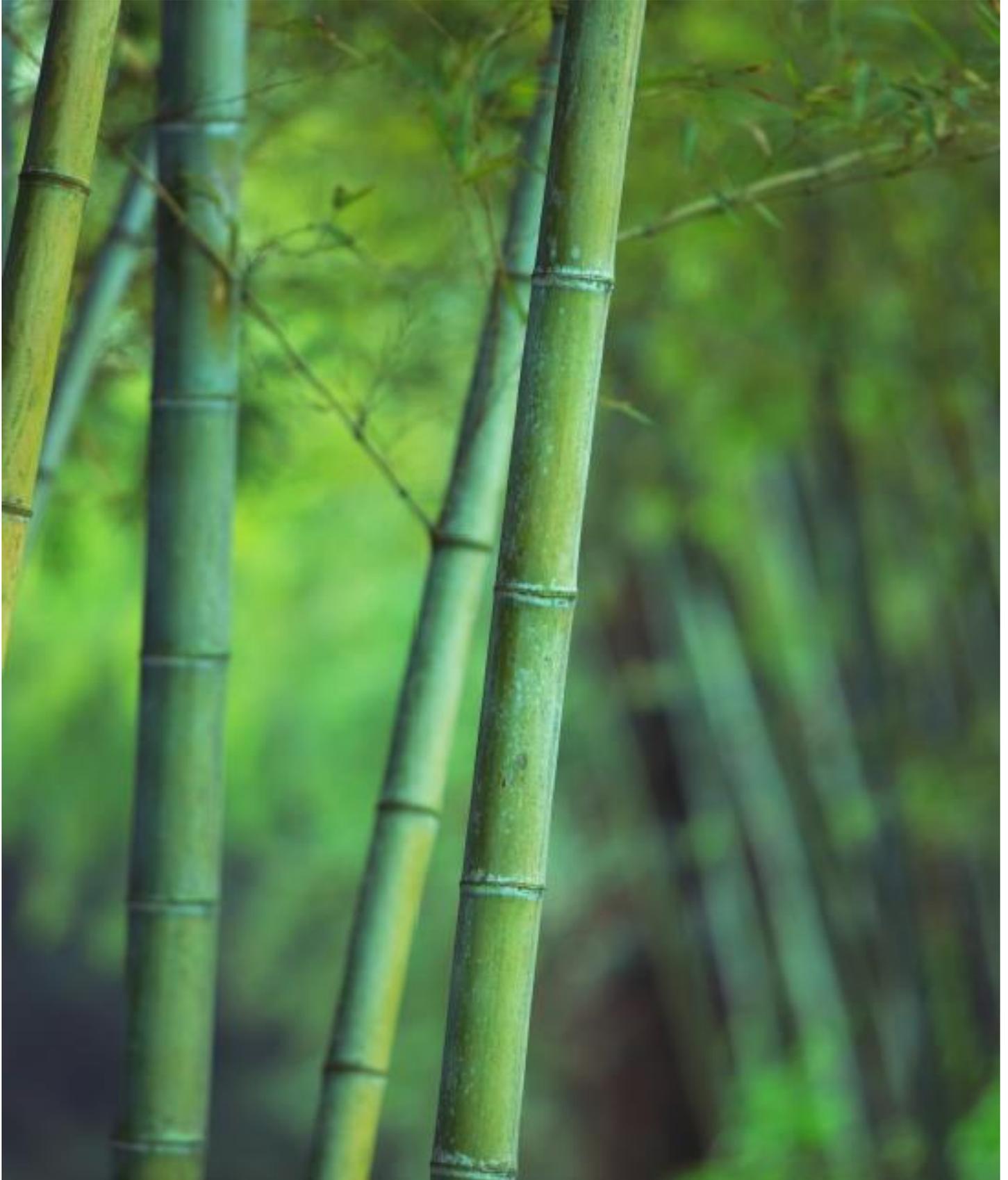


# The Green Bond: Your insight into sustainable finance



# In this issue

## The transition takes off

- 1 Letter to the reader**

We are seeing the best quarter ever for sustainable labelled financial products – driven by more issuers than ever – both new and old! And this is true for both individual product categories and for the overall market. We still think that 2021 will be the year when the market will break 1 Trln in annual issuance.
- 2 Transition update: The disruption has started**

After a long incubation period and a short-term stumble caused by the pandemic, it looks like 2021 will provide a breakthrough in the green energy transition to a more disruptive and transformational phase. The challenges remain daunting, most recently illustrated by the delay of the EU taxonomy, but the Paris agreement's objectives look more realistic than they have in a long time.
- 7 Sustainable Debt Market update: Sustainable financing soars in record-breaking Q1**

The sustainable debt market has started 2021 in excellent form with a new record quarter of USD 378bn of new issuances. This is already 50% of the volume of the market in all of 2020 (USD 756.7bn) and suggests 2021 will be even stronger than our optimistic estimate. SSA and government issuers have taken a more dominant role during the pandemic.
- 15 Investing in Gender Diversity**

Covid-19 is threatening to reverse decades of progress made towards gender equality. The World Bank is working with its member countries to close gender gaps, taking a holistic approach, and engaging with bond investors to direct global savings towards sustainable development. For investors, these bonds are an opportunity to align their investments to the SDGs as they implement ESG strategies.
- 17 Ceres - Lifting all boats: raising the ambition for investors on water**

The story of water risk can be traced across the globe. Because this is a global problem, it requires a global solution. This is why, in 2015, Ceres formed the Investor Water Hub, a working group of the Ceres Investor Network. The Hub's membership includes 130 investors with more than \$30 trillion (USD) in assets under management.

## Letter to the reader

Dear All,

Here we go.

The G20 decided to restart its work on the Sustainable Finance Study Group within the Finance Track, chaired by China and the United States. This is a clear indication that disclosure (reporting) will be harmonized and international initiatives will become well-coordinated. However, the work obviously needs to be done first.

In the meantime, G20 is not alone. We are seeing the best quarter ever for sustainable labelled financial products – driven by more issuers than ever – both new and old! And this is true for both individual product categories and for the overall market. We still think that 2021 will be the year when the market will break 1 Trln in annual issuance, with the bulk coming after the summer holidays and in Green Bonds.

However, transitions don't happen overnight, and we need to join forces, coordinate and show high level of dedication to keep temperatures below 2 degrees.

A couple of structural challenges we are currently looking into are: 1) Addressing the economic lock-in effect caused by long term write downs through financial engineering, and 2) Offsetting the limitations of budgets by using "product as a service", financed by energy savings. Both issues will lead to significant capital investments, reduce pollution, create jobs and enable finance to

contribute with structural support and speed up the transition. In order to make this work, we have to address a number of challenges, such as 1) Assessing technologies 2) Legal ownership 3) Matching cash flows and ensuring buy-in from stakeholders. However, we think this can be done and are currently working with partners to make it happen.

Inside this issue we have, as always, a couple of external contributions – one on Gender Diversity and one on Water Finance.

CERES has over the past couple of years led several initiatives around water risk and has provided some reflections on this work. Looking at their work from the inside, we expect institutional investors to re-assess demand for information on direct and indirect water exposures. On the topic of Gender Diversity, where we recently held an event, I can make a personal statement: Even though I am a big supporter of Diversity, both for ideological and improved performance reasons – I had never imagined how much energy this question is holding back! If we can activate and use this energy in the right way, there is in no doubt in my mind that we will do the current and future generations a great favor! In connection with the event the World Bank issued Sustainable Development Bonds to raise awareness around the issue of Gender Inequality – and have shared some reflections inside this issue.

Enjoy your reading!

---

Christopher Flensburg

Head of Climate and Sustainable Finance

[christopher.flensburg@seb.se](mailto:christopher.flensburg@seb.se)

## Transition update

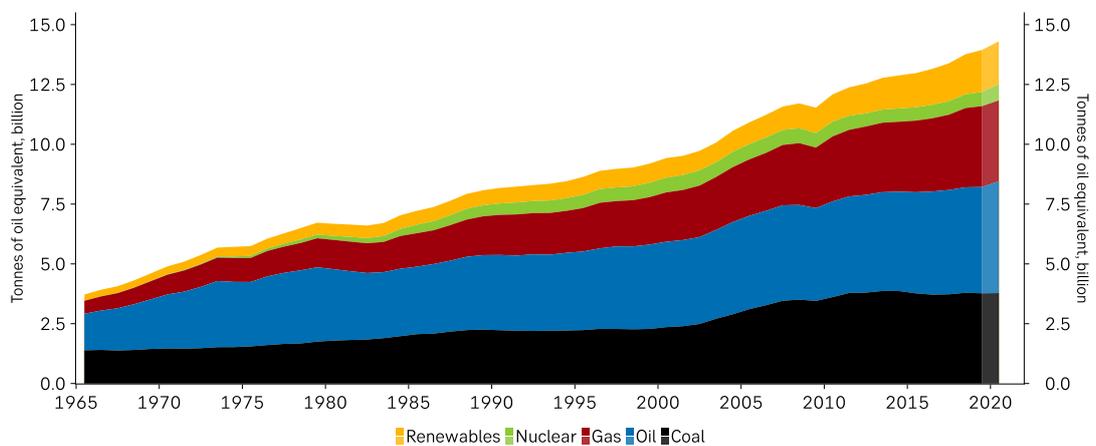
The disruption has started

After a long incubation period and a short-term stumble caused by the pandemic, it now looks like 2021 will provide a breakthrough in the green energy transition, propelling us into a more disruptive and transformational phase.

Over the past few months, evidence of such a change has emerged in a wide range of areas.

Public investment in energy infrastructure is being prepared on a different scale than anything we have seen before, EVs are disrupting the personal transportation sector ahead of schedule and more sectors are starting to invest in and experiment with new energy inputs in their production systems.

Figure 1: Global energy consumption



Source: BP, Macrobond, SEB

This does not mean that everything is fine now. Significant political challenges remain, both in the EU, where the taxonomy has been held up in political traffic that threatens to damage its credibility and the US, where President Biden's very ambitious infrastructure plan faces a difficult path through Congress.

More importantly, the unfolding climate crisis means that we need an economic miracle to succeed. If the technology disruption follows the normal historical pattern, the decarbonization will not be complete until the 2070s. In order to complete it by 2050, as stipulated in the Paris Agreement, all stars must be aligned.

That means transition must be carefully managed. After more than 30 years of effort to

develop renewable alternatives, fossil fuels still provide more than 80% of the world's energy and we have not even passed 'peak fossil' energy consumption yet. Renewables will grow their share exponentially, but even in the best case scenario, where investment is ramped up and fossil-using equipment is withdrawn before the end of its economic life, more than 50% of our energy will still be fossil-based by the mid-2030s.

Nonetheless, while the challenges remain daunting, our chances of reaching the objective seem better than at any point in the past decade, and that's worth celebrating.

Thomas Thygesen

[thomas.thygesen@seb.dk](mailto:thomas.thygesen@seb.dk)

Elizabeth Mathiesen

[elizabeth.mathiesen@seb.dk](mailto:elizabeth.mathiesen@seb.dk)

### Game changer: the US re-enters the race

The most important change in the political landscape in the past few months is the aggressive policy changes that President Biden has launched in his first 100 days in office. From the energy transition perspective, this has resulted in both global and local changes.

From a global perspective, the US has re-entered the Paris agreement and is now again part of the global coalition fighting against climate change. As the US is both the world's largest economy and the most powerful political actor, this will have big ramifications when it comes to designing global regulatory frameworks.

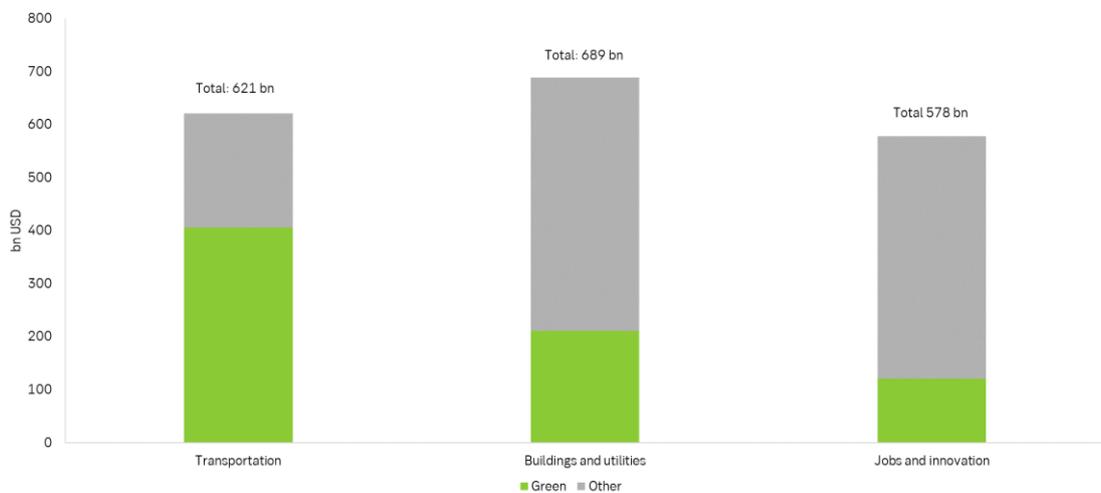
Most importantly, the change is backed by action at home. President Biden's American Jobs plan aims to raise USD 2trn for investment in infrastructure, broadly defined, over the coming decade. While not all details are known, we estimate that almost half of this will go to projects that could be called green. 100bn is

dedicated to investments in renewable energy and electric grids and 140bn to speeding up EV adoption, but there are also big investments planned in areas like research, climate technology, clean energy manufacturing and water systems.

While the plan still needs to pass Congress, the main elements seem likely to be pushed through during the spring. Federal government investment will only be part of the story, most investment takes place at the state level and like in Europe, the money from Washington may be used to create leverage for even larger investments at the local practical level.

We believe President Biden's plan makes sense. It correctly identifies energy technology as a key to economic competitiveness in the future and concludes that the US cannot allow itself to fall behind China and Europe that have established a head start in this technology race.

Figure 2: Key components of Biden's infrastructure plan broadly defined



Source: New York Times, <https://www.nytimes.com/interactive/2021/03/31/upshot/whats-in-bidens-infrastructure-plan.html>

### EU taxonomy debacle threatens green lead

The EU Taxonomy regulation, that introduces the European classification system for sustainable economic activities, was adopted over eight months ago, but the market is still waiting for the final technical screening criteria. A leaked document from March 22 suggests the final version will be more accommodating than the initial draft delegated act from November 2020. The criteria for steel, hydropower, shipping and real estate were changed to meet specific industry criticisms.

Stainless steel is for the first time explicitly included in the taxonomy, with a steel scrap input threshold of 70%. This is a threshold which can be met by leading producers in the industry. The Do No Significant Harm criteria for hydropower plants now clearly reference the EU Water Framework Directive which should enable Nordic hydropower to align with the Taxonomy. The thresholds for shipping were lowered. Until 2025, hybrid vessels which derive 25% of their energy from zero tailpipe emission sources are aligned. In the November 2020 version, this threshold was 50%. The threshold for the acquisition and ownership of existing buildings was slightly adjusted to include more buildings in Energy Performance Class (EPC) A and now EPC B as well.

However, more alarming are the changes to the forestry and energy sector where the EU Commission has relented to political pressure. Gaseous fuels – read natural gas - can now be green when they replace other fossil fuels (coal) in specific European regions and emit less than 270g CO<sub>2</sub>e/kWh. In the forestry sector, the leak shows completely changed criteria, removing the additionality criterion for forest management. This opens the door for nearly all Nordic forestry to be aligned.

Due to on-going discussions and the inability to develop widely accepted technical screening criteria, the agriculture sector will not be part of this delegated act and is pushed back for further discussion.

We are expecting the final version of the delegated act on April 21. We will see if and how criteria changed again, compared to this leaked draft. The four-months delay of the delegated act has already caused controversy. In its latest response to the Commission, Sweden has been pressing to move the application date to 12 months from publication, so at the earliest in April

2022. However, the Taxonomy regulation set the date on January 1, 2022.

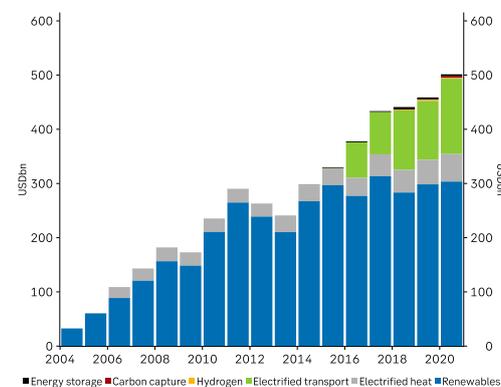
Even more unsettling is the fact that nine members of the EU's advisory platform threaten to resign because of greenwashing concerns, especially in regards to natural gas, forestry and biomass, and that the platform chair has written to the Commission to show that the entire platform is behind those members.

All of this does not change the fact that the EU still has one of the most visionary and ambitious transition frameworks in the world, both when it comes to investment and regulation. However, if the taxonomy turns out to have less backing from platform experts and political infighting keeps delaying the implementation, the EU's global leadership in this area may be challenged by China and the US.

### Moving up the clean energy learning curve

If we assume that President Biden's investment plan passes congress and that the EU can keep support for its climate action plan together, then the coming years are likely to see a substantial shift in global investment levels.

Figure 3: Energy transition investments



Source: BNEF, SEB

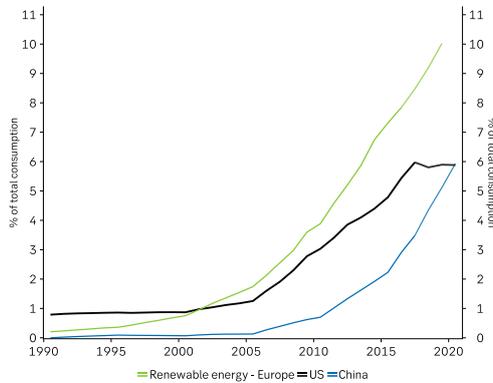
This would in turn accelerate the collapse in the cost of renewable energy that is the real driver behind the disruptive nature of the transition.

According to BNEF, the world's total annual energy transition investment is around USD 500bn, of which around 300bn is directly into primary energy production. The two big investment plans underway in the EU and the US will in our view lead to an increase in this last

component by 20-40% over the coming 3-4 years year as public funds combines with private capital to ramp up the supply of emission-free electricity.

Based on the past decade's learning curve in solar and wind, such an increase would lead to a faster decline in the cost of both types of electricity. All else being equal, 30% higher dollar investment over the coming decade should lead to a 10-20% lower energy price at the end of the decade. There is thus a virtuous cycle associated with faster investment, as it also makes future investment less expensive.

Figure 4: Renewable energy consumption



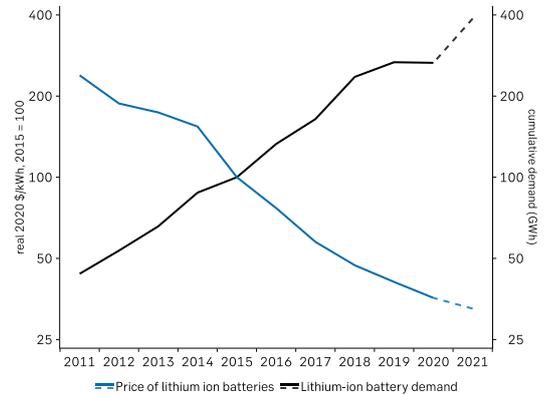
Source: BP, Macrobond, SEB

On top of this, there will be rising investment in other parts of the transition process among energy users, and a faster increase in the volumes and a faster collapse in the price of clean electricity will also provide a strong incentive to accelerate this part of the transition investment. This second part of the transition process is now also starting to become truly disruptive, at least in the first sectors to approach cost parity for the zero emission electrified technologies.

**Automotive disruption gathers speed**

The first sector to reach the tipping point is personal transportation. Electric vehicles got a head start compared with other production sectors as the new technologies were tested already in the 1980s (when they were very far from being ready), evolving at first into hybrids like the Toyota Prius (1997) and then into pure EVs like Tesla's model S (2011). 10 years after the Tesla model S, the price/quality mix has reached a point where the EVs no longer require subsidies – and due to the learning curve effect, the relative advantage over traditional autos will just keep widening over the coming decades.

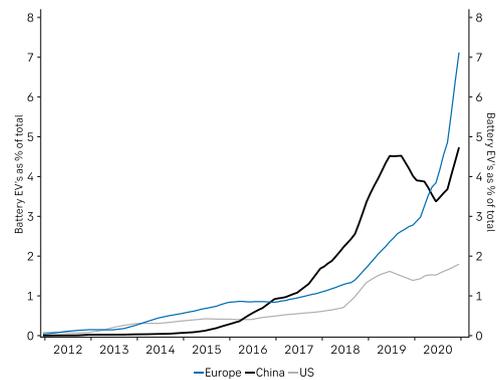
Figure 5: Price and demand of lithium ion batteries



Source: BNEF, SEB

This is illustrated in Figure 5, which shows the 'EV' version of Moore's Law, the systematic relationship between rising volumes and falling prices in new technologies. The chart shows that the cost of batteries has come down by more than 85% over the past 10 years while the cumulative amount of battery power installed has increased by more than eightfold. This is evident to anyone considering buying an EV too. Range and performance go up every year while prices come down, and more and more producers enter the fray and compete to make the next generation even better.

Figure 6: EV's as share of total auto sector



Source: BNEF, SEB

This aggressive improvement of the cost-quality mix means that the EV share of car sales now is taking off, even where there are with limited or no subsidies. Europe is the clear leader in this field, and the exponential nature of the diffusion is clear as the (pure, non-hybrid) EV share has doubled every 2-3 years over the past half-decade and now stands at 7%.

**The disruption has started**

As a result, the time horizon for auto producers before the great fossil sunset has just been reduced sharply. Humans tend to extrapolate in a linear way, and just like with renewable energy production earlier, this means we have a systematic tendency to underestimate the speed of diffusion in the early stages of the S-curve. A couple of years ago it may have seemed realistic to see a 20-year phasing out of profitable fossil-powered auto production, but it now looks more likely to happen in half that time. And carmakers are now racing to raise capital and speed up their transition.

The automotive sector is only the first in line to embark on this journey. Autos had a head start due to the earlier experimentation with new vehicle types in this sector compared with e.g. zero-emission ships or steelworks. However, the process is the same for all other sectors where the capital equipment only functions with fossil energy input today, and they may also complete the early stages faster than autos did because we now have the new energy sources in place.

These sectors are also likely to find like auto producers did that the transition to a new energy

system is a very more profound change.

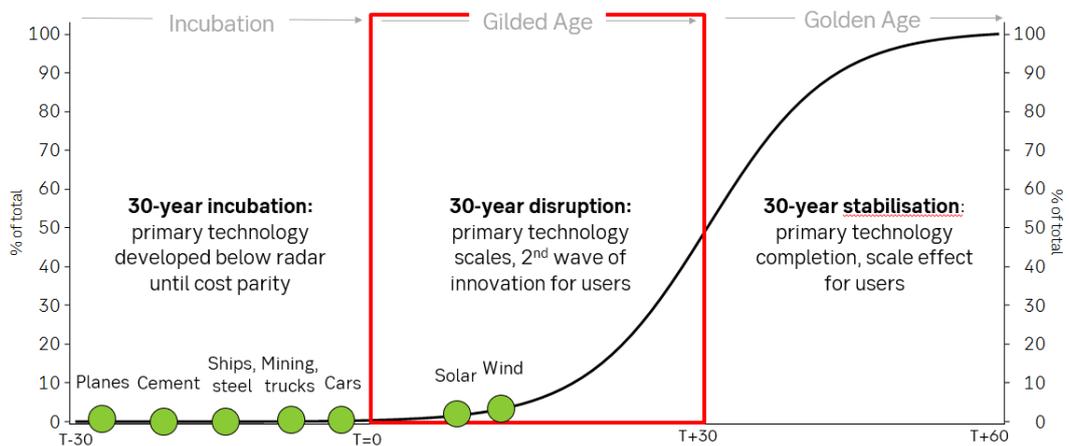
Electrification also means digitalization, so the change in energy source opens for a major overhaul of operating and maintenance costs. EVs have almost no mechanical parts, and most of the time repairs can be conducted virtually. Hybrid solutions will not yield all these rewards, so they are likely to be an interim solution.

Most sectors apart from autos have not yet reached the stage where large-scale 'demonstration models' are in place and the rapid replacement of existing capital equipment begins. However, they are most likely not as far away as they think today.

One after another, the diffusion curves will start showing the exponential kink you can see in the share of renewable energy and EVs in their respective markets and capex will start taking off.

If we are lucky, we will complete this journey in 30 years in time to ward off the climate crisis, but we would have completed it in any event because superior technologies always win in the end. And the journey starts for real in 2021.

Figure 7: Rising investment will move all sectors faster up on the exponential diffusion curve.



Source: SEB

# Sustainable Debt Market update

## Sustainable financing soars in record-breaking Q1

### Q1 2021 update

The sustainable debt market has started 2021 in excellent form with a new record quarter of USD 378bn of new issuances. This is already 50% the volume of the market in 2020 (USD 756.7bn).

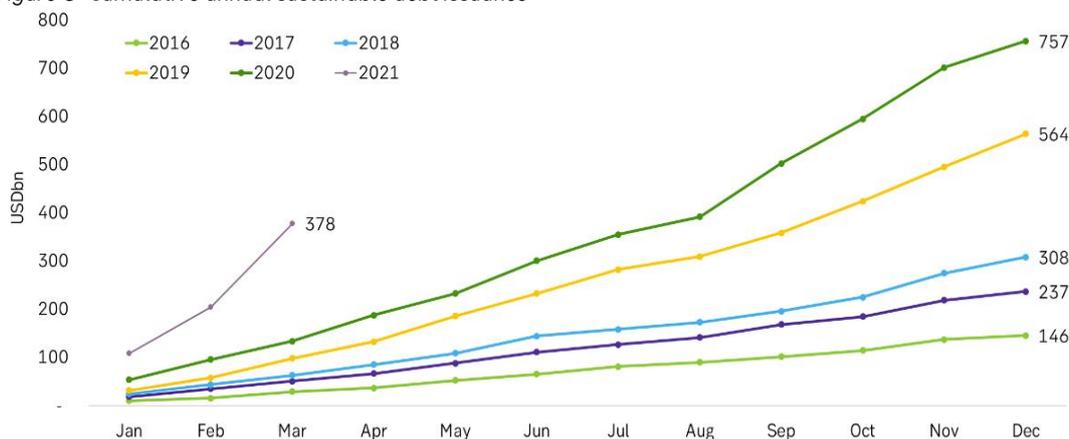
*Sustainability-linked* bond issuance is more than ten times higher than last year in Q1 and has already surpassed the total for 2020, while sustainability-linked loans are more than twice that of Q1 2021. These developments indicate that 2021 will be the break-out year for the sustainability-linked concept, both for loans and bonds.

*Use of Proceeds* product types have also had an excellent start to the year, primarily driven by SSA issuances in Europe as the French, Italian and Dutch governments, and the European Union has issued green, social and sustainability bonds totaling USD 75bn in Q1. In addition, government agencies such as CADES (USD total issuance of USD 22.8bn in Q1) are continuing to play a major

role in the green, social and sustainability markets. As a result, SSA has surpassed corporates as the largest sustainable debt sector for the first time.

As noted in the forecast for 2021 that we presented in the December issue, the European Union has announced that they expect EUR 250m of the EUR 750m COVID-19 stimulus package to be issued with green bonds so we expect this to continue to be a major driver in the near future. However, both the corporate (2.3x times higher than Q1 2020) and the financial sector (3.5x higher than Q1 2020) are also performing very well. As a result, total green bond issuance is USD 85bn above Q1 last year and already nearly 50% of full year 2020, while social and sustainability bonds are 7 and 5 times higher than Q1 last year, respectively.

Figure 8: Cumulative annual sustainable debt issuance

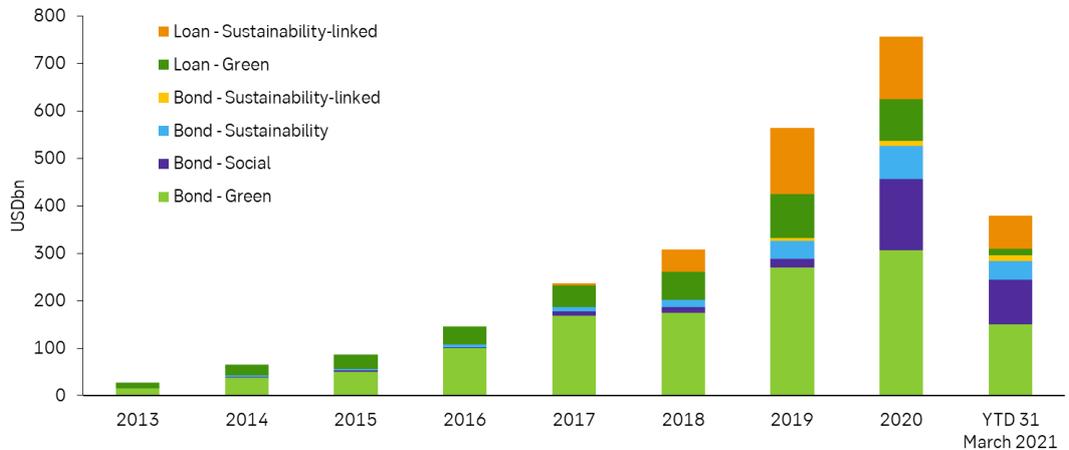


Source: Bloomberg New Energy Finance, as of 31 March 2021

Kristoffer Nielsen

[kristoffer.nielsen@seb.se](mailto:kristoffer.nielsen@seb.se)

Figure 9: Sustainable debt market growth by product type



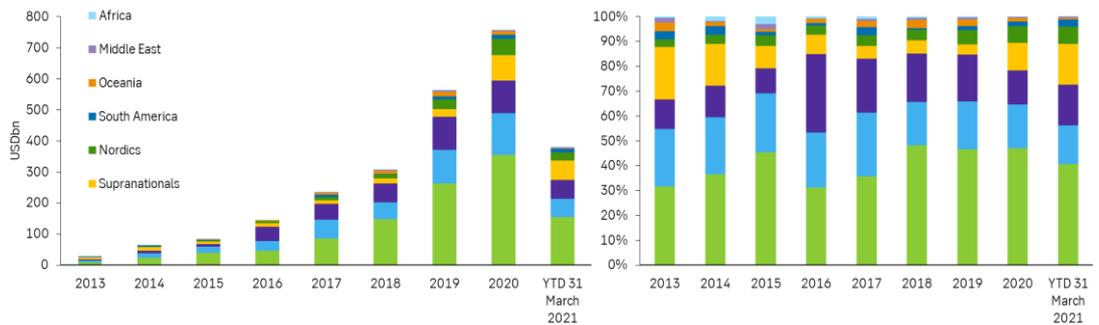
Source: Bloomberg New Energy Finance, as of 31 March 2021

Regional update

Europe excl. Nordics has been the largest region for sustainable debt by a wide margin in Q1. USD 153bn of labelled bonds and loans has been issued in Europe, of which France account for USD 48.7bn, Italy for USD 29.0bn and Germany for USD 20.0bn, primarily due to large sovereign issuances in the period. This does not include the USD 49.8bn of new issuances from the European

Union, the European Bank for Reconstruction & Development and the European Investment Bank as they are classified as supranationals. The European sustainable debt market does as such compare very favorably to Asia (USD 61bn) and North America (USD 58.6bn). The Nordic region also continues to be a major region despite its modest size at USD 26.6bn so far in 2021.

Figure 10: Use of proceeds market growth by region



Source: Bloomberg New Energy Finance, as of 31 March 2021

## Use of proceeds

### Green Bonds

Figure 11: Green bonds market growth by sector



Source: Bloomberg New Energy Finance, as of 31 March 2021

A total of USD 150bn of green bonds has been issued in Q1 2021. That is a record quarter for green bonds and USD 85bn higher than Q1 last year. SSA has been the largest sector for green bonds with a total volume of 51.2bn. This has primarily been a result of sovereign green bonds with new issuances from Italy and France totaling USD 18.9bn. Each of the issuances were in the size range of USD 8-10bn and reflects a trend across the use of proceeds market of larger tickets from SSA issuers.

The corporate sector issued USD 44.2bn of green bonds in Q1. The two largest corporate green bonds so far in the year were EUR 1.0bn green bonds from Daimler AG and Ferrovie dello Stato Italiane. Daimler AG issued a 12-year EUR 1.0 (USD 1.2bn) tap of their green bond program that commenced in September 2020. The proceeds will be used for clean transportation, energy efficiency, pollution prevention and control and renewable energy as stipulated in their green finance framework. Ferrovie dello Stato Italiane, one of multiple

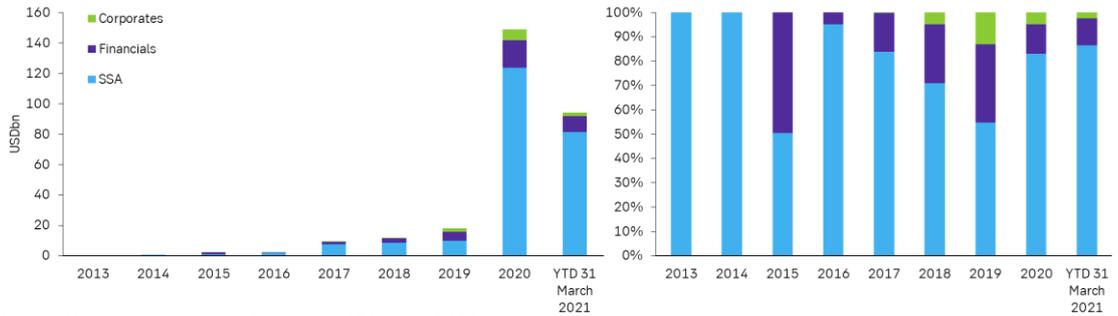
European railroad operators that has been active in the green bond market in recent years, issued a 4-year EUR 1bn (USD 1.2bn) green bond aimed at financing energy efficient rail transport.

The financial sector issued USD 46.0bn of green bonds in Q1 2021. The largest financial green bond issuance was a 10-year EUR 1.55bn (USD 1.8bn) green bond from DNB Boligkreditt for the purpose of financing energy efficient residential buildings in Norway. The second largest financial green bond issuance of the period was the 7-year EUR 1.25bn (USD 1.5bn) from Italian bank Intesa Sanpaolo. Among a wide range of eligible project categories listed in their green, social and sustainability bond framework is 'Innovative technologies to enable circular business models', that include internet of things, 3D printing, big data analytics, blockchain technologies and hydroponic/aeroponic agricultural practices.

Fannie Mae has issued mortgage backed securities worth USD 6.5bn, accounting for 71% of all ABS/MBS issuances in the first quarter of 2021.

Social Bonds

Figure 12: Social bonds market growth by sector



Source: Bloomberg New Energy Finance, as of 31 March 2021

Social bonds had a record quarter with total issuances at USD 94.2bn. SSA was by far the largest sector at USD 81.5bn, primarily due to government agencies and supranationals. The largest issuer was the European Union with five issuances totaling USD 43.1bn, accounting for 45% of the social bonds market. This is supporting the European Union's response to COVID-19 and aims to fund the economic recovery in the region with eligible projects including financial assistance to member

states for the preservation of employment, part and short-time work schemes and health-related measures. As noted last month, CADES, the French social security debt fund, was a leading issuer of social bonds in 2020 and continued to meet their funding needs in February and March from social bonds with total new issuances of USD 22.8bn through five issuances. This accounted for nearly 24% of the total social bonds market in Q1.

Sustainability Bonds

The sustainability bond market volume in Q1 at USD 39.1bn is already ahead of full year 2019 and likely to match full year 2020 (USD 70.3bn) in Q2 at its current pace. SSA continues to be the largest sector at USD 17.3bn so far this year, but corporates

(12.5bn) and financials (9.5bn) has also started to gain traction. The Asian Infrastructure Bank was responsible for the largest transaction of the period with a 5-year USD 3.0bn sustainability bond.

Figure 13: Sustainability bonds market growth by sector



Source: Bloomberg New Energy Finance, as of 31 March 2021

## Green Loans

Figure 14: Green Loans market growth by sector



Source: Bloomberg New Energy Finance, as of 31 March 2021

*Note on data: The green loan market is a private market with limited access to information. We use the loans listed in Bloomberg New Energy Finance which we think provides a good reflection of the overall market.*

The green loans that have been registered so far in Q1 amounts to USD 13.1bn, of which corporates accounted for 82%. This is slightly behind last year, but there might be late registration for Q1 that could add up to the total in the future. The largest green loan of the period was a USD 500m loan to the American Electric Power Co.

## Sustainability-linked

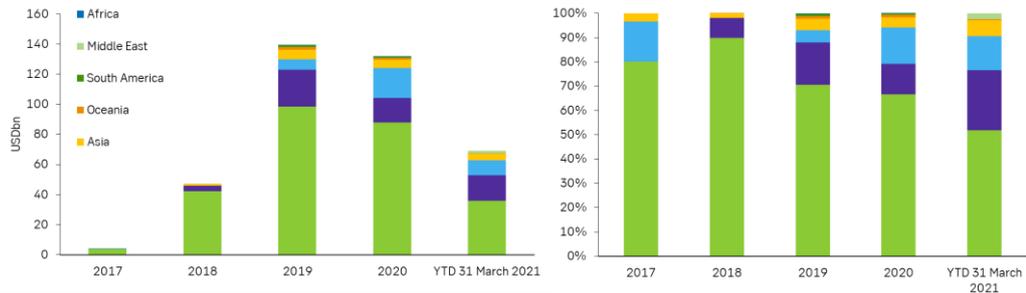
### Sustainability-linked loans (SLL)

*Note on data: The sustainability-linked loan market, whereby the loan margin is typically linked to a set of targets or an ESG score, is a private market with limited access to information. We use the loans listed in Bloomberg New Energy Finance or from the Bloomberg sustainability-linked league table, which we think provides a good reflection of the overall market.*

Sustainability-linked loans (SLL) are primarily in the form of revolving credit facilities or term loan facilities provided to corporations in a wide range of sectors. In Q1 2021, sustainability-linked loans totaled USD 69.1b, including the two largest SLLs to date. American brewing company Anheuser-Busch

signed a USD 10.1bn sustainability-linked revolving credit facility with the margin linked to sustainability performance targets (SPT) related to water efficiency improvements, increased PET recycling, increased renewable energy purchasing, and reduced greenhouse gas emissions. Enel, who was the first issuer of a sustainability-linked bond in September 2019, issued a EUR 10.0 (USD 11.9bn) sustainability-linked revolving credit facility in March. The target for this RCF is to reduce direct greenhouse gas emissions and the KPI used for this purpose is defined in the company's sustainability-linked financing framework that has received a second opinion from Vives Eiris

Figure 15: Sustainability-linked loans market growth by region



Source: Bloomberg New Energy Finance, as of 31 March 2021

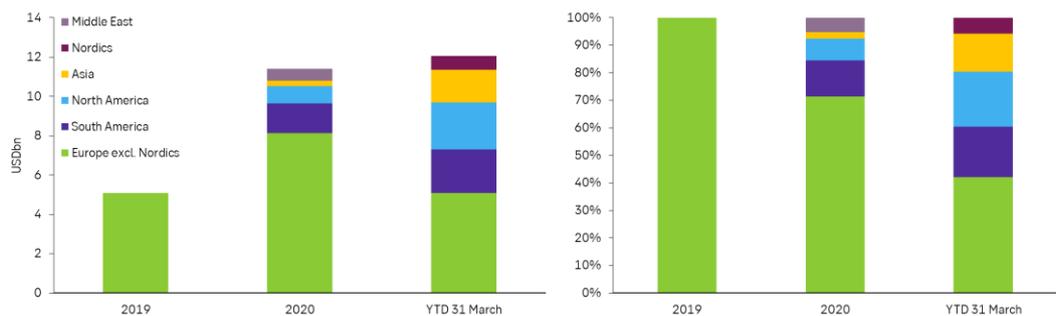
**Sustainability-linked bonds (SLB)**

A total of USD 12.7bn has been issued by sustainability-linked bonds so far in 2021. This is already more than the total of full year 2020 and shows that the sustainability-linked concept has established itself as a major product type in the sustainable finance universe.

The sustainability-linked bonds issued so far have primarily been done by corporations, but the range of sectors are nonetheless diversified within this group. The ten largest issuances include food companies (Pilgrim’s Pride and Tesco), fashion retail (Hennez & Mauritz), telecom (Lumen Technologies),

transportation (Volkswagen) and mining (Constellium). The largest sustainability-bond issued in Q1 was the 10-year USD 1.0bn from Brazilian food company Pilgrim’s Pride, which stated that the coupon rate will grow by 25bps per year if they are not able meet their target of a 17.5% reduction in scope 1 and 2 greenhouse gas emissions from a 2019 baseline by 2025. Tesco was responsible for the second largest sustainability-linked bond in the period with an 8.5-year EUR 750m (USD 910m) which was also tied to scope 1 and 2 greenhouse gas emissions reduction.

Figure 16: Sustainability-linked bonds market growth by region



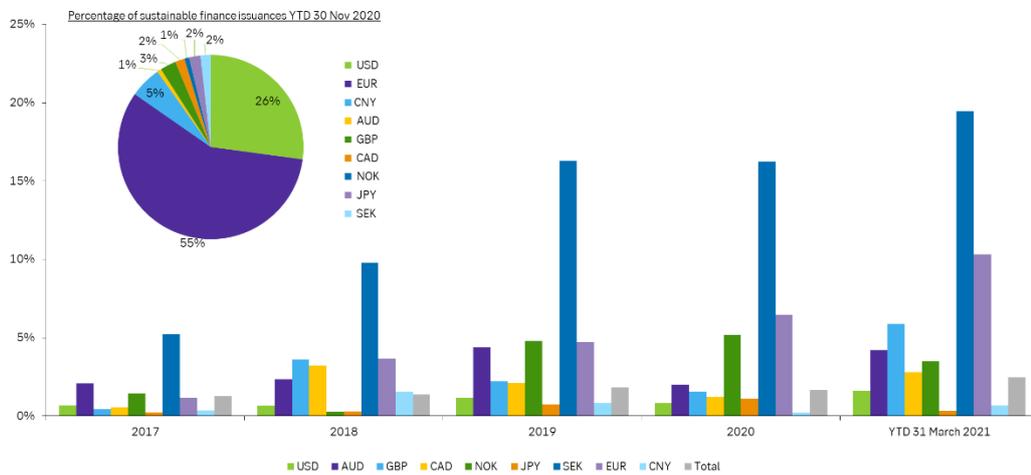
Source: Bloomberg New Energy Finance, as of 31 March 2021

**Currency analysis**

The ratio of labelled bonds / all bonds in all currencies are in Q1 2.5%, up from 1.7% in 2020. Sweden continues to lead the way with 19.5% of all bonds issued so far carrying a green, social, sustainability or sustainability-linked label. However, the market for labelled bonds issued in EUR have been the most interesting development in recent years. It ended 2020 with a ratio of 6.5% and this has in Q1 2021 increased to 10.3%, marking the first currency except SEK to reach

double digits. As outlined in the market update, this is to a large part due to issuances from the European Union, and from the government and from government labelled bonds issued by member states. The ratio for bonds issued in GBP has also increased significantly from 1.5% in 2020 to 5.9% so far in Q1 2021. This reflects a continued focus on sustainable finance in Great Britain, which is fitting as they prepare to host COP26 in Glasgow.

Figure 17: Green, social, sustainability and sustainability-linked issuance as a percentage of total bond issuance



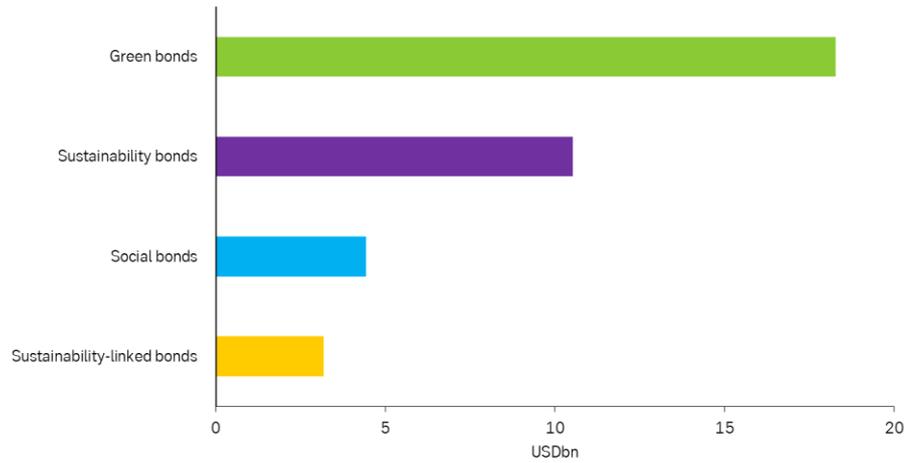
Source: BNEF, SEB

**Green, social, sustainability and sustainability-linked bond update pr. 14 April**

A total of USD 35.8bn of labelled bonds has been issued so far in April. Green bonds account for about half of this at USD 18.3bn. The largest bond issuance in April has been an 8-year EUR 4-0bn (USD 4.8bn) green bond from the German development bank KfW, one of the leading green bond issuers in the last decade. The second largest

transaction, and the largest social bond, was a 10-year EUR 3.0bn (USD3.5bn) bond from French unemployment insurance provider UNEDIC ASSEO, while Dutch BNG Bank issued the largest sustainability bond with a 12-year EUR 2.0bn (USD 2.4bn) issuance.

Figure 18: Bonds issued, 14 April 2021



Source: Bloomberg

#### Publicly Announced Green, Social, Sustainability and Sustainability-linked Bond<sup>1</sup>

- EU prepares next generation green bond framework for planned EUR 250bn green bond program.
- Lantmannen has mandated banks for 5-year SEK Green Bond.
- The International Development Association (IDA) has mandated banks for 15-year sustainable development bond.

---

<sup>1</sup> As of 14<sup>th</sup> April 2021

## Investing in Gender Diversity

On International Women's Day this year, SEB held an event dedicated to the topic of Investing in Gender Diversity. In the event, we had the privilege of hearing from the Minister of Financial Markets of Sweden Åsa Lindhagen, the Head of Investor Relations and Sustainable Finance at the World Bank, Heike Reichelt, Head of ESG and Thought Leadership at S&P Global, Lindsey Hall, and panelists, Magnus Lindberg, who is the Head of Treasury at EQT, and Heather Smith, Lead Sustainability Research Analyst at Impax, as well as our internal experts, including our CEO Johan Torgeby.

As pointed out in the event by both Johan Torgeby and Åsa Lindhagen, one of the gender equality issues that we can address in the finance community, is the disproportion between the numbers of male and female entrepreneurs. Even in Sweden, which usually ranks in the top of global gender equality charts, women still head only every 3<sup>rd</sup> business.

Historically, there have been legal and cultural barriers for women starting and owning businesses. Now, at least in Europe, there are no more legal thresholds that keep women out of entrepreneurship, which means that the reasons for the disparity are rooted in culture and historically established norms. It also means that we can change this statistic by encouraging women, providing them with business tools, and so tapping into the potential of female entrepreneurship. As an added benefit of a more equal society, we can expect more successful outcomes for business, as research shows that businesses with diverse executive teams are 25% more likely to outperform their competitors with less diverse management<sup>2</sup>. Moreover, as demonstrated in an EU study, increased gender diversity also leads to increasing GDP per capita<sup>3</sup>.

Increasing the number of female entrepreneurs is, of course, only one part in a large puzzle of the ways in which we can address gender inequality and increase diversity. Gender Equality is one of the 17 Sustainable Development Goals which were

outlined and adopted by the United Nations and have become the backbone and standard for sustainable financing. This means that sustainable investments can and should address the issue of gender inequality.

One example of how it can be done is the Sustainable Development Bonds issued by the World Bank. In the next section of this article, our World Bank Treasury colleagues Heike Reichelt, Head of Investor Relations and Sustainable Finance, and Kacie Sampson, Junior Financial Analyst, will present the most recent issuance, in which one of the goals was to raise awareness for Gender Equality and Health and highlight how the COVID-19 pandemic has disproportionately affected women:

### **Nordic investors raise awareness for challenges to gender equality in the wake of the pandemic<sup>4</sup>**

*COVID-19 is threatening to reverse decades of progress made towards gender equality. The World Bank is working with its member countries to close gender gaps, taking a holistic approach, and engaging with bond investors to direct global savings towards sustainable development.*

In March 2021, the [World Bank issued Sustainable Development Bonds denominated in Norwegian krone and Swedish krona](#) while raising awareness for the World Bank's strategy, projects, and programs that focus on gender equality and health, highlighting how COVID-19 disproportionately impacts women and girls. SEB was the sole lead manager for both transactions.

The World Bank has been engaging with investors worldwide on the importance of gender equality for sustainable development. The NOK and SEK bonds are the most recent examples. Following a previous NOK bond earlier this year, the transactions show Nordic investors' strong commitment to the topic.

<sup>2</sup> [Latest Research & Perspectives | Cambridge Associates](#)

<sup>3</sup> [Economic Benefits of Gender Equality in the EU | European Institute for Gender Equality \(europa.eu\)](#)

### **Mobilizing capital markets for sustainable development**

World Bank Sustainable Development Bonds meet growing investor interest in liquid, high-quality fixed income products supporting a social purpose. What began in 2008, with the first labelled green bond issued by the World Bank and created in partnership with SEB and Swedish investors, has grown to a market of over USD 1 trillion for labelled bonds that increase transparency around how issuers use proceeds to achieve positive impact for society.

All World Bank bonds support projects in member countries that contribute to its twin goals of eradicating extreme poverty and boosting shared prosperity. While Sustainable Development Bonds raising awareness for gender equality and health contribute to SDGs 5 and 3, gender is a cross-cutting theme.

### **Gender equality is key to achieving the SDGs**

No country, community, or economy can achieve its potential or overcome challenges without the full and equal participation of women and men. However, COVID-19 is threatening to reverse decades of progress made on gender equality. The World Bank is working to support countries to address both the immediate health emergency and promote a resilient recovery to ensure that projects consider the pandemic's disproportionate impact on women.

The World Bank is working to close gender gaps through hundreds of projects and programs globally, focusing on four key areas: (1) reducing gaps in health, education, and social protection; (2) removing constraints for more and better jobs; (3) removing barriers to women's ownership and control of assets; and (4) enhancing women's voice and agency, including addressing gender-based violence.

Examples in Guatemala include a project that aims to tackle chronic malnutrition by providing 280,000 women and children with essential nutrition services. In Northern India, a project designed to improve living standards and increase income opportunities for the poor population includes creating new jobs for women as one of the expected results indicators.

For more information, see the World Bank's gender strategy on the [gender overview page](#) and the World Bank's policy note on "[Gender dimensions of the COVID-19 pandemic](#)."

### **Opportunity for impact**

Sustainable Development Bonds that raise awareness for gender and health allow the World Bank to highlight key development challenges and explain how its programs contribute to the SDGs. For investors, these bonds are an opportunity to align their investments to the SDGs as they implement ESG strategies and communicate their commitment to furthering gender equality while also achieving a financial return.



Source: World Bank<sup>5</sup>



<sup>5</sup> World Bank image collection

## Lifting all boats: raising the ambition for investors on water



Robin Miller

Manager of Investor Engagement, Ceres.

[miller@ceres.org](mailto:miller@ceres.org)

---

*“Water is the primary medium through which we will feel the effects of climate change.” - [United Nations Water](#)*

I grew up as a child of a submariner. My first memories revolve around ocean landscapes. This connection to the water has stayed with me throughout my career - even over the short time of my life, we have seen that as climate change accelerates, so does the parallel water crisis.

Climate change has altered our planet and regional ecosystems - creating physical impacts that have led to significant financial risks for investment returns, companies, communities and households. These impacts tend to revolve around water - storms, droughts, floods and rising sea levels, are increasing in frequency and intensity.

Together, the climate crisis and the water crisis are creating systemic risks to financial systems that impact asset valuations, health and productivity, the predictability of supply chains, and even where people can live and companies can do business.

The story of water risk can be traced across the globe -- for example, over the past few weeks, the cold weather in Texas [left thousands without access to water](#). On the other side of the world, Taiwan faces its own water shortage calling into question the availability of water necessary for its [semiconductor industry](#). Because this is a global problem, it requires a global solution.

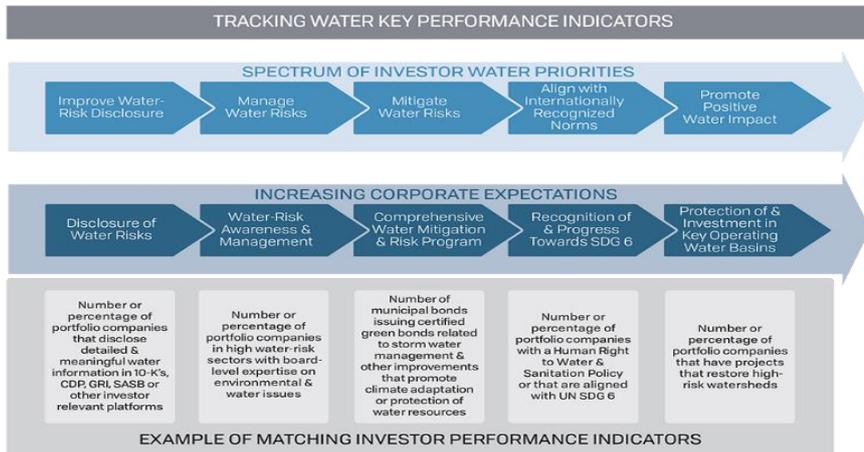
This is why, in 2015, Ceres formed the Investor Water Hub, a working group of the Ceres Investor Network. The Hub's membership includes 130 investors with more than \$30 trillion (USD) in assets under management. In 2017, we created the [Ceres' Investor Water Toolkit](#) to enable investors to evaluate water risks across all asset classes and design strategies for mitigating water risks in their investment portfolios. The Investor Water Toolkit provides investors with information on [engagement priorities](#), [portfolio analysis](#), [municipal bonds](#), and [a variety of scenarios](#) to help them integrate water in portfolio management.

Figure 19: Business and financial impacts of key water risk drivers.



Source: Ceres<sup>6</sup>

Figure 20: Tracking water KPIs



Source: Ceres<sup>7</sup>

Investors can develop a set of KPIs that help track whether water priorities embedded in investment policies are making a difference at the corporate or security level. The visual above outlines sample water priorities against the "spectrum of investor water priorities" with sample corporate expectations that might be embedded in active ownership policies with matching key performance indicators.

<sup>6</sup> Source: Ceres, "Feeding Ourselves Thirsty: Tracking Food Company Progress Toward a Water-Smart Future," <https://feedingourselfsthirsty.ceres.org/>

<sup>7</sup> [Investor Water Toolkit | Ceres](#)

Figure 21: Portfolio & Security analysis steps and linkages



Portfolio analysis includes water-risk heat mapping, mitigation analysis and stock prioritization. Security analysis includes research of water-risk drivers, materiality, and formulating engagement and investment action based on all of the above analysis.

Source: Ceres<sup>8</sup>

To drive corporate action on water-related financial risks even further, Ceres recently launched the [Valuing Water Finance Task Force](#), building on our success in engaging corporate and investor communities about sustainable water management. The Task Force is raising awareness within the capital markets of the widespread negative impacts

of corporate practices on water supplies, as well as to clarify which industries and practices are linked to the most severe and systemic of these impacts. Ultimately, the Task Force will help lay the groundwork for engaging with companies around expectations for truly valuing water.

Figure 22: Valuing Water Finance Task Force Founding Members. Represents \$2 trillion in AUM.



Source: Ceres

As a manager of the Task Force, I now have the privilege of working to improve investor and corporate action on water to protect this precious and vital resource. The solutions to our water

challenges exist. The methods for investors and companies to incorporate water risk into their decisions are evolving at a rapid pace. Let's work together now to lift all boats.

*Ceres is a sustainability non-profit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy.*

<sup>8</sup> [Investor Water Toolkit | Ceres](#)

## The Green Bond Editorial Team

**Thomas Thygesen**

Head of Strategy, Head of Research  
Climate & Sustainable Finance  
[thomas.thygesen@seb.dk](mailto:thomas.thygesen@seb.dk)

**Elizabeth Mathiesen**

Senior Strategist  
Equity Strategy Research  
[elizabeth.mathiesen@seb.dk](mailto:elizabeth.mathiesen@seb.dk)

**Kristoffer Nielsen**

Advisor  
Climate & Sustainable Finance  
[kristoffer.nielsen@seb.se](mailto:kristoffer.nielsen@seb.se)

**Lina Apsheva**

Junior Analyst  
Climate & Sustainable Finance  
[lina.apsheva@seb.se](mailto:lina.apsheva@seb.se)

## Contacts at SEB

**The Climate & Sustainable Finance Team**

[greenbonds@seb.se](mailto:greenbonds@seb.se)

**SEB Norway:****Susanne Gløersen**

Head Climate & Sustainable Finance in Norway  
[susanne.gloersen@seb.no](mailto:susanne.gloersen@seb.no)

**SEB Finland:****Ruut Pihlava**

Head of Sustainable Banking in Finland  
[ruut.pihlava@seb.fi](mailto:ruut.pihlava@seb.fi)

**SEB UK:****Roger Gifford**

Senior Banker, LC&FI  
[roger.gifford@seb.co.uk](mailto:roger.gifford@seb.co.uk)

**Renato Beltran**

Client Executive, LC&FI  
[renato.beltran@seb.co.uk](mailto:renato.beltran@seb.co.uk)

**SEB USA:****Anna Andren**

Head of Markets in the Americas  
[anna.andren@sebny.com](mailto:anna.andren@sebny.com)

**John Arne Wang**

General Manager  
[john.wang@sebny.com](mailto:john.wang@sebny.com)

**SEB Demark:****Lars Eibeholm**

Head of Sustainable Banking in Denmark  
[lars.eibeholm@seb.dk](mailto:lars.eibeholm@seb.dk)

**SEB Germany:****Stefan Pletzer**

Head of Financial Institutions Coverage  
[stefan.pletzer@seb.se](mailto:stefan.pletzer@seb.se)

**Alexandra Themistocli**

Senior Client Executive  
[alexandra.themistocli@seb.de](mailto:alexandra.themistocli@seb.de)

**SEB Hong Kong:****Carol Au-Yeung**

Client Executive, Financial Institutions Coverage  
[carol.au.yeung@seb.se](mailto:carol.au.yeung@seb.se)

**SEB Singapore:****Eng Kiat Ong**

Financial Institution Coverage Singapore  
[eng-kiat.ong@seb.se](mailto:eng-kiat.ong@seb.se)

“The Green Bond” is SEB’s research publication that strives to bring you the latest insight into the world of sustainable finance – one theme at a time. Even though the publication covers all kinds of products and developments in the sustainable finance market, we decided to keep its historic name – “The Green Bond” – as tribute to our role as a pioneer in the Green Bond market.

You may be wondering why a Scandinavian bank chose a picture of bamboo for the cover. There is a reason for that too! Bamboo is one of the fastest growing plants on the planet, which makes it an efficient mechanism of carbon sequestration. Moreover, once grown, bamboo can not only be used for food, but also used as an ecological alternative to many building materials and even fabrics. Its great environmental potential makes bamboo a perfect illustration of our work and aspirations.

This report was published on 15 April 2021

Cut-off date for calculations was 31 March 2021, unless otherwise stated.

Important. Your attention is drawn to the statement at the end of this report which affects your rights. Securities transactions in the United States conducted by SEB Securities, Inc., Member FINRA/SIPC. This communication is intended for institutional investors only and not intended for retail investors in any jurisdiction.

**This statement affects your rights**

This report is a communication produced by the Climate and Sustainable Finance team, a team within Skandinaviska Enskilda Banken AB (publ) ("SEB") to provide background information only. It does not constitute research or marketing material. It is confidential to the recipient, any dissemination, distribution, copying, or other use of this communication is strictly prohibited.

**Good faith & limitations**

Opinions, projections and estimates contained in this report represent the author's present opinion and are subject to change without notice. Although information contained in this report has been compiled in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made with respect to its correctness, completeness or accuracy of the contents, and the information is not to be relied upon as authoritative. To the extent permitted by law, SEB accepts no liability whatsoever for any direct or consequential loss arising from use of this document or its contents.

**Disclosures**

The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of the SEB Group or any person or entity within the SEB Group that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. Anyone considering taking actions based upon the content of this document is urged to base investment decisions upon such investigations as they deem necessary. This document does not constitute an offer or an invitation to make an offer, or solicitation of, any offer to subscribe for any securities or other financial instruments.

**Conflicts of Interest**

Non-independent research is a marketing communication. It does not constitute independent objective investment research, and therefore is not protected by the arrangements which SEB has put in place designed to prevent conflicts of interest from affecting the independence of its investment research. Furthermore, it is also not subject to any prohibition on dealing ahead of the dissemination of investment research,

SEB or its affiliates, officers, directors, employees or shareholders of such members (a) may be represented on the board of directors or similar supervisory entity of the

companies mentioned herein (b) may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the securities of the companies mentioned herein or may make a market or act as principal in any transactions in such securities (c) may, acting as principal or as agent, deal in investments in or with companies mentioned herein, and (d) may from time to time provide investment banking, underwriting or other services to, or solicit investment banking, underwriting or other business from the companies mentioned herein. Information on any SEB or employee positions may be obtainable from SEB's Compliance Department upon request.

**Recipients**

In the UK, this report is directed at and is for distribution only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (The "Order") or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order

(all such persons together being referred to as "relevant persons". This report must not be acted on or relied upon by persons in the UK who are not relevant persons. In the US, this report is distributed solely to persons who qualify as "major U.S. institutional investors" as defined in Rule 15a-6 under the Securities Exchange Act. U.S. persons wishing to effect transactions in any security discussed herein should do so by contacting SEB Securities Inc. (SEBSI).

The distribution of this document may be restricted in certain jurisdictions by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

**The SEB Group: members, memberships and regulators**

Skandinaviska Enskilda Banken AB (publ) is incorporated in Sweden, as a Limited Liability Company. It is regulated by Finansinspektionen, and by the local financial regulators in each of the jurisdictions in which it has branches or subsidiaries, including in the UK, by the Prudential Regulation Authority and Financial Conduct Authority (details about the extent of our regulation is available on request); Denmark by Finanstilsynet; Finland by Finanssivalvonta; Norway by Finanstilsynet and Germany by Bundesanstalt für Finanzdienstleistungsaufsicht. In the US, SEBSI is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBSI is a direct subsidiary of SEB.

For a list of execution venues of which SEB is a member or participant, visit <https://sebgroup.com/large-corporate-rates-and-institutions>