What are the challenges to be addressed to further attract private capital?

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SEB’s sustainability milestones

1995
First Environmental Manager appointed at SEB. Employee engagement through training.

1997
Start of co-operation with Mentor.

2004
SEB signs PRI, Principles for Responsible Investment, supported by the UN.

2007
SEB signs the Equator Principles

2008
The World Bank together with SEB issues the first World Bank Green Bond.

2013
SEB assisted issuing the first green bond by a municipality.

2014
The Green Bond Principles (GBP) are launched by SEB together with 12 other banks.

2015
SEB starts working towards the UN Sustainable Development Goals.

2017
SEB issues its first own green bond.

2018
SEB launches green mortgages for retail clients.

2019
SEB signs the UNEP FI Principles for Responsible Banking

2020
SEB is sole structure advisor to the Swedish government in the inaugural Swedish sovereign green bond.

2021
SEB forms the Greentech Venture Capital for investments in green technology.

2022
SEB is founding signatory of Net-Zero Banking Alliance

SEB assisted issuing the first green bond by a municipality.

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SEB signs PRI, Principles for Responsible Investment, supported by the UN.

The World Bank together with SEB issues the first World Bank Green Bond.

The Green Bond Principles (GBP) are launched by SEB together with 12 other banks.

SEB starts working towards the UN Sustainable Development Goals.

SEB issues its first own green bond.

In collaboration with the UN, SEB launches a public e-learning platform for sustainable finance.

SEB helped Mercedes-Benz establish a sustainability-linked loan on the market.

SEB forms the Greentech Venture Capital for investments in green technology.

SEB is sole structure advisor to the Swedish government in the inaugural Swedish sovereign green bond.

SEB is founding signatory of Net-Zero Banking Alliance

SEB presents updated sustainability strategy
The private sector landscape

The “Spectrum of Capital”

Investment approach
- Traditional investing
- Responsible investing
- Sustainable investing
- Impact-driven investing
- Philanthropy

Financial goals
- Deliver competitive risk-adjusted return
- Tolerate higher risk
- Tolerate below market returns
- Partial capital preservation
- Accept full capital of loss

Impact goals
- Mitigating Environmental, Social and Governance related risks
- Pursuing Environmental, Social and Governance related opportunities
- Focusing on high-impact measurable solutions

Focus
- Limited to no regard for Environmental, Social or Governance (ESG) practices
- Mitigation of risky ESG practices in order to preserve value
- Adoption of progressive ESG practices in order to enhance value
- Address societal challenge(s) that generate competitive financial returns for investors
- Address societal challenge(s) which may generate a below-market financial return for investors
- Address societal challenge(s) which may generate a below-market financial return for investors
- Address societal challenge(s) that cannot generate a financial return for investors

Common features for giving comfort to investors
- Investment mandate -> portfolio manager held accountable for investment decision
- Need for storytelling and motivation for each investment decision
  - Bridge the knowledge gap
  - Bridge the distance gap
- Are the associated risks addressed?
  - Financial risks
  - Reputational risks

Source: SEB, ESMA, Bridges Fund Management "The Bridges Spectrum of Capital) and G8 Social Investment Taskforce
Schematic illustration of a potential financing structure

How to provide comfort to investors and attract private capital

Step-by-step:

1. Sponsor/NGO/ Development Agency provides technical assistance to the River Basin Organisation (RBO) for steps (2) and (3)
2. The RBO and Partners develops a joint investment plan
3. The RBO creates a Special Purpose Vehicle (SPV) for the implementation of the financing of the plan
4. Bank takes on the task as lead arranger for the structuring of the financing instrument finding the optimal price-risk return features for the bond
   - Market sounding
   - Credit enhancement
   - Finding the right investors
5. The SPV issues the Bond
6. The SPV manages and implements the projects under the joint investment plan from the bond proceeds
7. The SPV repays interest and principal to investors through the cashflow of the underlying projects

Protocols needs to be in place to provide comfort to investors

- Assessment & approval of underlying assets and the soundness of RBO legal and institutional framework
- Development of the Impact Framework and systems for monitoring and reporting
- Third party verifications where relevant for credibility
Thankyou!