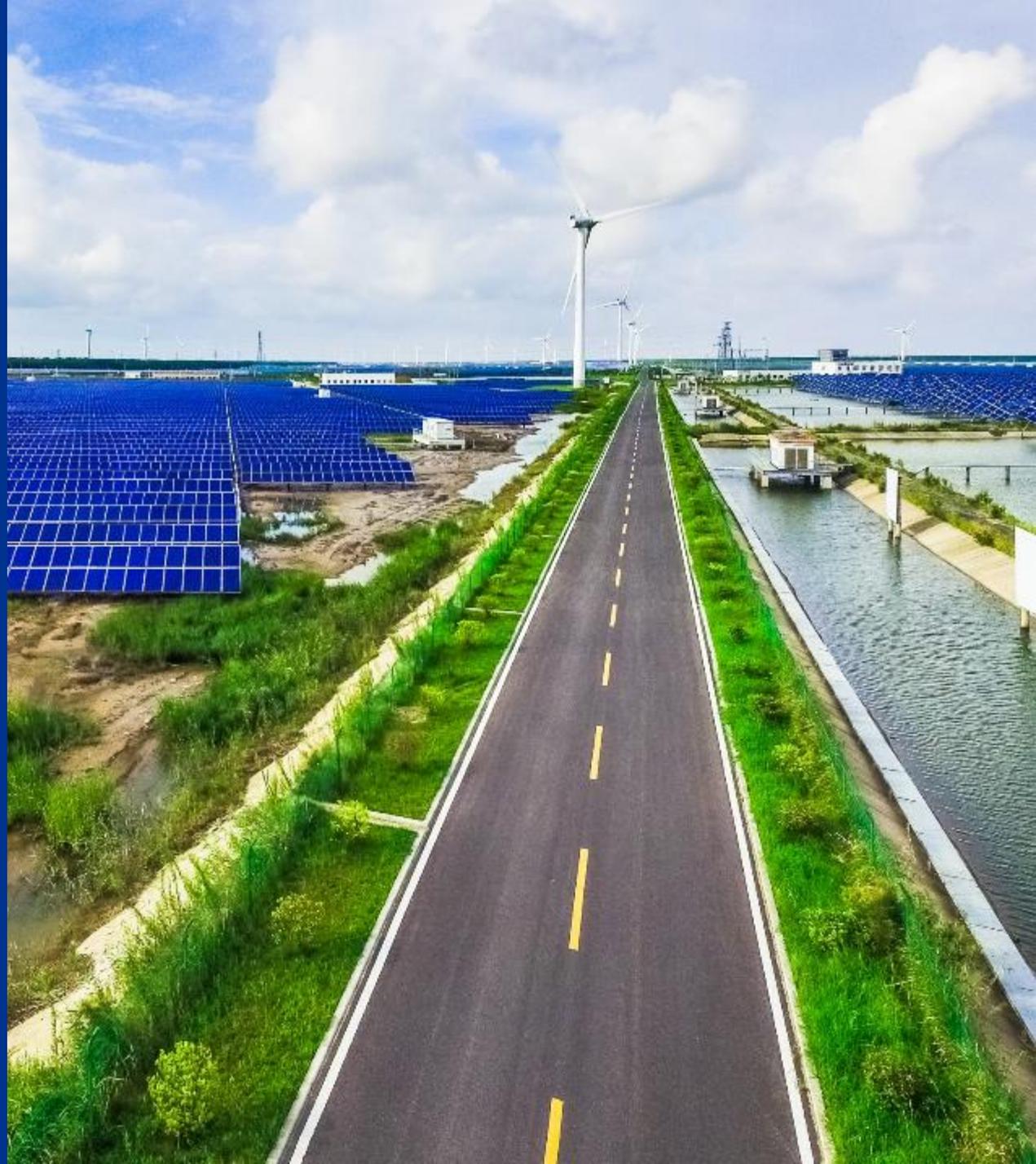




Green Bonds Market overview

13 September 2018



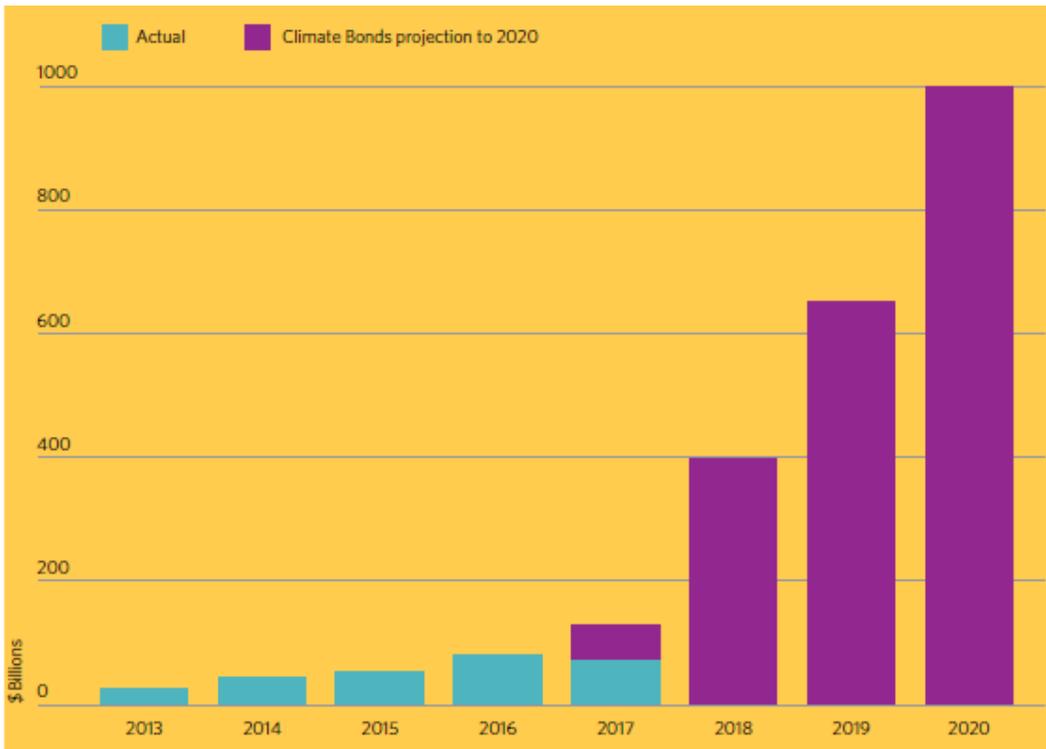
Definition

A green bond is a fixed-return investment vehicle with structure, risk and returns identical to a traditional bond, but from which the proceeds are invested exclusively in projects that generate environmental benefits.

- **Impact investing**
- Debt raising options for the **public sector, private sector or multilateral institutions**
- Can finance a **new project or refinance an existing project**
- Often standard bonds with ‘**green attributes**’
- The **issuer describes the projects to be funded**
- Up to the **investor to decide whether the green bond matches their particular investment objectives and requirements**
- Two basic categories: **green-labelled bonds** and **unlabelled green bonds**
- Four main types of green bonds have emerged: **Use of Proceeds, Use of Proceeds Revenue, Project and Securitized**

Market overview - issuance

- **Growing:** Market has grown rapidly since the first issue from European Investment Bank in 2007
- **Diversifying:** Green Bonds are diversifying, with ever growing number of countries, issuer types, ratings, bond types, use of proceeds and ratings



Market overview - geography

In the first three months of 2018, green bonds worth \$30.4 billion were issued globally, representing an 11.5% year-over-year decline.

Top 3 Issuers (amount issued)

Republic of France: \$7.5bn
 EIB: \$4.6bn
 Mexico City Airport: \$4bn

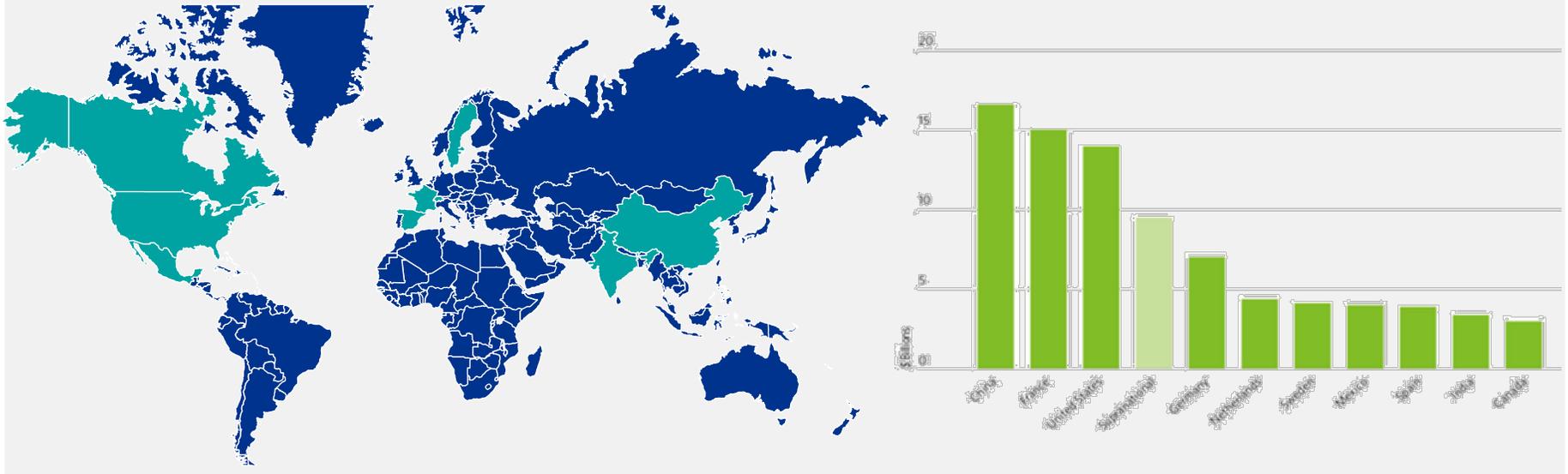
Top 4 issuers (number of deals)

EIB: 5
 Fabege: 5
 New York MTA: 4

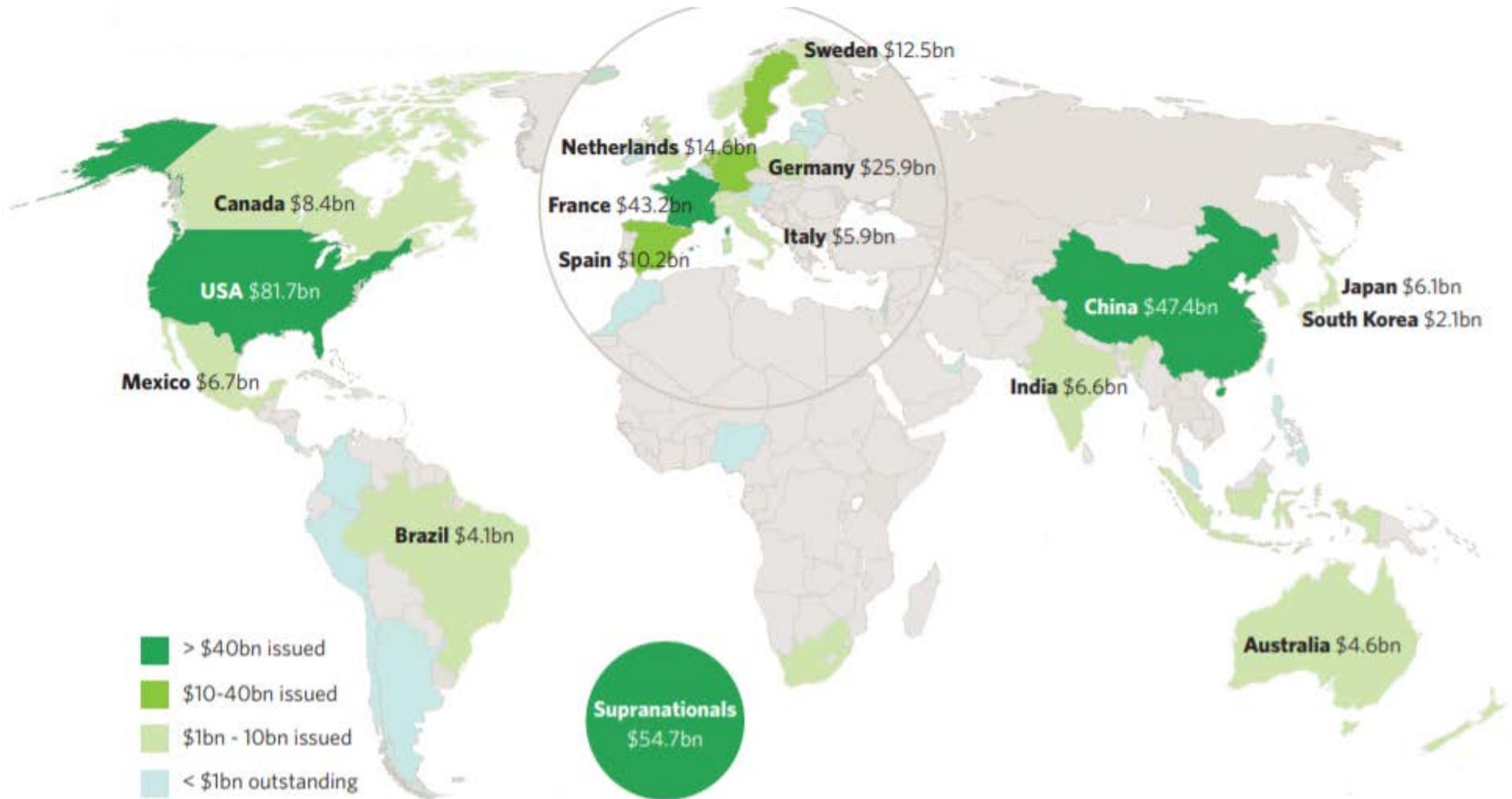
Top 3 nations:

France: \$14.7bn
 China: \$12.2bn
 USA: \$11.7bn

The top 10 countries to issue green bonds in 2017.

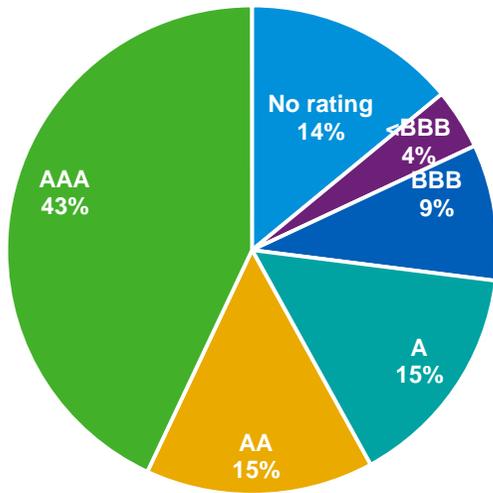


Market overview - geography

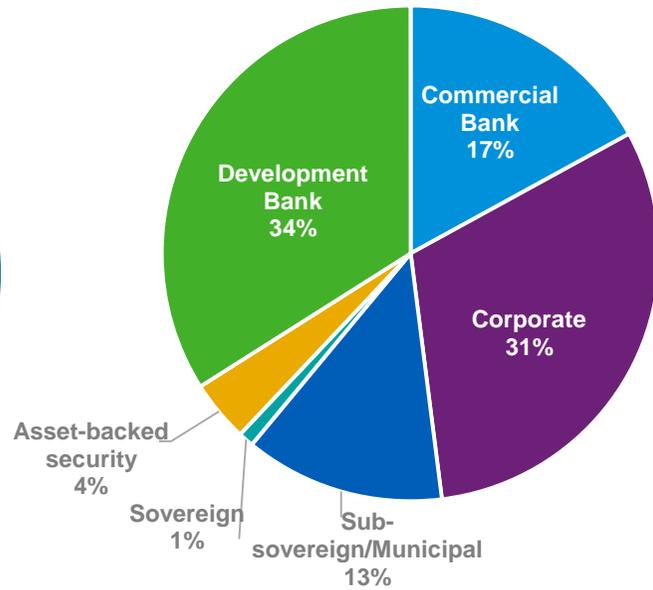


Market overview - main features

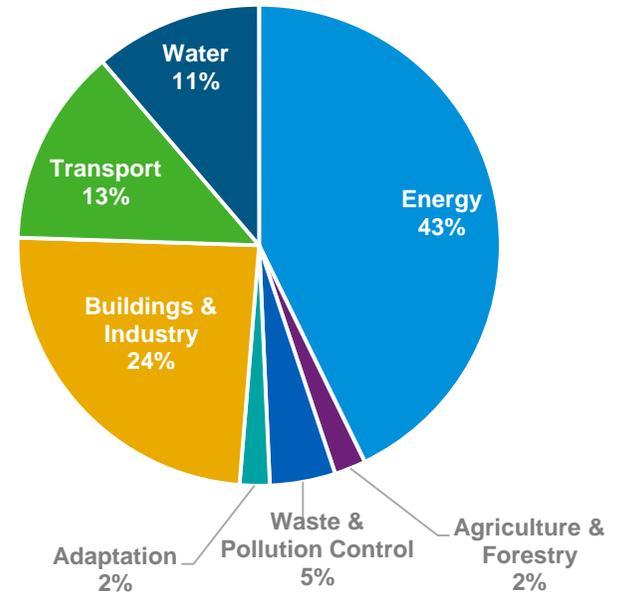
Ratings



Issuers



Use of Proceeds



Source: Adapted from Climate Bonds Initiative (up to December 2016).

Market overview - main challenges

**Definitions,
conventions
and impact**

- Taxonomy (GBP, CBI)
- Industry standards
- National / Stock Exchanges guidelines
- Indices

**Parties'
transaction
costs**

- National Standard Setting / Regulatory bodies
- Growth of the market

Market integrity

- Communication
- Third part Assurance (2nd opinion & 3rd party verification)

Market overview – focus credibility

- Framework and standard-setting bodies function to safeguard the market from greenwashing and to avoid dilution of the recognised green bond market
- External review by independent parties reassure investors that the projects are compliant with the promised attributes

Define your green bond in line with available guidance and investor expectations

- Green Bond Principles
- Climate Bonds Standard
- Existing sector-specific standards (e.g. Greenstar for property)
- Investor expectations and indices (Barclays/MSCI, S&P, Bank of America Merrill Lynch)
- 2nd party reviewer criteria (CICERO's Shade of Green, Oekems Sustainability Bond Rating, others)
- Issuers/underwriters/investor frameworks (Natixis, HSBC, EIB, others)
- National and Stock Exchange Green Bond guidelines

Seek an independent external assessment of your green bond

- 3rd party verification**
Independent assurance report
- 2nd opinion**
External report of results

- High confidence and credibility
- Medium to significant effort
- Requires accepted verification criteria or Agreed Upon Procedures

- Medium to confidence and credibility
- Medium effort
- Requires recognised expertise and legitimate scope

Further options include

- Certification**
against an external green assessment criteria
- Rating**
by a ratings agency or specialised research providers

Merci

Q&A



KPMG Services

1. FINANCING OPTIONS REVIEW

- Review financing objectives and options
- Determine funding route
- Act as a sounding board for management

2. DESIGNING GREEN BOND CRITERIA

- Develop 'green' criteria and management of proceeds criteria
- Review processes and controls
- Benchmark green bond framework

3. EXECUTION

- Advise on presentation to investors, issuance process, commercial terms, credit rating agencies
- Assurance over use/management of proceeds, processes and controls

4. MONITORING AND REPORTING

- Develop monitoring and reporting processes/KPIs
- Support internal/external reporting.

5. THIRD-PARTY INDEPENDENT ASSURANCE

- Over issuer's processes and controls for selecting projects, managing proceeds and on issuer's progress reports

6. ONGOING STAKEHOLDER MANAGEMENT

- Bond investor study

7. ADVISORY

- Advisory for National Standards and Guidelines
- Advisory Services for listing on stock exchanges



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