

Year: 2017

Green Bonds, a promising tool for Sustainable Investments.**CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK**Category :
FinancingCountry of the Best Practice:
WorldwideCompany name: **Crédit Agricole CIB**

Industry: Bank

Turnover (2015):
Worldwide: 5 205 M€
Asia Pacific: 612 M€Workforce (2015):
Worldwide: 7 145
out of which APAC 16%

Headquarter (country): France

Company Website :
www.ca-cib.com.sg

Company logo:

**BACKGROUND**

Crédit Agricole CIB is the Corporate and Investment Banking arm of the Crédit Agricole Group, the world's No 11 bank measured by Tier One Capital (The Banker, July 2016). For many years, our group acted as a pioneer promoting financial tools and best practices dedicated to support sustainable development all over the world.

When the Equator Principles were launched in 2003, Crédit Agricole CIB was the first French bank to sign them. In a few years, they have become the benchmark for environmental and social responsibility in project finance.

Furthermore in 2010, Crédit Agricole CIB created a Sustainable Banking team advising customers on projects that combine financial profitability with social and environmental objectives. The bank also globally adopted new Corporate Social Responsibility (CSR) policies to regulate its activity on several sectors such as Forestry & Palm Oil and Coal-fired power plants.

In the run-up to the Climate Finance Day in Casablanca and COP22 in Marrakesh, the Bank has decided to stop financing new coal-fired power plants or extensions. This measure attests to Crédit Agricole's renewed commitment to support major changes in society in which its clients are involved in combating climate disruption and the transition to new energy sources. It has extended the commitments made in May 2015 and then in September 2015, ahead of COP21, to no longer finance coal mines or operators specializing in this area worldwide, or new coal-fired power plants in high income countries. The Group's policies concerning its commitments in sensitive sectors in terms of the environment and climate change will continue to be adapted in order to best respond to major issues of concern to all, along with our clients.

As part of the COP21 in Paris, intergovernmental agencies estimated that around USD 147 billion per year will be needed in investment in low-carbon electricity supply and USD 336 billion in energy efficiency investments. Fully aware that the transition to a low-carbon and climate resilient economy will need new type of financings, Crédit Agricole CIB took the early leadership in the Green Bonds new market.

OBJECTIVE(S)

The objective for Crédit Agricole CIB is to promote a new compelling financial instrument for funding "green" projects either in developing and emerging countries. We aimed to reduce the cost of capital for climate related investments, and at the same time see the creation of safe and secure investments suitable to the needs of many investors.

Green Bonds appeared like a differentiating asset class for investors and an attractive

Sustainable Investment and Best Practices SHOWCASES



source of funds for issuers. Green Bonds have the same financial characteristics as conventional bonds: same range of pricing, seniority, rating and execution process.

The difference between Green Bonds and conventional bonds lies in the investment's destination. Green Bond issuers undertake to allocate the funds raised to "green" projects and to inform investors of how the funds will be used, for renewable energy projects, energy efficiency, waste and wastewater management, public transport or safeguarding biodiversity for instance.

Some transactions are also earmarked to social-related activities, generally linked to improving access to basic goods or services for underprivileged people: social housing, hospitals, microfinance, etc. Such transactions are often called Social or Sustainability Bonds.

A wide range of activities and projects can be financed through Green Bonds by corporate, financial institutions, export credit agencies, supranational entities, agencies and local authorities. The issuers usually call on independent experts to validate the environmental or social quality of the projects they are proposing.

APPROACH

The General Management's strategic direction is to put Crédit Agricole CIB as a worldwide key player in the origination, structuring and placement of Green Bonds.

In a bond market historically insensitive to environmental issues, this has meant first and foremost raising awareness of the climate issue and introducing it into the financial markets. Originally, four banks including only one European, Crédit Agricole CIB, initiated the Green Bonds Principles in 2014. They were designed to provide issuers with guidelines for issuing a Green Bond, to help investors obtain information used to evaluate the environmental impact of their investments and to make it easier for arrangers to structure transactions by promoting market standards. Crédit Agricole CIB remains an active Executive Committee member and these principles were lastly updated in March 2015.

RESULTS

The Green and Sustainability Bond Market grew exponentially these past few years from an outstanding amount - all currencies - of USD1 billion in 2006 to USD 155 billion in September 2016. In 2016, Green Bonds were issued by all actors in the market: Sovereign Supranational Agencies and Local Authorities represent 39% of the new issues, Financial companies for 36 % and corporate for 25% (source: Bloomberg). Nowadays, Green Bonds are a competitive tool to diversify a portfolio and attract new investors.

The expansion and standardization of this new asset class is going on, driven by countries such as France, India and China which set up specifically Green Bonds regulations. France adopted in 2015 a framework law in order to support the transition of the country toward the 'low-carbon' economy. One article introduced the obligation for institutional investors to regularly publish 'climate reporting' on their investments decisions. Green Bonds appear as a turnkey solution for these investors to facilitate their 'climate reporting' related to the debt product. At the same time, China and India issued official rules and requirements to direct private capital towards environmentally sustainable investments, whilst restricting investment into polluting sectors.

THANK YOU FOR YOUR CONTRIBUTION TO A BETTER WORLD!

Being an early mover in this market, Crédit Agricole CIB is the No 1 Bookrunner in Green and Sustainability Bonds issued up to now, for all years and in all currencies. Crédit Agricole CIB is the first commercial bank to be a leading arranger, an investor and a regular issuer in this market with 14% of share in 2015 (Source: Market data, Crédit Agricole CIB, as of 30th August 2016).

Furthermore in November 2015, Crédit Agricole SA committed to invest EUR 2 billion in high quality Green Bonds, Social Bonds or Sustainability Bonds by end of 2017 as part of its liquid asset buffer. This new commitment cements Crédit Agricole's leadership in the Green Bond market and also underlines the consistency of the bank on climate related topics.

Crédit Agricole CIB is once again at the forefront of sustainable development challenges, being a new partner of the Green Climate Fund. On March 2016 Crédit Agricole CIB became the first French bank, and one of only three commercial banks in the world, officially accredited by the Green Climate Fund. This fund aims to promote and invest in low emissions projects that have minimal impact on the climates of developing countries.

Many public and private actors, in Singapore and everywhere, understood that sustainability is an opportunity for growth through innovation. The South East Asia region is set to undergo rapid urbanization, and by investing in low-carbon infrastructure, country leaders can shape cities which are energy-efficient, pollution-free, and climate-resilient. The massive investments needed can be financed through Green Bonds and Crédit Agricole Group's experts will continue to advertise this competitive financing instrument.

KEY SUCCESS FACTORS

CONTRIBUTION TO CORPORATE PERFORMANCE

Our long term experience in climate and energy financing and our commitment towards sustainability are the two key factors in this success. Green Bonds provide an attractive solution to one key challenge of current times: how to match issuers' needs of investments in clean energy with Socially Responsible investors' expectations regarding the use of the proceeds.

Thanks to the active involvement in the development of a global Green Bond market, Crédit Agricole CIB reinforces its global position by winning seven out of eight awards for banks in the 2016 Global Capital Sustainable and Responsible Capital Markets poll. Crédit Agricole CIB Asia-Pacific is proud to have been awarded the "Most Impressive Bank for Asia Pacific Green/SRI Capital Markets".

As an example, Bank of China's USD 3 billion Green Bond Offering in which Crédit Agricole CIB acted as Joint Global Coordinator has been awarded as "Asia Pacific Green/SRI Bond Deal of the Year" in the poll.

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We can also mention the USD1.3 billion dual-tranches 3-year and 10-year Green Bond issued by the Asian Development Bank (ADB). Crédit Agricole CIB was Joint Bookrunner on this August 2016 deal for the Asian regional bank dedicated to reducing poverty in Asia and the Pacific. These Green Bonds were sold to about 70 investors including Allianz Global Investors, Black Rock and Calsters, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE BENEFITS

These past few years, Crédit Agricole CIB was Joint Bookrunner on several Green Bonds emission for KfW, the German Institutional, to develop renewable energy and energy efficiency projects in Germany.

The environmental and social benefits of KfW's Green Bonds are externally evaluated by the Centre for Solar Energy and Hydrogen Research Baden Württemberg (ZSW). As an example, the table below summarizes the positive impacts of EUR 1 million investment in Green Bonds:

Impact of EUR 1 million investment in "Green Bonds – Made by KfW" issued 2014¹

- **1,271 tons** of GHG emission reductions (CO2-equivalent) p.a.
- **EUR 67,155** of savings on energy imports to Germany and fossil fuel costs p.a.
- **25 jobs** created and/or saved (person years)
- EUR 129,606 of savings in external costs p.a. (eg by avoiding environmental and health damage)

¹ Values are based on programme impacts in 2014 in Germany – with numbers evaluated by ZSW – and internal calculations; impact for projects outside Germany might be different.

This evaluation highlights how Crédit Agricole CIB, and other financial actors, can really make the difference, building a better world for the next generation. As a green bank for decades, Crédit Agricole CIB will pursue his commitment to promote Green Bonds, in Asia and everywhere, educating issuers and investors about the great value of this new tool.