

UNEP FI / VFU Roundtable 2018 Sustainable Finance – Green Digital Finance

Karsten Wöckener, Partner, White & Case LLP | 13 September 2018

Agenda

- I. White & Case Sustainable Finance Activity
- II. Introduction to Sustainable Finance and Green Bonds /
Schuldscheine
- III. EU Sustainable Finance Action Plan

I. White & Case Sustainable Finance Activity



W&C Awards in the Green space

WHITE & CASE

Active Observer Member of ICMA Green Bond Principles Working Group

Selected member of Green Finance Initiative Partnership led by "HM Treasury",
"Department of Energy and Climate Change" and "City of London"

Sole legal Knowledge Partner to the G20 Sustainable Finance Study Group

Global Finance Deal of the Year 2017: Structured Finance Crédit Agricole
"Green Capital Note"

Global Capital SRI Awards – Best Green / SRI Law Firm 2018

Environmental Finance Green Bond Awards 2017 and 2018: Best law firm



Recent highlight deals and events

Recent Highlight Deals

- Advised on the innovative US\$3 Mrd. Green Securitisation of Crédit Agricole
- Advised the state of Poland on the first Sovereign Green Bond with a volume of €750 million
- Advised the bank consortium on the complex refinancing of Senvion Group. Part of the refinancing was a Green High Yield bond with a volume of €400 million

Recent Events

- **May/June 2018:** Green Bond Events in London, Paris, Stockholm, Helsinki
- **8 May 2018:** W&C German Spring Series and Launch of CBI European Green Bond Report
- **September 2017:** Seminar, Wien “Green Financing – Aktuelle Entwicklungen bei Green Bonds” – in Cooperation with the Climate Bonds Initiative, Luxembourg Stock Exchange and Weber & Co.

Selected Sustainable Finance experience



Represented the Ministry of Finance on the offering of a EUR 750 million green bond under its EMTN Programme. Republic of Poland's green bond is the first sovereign green bond.



Represented SNCF Réseau, the French railway infrastructure manager, in the context of its debut green bond issuance with a volume of EUR 900 million.



Represented a banking syndicate on the EUR 1.5 billion leveraged buyout of Senvion SE by Centerbridge Capital Partners, which included a EUR 400 million green high yield bond.



Represented the bank syndicate led by BNP Paribas, HSBC, JP Morgan and UniCredit on the EUR 275 million green high yield bond of Nordex



Represented ABN, Crédit Agricole, ING, Société Générale and LBBW on the debut green bond issuance of LBBW with a volume of EUR 750 million



Represented VERBUND AG on the structuring, documentation and placement of a Green Bond via the fully integrated digital issue platform vc trade.



Represented Crédit Agricole Corporate & Investment Bank on an innovative USD 3 billion green securitisation.



Represented the bookrunners (Bank of America Merrill Lynch, BNP Paribas, Crédit Agricole CIB and HSBC) on Agence Française de Développement's first green bond issuance of EUR 1 billion.



Represented Verbund AG, Austria's leading electricity company, on the first Green Bond issued by an Austrian corporate.



Represented Fibria Overseas Finance Ltd. in connection with its USD 700 million green bond offering. This was the largest green bond offering by any Brazilian issuer.



Advisor to the Johannesburg and Astana Stock Exchanges on their Green Bond segments

Contributing member of the Technical Working Group on Impact Reporting to the ICMA GBP and the Risk mitigation in Green Bonds Working Group

Advisor of Bank of England as chair of G20 Sustainable Finance Study Group both on their Green Bond Terms project and on their Sustainable Structured Finance Project

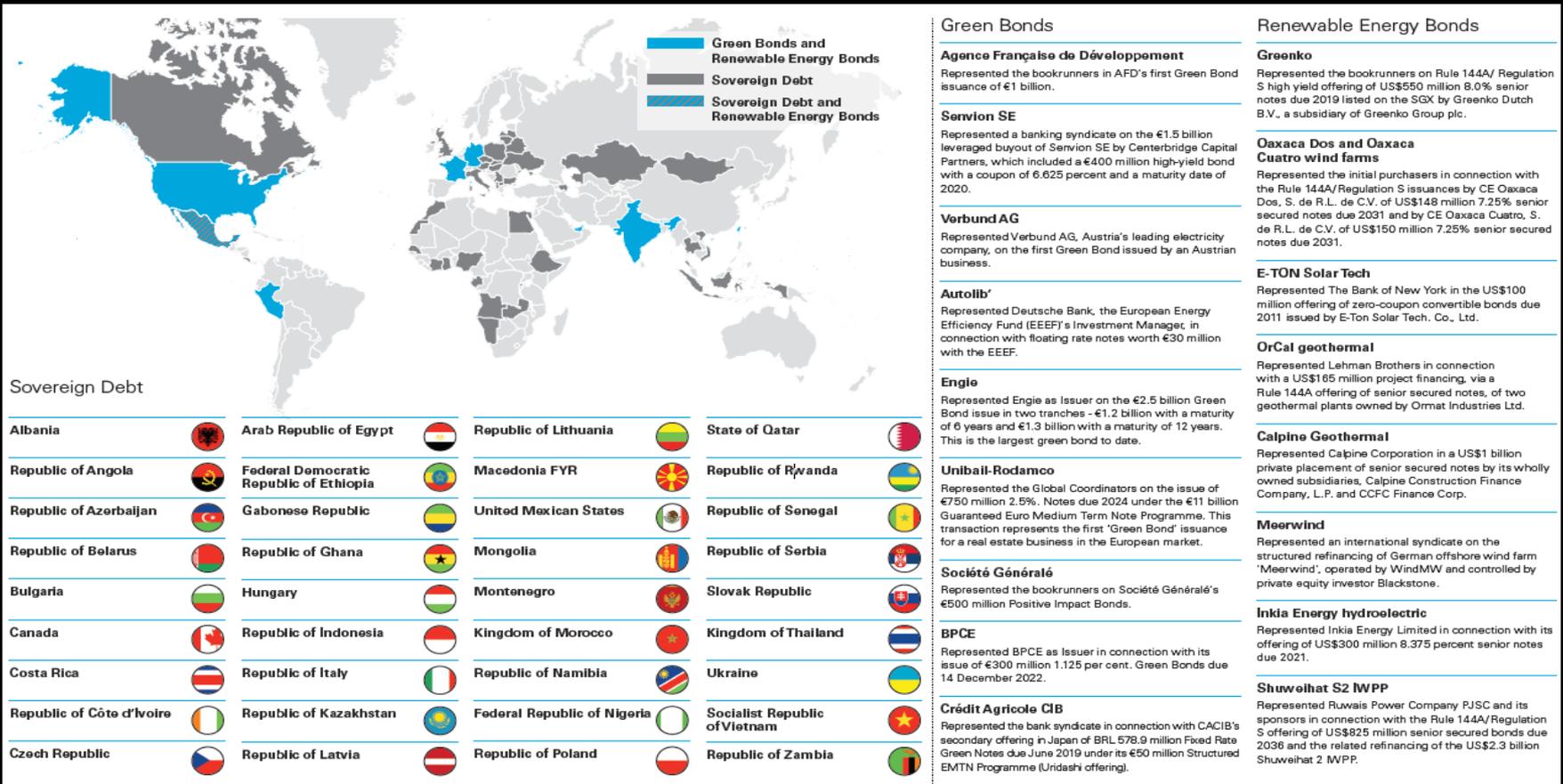
Active partner of the Climate Bonds Initiative

White & Case's Sustainable Finance Practice brings together top tier bond, derivative, structured finance, Islamic finance, project finance and environmental expertise to focus on the financing of sustainable assets. We have extensive experience in a wide range of industries, finance structures and jurisdictions.

Our market leading and internationally recognised sustainable finance practice has been involved in sustainable financing from its inception.

With a global team of more than 250 project finance lawyers we regularly assist our clients meet their environmental goals regardless of the sector in which they operate or where they are located. Our experience with renewable projects is broad and includes onshore and offshore wind, solar, geothermal, hydroelectric, biomass to biofuels.

W&C Renewables, Green Bonds & Sovereign Debt Experience



Client Alerts and Thought Leaderships 2017/2018

Client Alert on Green Bonds – An Introduction



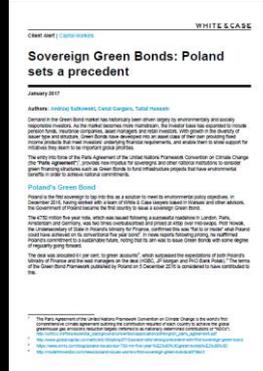
Client Alert on legal frameworks and international practice



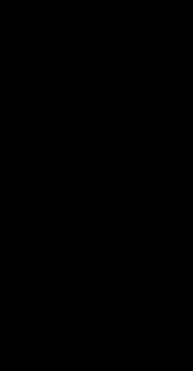
Client Alert on Sustainable Securitisation



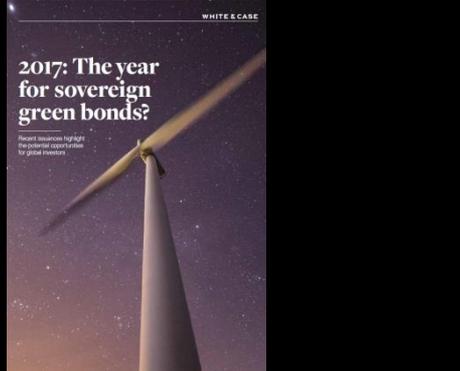
January 2017 April 2017 August 2017 October 2017 January 2018 May 2018 May 2018



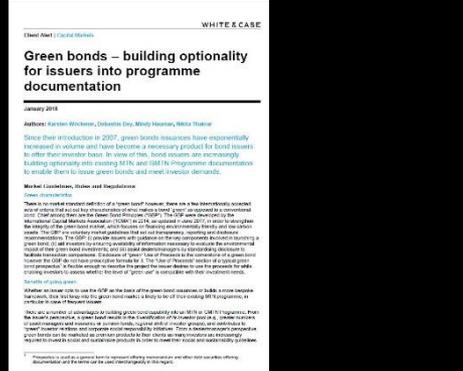
Client Alert on first Sovereign Green Bond in Poland



Thought Leadership on Sovereign Green Bonds



Client Alert on Green Bond documentation



Client Alert on China's Green Belt and Road Initiative

Cooperation with the Climate Bonds Initiative



Grüne Verbriefungen: Eröffnung von Finanzierungsmöglichkeiten für kleinere kohlenstoffsparende Projekte

Grüne Verbriefungen können helfen, Finanzierungsmöglichkeiten in den Fremdkapitalmärkten für kleinere kohlenstoffsparende und klimaschonende Projekte zu erschließen. Der öffentliche Sektor spielt eine wesentliche Rolle bei der Erweiterung der Märkte für Verbriefungen für grüne Projekte.



Green Covered Bonds: Aufbau grüner Deckungswerte

Covered bonds sind ein ideales Instrument für die Finanzierung klimaschonender Infrastruktur, die bereits in anderen wichtigen öffentlichen Bereichen eingesetzt wurden. Die Identifizierung bestehender grüner Deckungswerte und der Aufbau von Rahmenkonzepten für andere klimaschonende Projekte werden zu verstärkten Investitionen beitragen.



Die Rolle der Börsen bei der Beschleunigung des Marktwachstums für Green Bonds

Es besteht ein deutliches Potenzial für die Einrichtung eigener Handelssegmente für Green Bonds, die Entwicklung entsprechender Indizes sowie die Unterstützung von Marktinformationsinitiativen durch die Börsen, um den Anlegern die Entscheidung für klimafreundliche Investitionen zu erleichtern und die Marktliquidität zu verbessern.



Green City Bonds: Finanzierung einer klimaschonenden städtischen Infrastruktur

Green City Bonds werden von Kommunen und anderen ihnen nahestehenden Einrichtungen wie Versorgungs- und Transportunternehmen zunehmend für die Finanzierung einer klimafreundlichen Infrastruktur eingesetzt.



5 Einfache Schritte für Emittenten von Green Bonds

Ein Schritt-für-Schritt-Anleitung für neue Emittenten, die den grünen Anleihenmarkt betreten wollen.

W&C Green Finance Core Team



Debashis Dey
Partner, Dubai
T +971 4 381 6202
E ddey@whitecase.com



Cenzi Gargaro
Partner, Paris
T +33 1 5504 1590
E cgargaro@whitecase.com



Chris McGarry
Partner, London
T +44 20 7532 1491
E cmcgarry@whitecase.com



Karsten Wöckener
Partner, Frankfurt
T +49 69 29994 1538
E kwoeckener@whitecase.com



Ingrid York
Partner, London
T +44 20 7532 1441
E iyork@whitecase.com



Tallat Hussain
Counsel, London
T +44 20 7532 2376
E thussain@whitecase.com

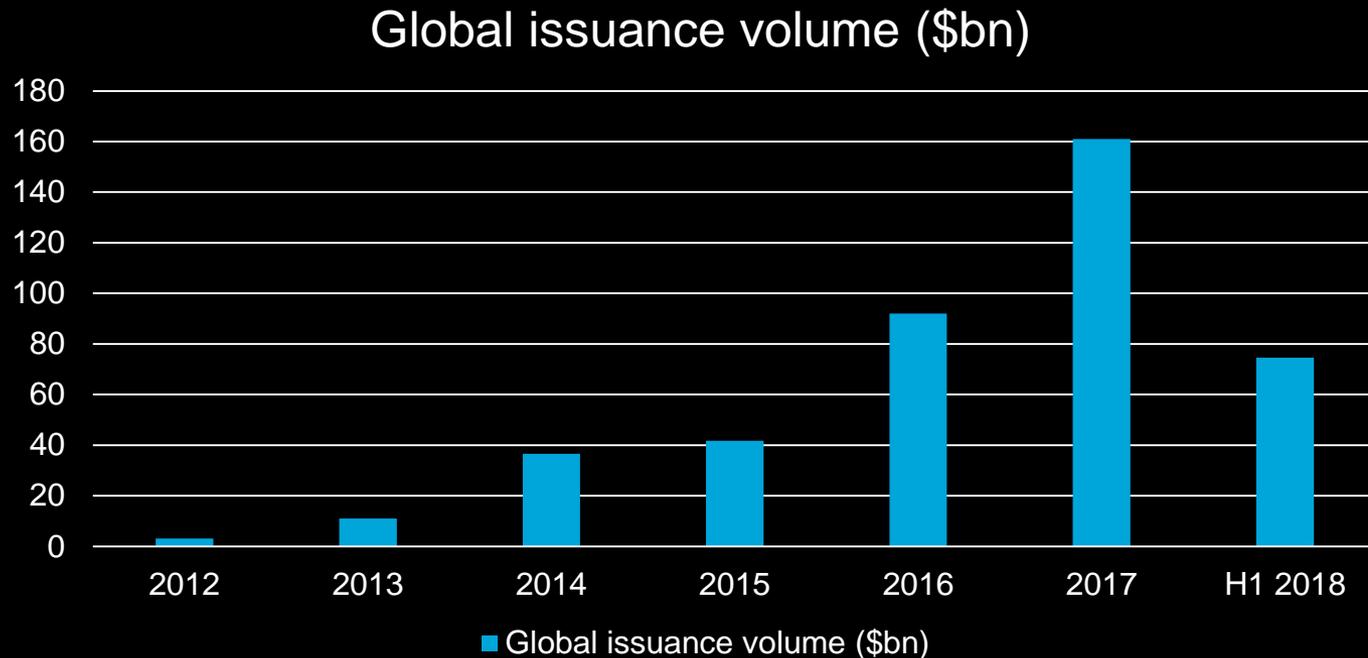


Mindy Hauman
Professional Support Counsel,
London
T +44 20 7532 1407
E mhauman@whitecase.com

II. Introduction to Sustainable Finance and Green Bonds / Schuldscheine

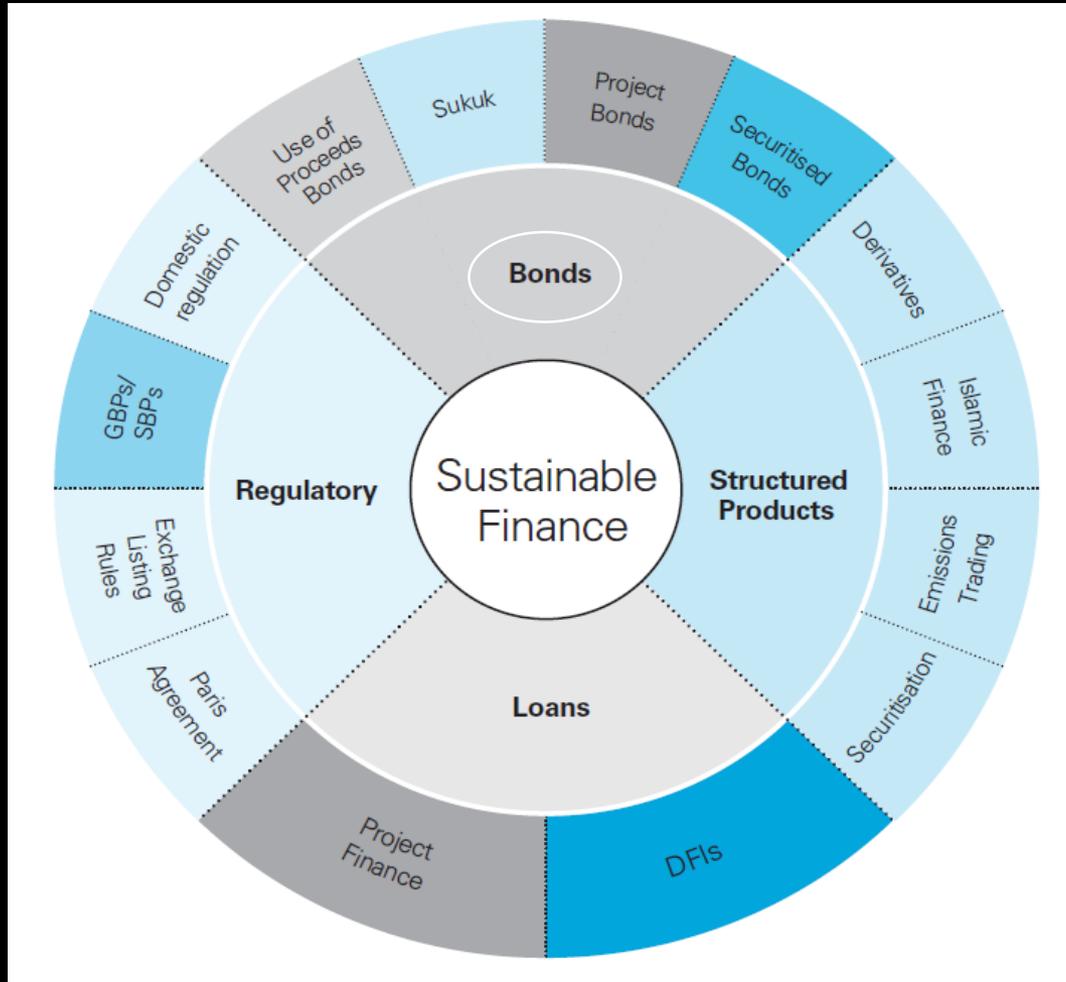


Global Green Bond Issuance Volume



Source: Climate Bonds Initiative

Sustainable Finance Market



What is a Green Bond?

- Structuring comparable to a normal bond with the possibility for investors to finance sustainable projects
- Pari passu to Senior Unsecured Debt
- Proceeds are booked and administrated in separate accounts
- Usually Fixed Income, no collateral
- Origin: Concept of World Bank (2007/2008)

Types of Green Bonds (1/2)

1. Green Use of Proceeds Bonds:

- Utilisation of the proceeds for specific green projects
- Payments under the bond: issuer's cash flows
- Direct recourse to the issuer: yes

2. Green Use of Proceeds Revenue Bonds:

- Utilisation of the proceeds for specific green projects
- Payments under the bond: cash flows of the green project
- Direct recourse to the issuer: no

Types of Green Bonds (2/2)

3. Green Project Bond:

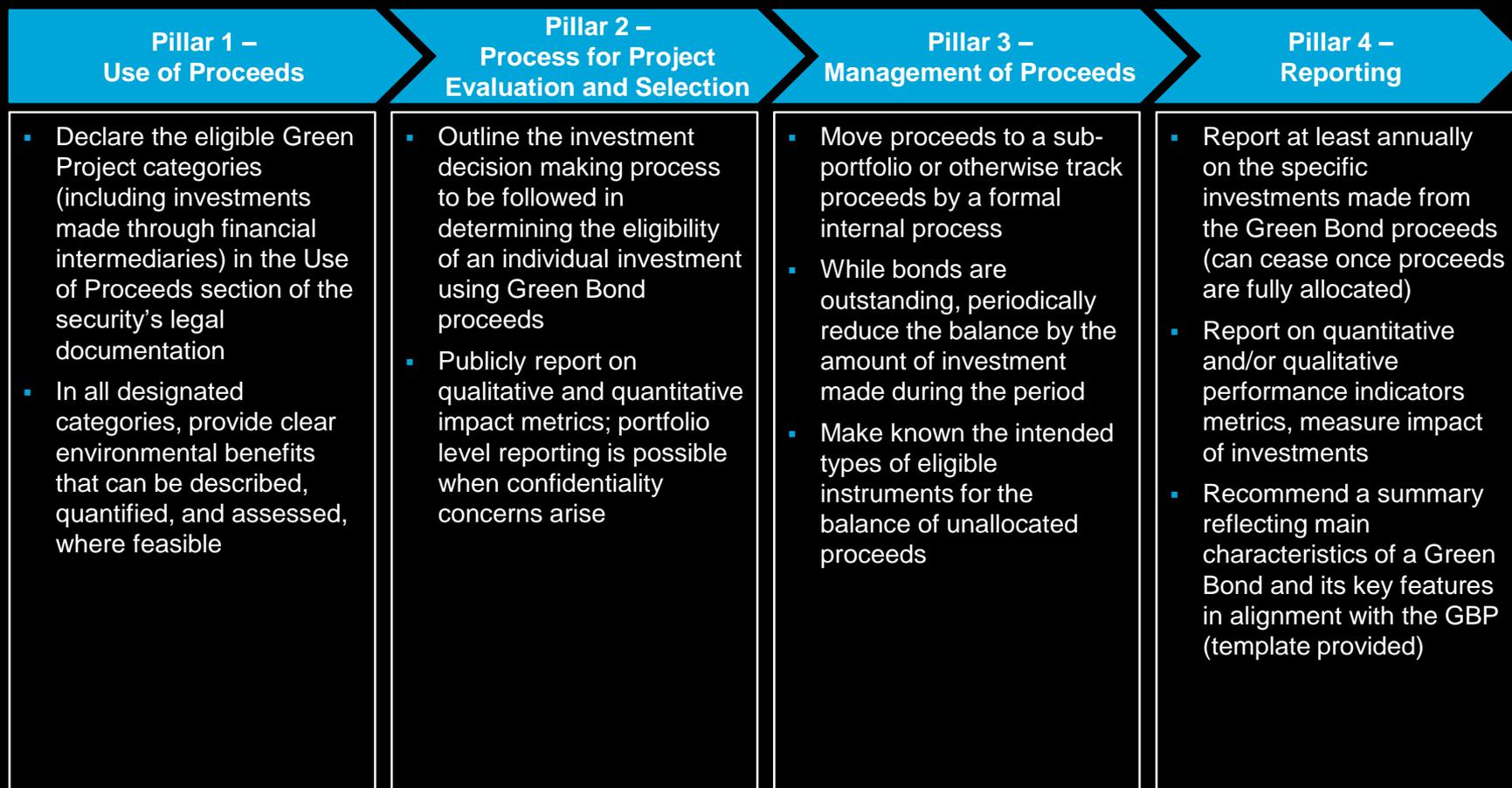
- Utilisation of the proceeds for one or several green projects financed by a project bond
- Green Bond project finance: investor has direct exposure to the risk of the projects (direct recourse to issuer possible/impossible)

4. Green Securitisation Bond:

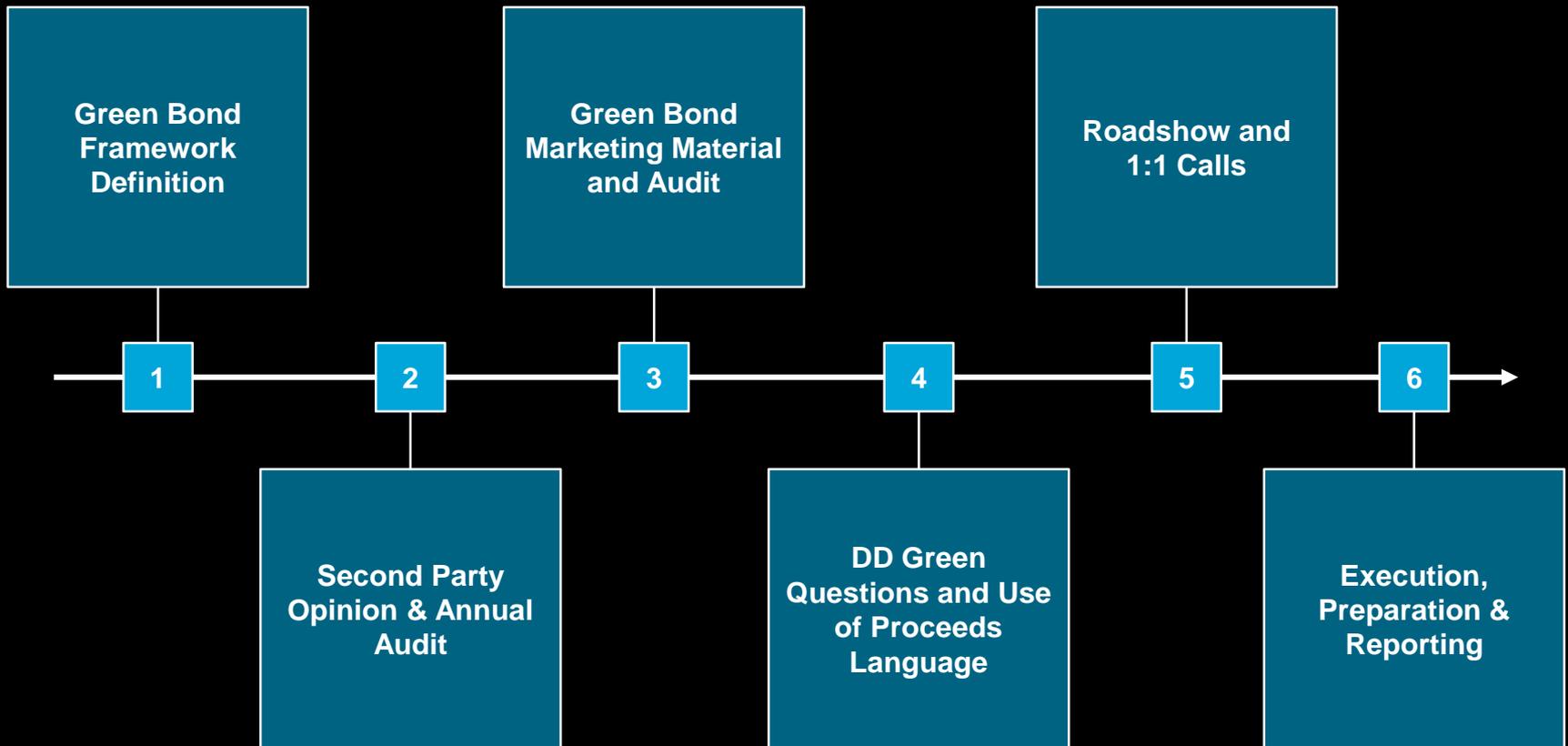
- Utilisation of the proceeds for specific green projects
- Covered Bond, ABS or other “collateralised” structures

5. High Yield Green Bond / Sukuk Green Bond

The 4 Pillars of the Green Bond Principles - Recommended Process



Green Bond Inaugural Issuance Suggested Steps



Why Issue Green Bonds?

- **Tapping investor demand and diversifying investor base** – to meet increasing investor demand for socially responsible investment (SRI); institutional investors are using green financing to address ESG (Environment, Social, Governance) mandates (e.g., Norwegian sovereign wealth fund divesting oil & gas, coal and other non-green investments)
- **CSR / Reputation Management** – to meet their sustainable development or climate policy objectives, enhance reputation or public relations; meet voluntary commitments
- **Cost of funds** – potentially provide issuers with pricing benefits over traditional plus accrual of environmental/social responsible benefit
- **Tax / policy incentives** – certain jurisdictions may offer tax exemptions for holders of green bonds (e.g., in US/Brazil, green bond investors get income tax exemptions on interest from green bonds they hold) and credit enhancements for issuers (e.g., government guarantees)

Advantage diversification of investors: AFDB benchmark vs. Green Bond

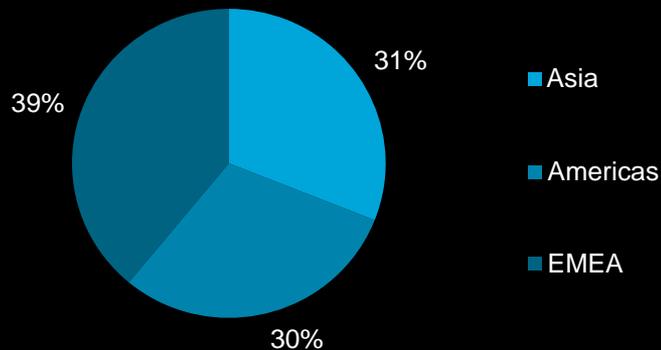
- Shift of investor groups from central banks and institutions to asset managers as well as insurances and pension funds
- Geographic transition from Asia to the US, Scandinavia and Central Europe
- Increase of number of investors per transaction as to a required smaller ticket size of SRI investors (e.g. 25 ->35)

Source: African Development Bank

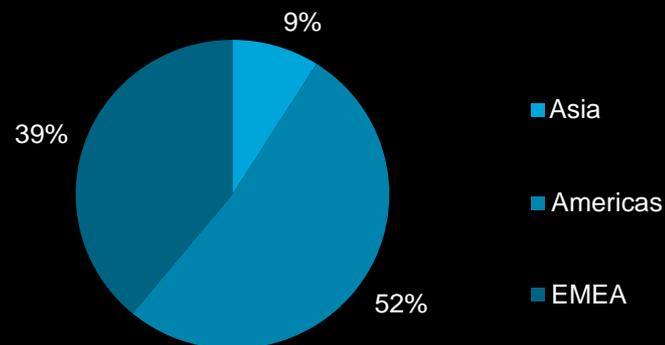
Note: Green Bond: AFDB 0.750% 10/18/16 (Issuance date: 10/10/13), Benchmark Bond: AFDB 0.875% 3/24/18 (issuance date: 1/16/13)

Advantage diversification of investors: AFDB benchmark vs. Green Bond

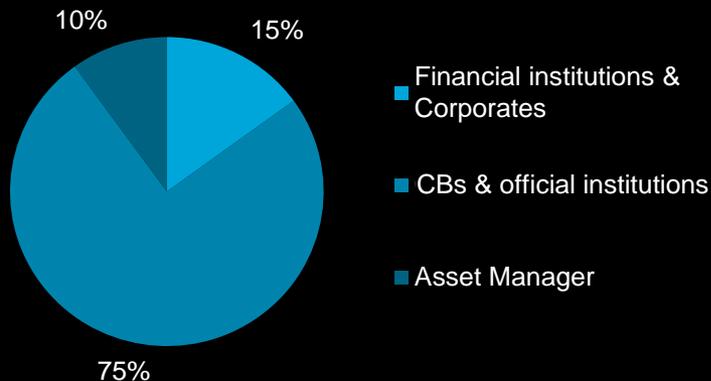
AFDB \$1.0bn 5y Benchmark Bond (26 orders) - Region



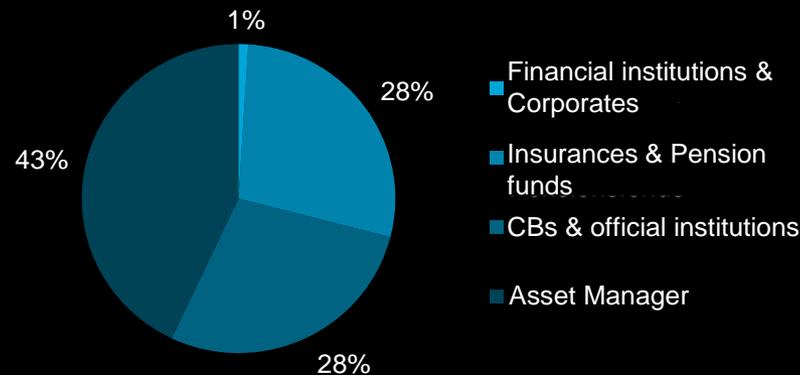
AFDB \$500m 3y Green Bond (~35+ orders) - Region



AFDB \$1.0bn 5y Benchmark Bond (26 orders) - Type



AFDB \$500m 3y Green Bond (~35+ orders) - Type



Potential Liabilities for the Issuer

- | | |
|---|---|
| Prospectus Liability | <ul style="list-style-type: none">▪ If there is a material inaccuracy in, or omission of information from, the prospectus, which causes investors to suffer loss as a result then this may result in the issuer incurring liability in some jurisdictions▪ Any process relating to tracking proceeds or designating proceeds to a specific account may result in the issuer incurring liability where they fail to follow the formal procedures in place – this would allow bondholders to claim compensation for any loss suffered in certain jurisdictions |
| Breach of Warranties/ Representations/ Indemnity | <ul style="list-style-type: none">▪ Issuer could be liable to the managers of a transaction if there is a breach of any representation/warranty (in the subscription agreement) as to the accuracy of information contained in the prospectus▪ Managers may also utilise indemnity provisions to remedy any loss suffered |
| Transparency | <ul style="list-style-type: none">▪ Issuer vulnerable to jurisdictions with secondary market transparency regimes for misstatements and omissions, including in their periodic reports |
| Undertakings | <ul style="list-style-type: none">▪ Although rarely included, green undertakings in the documentation, if breached, could trigger an event of default or lead to cross-default of other agreements |

III. EU Sustainable Finance Action Plan



EU Commission Action Plan: Financing Sustainable Growth

- At the end of 2016, the Commission appointed a High-Level Expert Group (“**HLEG**”) on sustainable finance
- On 31 January 2018, that expert group published its final report (the “**Report**”) offering a sustainable finance strategy for the EU. The Report flags two urgent imperatives:
 - improving the contribution of finance to sustainable growth by funding society's long-term needs;
 - strengthening financial stability by incorporating environmental, social and governance (“**ESG**”) factors into investment decision-making
- The Report makes recommendations to enable the EU to meet its targets under the Paris Agreement and goals of the 2030 Agenda for Sustainable Development
 - It estimated that €180 billion of additional investments are needed per year to meet emissions targets

EU Strategy on Sustainable Finance

The Strategy's aim is to transform the EU's economy into a greener, more resilient system to reduce the EU's environmental footprint and boost competitiveness by improving efficiency of production and reducing costs of resources.

- Establish and maintain a common sustainability taxonomy at the EU level and develop European sustainability standards and labels

The Report's set of key recommendations are:

- Foster transparency and long-termism in financial and economic activity by:
 - moving focus away from short-term performance (as investments into environmental and social objectives require a long-term orientation)
 - upgrading disclosure rules to make sustainability risks fully transparent, starting with climate change (the increased transparency allows investors to take better informed and more responsible investment decisions)
 - promoting a retail strategy on sustainable finance which includes:
 - investment advice;
 - ecolabelling;
 - socially responsible investment minimum standards

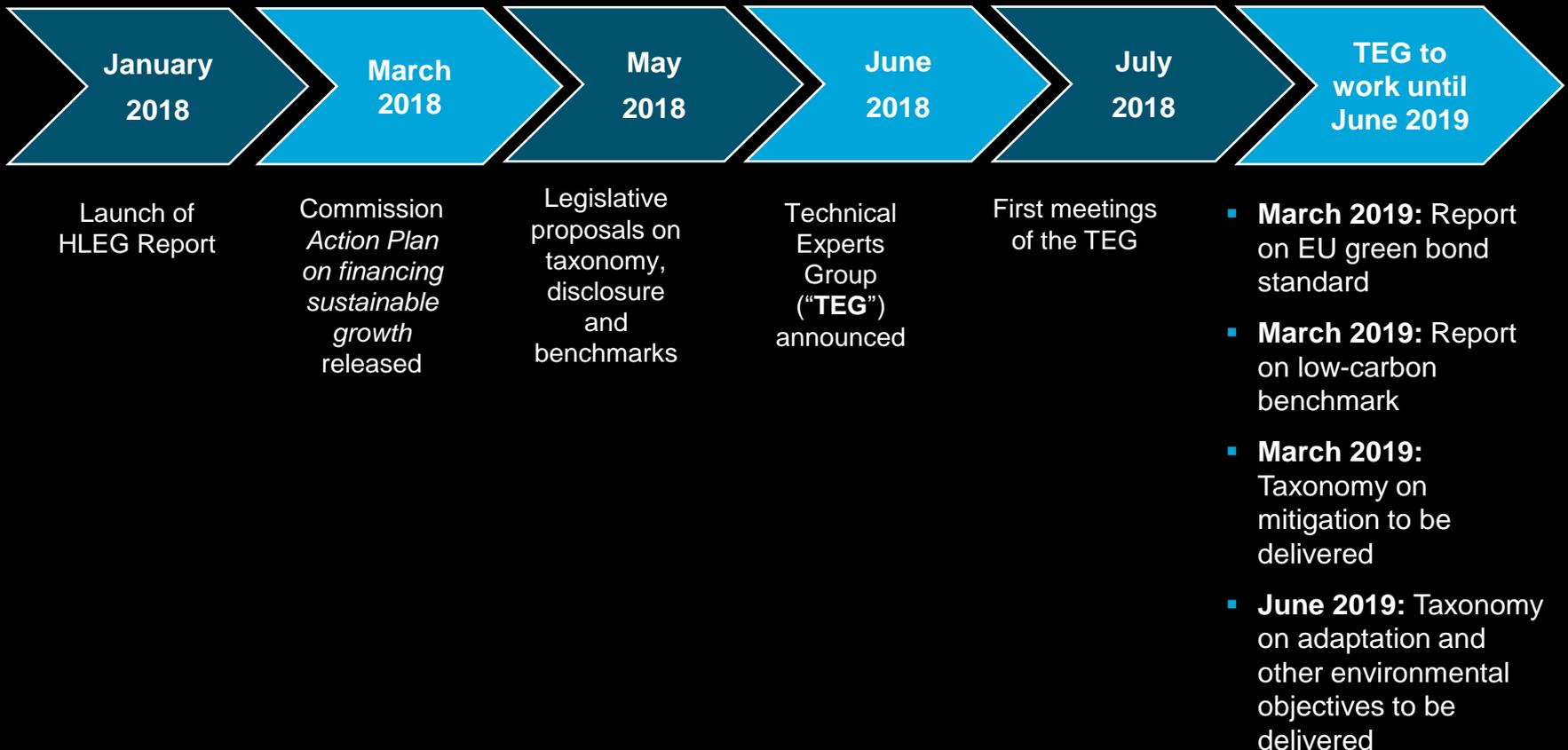
EU's Legislative Proposals on Taxonomy, Disclosure and Benchmarks - May 2018

	What is it about?	Who will be Affected and how?	What happens next?
A unified EU classification system ('taxonomy')	Setting harmonised criteria to determine whether an economic activity is environmentally sustainable	Investors will know which economic activities are considered environmentally sustainable, which will facilitate investments in sustainable assets	European Parliament and Council to agree on the proposal Specific activities will be identified in Delegated Acts to be adopted between end-2019 and mid-2022, with entry into force six months after the adoption, e.g. for climate change, water and marine resources, circular economy
Clear guidance for investors	More consistency and clarity on how ESG risks become part of investment decisions and advice to investors	Asset managers, institutional investors, insurance distributors and investment advisors will have clear guidance on how to integrate ESG risks in their investment decision-making and advisory process	Requirements will be specified through Delegated Acts to be adopted in 2019
More transparency	Financial institutions will have to disclose how they integrate ESG risks in their investment decision-making and advisory process Asset managers and institutional investors offering products or services marketed as sustainable will have to disclose how they achieve their sustainability targets	Institutional investors, asset managers and investment advisors Asset managers and institutional investors offering products and services targeting sustainable investments Investors will be able to make informed investment decisions	European Parliament and Council to agree on the proposal Delegated Acts will further specify presentation and content of the information

EU's Legislative Proposals on Taxonomy, Disclosure and Benchmarks (cont'd)

	What is it about?	Who will be Affected and how?	What happens next?
Benchmarks	<p>'Low carbon' and 'positive carbon impact' benchmarks will make it possible to assess investment portfolios against climate targets</p> <p>Benchmarks providers will have to disclose how their methodology takes into account ESG factors</p>	<p>Providers will have to respect minimum EU standards for methodologies when developing benchmarks</p> <p>Users of this type of benchmarks will be certain of their validity</p>	<p>European Parliament and Council to agree on the proposal</p> <p>Delegated Acts to the Benchmark Regulation (“BMR”) will specify the minimum standards and the minimum content of the disclosure requirements</p>
Tailoring products to consumers' needs	<p>Retail investors will be asked about their preferences as regards sustainability</p>	<p>Investment firms and insurance distributors will have to take into account their clients' preferences as regards sustainability when advising them</p>	<p>Public consultation on amendments to Delegated Acts MiFID II and Insurance Distribution Directive have been recently published</p> <p>Amendments to Delegated Acts to be adopted subsequently</p> <p>ESMA to include provisions on sustainability preferences in its guidelines on the suitability assessment by Q4 2018</p>

Timeline



Questions?

