



## Green investments – How to access capital from the international markets?

Keski-Suomen Liitto (Webinar), May 11<sup>th</sup>, 2020

### Summary

#### How to finance green projects?

- Foundations
- Funding schemes
- Governmental capital allocations
- Municipalities and cities budgets
- **International Investment community**
  - Institutional investors
    - Banks
    - Insurance companies
    - Pensions funds

#### How to finance green projects?

- Diversification is needed!
- Funding schemes cannot be the only solution!
- Watch out where the capital flows take place beyond the domestic market!
- Move along the trends and learn the framework conditions and the networks!

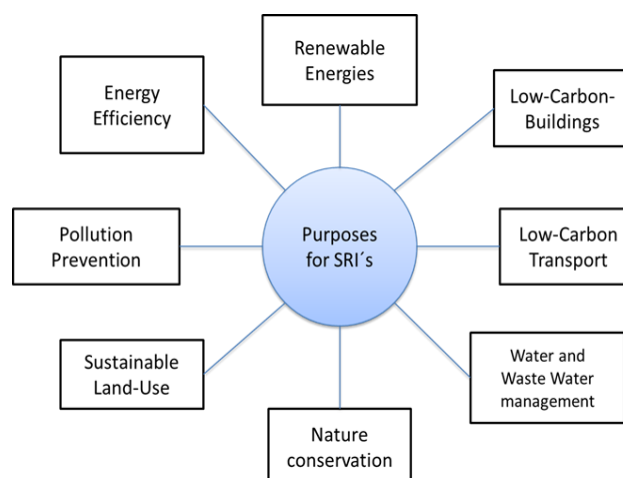
#### Investors' goals?

- Return on investment
- Reputation
  - Attracting sub-investors
  - Marketing for the own investment products
- Subsidies (based on good ESG performance)
- Avoiding losses, Minimizing risks

#### Socially Responsible Investments – SRI's

- multiple purposes at the same time
  - investor is seeking return on investment (profits)
    - capital security and/or dividends
  - SRI's aim to achieve
    - reduction of greenhouse gas emissions
      - Modern climate technologies
    - Health and safety improvement on workplaces
    - Support of local communities

Multiple similarities and differences to conventional investments





## Climate Bonds

### Most applied financial instrument among SRI's

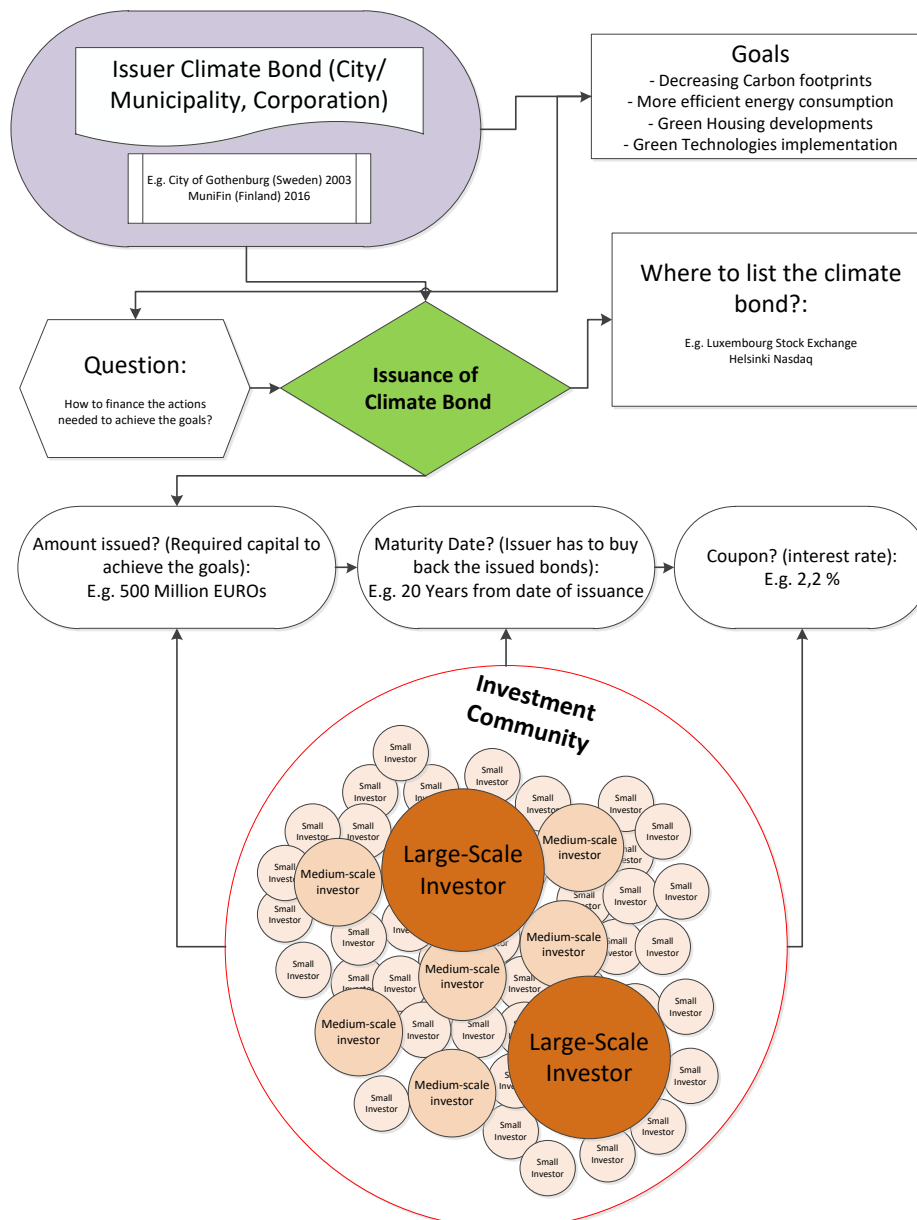
- Climate bonds as an instrument work just like conventional bonds
  - Debt security (bond issuer = debtor – bondholder = creditor)
    - Works similar like a loan
    - Shareholders/Stockholders own a piece
    - Bondholders are lenders
- They are issued to follow a climate purpose (mitigation/adaptation)
  - Green Housing
  - Energy efficiency
  - Implementation of clean technologies (carbon-neutral technologies)
- CB's can be issued on platforms as for example "Nasdaq Helsinki" (Helsingin pörssi). They launched a new sustainable bond market segment on the Main Market in May 2018.

## Keeping Control

- Investors have different concerns!
    - Some want return on investments
    - Some want power and direct (and probably RoI)
  - Link to sustainable finance
- They want diversification in their portfolio
- Thus: Including ESG factors, creates an extra asset for investors and that may attract more investors for your venture and increases consequently the chance that you remain in the driver's seat



Pictures: history.com, Merkur news





## Social Impact Bonds

- Investors will put money into the organization (that strives for the social benefit), during the period before it proves success and then the investors get paid back depending on whether the organization succeeds
- Impact investors only get paid if it meets agreed upon metrics, so the measurement of outcomes is in fact built into that scheme

## ESG reporting – Investors' demands

- State Street Global Advisors (2017): 92 % of institutional investors want companies to report on ESG issues and 80 % demand improvements in terms of ESG standards and ESG reporting.
- Doing ESG reporting entails diverse benefits
  - Investors' attention
  - Self-assessments (efficiency potentials)
  - Contribution to stakeholder management

## ESG themes and issues

Environment	Social	Governance
energy efficiency	human rights	code of conduct
water consumption	societal effects	corporate behaviour
waste management	health and safety	business ethics
building materials	heritage and culture	ownership
logistics	demographic aspects	accounting
biodiversity	stakeholder dialogue	corruption
raw material sourcing	product liability & quality	financial system instability
land-use	privacy and data security	tax transparency
carbon footprint	supply chain labour	board remuneration
climate change vulnerability	communication	fair competition

Source: Arctic Values

## Useful Web-Links

Website and topic	Web-Link
Climate Bonds initiative	<a href="https://www.climatebonds.net/">https://www.climatebonds.net/</a>
Sitra – Impact bonds	<a href="https://www.sitra.fi/hankkeet/sib-rahastot/">https://www.sitra.fi/hankkeet/sib-rahastot/</a>
Nasdaq - ESG Reporting Guide	<a href="https://www.nasdaq.com/ESG-Guide">https://www.nasdaq.com/ESG-Guide</a>
RobecoSAM – ESG Investing	<a href="https://www.robecosam.com/en/insights/">https://www.robecosam.com/en/insights/</a>
UN Sustainable Development Goals	<a href="https://www.un.org/sustainabledevelopment/sustainable-development-goals/">https://www.un.org/sustainabledevelopment/sustainable-development-goals/</a>
Arctic Values Blog	<a href="http://www.arctic-values.com/?page_id=416">www.arctic-values.com/?page_id=416</a>
Arctic Values Green Finance Workshops	<a href="http://www.arctic-values.com/?page_id=702">www.arctic-values.com/?page_id=702</a>



**Glossary – Financial terms (green investments) in Finnish language:**

Financial term	Finnish translation
Assets	Varat
Equity	Pääoma
Private equity	Yksityinen pääoma
Institutional investors	Institutionaalinen sijoittaja
Green finance	Vihreät Rahoitusjärjestelmä
Socially Responsible Investments (SRI's)	Vastuullinen sijoittaminen
Green bonds (climate bonds)	Vihreät joukkovelkakirjat
Taxonomy	Luokitusjärjestelmä (Taksonomia)
Coupon (interest)	Kuponki (Korko)
Maturity (bond life-span)	Maturiteetti (Lopullinen maksupäivä)
Stock exchange	Pörssi
Social impact bonds	Sosiaalinen vaikuttavuus johdannainen
Impact Investing	Vaikuttavuussijoittaminen
Governance	Hallintotapa
Corporate Social Responsibility (CSR)	Yhteiskuntavastuu

Contact:

Adrian Braun, PhD - Founder Arctic Values

Telephone: +358 (0) 400 17 90 76

E-Mail: [adrian.braun@arctic-values.com](mailto:adrian.braun@arctic-values.com)

Website: [www.arctic-values.com](http://www.arctic-values.com)