

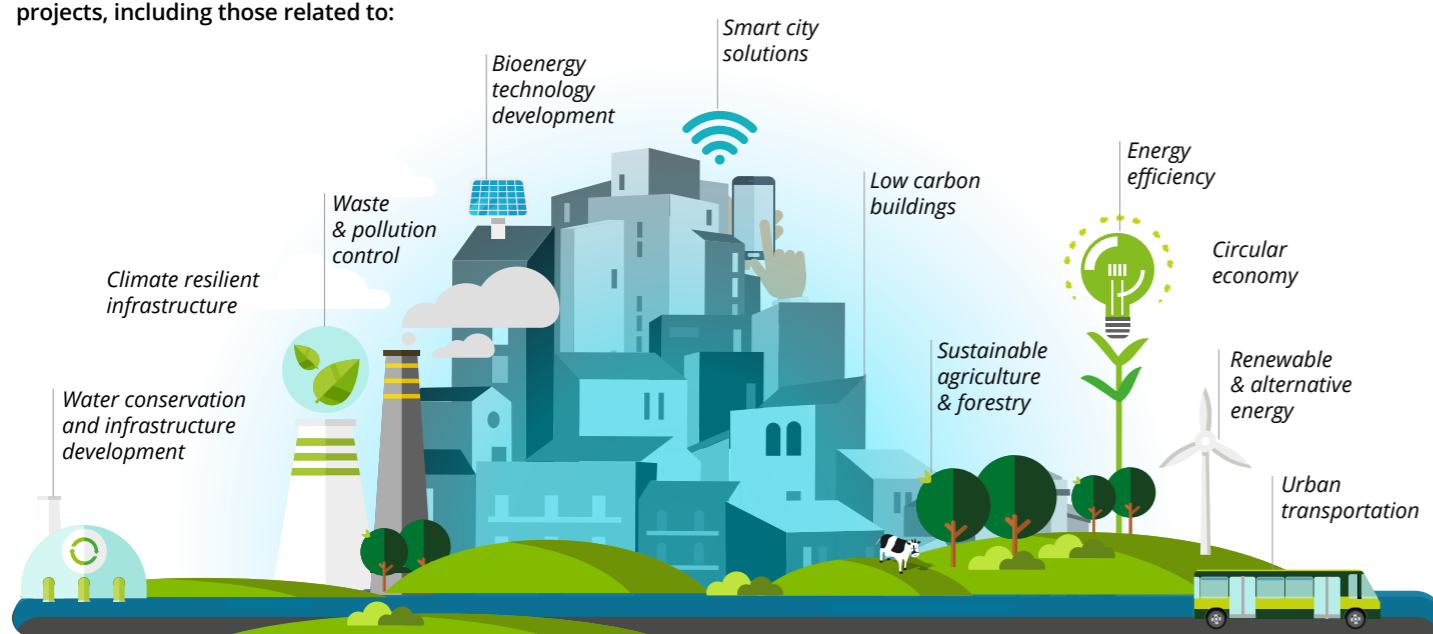


Green Bonds Issuance and Support Offering Deloitte Central Europe

Defining Green Bonds

Green Bonds function the same way as any other bonds, in that they are a fixed income issuance. However, their proceeds are allocated solely to financing new or existing projects with climate and environment-related objectives. Set standards for Green Bonds issuance make them a tool that directly promotes the development solutions, as issuers are obligated to use the proceeds from the bond issuance for project deemed environmentally beneficial. As with normal bonds, while the proceeds fund specific projects, the Green Bond's return is usually backed by the credit risk of the issuer as a whole.

Proceeds from Green Bonds can be utilized to fund various environmental projects, including those related to:



Why should you consider issuing Green Bonds?

Green Bonds Market Potential

- 01. The Global Green Bonds market was set to be worth **\$250 billion** by the end of 2018, a 60% growth from 2017. (Bloomberg estimates)
- 02. Bloomberg projections estimate that the global Green Bonds issuance will exceed **\$400 billion** by 2020.

- 03. Forthcoming EU legislation on sustainable finance ensures more investors will **shift towards green investments**.
- 04. Issuers are visibly becoming **more diverse**. More varied organizations from a wider set of countries are issuing Green Bonds.
- 05. Past issuances of Green Bonds have been **widely over-subscribed**, with demand greatly exceeding supply.

Who can issue Green Bonds?

Any organization with bonding authority may issue Green Bonds.

Whether you are a private company, financial institution, or a municipal government, funding environmental projects through Green Bonds may be of interest to you.

According to the Climate Bond Initiative, as of 2018, 145 entities in Europe have issued Green Bonds. These include:

Private companies

Non-financial corporations, particularly energy and utility companies, finance specific environmental projects through Green Bonds issuance. Such issuances allow investors to know their investments are going to green solutions, as companies issuing Green Bonds obligate themselves to ring-fence the proceeds to specific, previously-outlined projects.

Financial institutions

Commercial banks, investment banks, and development banks can all issue Green Bonds a way to diversify their offering and allow for greater reach to potential investors. Such issuances signal the companies' commitment to sustainable development.

Municipalities and national governments

Government entities can issue Green Bonds as a means to finance specific local projects or meet selected environmental targets. For municipalities, Green Bonds are a sure way to engage local stakeholders into financing sustainable solutions, while for national governments, sovereign Green Bonds aid in carrying out sustainable policy agendas and stimulate the flow of private capital investments.

Drivers for Green Bonds issuance

- 01. Growing demand for **sustainable financial instruments**.
- 02. Growing demand for **responsible business practices**
- 03. Expansion of investor pool, through attracting new, **environmentally-oriented investors**.

Deloitte's support throughout the issuance process

The process of issuing Green Bonds is very context-specific and based on the specific objectives your entity should meet if you decide to carry out such an issuance. Our extensive expertise allows us to support you throughout the process, from the initial exploration and market research phase, all the way to post-issuance impact measurement and reporting. Throughout the process, we ensure that issuers follow the Green Bonds Principles. Collectively they relate to 1. **use of proceeds**, 2. **process for project evaluation and selection**, 3. **management of proceeds**, 4. **reporting**. Following the GBP is key in ensuring transparent disclosure and effective management.

Strong **cross-department** teams enable **one-stop approach** to cover most client needs and provide **innovative solutions**.

Consulting

Experienced and agile consulting teams, using advanced data analytics and economic tools. Capable of evaluating Green Bonds impacts and assessing market potential

Assurance

Statutory and financial audit, assurance, and audit advisory. Including extensive experience in granting second opinion and third party assurance for Green Bonds.

Financial Advisory

Financial advisory experts with experience in financial documentation preparation..

Legal

Energy, competition, corporate law, and capital market experts, with extensive legal experience in bond issuance support.

Tax

National and international taxation laws, grants, transfers pricing.

EXTENSIVE PORTFOLIO OF CLIENTS

- Energy sector
- Investment Banks
- Government agencies
- Development Banks
- Commercial Banks
- Multi-national companies
- Municipalities
- International business associations

- 04. The ability to finance **green projects** without the sacrifice of liquidity or credit risk, as would be the case with direct standalone investment.
- 05. **Brand enhancement** and marketing aspects.
- 06. Economic & convenient **financing model**.
- 07. Consolidation of **investment and environmental objectives**.
- 08. **Low volatility and steady return**, as with any fixed asset obligation.
- 09. **Pricing advantage potential**, created by order book momentum increasing due to a growing number of green investors.
- 10. **Increased visibility** through inclusion in various Green Bonds Indexes.



Phase 0 Market Exploration

A proper diagnosis of the market potential and the company's needs should be carried out prior to making the decision to issue a Green Bonds. Our economic analytics team can provide you with the necessary analysis and market sounding that will ensure your decision is based on facts and through research.

Green Bonds market analysis

A macro-level analysis at the national, European, or Global level can be the first step in helping you contextualize your role in the market. We offer comprehensive capital and debt market analysis that can identify growth prospects.

Gap analysis

Identification of areas in which Green Bonds issuance can benefit your firm, improve current economic performance, and expand your offering.

Impact projections

Based on the profile of eligible projects, we can measure the direct and indirect environmental, social, and economic impact your Green Bonds issuance can have.

Market sounding

Gauging the interest of potential investors is key in identifying the feasibility of a Green Bonds issuance. We can support you in testing the waters by conducting market research and communicating with various stakeholders.



Phase 1 Pre-issuance

Once you decide that issuing a Green Bonds is feasible, proper preparation will be key in guaranteeing that the issuance is effective. Deloitte Central Europe has the experience and expertise to ensure your issuance is prepared adequately to your expectations.

Green project selection

We are here to help you select the projects that will best meet your financing objectives. Our unique screening tool allows us to model the potential environmental and economic impact the profile of projects.

Green Bonds Framework

We have experience in drafting effective Green Bonds Frameworks. We will work with you to

- 1) define the use of proceeds,
- 2) establish a selection and evaluation process for eligible projects, and
- 3) outline management of proceeds, reporting standards, and assurance review procedures.

Legal analysis

Aside from preparation of required documentation, our legal experts also have experience in choosing the best financing model, including establishing the issuer's roles, type of bond to be issued, and the desired relationship with financial institutions.



Phase 2 Issuance

Our consulting, legal, and assurance teams have the holistic experience necessary to provide you with all the necessary support for issuing a Green Bonds.

Preparation of the Investor Presentation

Legal and financial documentation support

Tax-related support

Third Party Assurance

Second Party Opinion



Phase 3 Post issuance

Regular management of the Green Bonds, once issued, is required for the successful realization of the bond's objectives. We can support you in:

Applying for **Green Bonds** credit rating

Certification of use of proceeds

Periodic reporting of financial and environmental effects

Impact measurement – including aggregated direct and indirect impact effects of projects financed through the Green Bonds.