

# 2019

## NIB Environmental Bond Report



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# About NIB

The Nordic Investment Bank (NIB) finances projects that improve productivity and benefit the environment of the Nordic and Baltic countries. The Bank offers long-term loans and guarantees on competitive market terms to clients in the private and public sectors.

**N**IB is an international financial institution owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. NIB has lending operations both within and outside its member countries.

The Bank acquires the funds for its lending by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating of AAA/Aaa.

Since 2011, NIB has raised funds for part of its environmental lending through issuing NIB Environmental Bonds (NEBs). NIB issues NEBs to attract investors who particularly want to finance projects that benefit the environment. As the leading Nordic green bond issuer, we have a strong interest in participating in setting the standards for environmental financing.

**NIB's bonds enjoy the highest possible credit rating (AAA/Aaa).**



# Impact of NIB Environmental Bonds in 2019

Prorated to NIB's share of financing

## ENVIRONMENTAL BOND

**60,500 m<sup>2</sup>**  
certified green building  
area (BREEAM Excellent,  
LEED Platinum)

**57,000 t/a**  
reduced GHG  
emissions

**32 GWh/a**  
energy savings

**320 MW**  
added renewable energy  
transmission capacity

**118 GWh/a**  
added renewable  
energy

## NORDIC-BALTIC BLUE BOND

**6** upgraded  
wastewater  
treatment projects

**1** new  
wastewater  
treatment plant

**1** flood  
prevention  
project

**346,000 PE\***  
in added wastewater  
treatment capacity,  
and reduced discharges  
of nutrients into the  
Baltic Sea

\*PE = population equivalent

Project-specific impact data and NIB's methodology for assessing impact is published on our website: [https://www.nib.int/investors/environmental\\_bonds](https://www.nib.int/investors/environmental_bonds)

# Treasurer's review

In 2019, NIB issued its inaugural Nordic-Baltic Blue Bond to address water-related challenges in our member countries. Throughout the year, the Bank remained engaged in several external initiatives and innovations promoting sustainable finance. NIB has also focused on ensuring that its own internal operations are sustainable.

**N**IB issued NIB Environmental Bonds (NEBs) equivalent to EUR 693 million in 2019. The amount is up from the previous year [EUR 500 million in 2018]. Globally, the green bond market has also grown at a faster pace than last year, reaching a total issue in excess of EUR 235 billion [EUR 150 billion in 2018]. The positive trend was particularly notable in the Nordics.

We issued a seven-year, EUR 500 million NIB Environmental Bond this year. This is the fifth time the Bank has issued a EUR 500 million NEB. The total bond issuance under the Bank's Environmental Bond Framework since 2011 now stands at a total of EUR 4.2 billion, and NIB remains the largest Nordic issuer of green bonds.

As part of its environmental financing, NIB has been actively participating in the protection of the Baltic Sea for decades. We issued our first Nordic-Baltic Blue Bond to enable investors to target projects addressing the water-related challenges we face due to climate change and discharges into the waters that surround us. The five-year, SEK 2 billion Blue Bond was issued under the NIB Environmental Bond Framework. All eligible projects are within the Water Management and Protection category.



**“In 2019, we issued our first Nordic-Baltic Blue Bond to address water-related challenges in our region.”**

## 2019 was a year of regulation and innovation. New concepts emerged within sustainable finance.

### ENGAGED IN DEVELOPING SUSTAINABLE FINANCE

During the year, NIB also participated in several consultations initiated by the EU Technical Expert Group on Sustainable Finance. In late 2019, regulation on the EU taxonomy for sustainable activities was approved. Taxonomy regulation is needed to safeguard integrity and efficiency, and to lower costs in the fast-growing sustainable finance sector. With regulation catching up, the market also took some innovative steps, and the concept of transition finance and sustainability-linked bonds emerged.

NIB acted as chair of the Green Bond Principles (GBP) Executive Committee and continued to be engaged in various working groups, such as the impact reporting group. The GBP's Executive Committee decided to establish two working groups to address the newly emerged transition finance and sustainability-linked bonds. NIB is a member of both these working groups.

NIB also joined the Network for Greening the Financial System (NGFS) as an observer. The Network is composed of central banks and financial supervisors. Its purpose is to help strengthen the global response required to meet the goals

of the Paris Agreement, to strengthen the financial system in managing risks that evolve from climate change, and to mobilise more capital for green and low-carbon investments.

Further, NIB and Japan's Government Pension Investment Fund (GPIF) launched a joint collaboration to promote the integration of environmental, social and governance (ESG) considerations in investment decisions and the growth of sustainable finance markets.

NIB supports the increase of transparency in the green, social and sustainability bond market, and hence was appointed as a member of Nasdaq's Advisory Board for its Sustainable Bond Network, which is a global, publicly available web-based platform designed to improve transparency in the market.

In 2019, the Bank's Treasury became a signatory to the Principles for Responsible Investment (PRI), and NIB signed the Principles for Responsible Banking (PRB), aligning its lending operations with the goals of the Paris Agreement and the UN Sustainable Development Goals.

### WALK THE TALK

NIB recognises that in order to remain a respected sustainable financier, it also needs to look inward and ensure that it acts accordingly in its own operations. In 2019, NIB established an Internal Sustainability Council, which aims to strengthen the Bank's agenda for internal sustainability management. As an immediate step, NIB has decided to become a carbon-neutral organisation and will emphasise the reduction of its carbon-footprint. The net CO<sub>2</sub> emissions for 2019 will be retrospectively offset together with the emissions from 2018.

Economic growth, sustainability and social considerations are an integral part of NIB's financing. To strengthen NIB's ability to understand and promote these complex systemic transitions, the Bank continues to integrate ESG risk factors

into its operations and risk assessments. As part of this journey, the Bank has signed up for the Task Force on Climate-related Financial Disclosures (TCFD).

NIB reports annually on allocated proceeds and the impact of projects financed by environmental bonds, based on ex-ante assessment. Going forward, the Bank will conduct an ex-post assessment to determine how well the projects have delivered on the expected impact according to predefined indicators. You can view [NIB's ex-post mandate assessment framework](#) on our website and read more about it in this report.

## Walk the talk

We have decided to become a carbon-neutral organisation

## Climate risks

NIB signed up for the TCFD

# Total NEB issuance in 2019

In 2019, the total amount of NEB issuance reached EUR 693 million, which is up from the previous year [EUR 500 million in 2018].

NIB's Environmental Bond Framework, which was last reviewed in 2018, allows for financing projects that belong to one or more of the defined eligible project categories. During the year, the Bank issued its inaugural Nordic-Baltic Blue

Bond. The five-year, SEK 2 billion bond is financing projects in the Water Management and Protection category in the Nordic-Baltic region. More information on the bond and the projects it finances are available on NIB's website ([see the news](#) and [press release](#)).

A seven-year, EUR 500 million Environmental Bond was also issued. This was the fifth year in a row the Bank issued a

EUR 500 million benchmark bond under its NEB framework ([see the news](#) and [press release](#)). The proceeds of the bond will be used for financing selected loans belonging to several project categories.

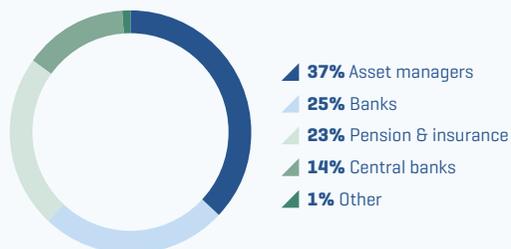
NIB's total issuance of NIB Environmental Bonds from 2011-2019 now stands at EUR 4.2 billion. For more information on all NEB transactions, please [visit our website](#).

## NIB ENVIRONMENTAL BOND ISSUANCE 2019

	Currency	Amount in millions	Coupon	ISIN	Value date	Maturity date
Nordic-Baltic Blue Bond	SEK	2,000	0,375%	XS1943607975	01 February 2019	01 February 2024
Environmental Bond	EUR	500	0,000%	XS2055786763	25 September 2019	25 September 2026

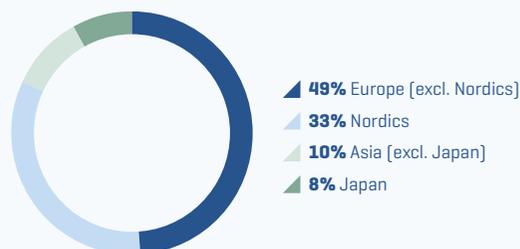
### NEB INVESTORS 2019

%, by investor type



### NEB INVESTORS 2019

%, by geographical region



### NIB ENVIRONMENTAL BOND FRAMEWORK

Project categories:

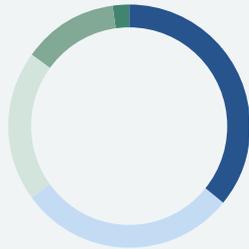
- ▼ Energy efficiency
- ▼ Renewable energy generation
- ▼ Transmission, distribution and storage systems
- ▼ Clean transport solutions
- ▼ **Water management and protection**
- ▼ Resources and waste management systems
- ▼ Green buildings

Graphs include all projects financed under the NEB Framework in 2019. The NEB Framework covers both Environmental Bonds and Nordic-Baltic Blue Bonds. Visit NIB's website for [a list of all NEB issues](#).

**ENVIRONMENTAL BOND**

**ENVIRONMENTAL BOND INVESTORS 2019**

%, by investor type



- ▲ 36% Asset managers
- ▲ 29% Banks
- ▲ 20% Central banks
- ▲ 13% Pension & insurance
- ▲ 2% Other

**ENVIRONMENTAL BOND INVESTORS 2019**

%, by geographical region



- ▲ 67% Europe [excl. Nordics]
- ▲ 14% Asia [excl. Japan]
- ▲ 10% Japan
- ▲ 9% Nordics



Sep 2019

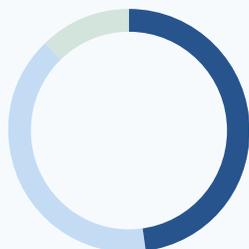
**EUR 500mn**

0.000% Environmental Bond  
due Sep 2026

**NORDIC-BALTIC BLUE BOND**

**NORDIC-BALTIC BLUE BOND INVESTORS 2019**

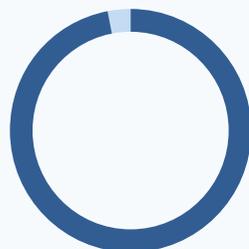
%, by investor type



- ▲ 48% Pension & insurance
- ▲ 40% Asset managers
- ▲ 12% Banks

**NORDIC-BALTIC BLUE BOND INVESTORS 2019**

%, by geographical region



- ▲ 97% Nordics
- ▲ 3% Europe [excl. Nordics]



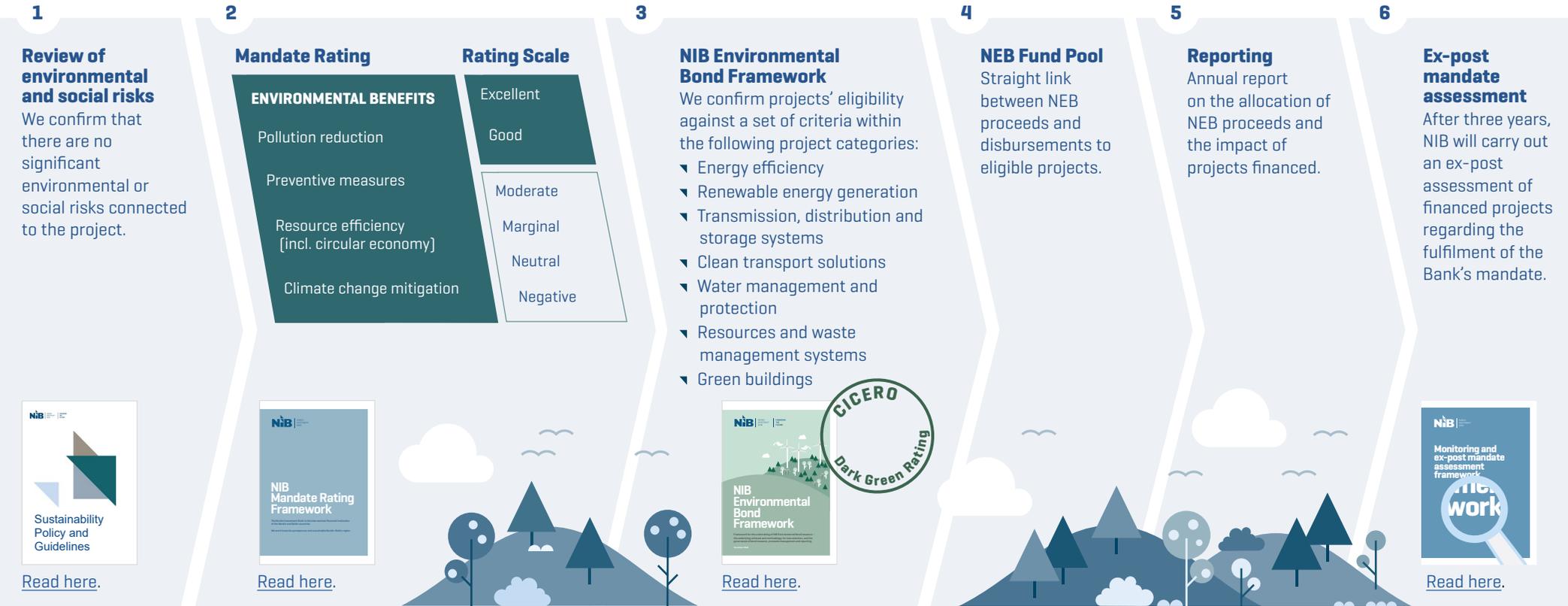
Jan 2019

**SEK 2.0bn**

0.375% Nordic-Baltic  
Blue Bond due Jan 2024

# NiB Environmental Bonds

## PROJECT SELECTION PROCESS OVERVIEW



# Projects financed by NEB proceeds in 2019

During 2019, NIB financed fifteen projects with Environmental Bond proceeds equivalent to EUR 460 million. Fourteen of these projects received their first Environmental Bond funding in 2019. The projects financed fell into the following categories [some projects are divided into sub-projects and belong to several categories]:

## GREEN BUILDINGS AND ENERGY EFFICIENCY MEASURES

In 2019, NIB financed three green building projects with a total of EUR 263 million. Green buildings are properties with reduced negative impacts on the climate and the environment due the way they are built and operated, and are considered eligible for NEB funding if they are certified according to either LEED Platinum or BREEAM Excellent or Outstanding.

Prorated to NIB's current share of financing, the eligible projects include a combined certified building area of approximately 60,500 square metres. One of these projects — Entra's green building development in Oslo and Trondheim — is presented as a case study in this report.

In addition to green buildings, a total of EUR 66 million of NEB funds was allocated to three projects that improve energy efficiency in buildings. Prorated to NIB's current share of financing, the energy savings connected to these projects are approximately 32 GWh per year. One of the energy efficiency investments — the renovation of Maxima grocery stores in the Baltics — is also presented as a case study in this report.

## CLEAN TRANSPORT SOLUTIONS

A total of EUR 79 million in NEB funds were allocated to five clean transport projects in 2019. All of the projects involve the electrification of different transportation modes, including road, rail and water transport.

## RENEWABLE ENERGY GENERATION AND TRANSMISSION

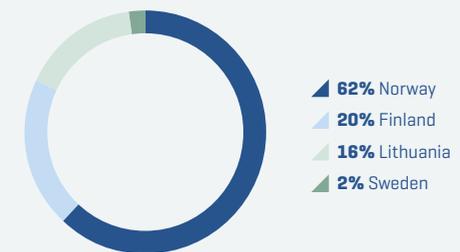
Two Norwegian hydropower projects received a total of EUR 45 million of NEB funds in 2019. Prorated to NIB's current share of financing, the hydropower projects generate 92 GWh of renewable electricity annually. In addition, EUR 5.6 million of NEB funds financed two transmission and distribution projects. These projects result in increased transfer capacity of 320 MW and the recovery of 15 GWh per year of waste heat from industry. Overall, these energy-related projects are, prorated to NIB's share of financing, estimated to result in approximately 38,000 tons per year of avoided GHG emissions.

## RESOURCES AND WASTE MANAGEMENT

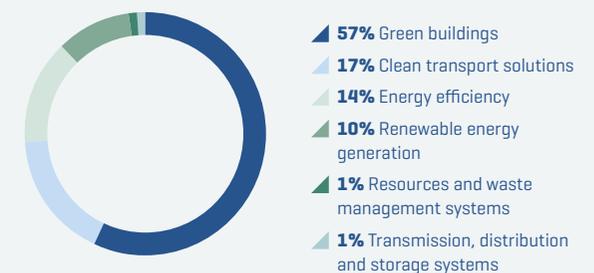
The remaining part of the NEB funds of 2019, a total of EUR 2.6 million, was allocated to projects in waste management, resulting in increased recycling and recovery of energy from waste in the form of biogas.

### ENVIRONMENTAL BOND

#### ENVIRONMENTAL BOND-FINANCED PROJECTS IN 2019 %, projects by country



#### ENVIRONMENTAL BOND-FINANCED PROJECTS IN 2019 %, projects by NEB category





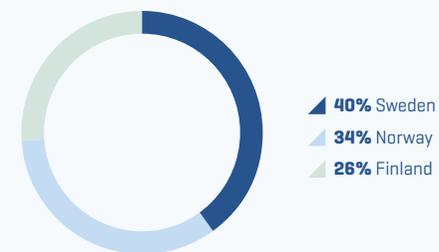
On 1 February 2019, NIB listed its inaugural Nordic-Baltic Blue Bond for water management and protection on Nasdaq Stockholm. Photo: Nasdaq.

#### NORDIC-BALTIC BLUE BOND

#### PROJECTS FINANCED BY THE NORDIC-BALTIC BLUE BOND PROCEEDS IN 2019

Proceeds from the Nordic-Baltic Blue Bond have been allocated to eight projects, amounting to a total of EUR 182 million. Of the 2019 blue bond disbursements, 40% went to projects in Sweden, 34% in Norway and 26% in Finland. All of the financed projects are connected to improving wastewater treatment. The outcome of the projects, prorated to NIB's share of financing, include added wastewater treatment capacity of 346,000 population equivalents.

#### NORDIC-BALTIC BLUE BOND-FINANCED PROJECTS %, projects by country



# Investments for the protection of the Baltic Sea



*Johan Ljungberg*  
Chief Environmental Analyst

**N**IB has been contributing to the protection of the Baltic Sea for decades. In the past fifteen years, the Bank's financing for projects with positive effects on the marine environment and the quality of surface and groundwater has totalled around EUR 2 billion.

Investments in wastewater treatment are a necessity for sustainable cities and for protecting natural resources. The limits of existing infrastructure are restricting further urbanisation and economic development of growth areas. Climate change and the growing risk of flooding are also increasing the pressure on existing infrastructure. NIB continues to invest in new capacity and upgrading of facilities around the Baltic Sea. An example of this is the upgrade of the Kakolanmäki wastewater treatment plant (WWTP) in Turku.

Protecting water resources requires a collaborative approach. Among the most important projects financed by NIB are the completions of a wastewater treatment plant and a 12-kilometre sewage collector tunnel in St Petersburg, once one of the largest pollution hot spots in the Baltic Sea region. The NIB-financed project completed the city's decades-long efforts to reduce discharges of untreated effluent into the Baltic Sea.

Since the early 2000s, NIB has provided more than EUR 100 million for projects to upgrade wastewater treatment in Northwest Russia. The Bank has also financed investments in discharge cleaning projects in Lithuania, Estonia, Poland and Belarus.

Efforts in Belarus have now paid off, and Brest recently inaugurated its newly refurbished WWTP, reducing discharges into the Baltic Sea. NIB and its partners continue to push for the completion of the other important Belarusian WWTP project in Grodno.

NIB intends to continue and intensify its efforts towards a cleaner and smarter water management infrastructure in the Nordic-Baltic region, contributing to the objectives outlined by the HELCOM Baltic Sea Action Plan and the EU Marine Strategy Framework Directive.

The Nordic-Baltic Blue Bond issued in 2019 is another tool for NIB to support selected projects that protect the water resources in the Nordics and Baltics.

## CASE STUDY: TURUN SEUDUN PUHDISTAMO OY

Upgrade of the Kakolanmäki wastewater treatment plant in Turku, Finland

**Amount disbursed:** EUR 15 million

**NEB eligibility:** 100%, Blue Bond project

**Maturity:** 2048

[Read more about the project on NIB's website.](#)

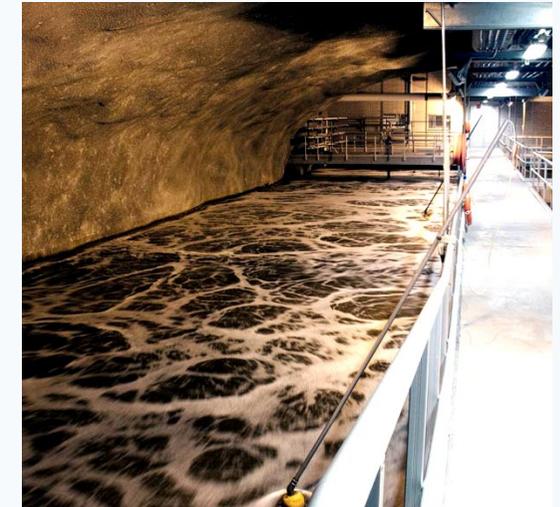


Photo: Turun seudun puhdistamo Oy

# Green building standards as an evaluation tool



*Lena Korkea-aho*  
Senior Environmental Analyst



*Magnus Andersson*  
Senior Environmental Analyst

**B**uildings account for around 40% of final energy demand and 36% of CO<sub>2</sub> emissions in the European Union.<sup>1</sup> In addition, buildings also generate a number of other environmental impacts in terms of waste generation, material and water use. Thus, the sector has great potential for reducing greenhouse gas emissions and improved sustainability performance.

The benefits of green real estate include reduced use of water, energy and natural resources. Green buildings can also generate their own renewable energy or create urban green areas, helping to preserve biodiversity.

Today, a common way of assessing the sustainability of buildings is the application of green building standards. These standards typically consider relevant environmental criteria beyond legal requirements and include third-party verification.

As a number of different standards are applied in NIB's member countries, the Bank conducted a study to assess the differences between the various certification in 2018. Based on the results, NIB concluded that in order to use NEB proceeds for financing buildings, only the highest levels of BREEAM and LEED can be accepted.

The main benefit of these international standards is that they provide a wider scope compared to national voluntary standards and energy-focused standards.

## IS IT WORTH WALKING THE EXTRA MILE?

The most commonly used argument against green building certifications is the additional work they imply and their associated costs. However, external studies<sup>2</sup> and NIB's own experience show that there are several good examples of certification leading to a stronger business case for the investment.

Green building certification requires a focus on sustainability aspects already in the planning phase of the construction, thus reductions in lifecycle costs (for example in energy use or waste production) can be achieved. Certification can also result in

increased asset value through higher rental and sales prices or by preserving or increasing the property value.

In addition, many tenants with green profiles are only interested in green buildings and are willing to pay extra for that. Such properties can contribute to increased workplace productivity and a better experience for building users due to factors such as better acoustics, indoor air quality, thermal comfort and lighting. In general, green buildings are more flexible for tenant adaptation, which implies cheaper and smaller environmental impacts when needs change.

## WHAT IS COMING NEXT?

Approximately 15% of lifecycle CO<sub>2</sub> emissions from buildings in the EU are attributable to embedded carbon in materials and the construction phase. In countries where electricity and heating systems are already low-carbon – as is the case in many of NIB's member countries – building materials account for up to half of the total CO<sub>2</sub> footprint of buildings<sup>3,4</sup>.

<sup>1</sup> European Commission [2018]. The Energy Performance of Buildings Directive. <https://ec.europa.eu/energy/en/content/factsheet-energy-performance-buildings-directive>

<sup>2</sup> World Green Building Council [2013]. The Business Case for Green Building: A Review of the Costs and Benefits for Developers, Investors and Occupants.

<sup>3</sup> Material Economics [2018]. The Circular Economy – A Powerful Force for Climate Mitigation

<sup>4</sup> IVA [2014]. Klimatpåverkan från byggprocessen.

In the future, construction needs are likely to increase, as almost half of the urban infrastructure that will be needed by the year 2050 does not yet exist<sup>5</sup>. Given the long lifetime of buildings, decisions made today have long-term consequences and should be focused on efforts to reduce negative impacts and support sustainable infrastructure.

Although green building certifications consider the construction phase to a certain extent, the focus is mainly on the environmental impact of buildings during their use phase. As the importance of embedded carbon in construction becomes more understood, increased focus will be needed on the lifecycle assessment of the environmental impacts from buildings.

Furthermore, circular solutions for the reuse of construction materials in connection with the refurbishment or demolition of buildings need to be developed, such as platforms for the reuse of functional equipment and material.

A likely development is that the number of climate-neutral buildings will increase. In addition to being energy-efficient, the buildings are expected to fully cover their operational energy needs with carbon-free renewables, which are preferably produced on-site. There are ambitions to further develop this into a requirement to compensate for carbon embodied in the construction materials. Examples of such developments are seen in initiatives of the World Green Building Council and the EU.

<sup>5</sup> IRP. 2018. The Weight of Cities: Resource Requirements of Future Urbanization. A Report by the International Resource Panel. United Nations Environment Programme, Nairobi, Kenya.

## CASE STUDY: MAXIMA LT, UAB

The refurbishment of 31 grocery stores in Lithuania, Latvia and Estonia aims to increase the buildings' energy efficiency by improving refrigeration and cooling systems, and by installing energy-saving lighting and solar panels.

**Amount disbursed:** EUR 52 million  
**NEB eligibility:** 100% under Energy Efficiency  
**Maturity:** 2029

[Read more about the project on NIB's website.](#)



Photo: Maxima LT, UAB

## CASE STUDY: ENTRA ASA

Construction of three BREEAM-NOR Excellent certified office buildings in Norway.

**Amount disbursed:** EUR 156 million  
**NEB eligibility:** 100% under Green Buildings  
**Maturity:** 2027

[Read more about the project on NIB's website.](#)



A new BREEAM-NOR Excellent certified building in Tullinkvartalet, Oslo. Illustration: Entra ASA

# Ex-post assessment



Marina Unnerus  
Senior Economist

**Ex-post assessments provide information on how well NIB is fulfilling its role as a sustainable financier.**

**A**s a mission-driven bank, NIB assesses all projects considered for financing for their potential impact on productivity and the environment. Projects are rated according to the Bank's mandate rating system on a scale ranging from "negative" to "excellent".

In 2016, NIB introduced an ex-post assessment procedure for completed projects to follow up on how well the investments have delivered on their expected outcomes.

Already when initiating the discussion on financing with a client, NIB identifies and considers the potential outcomes connected to a project. Predefined indicators are set out in the project documentation to measure the expected impact, which also supports the monitoring process later on.

The Bank carries out the ex-post assessment when the project has reached operating maturity – approximately three years after completion – to allow for a meaningful evaluation. For further details on the ex-post assessment process, please see [the publicly available framework on NIB's website](#).

NIB pays particular attention to a project's fulfilment of the NIB Environmental Bond (NEB) eligibility criteria and its anticipated environmental impact. If the outcome of a project substantially deviates from the ex-ante assessment, according to the NEB framework, NIB has the right to remove the loan from its NEB fund pool.

In addition to measuring the direct productivity gains and environmental benefits of a project, the findings of the ex-post assessments also provide information on how well NIB is fulfilling its role as a sustainable financier. This also concerns investments that have wider, positive effects on the economies and the environment of NIB's member countries and that support the green transition through technological change, digitalisation and climate change adaptation.

# NEB issuance and projects financed 2011-2019

## NIB ENVIRONMENTAL BOND ISSUANCE 2011-2019

NIB has brought Environmental Bonds to the market every year since 2011. By the end of 2019, the Bank had issued a total of EUR 4.2 billion in NEBs.

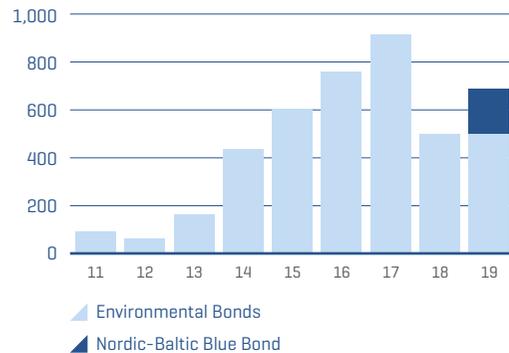
**Total issuance:** EUR 4.2 billion (EUR 4.0 billion in Environmental Bonds & EUR 0.2 billion in Blue Bonds)

**Number of bonds issued:** 21

**Number of currencies:** 6

## NIB ENVIRONMENTAL BOND ISSUANCE 2011-2019

in EURm



## PROJECTS FINANCED 2011-2019

By end of 2019, NIB has financed a total of 82 projects with NEB proceeds. Of these projects, 74 were financed with Environmental Bonds for a total of EUR 4.0 billion. Eight projects were financed with Blue Bonds for a total of EUR 182 million.

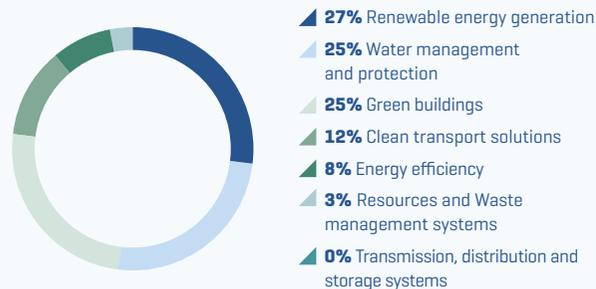
## NEB-FINANCED PROJECTS 2011-2019

in EURm



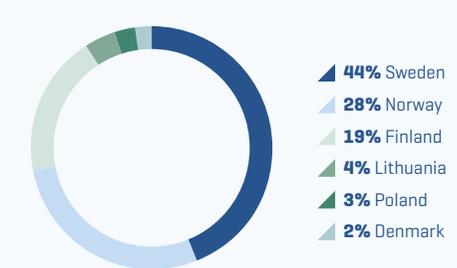
## NEB-FINANCED PROJECTS 2011-2019

%, projects by NEB category



## NEB-FINANCED PROJECTS 2011-2019

%, by country



Graphs include all projects financed under the NEB Framework, which covers both Environmental Bonds and Blue Bonds. Visit NIB's website for [a list of all NEB-financed projects](#).

# Impact of NEB-financed projects 2011-2019

Prorated to NIB's share of financing

1.1 million t/a  
in GHG savings  
(tCO<sub>2</sub>eq/a)

**Renewable energy capacity =**  
300 onshore wind turbines

**Renewable energy =**  
the annual energy need of  
120,000 single-family houses

**GHG savings =**  
the annual carbon footprint  
of 115,000 people in NIB's  
member countries

**Wastewater treatment capacity =**  
the treatment needs of  
a city the size of Helsinki

Project-specific impact data and NIB's methodology for assessing impact are published on our website: [https://www.nib.int/investors/environmental\\_bonds](https://www.nib.int/investors/environmental_bonds)



**Renewable energy**  
830 MW installed capacity,  
2,200 GWh/a in renewable energy  
(42% bioenergy, 34% hydro, 24% wind)



**Transmission, distribution and storage**  
320 MW installed capacity,  
15 GWh/a recovered waste heat



**Green buildings**  
246,000 sqm certified BREEAM  
Excellent/LEED Platinum,  
350 MWh/a renewable energy



**Water management and protection**  
1 million PE\* wastewater  
treatment capacity  
(including Nordic-Baltic  
Blue Bond projects)  
\*PE = population equivalent



**Resources and waste management**  
600 GWh/a waste-to-energy  
(32% electricity, 68% thermal energy)



**Clean transports**  
1,700 MWh/a saved



**Energy efficiency**  
58 GWh/a saved

# NIB and sustainable finance



*Luca De Lorenzo*  
*Head of Sustainability and Mandate*



*Tiina Salonen*  
*Senior Environmental Analyst*

**S**ustainable finance has maintained a strong momentum in 2019. The labelled bond market continued to enjoy double-digit growth; investments with environmental, social and governance (ESG)-criteria rose globally; and innovative sustainability-linked products have started to come to the market. This wave found further strength in public and political developments, such as Greta Thunberg being named Person of the Year and the EU's European Green New Deal proposal. The market continues to self-govern, based on increasing clarification of green and transparency commitments. However, regulations seem to be catching up and could possibly be around the corner for Europe.

The word "transition" has emerged strongly in the sustainable finance discourse during 2019. While there was a push for an official definition of green solutions, there was also a realisation that we need to bring along and transition entire sectors of our economies, including the ones that are currently relying on "brown" solutions. The social consequences of these changes have also become more apparent.

NIB's long-term focus on sustainable growth is testament to this thinking. NIB promotes improvements to productivity and the environment, with economic growth, sustainability and social considerations as integral parts of its financing.

Increasingly, ESG factors are starting to be considered in the way businesses are run and financed. Every company affects the environment in which it operates. It interacts with a broad, diverse society and requires clear, transparent governance to steer itself. NIB continues to strengthen and systematise its ability to assess the underlying business models of its clients and to contextualise the projects it finances. This journey will continue throughout 2020 and feed into a revised NIB Sustainability Policy.

Throughout 2019, NIB remained engaged in several initiatives that promote sustainable finance. The Bank has actively participated in consultations by the EU Technical Expert Group on Sustainable Finance [TEG] and remains active as chair of the Green Bond Principles Executive Committee.

In November 2019, NIB joined the Network for Greening the Financial System [NGFS] as an observer. The Network

is composed of central banks and financial supervisors. Its purpose is to help strengthen the global response required to meet the goals of the Paris Agreement, to enhance the role of the financial system in managing risks, and to mobilise capital for green and low-carbon investments. The NGFS published its first comprehensive report, A Call for Action, on 17 April 2019.

In December 2019, NIB became a signatory to the Principles for Responsible Investment [PRI] for its treasury activities, a signatory to the Principles for Responsible Banking [PRB] for its lending operations and a signatory to the Task Force on Climate-related Financial Disclosures [TCFD]. These commitments are fully aligned with NIB's mandate and ambition to promote and embed sustainability and ESG factors into the core of financial operations.

NIB remains engaged in the broader environmental agenda, stressing the importance of water resources and the need to move away from linear economic models. In February 2019, NIB issued its inaugural Blue Bond to raise awareness and to allow investors to target projects that contribute to the protection of the Baltic and Nordic Seas. Further, NIB is collaborating in a Finnish-led consortium and has joined an ISO working group to further develop its understanding of circular economy models.

Finally, NIB recognises that in order to be a respected sustainable financier, it also needs to look inward and ensure that it acts accordingly in its own operations. In 2019, NIB established an Internal Sustainability Council. The Council aims

to strengthen NIB's sustainability agenda for its in-house operations. As an immediate step, NIB has decided to offset its own CO<sub>2</sub> emissions retrospectively from 2018.

## EU TAXONOMY AND GREEN BOND STANDARD ENGAGEMENT

The European Commission adopted the Action Plan on Financing Sustainable Growth in 2018. One of the proposed measures was to develop an EU classification system for environmentally sustainable economic activities ["taxonomy"]. The EU reached an agreement on the taxonomy at the end of 2019.

Utilising its extensive experience and competence in reviewing the sustainability of investments and issuance of green bonds, NIB has actively participated in the consultations on the EU taxonomy and the formulation of an EU Green Bond Standard [GBS]. Further, the Bank attended two working groups that provided expertise on the taxonomy development in the sectors Manufacturing and Transportation. An example of taxonomy-eligible water transport investment that represents green transformation in shipping are the hybrid electric ferries by Fjord1, for which NIB provided financing in 2019.

In general, NIB supports the EU taxonomy and the EU GBS, as they enhance transparency and harmonisation within green financing and help to safeguard the integrity of the market. Assessing the substantial contribution of investments to a defined environmental objective, while making sure that the investments will not cause significant harm to other environmental objectives, provides a good approach for analysing their environmental sustainability.

The taxonomy introduces a few new elements to sustainable finance: the use of the economic activity approach based on

NACE classifications, the eligibility of transitional activities, and the possibility to assess the eligibility of activities using either a revenue- or expenditure-based approach, depending on the financial product.

NIB welcomes the inclusion of transitional activities and the eligibility assessment based on a revenue approach. However, further work is required to clarify these concepts for various economic sectors and financial products. NIB sees the need to focus on bringing hard-to-change sectors in line with sustainability goals. The emergence of new financial products, such as sustainability-linked loans and bonds, represents an interesting innovation in this direction. These new products will require guidelines and transparency same as already-existing green financial products do. NIB is working within the Green Bond Principles to contribute to this process, and is a member of the newly established working groups "Sustainability-KPI linked bonds" and "Climate transition finance bonds".

The EU GBS build on the key principles established by the Green Bond Principles. New features comprise the linkage to the taxonomy, the mandatory verification of the green bond framework and allocation reporting through accredited third parties as well as mandatory impact reporting. We believe that the EU GBS provide an ambitious framework and their use can be encouraged, as long as they support the development and integrity of the broader green bond market.

To tackle climate change, green financing has to scale up worldwide. NIB emphasises the importance of swiftly establishing the sustainable finance platform to continue TEG's work on the development of the taxonomy and GBS, as the science, technology and policies evolve.

## CASE STUDY: FJORD1 ASA

Purchase of twelve hybrid-electric ferries that are to be deployed on three different ferry routes in Norway. The new ferries are designed to run on electricity and will be charged when docked. However, the vessels also have backup marine fuel oil power, which can be used if needed. The ferries are built to accommodate future engine changes and battery upgrades to prolong their operational life.

**Amount disbursed:** NOK 750 million

**NEB eligibility:** 100% under Clean transport solutions

**Maturity:** 2024

[Read more about the project on NIB's website.](#)



Photo: Havyard ASA, Fjord1 ASA

# Green Investor Event 2019

In September, NIB invited investors in the Bank's environmental bonds to get to know some of the projects they have helped to finance in Stockholm. The meeting included visits to Henriksdal, the world's largest underground wastewater treatment plant, and Vasakronan's green complex Sergelhuset, which is aiming to attain the highest LEED certification possible for sustainable buildings. This was the third Green Investor Event arranged by NIB's Funding team.

"As an issuer, we are committed to providing NIB's environmental investors with transparent information on the use of proceeds of our Environmental Bonds. And what better way to demonstrate how the funds have been used than by taking the investors to see the projects themselves", says Angela Brusas, Director, Funding & Investor Relations.

[Read more about the Green Investor event.](#)



**“What better way to show how the funds are being used than by taking the investors to see for themselves?”**

*Angela Brusas, Director, Funding & Investor Relations*



NIB's green investors visiting the Henriksdal wastewater treatment plant

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