Green Is The New Black

A qualitative study on the motives and future of the Nordic green bond market from an underwriter perspective

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Abstract

This research analyzes the motives and future of the Nordic green bond market from an underwriter perspective. Threefold motives for being active in the Nordic green bond market are found. There are monetary gains, corporate social responsibility, and an opportunity to receive and maintain legitimacy. Several important factors for the future of the Nordic green bond market are identified. The EU Taxonomy will have a major impact on this market, and is the most important factor for the future of it. Further, sustainability-linked bonds enable the transition of various sectors towards sustainability and are an important factor for the development of the Nordic bond market in general.

Experts that possess roles within green bond underwriting and green bond investing have been interviewed. Stakeholder theory, corporate social responsibility and legitimacy theory have been implemented in this research with the aim of analyzing the motives and future of the Nordic green bond market. By doing that, this research contributes to a broader theoretical discussion in the area of sustainable finance.

Keywords
Sustainable Finance, Nordic Green bond Market, Green Bonds, Sustainability-Linked Bonds, EU Taxonomy, Greenwashing
Acknowledgements

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1. Introduction

This chapter will introduce our research topic. The chapter starts with a description of the background of the study, further a discussion of the problem is provided. The chapter is then followed by research purpose, research questions, contributions, choice of subject, delimitations and research gap.

1.1 Background

The European Union and the governments across the globe committed to the objective of a more sustainable economy when they accepted the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development (European Commission, 2018a). One of the primary questions of our time is how to reduce our climate footprint while continuing prospering economically (Pham, 2016, p.263). The financial system together with all other participants in the society plays a role to achieve sustainable growth (European Commission, 2018a). Countries across the globe have in recent years made vast efforts to promote environmentally friendly investments and the financial sector will play a vital role to continue supporting these kinds of initiatives (Pham, 2016, p.263; Gianfrate & Peri, 2019, p.127). With the Paris Agreement, countries have committed to “make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” (Gianfrate & Peri, 2019, p.127). New financial innovations have been formed in the financial sector to meet the necessity for green investments and to make finance flows consistent with the pathway towards a climate-resilient development (Pham, 2016, p.264).

One of the most outstanding innovations in the financial sector is the development of green bonds and the growth of the green bond markets (Maltais & Nyqvist, 2020, p.1). A bond is a type of loan which companies, governments and banks etc. issue to finance its projects. The issuer of the bond owes the holder a debt. A green bond is a bond where the capital that is raised is allocated to environmentally friendly projects. Raised capital from an green bond issuance is hereinafter referred to as proceeds (Climate Bonds Initiative, n.d.a). Environmentally friendly projects where green bonds can be used as a financing source include areas of renewable energy, green buildings and resource conservation. Examples of the usage is when Unilever issued a green bond to reduce their greenhouse gas emissions, water usage and waste from existing factories by 50 percent. Apple has also issued a green bond to finance energy efficiency and renewable energy in its supply chain and at its facilities (Flammer, 2021, p.1). The first green bond was issued by the World Bank with the Swedish bank SEB serving as the underwriter in 2008 (Maltais & Nyqvist, 2020, p.1). In November 2013, the Swedish real estate company Vasakronan issued the worlds’ first ever green corporate bond (Vasakronan, 2018). The green bond market has in issued volume since 2013 grown from 11 billion USD to 167 billion in 2018 (Maltais & Nyqvist, 2020, p.2). The growth has continued with record volumes in 2020 with a total issuance of 303 billion USD which shows the continued strength of a product that has been the main pillar of the sustainable debt capital market since its entrance in 2008 (SEB, 2021, p.11).

One of the key players in the emergence of the green bond market was the Swedish bank SEB. They served as the lead underwriter in the green bond issuance by the World Bank and have since then played an important role (Climate Bonds Initiative, 2018a, p.5). SEB are since the inception of the market the seventh largest underwriter globally (SEB, 2020). Other Nordic banks have also been important and have served as active underwriters and promoters of green bonds (Climate Bonds Initiative, 2018a, p.12). European asset managers have at the same time created dedicated green bond funds and the number of green bond funds keeps increasing (Climate Bonds Initiative, 2018a, p.1; Climate Bonds Initiative, 2018b, p.7). There exists many
different stakeholders to the Nordic banks in the Nordic green bond market, and with the banks’ important role there arises questions regarding legitimacy and corporate social responsibility, hereinafter referred to as CSR. We have throughout this research used stakeholder theory, CSR and legitimacy theory to describe the market and the potential future of it.

The Nordic countries are eminent in the global green bond market and embraced it when it was in its infancy. The Nordic countries account for 6.7 percent of the global issuance of green bonds and the market has seen consistent growth (Climate Bonds Initiative, 2018b, p.3). The Nordic green bond market grew by six percent on an annual basis during 2020 and it is a clear trend that the issuance activity is picking up across the Nordic region (Handelsbanken, 2021). The green bond market in Sweden had healthy growth in 2020 where real estate remains the most active segment with a third of total issuance (Handelsbanken, 2021). The Swedish market is the global leader when considering the share of green bonds compared to conventional bonds, where 14 percent of all bond issuances in SEK are green (SEB, 2020). The green bond market in Sweden is further the sixth largest in the world in terms of overall issuances and has historically possessed a lead in the Nordic green bond market. Although the green bond markets in Norway, Denmark and Finland are behind the Swedish market, they all do take positions in the global top 20 ranking in terms of overall issuance (Climate Bonds Initiative, 2018b, p.3). The Norwegian market for sustainable debt and green bonds grew substantially in 2020, driven by the corporate segment. The supply is expected to continue to grow with new issuers entering the market during 2021. In Finland, green bonds and sustainable debt plays a growing and important role among borrowers and issuers. Even though the market is mostly driven by financials and SSA (Sovereign, Supranational, Agencies), new Finnish issuers entered the market in 2020, coming from both corporate and real estate segments. The Finnish supply is expected to continue to grow with several new issuers in 2021 (Handelsbanken, 2021). The Danish green bond market has on average more than doubled in volumes every year since 2015, when the wind turbine manufacturer Vestas issued the country’s first green bond (Climate Bonds Initiative, 2021, p.14). The Danish green bond market is expected to continue to grow in 2021 with new issuers entering the market (Handelsbanken, 2021). The largest green bond issuers in Denmark were at the end of 2020 Ørsted followed by KommuneKredit (Climate Bonds Initiative, 2021, p.14).

Sustainability and the transition to a circular, more resource-efficient low-carbon economy are key in ensuring long term competitiveness of the EU economy (European Commission, 2018b, p.1). Though, a complete shift into sustainable economic activities must be underpinned by a shared understanding of what “sustainable” means (European Commission, 2018b, p.3). The European Commission released an Action Plan in 2018 to connect finance with the specific needs of the global and European economy for the benefit of our society and planet. In this plan, the most urgent and important action was the EU taxonomy, a classification system of environmentally sustainable economic activities (European Commission, n.d). The EU taxonomy has received 48 000 responses and the final updated act was pushed back until April 2021 after discussions regarding the definition of green (European Commission, 2018b, p.4 ; SEB, 2021, p.27 ; Handelsbanken, 2021). The EU Taxonomy will have a significant impact for the Nordic region and will, together with other proposals under the EU Action Plan, create a new standard for green financing and green investments going forward (Climate Bonds Initiative, 2021, p.4 ; Handelsbanken, 2021).
1.2 Problematization
McInerney & Bunn (2019, p.1240) states that if we are translating the Paris Agreement into action by the financial sector, it requires significant capital investments in renewable energy, energy efficiency, and clean technologies. Further, to finance the transitions into a low-carbon economy, a rapid mobilization of large-scale additional capital is needed. It is estimated that 2.4 trillion USD of annual investments into energy systems is needed until 2035 to keep global warming within 1.5 degrees Celsius. To accelerate these financial flows, financial innovation is required (Monk & Perkins, 2020, p.1).

Jenkins (2018) states that there has been a long love affair between the investors of the European banks and the lenders of the Nordic region. He further states that the Nordic banks have enjoyed some of the highest valuations and generated some of the strongest profitability’s across the sector. Though, Nordic banks have also recently been in the public spotlight for money laundering, tax evasion and doubtful financing (Milne, 2019 ; Ewing, 2019 ; Warmerdam et al., 2021). Scandinavian banks have since the Paris Agreement was signed in 2015, provided 67.3 billion USD in loans and underwriting to companies engaged in the fossil fuel sector (Warmerdam et al., 2021, p.3). Shishlov et al (2016, p.4) states that green bonds raises reputational risks related to environmental integrity, which in turn threatens the green bond market. Thus, they argue that the green bond market has two main challenges. First, to ensure the environmental integrity of green bonds. Second, to enhance the impact of green bonds by growing the pipeline of low carbon projects. With environmental integrity and reputational risk in mind, legitimacy can become a question for underwriters and issuers of green bonds.

Society has continued its journey towards a more sustainable future with the emergence of green bonds. Though, several issues need to be solved. Stubbington & Nauman (2020) states that the rapid growth of the green bond market might indicate that some of the green bonds are environmentally friendly only in its name. This is cheering investors to ignore the green label and put their focus on the greenness of the issuer instead. Further, Stubbington & Nauman (2020) states that some green bonds have been accused of greenwashing. For example, green bonds issued by the state of Queensland to fund the preserve of the Great Barrier Reef are in essence environmentally good, but the state’s giant coal industry is not. At the same, the green bond market is playing a key role in piling pressure on State Bank of India to abandon its plans to finance the controversial coal mine Carmichael in Queensland. Some of the investors who have bought the green bonds issued by State Bank of India are disgruntled and are actively voicing their opposition against the financing of this project. It is now likely that the State Bank of India will struggle to return to the green bond market, since their credibility has been harmed (Environmental Finance, 2020a). Holz (n.d) states that “The bearers of green risks are largely concerned with reputational rather than economic risk”.

Organizations are increasingly searching for opportunities to meet their sustainability targets while continuing to drive change and positive impacts (Sustainalytics, n.d.a). The first-ever target-linked bond was issued in 2019 and the format gained legitimacy in 2020 when principles and guidelines for Sustainability-Linked Bonds were released. The format of sustainability-linked bonds is, compared to green bonds, aimed at a broader issuer base and has opened the door for more issuers to achieve sustainable financing (Michaelsen & Ramel, 2020 ; Sustainalytics, n.d.a).

Financial market regulators have developed green taxonomies to classify economic activities based on their contribution to climate change and sustainability objectives. These green
activities are typically identified as activities within environmental challenges and climate change. Taxonomies support green investments within the private sector by providing a credible framework for lenders and investors to identify green activities and financial products. The amount of green taxonomies has grown globally in recent years and several taxonomies are in operation today. China adopted its taxonomy in 2015, France in 2016, Bangladesh in 2017, Mongolia in 2019 and the European Union in 2020, with a final release in 2021 (World Bank, 2021, p.25 ; SEB, 2021, p.27). The growth of the green taxonomies indicates that the Nordic bond market is in the middle of a regulatory shift.

One thing that reinforces business ethics in the green bond market is the fact that green bonds are being certified by second party opinion providers. Though, the process of certification can be difficult and expensive for first time issuers of green bonds. Despite the huge growth of the green bond markets, there are still discussions regarding definitions and guidelines. Standards in the green bond market require transparency and disclosure to reinforce business ethics (Tang & Zhang, 2020, p.1-3). While green bond standards work for transparency in the green bond market, the work by the underwriter is important to confirm the alignment with these standards. Pitfalls exist and green bond projects have both strengths and weaknesses, which require issuers to have effective governance procedures to ensure that the project delivers the desired impact (ICMA, 2018, p.2).

Although the Nordic green bond market has achieved great success during its first 13 years, many questions remain unanswered. Among others, questions regarding motives and the future of the Nordic green bond market. The Nordic banks have been underwriting green bonds in the market since its start in 2008 and therefore possess extensive knowledge in the field. Underwriters might therefore possess some answers to these questions. We aim to contribute with further knowledge of the motives and future of the Nordic green bond market by conducting interviews with employees at the largest banks in the Nordics. This leads us to the purpose of this research.

1.3 Research Purpose
The purpose of this research is to identify the motives and the future of the Nordic green bond market. This to give understanding of, and contribute to, further development of the Nordic green bond market.

1.4 Research Questions
We will analyze the Nordic green bond market through an underwriter perspective with the following research questions:

- What are the motives for underwriters, issuers and institutional investors to be active in the Nordic green bond market?
- What are the future outlooks for the Nordic green bond market?

1.5 Theoretical Contributions
This research aims to contribute to the theoretical discussion regarding the Nordic green bond market. We wish to build further knowledge by adding a different perspective to the existing research. Theoretical contributions will be made by identifying stakeholders to the Nordic banks in their work as underwriters in the Nordic green bond market. Further, the future of the market will be addressed in connection to the introduction of the EU Taxonomy (SEB, 2021, p.27). The Nordic banks as well as their stakeholders might be affected by the regulatory shift.
that can be observed in the market. This study aims to contribute with understanding of these events and what the effects might be. This research will therefore contribute with an understanding of stakeholders in the Nordic green bond market from a Nordic bank perspective as well as potential legitimacy and CSR questions that might arise in connection to it. This will facilitate further research within the area.

1.6 Practical Contributions
We believe that this research provides several practical contributions as the issuance activity is picking up across the Nordic region (Handelsbanken, 2021). One of these contributions is to offer stakeholders a better understanding of the motives and future of the Nordic green bond market. This will help practitioners in the current introduction and development of other theme bonds. The term “theme bonds” are throughout this research, beyond green bonds, used to describe social or environmental bonds. Such as social bonds, blue bonds and sustainability-linked bonds.

This research will also with the newly implemented EU Taxonomy provide opinions on its impact on the Nordic green bond market and the future of it. This can help stakeholders form their perception on the advantages and disadvantages of the upcoming regulatory shift in the market. To conclude, this research provides practical contributions by suggestions for further development of the Nordic green bond market.

1.7 Choice of Subject
The Nordic region has historically, with climate as a central part, been very attuned to the wider sustainable development agenda and embraced green bonds when it was in its infancy (Climate Bonds Initiative, 2021, p.18 ; Climate Bonds Initiative, 2018b, p.3). The Nordic green bond market grew by six percent on an annual basis during 2020 and it is a clear trend that the issuance activity is picking up across the Nordic region (Handelsbanken, 2021). Nauman (2021) states that investors are ready for a green bond rush when policymakers are looking for a sustainable recovery after the COVID-19 crisis. Although green bonds still represent a small part of the total debt market, it is a popular instrument to fund environmentally friendly projects. Christopher Flensborg argues that green bonds are an important piece of the finance industry since it hauls banks into the climate fight (Nauman, 2021). Lee (2020) argues that green bonds attract a growing well-intentioned army of sponsors, certifiers and investors. Many of the green bonds are intuitively green, for example bonds that fund renewable energy projects. Others are not, such as when the oil and gas company Repsol issued a green bond to fund energy efficiency projects in chemical and refinery facilities. Lee (2020) states that most green bonds finance projects that are genuinely sustainable, while some examples highlight a weakness of green bonds, a lack of standardization.

This lack of standardization might be partly solved in the future. The European Union released its Action Plan in 2018 where the most urgent and important part of this plan was to create a European taxonomy (European Commission, 2018, p.2-4). A draft regarding the final criteria and details of the taxonomy was released in November 2020 (SEB, 2021, p.27). The draft received 48 000 responses and the final updated act was pushed back until April 2021 after a Member State discussion in January 2021 (Handelsbanken, 2021). These events caught our attention and made us eager to study the subject. Our focus has been directed towards the Nordic green bond market since the Nordic countries are the most sustainable in the world. At the same time, the green bond issuance activity is picking up across the region (Robeco, 2020 ; Handelsbanken, 2021). It is a current subject which is shown by the response of the EU taxonomy and the news about a green bond rush. This leads to the delimitations of this research.
1.8 Delimitations
The study focuses on the Nordic green bond market. Iceland has been excluded due to the small size of their green bond market. The market in Iceland did not see a green bond until late 2018 and the issued volume in the end of 2020 was only 0.8 billion USD, compared to a total of 80 billion USD in the other Nordic countries (Nasdaq, 2018; Climate Bonds Initiative, 2018b, p.6; Climate Bonds Initiative, 2021, p.2).

Table 1. Delimitations

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1.9 Research Gap
Previous research mostly covers the investor or issuer perspective of green bonds. Green bonds and the green bond market have, inter alia, been studied with a quantitative method to examine if a green label makes any difference to green bond yields (Ehlers & Packer 2017; Baker et al. 2018; Zerbib 2019). We aim, by examining the underwriter perspective on the Nordic green bond market, to broaden and deepen the research field of green bonds. We claim that the research gap does not lie within the area of green bonds itself, we rather argue that the research gap lies within different perspectives of the market. Further, the EU Taxonomy was implemented in late April 2021. We have not found any studies that have investigated and discovered these regulatory changes from a Nordic bank perspective and what the future might look like for the participants and the Nordic green bond market itself.

Further, this research is in a crossfire between several research areas. The focus is the Nordic green bond market from an underwriter perspective, which implies that finance is the central area of this research. Though, theories that originate from the other areas of research, such as stakeholder theory, are also applied to explain and understand the motives to be active in this market. Sustainability, which is a general theme of this research, is a field that touches upon many different areas. In this research, sustainability within the financial sector is addressed. We argue that this constitutes a research gap, since the Nordic green bond market mainly has been studied from a pure finance perspective, such as the studies of green bond yields.
2. The Nordic Green Bond Market

This chapter will introduce useful knowledge on the main participants, standards and regulations in the Nordic green bond market. The chapter will be introduced by a figure of the main participants followed by a description of them and their role in the market.

![Figure 1. The Nordic Green Bond Market](image)

2.1 Underwriter

An underwriter has the role as an intermediary between issuers and investors. When banks underwrite bonds, they bear the risk of buying the newly issued bonds from the issuer. Then, they resell the bonds to the public. The underwriter earns a profit made by the difference between their purchase price and their selling price. This difference is often called the underwriting spread. The underwriter generally prepares required documents, helps set the price for the bond issue and leads the general work of attracting investors (Morningstar, n.d). The lead bank is most often called the lead underwriter, but lead arranger or bookrunner are also used to describe the bank's role (Nordea, 2019). The top Nordic underwriters in the green bond market were between 2013 and 2020 Danske Bank, Handelsbanken, Nordea and SEB (Climate Bonds Initiative, n.d.b).

2.2 Issuer

A bond is issued by governments, corporations and other organizations when they want financing. The organization that issues the bond is called an issuer. When an investor buys a bond, they are giving the issuer a loan with the agreement to pay the back the face value of the loan on a specific date (Vanguard, n.d). The green bond market emerged in 2008 with the issuance from the European Investment Bank and the World Bank. In November 2013, the market evolved further when the Swedish real estate company Vasakronan issued the first ever corporate green bond (Climate Bonds Initiative, n.d.c). Large Nordic issuers of green bonds include government related issuers such as Kommuninvest, Kommunalfinansieringerna and MuniFin. The aim of Kommuninvest, which is the largest issuer on the Swedish green bond market, is to in a sustainable way minimize the long term borrowing costs for Swedish municipalities and regions (Kommuninvest, n.d.a ; Kommuninvest n.d.b). Further, renewable energy companies such as Vestas, Ørsted and Scatec Solar and real estate companies such as Vasakronan, Entra
and Fabegge are represented. More sectors are incoming with each day passing. Volvofinans were for example the first issuer in the transport sector in 2017 (Climate Bonds Initiative, 2018b, p.10). Issuers of green bonds receive several benefits, such as a positive marketing story, diversification of their investor base and a highlighting of their green assets (Climate Bonds Initiative, n.d.d).

2.3 Investor
The main difference between conventional and green bonds is the specification of the use of proceeds. Investors are becoming more interested in the integration of ESG factors in the analysis and investment process. The investors in green bonds receive several benefits, such as funding green projects without additional risk, greater transparency and reporting on climate impact of fixed income investments. The demand for green bonds is coming from multiple investors. Examples of investors are institutional investors, sovereign governments, investors specialized in ESG and retail investors (Climate Bonds Initiative, n.d). The fund SPP Grön Obligationsfond is an example of a fund specialized in ESG. The fund started in 2015 and only invests in the green bond market (Almqvist, 2015). Today, more than 32 dedicated green bond funds exist, with total assets of over 8.2 billion USD (Nordea, 2020). The sustainability focus from Swedish investors has been to such an extent, that issuers globally are turning to Sweden to raise capital (SEB, 2020).

2.4 International Capital Markets Association
International Capital Markets Association (ICMA) is a not-for-profit membership association committed to serving the needs of its member firms. The member firms are active in the international debt capital markets and there are approximately 600 active member firms on both the sell- and buy-side. These member firms include private and public sector issuers, banks, fund managers, insurance companies, central banks and others (ICMA, n.d).

2.4.1 Green Bond Principles
The Green Bond Principles (GBP) was developed in 2014 by ICMA and works as voluntary guidelines in the green bond market (World Bank, 2021, p.34). These guidelines recommend transparency and disclosure in the issuance of a green bond. Further, they promote integrity in the issuance by clarifying the approach. The intention is that GBP should be widely used by the market, for example by: providing guidance to issuers on launching green bonds, helping investors by promoting transparency and disclosure, as well as helping investment banks by moving the green bond market towards standard disclosures. The GBP suggests disclosures which enables investors, banks, investment banks and others to understand the characteristics of any given green bond. Here, the principles put weights on transparency, accuracy and integrity of the information disclosed. The GBP lies on four components: use of proceeds, process for project evaluation and selection, management of proceeds and reporting (ICMA, 2018). These cornerstones are further described below.

The use of proceeds is one of the main components in the concept of a green bond. The use of proceeds should be described correctly in the legal documentation and all green projects should provide clear environmental benefits. Regarding the process for project evaluation and selection, the issuer of a green bond should clearly communicate the environmental objectives. It should also communicate the process by which the issuer determines the fit of the project with the green project categories and the criteria or other processes applied to identify or manage potential risks associated with the project. The management of proceeds is another component of the GBP. The net proceeds of the green bond should be credited to a sub-account or otherwise tracked by the issuer. The proceeds should be attested by the issuer in a formal
process linked to the operations for green projects. Issuers should, according to the reporting cornerstone of GBP, keep current information on the use of proceeds available. The information should be renewed annually until full allocation. The annual report should include a list of the projects the proceeds have been allocated to, together with a brief description of the projects and expected impact (ICMA, 2018).

GBP further recommends that issuers appoint external scrutiny to confirm the alignment of their green bonds and green bond framework with the four core components. The principles distinguish between four types of external review which are; second party opinion, verification, certification and rating. Second party opinions are done by an independent institution with environmental expertise. Which assesses the issuers’ overall policies, strategies, and use of proceeds so it is aligned with the GBP. Verification is made by an institution to confirm the alignment against a designated set of criteria. Verification can be made by tracking of proceeds and business procedures for allocation. Certification of a green bond framework and a green bond should be made against a recognized external green bond standard by an accredited third party. The green bond framework should further be assessed by qualified third parties using an established rating methodology where the rating should focus on alignment with the GBP, environmental performance or other benchmark like the two-degree climate change scenario (World Bank, 2021, p.34).

2.5 External Reviewers
The GBP recommend in connection to the issuance of a green bond or green bond programme, that issuers should appoint external reviewers to confirm the alignment of the bond or bond programme with the four core components of the GBP (ICMA, 2020). There are several ways for issuers to obtain outside input to their green bond process.

One of these ways is to consult a second party opinion provider. It is an institution that is independent from the issuer and possesses environmental expertise. A second party opinion assesses the alignment of the issuers’ green framework with the GBP, where the alignment refers to all four core components of the GBP. A second party-opinion can include an assessment of the issuers’ objectives, strategy, policy and processes related to environmental and sustainability features of the projects intended for the use of proceeds (ICMA, 2020).

Second party opinion providers are often also ESG service providers like Oekom, Sustainalytics, Vigeo Eiris and DNV GL. Scientific experts such as CICERO and CECEP also belong to that group (Climate Bonds Initiative, n.d.e). CICERO and Sustainalytics are further described below. We are aware of the existence of other second party opinion providers in the market, but we do not choose to present these further due to their relatively small market share. CICERO covered 80 percent of all Nordic green bond volume in 2020 while Sustainalytics covered 14 percent (Climate Bonds Initiative, 2021, p.9).

2.5.1 CICERO
Cicero is one of the leading second party opinion providers on green bond frameworks and has been giving worldwide second party opinions since 2008 (CICERO, n.d.a). In 2008, CICERO provided the first ever second party opinion on a green bond framework with the issuance by the World Bank. They have since then maintained a leading position in the green bond market and have pushed the market in innovative and new directions. Besides the first ever review of a green bond, CICERO have also provided second party opinions on the first ever municipal green bond (Gothenburg) and corporate green bond (Vasakronan). They did, by number of green bonds issued in the period of 2008-2020, review 82 percent of all frameworks (CICERO,
2020, p.6). In 2019, they were the second largest provider of external reviewers. In 2020, CICERO was awarded the External assessment provider of the year for 2019 by Environmental Finance, for the fourth consecutive time (Environmental Finance, 2020b).

CICERO did in 2015 introduce their climate-science based “Shades of Green” methodology to promote transparency and avoid lock in of greenhouse gas emissions over the assets’ lifetime. Their second party opinion takes a long-term view on activities that support a climate resilient and low-carbon society. The Shades of Green methodology is using three shades of green to rate frameworks and signal to investors the potential environmental impact that the project might have under the given framework. It also assesses the projects’ potential exposure to transitional and physical climate risk. One shade of green is assigned the entire framework based on rating of transparency, consideration of governance and individual project categories. Issuers can either be assigned dark green, medium green or light green on their frameworks (ICMA, 2018, p.2). Dark green is allocated to solutions and projects that contribute to the long term vision of a climate resilient and low carbon future. Medium green is allocated to solutions and projects that represent a step towards the long term vision, but are not quite there yet, while solutions and projects that receive the light green stamp are environmental friendly but not by themself contribute to the long term vision (CICERO, n.d.b). What is worth mentioning is that investments in all shades of green, dark, medium and light, and in all sectors are necessary to successfully implement the ambition and achieve the goals of the Paris Agreement (ICMA, 2018, p.2).

2.5.2 Sustainalytics
Sustainalytics is a global independent company working with ESG and corporate governance research, analytics and ratings (Sustainalytics, 2020). They work with financial intermediaries and issuers to help them consider sustainability in investments, practices and policies. They also support investors around the world with implementation and development of responsible investment strategies. Sustainalytics states that they are a trusted leader in the global green bond market and they are approved by Climate Bonds Initiative to verify green bond frameworks. The second party opinion process ensures that the green bond framework is aligned with GBP (Sustainalytics, n.d.b). Sustainalytics launched their second party opinion service in 2014 (Environmental Finance, 2021). In July 2017, Morningstar acquired a 40 percent ownership stake in Sustainalytics and purchased the remaining shares in July 2020 (Sustainalytics, 2017; Sustainalytics, 2020). Sustainalytics is now a fully owned Morningstar company and retained the title of the world’s largest second party opinion provider in 2020. They passed the milestone of delivering 500 second party opinions in 2020 to issuers in over 60 countries, where 200 of these were made in 2020. They were also in 2021 awarded the External assessment provider of the year for 2020 by Environmental Finance (Environmental Finance, 2021).

2.6 European Commission
The European Green Deal, by the European Commission, was developed to transform Europe from a high- to low-carbon economy, while improving quality of life and without reducing prosperity (Harvey & Rankin, 2020). The European Commission has initiated a 1 billion EUR call for research and innovation projects. A call with the aim of tackling the climate crisis and helping the protection of the ecosystem and biodiversity in Europe (MRS Bulletin, 2020). Almost every aspect of the European economy has to be changed, including energy generation, food consumption, transport, manufacturing and construction. A framework of regulation and legislation is created, which consists of two goals, net-zero carbon emissions by 2050 and reducing the emissions by half until 2030, compared to 1990 (Harvey & Rankin, 2020). Given
the urgency of the climate crisis, the European Green Deal aims for significant results in the short- and medium term. Though, the perspective of long-term change remains (MRS Bulletin, 2020).

2.6.1 EU Taxonomy

To meet the 2030 climate target set by the European Union and reach the objectives of the European Green Deal, direct investments into sustainable projects is essential. A clear definition of what is sustainable and not is needed to direct these investments and that is why a special classification system was created, the EU Taxonomy (EU Commission, n.d). This was the most urgent and important part of the Action Plan that the European Union released in 2018 (European Commission, 2018b, p.4). A taxonomy is a framework that consists of systematic definitions and classifications of qualifying items. If the taxonomy defines and classifies green assets and projects, it can be called a green taxonomy (Climate Bonds Initiative, 2019, p.1).

The taxonomy that the European Union has created is a green taxonomy and has established a list of environmentally sustainable economic activities. The list is important to be able to scale up sustainable investments, by fulfilling the need of clear definitions on which activities that can be considered sustainable. The taxonomy is expected to create security for investors, protect the market from greenwashing and help companies to plan the transition towards more sustainable activities with the ultimate goal to shift investments to where they are needed the most (EU Commission, n.d). Lucarelli et al. (2020, p.2) states that the purpose of the EU Taxonomy is to determine whether economic business activities are environmentally sustainable, but also to determine to what extent the business itself is sustainable. Further, Lucarelli et al. (2020, p.17) states that “[…] the Taxonomy alignment appears to constitute a crucial step toward reducing transaction costs and information asymmetries.”. The EU Taxonomy makes it possible for EU standards to enable easier access for investors seeking sustainable finance products, as well as create trust and protect the integrity in the sustainable financial markets (European Commission, 2018a, p.4).

2.6.2 EU Green Bond Standard

The EU Green Bond Standard (EU GBS) will in connection to the EU Taxonomy be a valuable tool to support the sustainable finance policy set by the EU. Although it is not yet implemented, it has the potential of becoming the leading standard in the green bond markets. The EU GBS are providing a defined protocol for issuing green bonds. This might improve the issuers reputation and improve the reporting given to investors by making it an opportunity for taxonomy-aligned investments (Sievänen, n.d).

A EU green bond is an issued unlisted or listed bond or other debt capital market instrument by any international or European issuer that is in line with the EU GBS. To be able to issue a EU green bond, the issuer needs to confirm that the orientation of the bond is in line with EU GBS. This must also be reviewed by an approved verifier. Further, the proceeds must be exclusively used to refinance or finance, fully or in part, green projects (EU Technical Expert Group On Sustainable Finance, 2020, p.34). The definition of a green project is a project that contributes to sustainability in at least one of the six following areas; climate change adaptation, climate change mitigation, transition to a circular economy, protection and sustainable use of marine and water resources, pollution and prevention control, restoration and protection of ecosystems and biodiversity. While not damaging any of the other areas and not contributing with minimum safeguards, where the safeguards are aligned with OECD guidelines, UN guiding principles and International Labour Organisation’s declaration on Fundamental Rights and Principles at work (EU Technical Expert Group On Sustainable Finance, 2020, p.35).
3. Theoretical Background

This chapter will explain existing theories which we intend to apply in our research. Previous literature is examined to build the theoretical framework. The relevant theories identified are stakeholder theory, corporate social Responsibility and legitimacy theory. The theories will be explained in detail and critique against the theories will be presented.

3.1 Choice of Theory

This research is based on three well-known theories within the area of business research: stakeholder theory, corporate social Responsibility and legitimacy Theory. With the basis in these theories, the idea is to show different possible motives regarding why the Nordic green bond market is interesting from an underwriter perspective. This will help us interpret the empirical findings of the research and create a better understanding of different mindsets and motives.

The three theories are selected to facilitate an analysis of the empirical findings and ease the understanding of the presented analysis and conclusion. The stakeholder theory is selected to understand the stakeholder approach to finance and identify the relevant stakeholders of the Nordic green bond market. Corporate social responsibility and legitimacy theory is used to possibly understand the motives for the different participants in the Nordic green bond market. All three theories enable analysis of the possible future of this market.

3.2 Stakeholder Theory

Business ethics is a hot topic in the news now. Maybe the most difficult business ethical question facing managers is to whom are they responsible? Organizations affect and are affected by different parties, or stakeholders. In short, for which stakeholders benefit should an organization be managed? (Phillips, 2003).

Wijnberg (2000, p.329) argues that in its most basic sense, stakeholder theory builds upon the denial of the idea that corporations single-mindedly should strive to maximize the benefits of one single stakeholder, the shareholders. Stakeholder theory is presumably the most popular way to deal with problems that regard broader responsibilities of businesses. The book Strategic Management: A Stakeholder Approach, in which the theory is first presented, is still cited by numerous authors. This, as stakeholder theory continues to attract attention from researchers (Laplume et al., 2008, p.1152). Freeman’s (1984) initial thought was a pragmatic approach that requested organizations to be cognizant of stakeholders to achieve superior performance. A fundamental part of the stakeholder theory is that organizations should be managed in the interest of all stakeholders, not only in the best interest of the shareholders. To simplify, stakeholder theory is an alternative to the stockholder-based theories of organizations (Freeman, 1994). The term stakeholder itself means “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p.46). Further, Bryson (1995, p.27) suggested a more thorough definition for the term “A stakeholder is defined as any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output.”.

Freeman et al. (2017, p.3) suggest that stakeholder theory has emerged as a new understanding of three interconnected business problems. The problem of understanding how value is created, the problem of connecting business ethics and capitalism, and the problem of helping managers think about management in a way such that the first two problems are addressed.
A key difference between Freeman et al. (2010, p.11) and Friedman’s (1970, p.126) view is what makes a business successful. According to Friedman it is maximizing profits, according to Freeman one has to produce great products and services, have solid relationships with suppliers as well as inspired employees and supportive communities to maximize profits. Freeman et al. (2010, p.11) rewrites the famous quotation by Friedman as “Business is about making sure that products and services actually do what you say they are going to do, doing business with suppliers who want to make you better, having employees who are engaged in their work, and being good citizens in the community, all of which may well be in the long-run (or even possibly the short-run) interest of a corporation. Stakeholder management is just good management and will lead to maximizing profits.”

Freeman et al. (2010, p.27) states that no stakeholder is alone in value creation. The interest of each stakeholder is connected to each other. For example, how is it possible for a bondholder to receive any returns if management is not paying attention to the stakes of customers? Is it possible for customers to get services without the business having employees and suppliers? Many argue that the main question of stakeholder theory is to solve the problem of which stakeholder to prioritize. This is a secondary issue. The first step is to consider all stakeholders interests as a whole. To see the different interests as a whole rather than individually can be tricky, due to the fact that it can be difficult to accommodate all stakeholder interests. Why not delay investments on new products to keep earnings higher? Stakeholder theory tries to reframe this question, and invite managers to ask, how can we enlarge investment and at the same time create higher earnings? (Freeman et al., 2010, p.27). According to stakeholder theory, the primary responsibility of an executive is not profit maximization, it is instead to create as much value as possible for stakeholders. When the different stakeholders' interests interfere, the executive's responsibility is to find a way so that these interests can align. If a trade-off has to be made, the executive's responsibility is to begin improving the trade-off for both stakeholders. Meaning that the stakeholder approach to business is to create as much value as possible for the firm's stakeholders as a whole (Freeman, 2010, p.28).

Tang & Zhang (2020, p.5) argues that from the stakeholder theory point of view, green bonds are a way of incorporating environmental factors and values to attract a certain sort of investor. We argue that the stakeholder theory is related to sustainability in general and to the Nordic green bond market in particular. If companies know that there are more stakeholders to satisfy, rather than simply favor the shareholders by profit maximization, it will imply a higher focus on other stakeholders values, such as sustainability, working conditions, regulatory questions etc. The higher focus on sustainability values do also imply an increased focus on the transition of the society towards sustainability. We argue that the stakeholder theory in connection to the Nordic green bond market can help us to describe the dilemma between monetary gains and emission minimization.

3.2.1 Critiques of Stakeholder Theory
Stakeholder theory is highly tempting since it addresses both corporate social responsibility and how organizations can manage people fairly, which are two core issues in business. However, the theory fails in its guiding attempts since it is not sufficiently comprehensive (Orts & Strudler, 2009, p.612).

Some critics claim that the stakeholder theory has been overused and applied in too wide proportions. It can be useful in cases like purely strategic scenarios but the theory comes out short in explaining matters of business ethics and larger moral thinking. Voices have been raised that it is not very reliable, persuasive or good with its philosophical approach in
describing ethical problems that appear in business. It can be useful in finding interests that should be recognized in business decisions, but it fails in the business ethics discussion and inappropriate proportions are today used in its application when interpreting ethical issues (Orts & Strudler, 2009, p.605).

The term ‘stakeholder’ has also been criticized for not explaining who a stakeholder is and being too vague as a term meaning that the entire theory collapses without a clear definition. Stoney and Winstanley (2001, p.623) states that there has been a broad disagreement for many years about who a stakeholder of a business actually is, which has created a lot of conceptual confusion. Stoney and Winstanley (2001, p.605) further writes that the term is “content free” and applies everywhere the author or researcher wants to fit their arguments and purposes.

3.3 Corporate Social Responsibility

“For many years, community development goals were philanthropic activities that were seen as separate from business objectives, not fundamental to them; doing well and doing good were seen as separate pursuits. But I think that is changing. What many of the organizations that are represented here today are learning is that cutting-edge innovation and competitive advantage can result from weaving social and environmental considerations into business strategy from the beginning. And in that process, we can help develop the next generation of ideas and markets and employees.” (Fiorina, 2003, cited in Kotler & Lee, 2006, p.1).

Kotler & Lee (2005, p.3) offer the following definition of the term corporate social responsibility (CSR); “Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”.

Scholtens (2006, p.19) states that since finance is the grease to the economy. It is safe to assume that it also may affect CSR and the sustainability of economic development as well. For example, socially responsible investments and shareholder advocacy can encourage socially and environmentally friendly activities. There are numerous connections between the operations of financial intermediaries, CSR and sustainable development. For example, financial intermediaries offer risk management to customers, they also screen and monitor the customers. The availability of expertise and the screening and monitoring of firms and projects can give direction to the firms’ operations. It is particularly in this area that financial intermediaries can influence corporate social responsibility as well as the sustainability of economic development (Scholtens, 2006, p.21-22).

Furthermore, finance relates to CSR and the sustainability of economic development because economic production influences environmental performance and financial development is weaved with economic development. Scholtens (2006, p.28) states that the linkages that run through the capital markets are viewed as the main channels through which finance impacts the economy. According to several researchers, there is a reputational risk for financial intermediaries where actions of borrowers may negatively affect them. This reputational risk is an incentive for banks to include social, ethical and environmental considerations in their evaluation of firms or projects. The financial intermediaries have recognized sustainability problems, and various intermediaries have come up with products and market innovations for this (Scholtens, 2006, p.26-28).
3.3.1 Critiques of Corporate Social Responsibility

Fleming & Jones (2013, p.1) argues that it is true that almost every large company today to some extent makes efforts to communicate how it is committed to social issues that lie beyond its basic business. What is called CSR has become a marketing and branding tool for many large and medium-sized companies. CSR is also an academic growth industry and is increasingly discussed in business and management journals. Fleming & Jones (2013, p.2) further opines that the idea of transforming corporations into considering social issues beyond financial rationality misunderstand the function of capitalism. There is a tension between ethical considerations and the general sense of a business, such as increasing profits, reducing costs and privatization. The general sense of business will always have priority, because that is how corporations were designed to operate. Which can imply that CSR begins to look like wishful thinking (Fleming & Jones (2013, p.2).

3.4 Legitimacy Theory

Legitimacy theory builds upon the beliefs that social constructions create understandings of what is legitimate behavior of an entity or business. One could describe a legitimate business as a business with behavioral patterns that are aligned with what a group of observers supports or accepts as a behavioral pattern (Suchman, 1995, p.574). Deegan (2019, p.2315) states that successful organizational operations and maintenance of it require that managers ensure that their organization operates in conformance with expectations of the community and by doing that, the organization reaches the status of being legitimate. Within the theory, organizations are considered to not have any inherent rights to resources and they are being viewed as a part of a broader social system. Researchers often assume that legitimacy is a dichotomous variable, meaning that an organization either is legitimate or not. Organization that has not reached the state of legitimacy will face sanctions by the society such as difficulties in securing resources and it will also face restrictions imposed on its operations. What actually is viewed as legitimate tends to be relative to the social system where the organization operates and to be both time and place specific (Deegan, 2019, p.2315).

Suchman (1995, p.574) states that “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, and beliefs.”. There are many reasons for organizations to seek legitimacy. Conclusions about the effectiveness, difficulty and importance of legitimation efforts may depend on the objectives in which they are measured against. He further mentions two particularly important dimensions in this regard: (1) the distinction between pursuing credibility and pursuing continuity and (2) the distinction between seeking active support and seeking passive support (Suchman, 1995, p.574).

Attempts to extend or gain legitimacy starts when an organization is becoming established, entering a new type of activity, or utilizing new processes or structures (Ashforth & Gibbs, 1990, p.182). It is generally proactive work because of the manager's knowledge of their own organization and knowledge about what needs to be done (Suchman, 1995, p.587). There are according to Suchman (1995, p.587) possible to divide strategies for gaining legitimacy into three different clusters which are: (1) efforts to conform to the environment where the organization already exists, (2) efforts to select among multiple environments and select the one that would fit the current practices of the organization and (3) efforts to manipulate the existing environmental structure and create new legitimating beliefs that is in line with the organization. All strategies involve convincing organizational communication and complex mixtures of organizational change.
When the organization has reached legitimation, activities to maintain the achievement starts. Such activities include symbolic assurances that everything works well, continuous role performance and attempts to forestall or prevent anticipated potential challenges to legitimacy (Ashforth & Gibbs (1990, p.183). Suchman (1995, p.594) presents similar strategies and states that it is possible to divide the maintenance strategies into two groups; protecting past accomplishments and perceiving future changes. The need of defending legitimacy occurs when existing legitimacy of an organization is challenged or threatened. These activities tend to be reactive and intense as managers try to counter the threat (Ashforth & Gibbs, 1990, p.183). Suchman (1995, p.597) mentions that these activities resemble the ones needed to gain legitimacy in many ways but that the activities would be in place for different reasons. Ashforth & Gibbs (1990, p.183) also states that the activities in both situations are similar but that there is one thing that separates them. They say that the defending activity of legitimation includes a greater extent of symbolic activities compared to implemented activities to extend or gain legitimacy.

Both Suchman (1995, p.593) and Ashforth & Gibbs (1990, p.182) states that the activities that are required to extend and defend legitimacy of an organization are far more intensive and extensive compared to the required activities to maintain legitimacy.

The legitimacy theory is connected to the Nordic green bond market in several ways. Working with sustainability is a source of legitimacy for businesses today. Connecting the legitimacy theory to the Nordic green bond market is an attempt to assess whether the issuances of green bonds can provide legitimacy to both issuer and underwriter. By researching the motives and future of the Nordic green bond market, we aim to use the legitimacy theory to answer to what extent legitimacy is a motive for green bond issuance.

3.4.1 Critiques of Legitimacy Theory

Despite that legitimacy theory provides important explanations of events and contributes with important insights, the theory does have some weaknesses. It is typically constructed as a dichotomous variable, which means that an organization either has legitimacy or not, which is determined by the society. Theorists of legitimacy do not tend to subdivide the theory into extended sub-components and the theory is in need of refinement and exploration. When an organization is affected by a crisis that affects the legitimacy of the business, it is often assumed that the subsequent strategy is to restore that lost legitimacy, but generally there have been limited attempts to measure the change and the differences before and after the crisis. The theory also typically ignores the role of the state, broader social structures and external systems in legitimizing certain institutional and social structures. Further, by assuming a “pluralist society” and concentrating on society as a whole, it ignores the power of conflicts, class struggles and general imbalances (Deegan, 2019, p.2318-2319).

Apart from theoretical shortcomings regarding legitimacy theory, there are also other issues that need to be addressed. The term “social contract” implies that both the community and the organization have obligations that need to be fulfilled. The reality is that the theory has no answers to what will happen if the society does not respond in a way that is in line with the contract, even if the business follows the implied terms and nothing forces the society to act under the contract (Deegan, 2019, p.2319-2320).
4. Scientific Method

This chapter will describe the scientific method of the research. Decisions regarding scientific philosophy, approach, design and strategy are presented. Further are methods used for literature search, criticism of sources, ethical and social considerations presented.

4.1 Scientific Philosophy

To guide the scientific research in how it should be conducted, there is a need for a philosophical framework, a research paradigm. The two main paradigms are positivism and interpretivism. By identifying the paradigm it is possible to establish an idea about what existence, knowledge and reality actually is (Collis & Hussey, 2014, p.43). There is an observable social reality with the positivist viewpoint that produces generalisations that can be viewed as laws (Saunders et al., 2019, p.144). Keystones in the positivism belief is that the goal is to discover new theories with a reality based on empirical research that is independent of the researcher. Knowledge can be scientifically verified with mathematical or logical proof for every statement that is made. With the belief that the reality is independent, positivists assume that the social reality under investigation does not get affected by the investigation itself. In studies of positivism, theories provide the starting point of explanation, give the anticipation of fact, predict their existence and therefore allow them to be managed. The explanation is made by establishing relationships between variables by setting up casual laws and linking them to integrated or deductive theory. Thus, natural and social worlds are bound by some fixed laws in sequence of cause and effect (Collis & Hussey, 2014, p.44).

Interpretivism is developed from the criticism of positivism (Collis & Hussey, 2014, p.44). As people have different cultural backgrounds, and as different time periods make different meanings, interpretivists are critical against the view of positivists to create universal laws that apply to everybody. Interpretivists argue that the social world of human beings cannot be studied in the same way as the phenomena of physicality, and that social science research therefore needs to be different from natural science. The purpose of interpretivism is to create interpretations and new, richer understandings of social worlds and contexts. This means to look at organizations and businesses from different points of view. Complexity by interpretivists are taken care of by collecting what is meaningful to the participants of the research. With its focus on richness, complexity and multiple interpretations, interpretivist research is highly subjective (Saunders et al., 2019, p. 148-149). Bryman & Bell (2015, p.29) states that interpretivism is based on the view that a strategy is needed to fully respect the differences between people and objects of natural science. This call for social scientists that are able to grasp the subjective meaning of social action. However, one should note that not so many researchers today adopt the pure form of interpretivism and positivism and that many new paradigms have emerged (Collis & Hussey, 2014, p.45).

This research creates interpretations and new, richer understandings of the Nordic green bond market with an underwriter perspective. The research does therefore conduct the scientific philosophy interpretivism. With this subjective research with focus on interpretations, we will not be able to separate the research from ourselves as researchers. Collis & Hussey (2014, p.45) states it like interpretivism is underpinned by the belief that the social world is not objective because of the shaping of our own perceptions.
4.1.1 Ontological Assumption
Ontology is about the nature of reality, about the assumptions that are needed to state that something exists (Lincoln & Guba, 1985, p.37; Bell et al., 2019, p.26). Different ontological viewpoints define reality in different ways and important ontological questions deal with whether the social phenomena should be viewed as external to observers or made real by meanings and human activities. Different assumptions therefore determine what researchers are trying to understand with their research. The understanding of reality should also determine how to research the reality of interest (Bell et al., 2019, p.26). It can according to Lincoln & Guba (1985, p.37) be understood by considering two versions, naturalism and positivism. They further state that naturalists view reality as multiplied constructed and that positivists view reality as only one existing phenomenon. Bell et al., (2019, p.26-27) define it as two different positions, constructionism and objectivism, which is similar to Lincoln and Guba’s two versions. Bell et al., (2019, p.26-27) states that constructionism deals with categories such as culture and organization and that these are socially constructed entities made real by understanding and actions by humans. They define the objectivist position as a social phenomenon that exists externally beyond human influence or reach and as something that exists whether one is aware of it or not, which implies that the reality is independent of the observer. Objectivism compared to constructionism views culture and organization as an objective phenomena that exist independent of the participants or researchers that observe them (Bell et al., 2019, p.26-27).

This research is based on interpretations of reality, which is not necessarily equal to an actual reality. The ontological assumption of this research is naturalism (constructionism). The reason why we believe this approach is the most appropriate for our study is that the research will be based on explanations of reality based on the respondents' own perceptions, which means that the explanations have no unambiguous meaning and rather are constructed in social contexts and can change over time. Collis & Hussey (2014, p.47) argues that interpretivists believe that each person has his own sense of reality and that there are multiple realities. This is well captured by Mercier (2009, cited in Collis & Hussey, 2014, p.47): “Life is not what we live; it is what we imagine we are living.”.

4.1.2 Epistemological Assumption
Epistemology deals with the theory of knowledge and how it is possible to pass on knowledge to others (Bell et al., 2019, p.29). Lincoln & Guba (1985, p.37) define it as “the relationship of knower to known”. It is deeply connected to ontology and any given ontological position will imply a certain epistemological position, an understanding of how to gain knowledge about that reality. Epistemology gives guidance in how research should be conducted and is therefore very important in business research. Epistemological considerations and considerations regarding issues connected to it provides means to ensure that produced knowledge is sound (Bell et al., 2019, p.29). An important question is whether the social world can and should be studied in the same way as natural science. The epistemological position positivism confirms the importance of that it is studied in the same way and is shaped by an objectivist ontological position (Bell et al., 2019, p.30). The researcher and the researched object are with a positivist view independent of each other (Lincoln & Guba, 1985, p.37). The way of positivist research is to test theories and hypotheses and reject or accept it to create true statements about reality. Even though positivist epistemology has its roots in physical science, it would be wrong to treat positivism as a synonym to the scientific and science (Bell et al., 2019, p.30).
Interpretivists epistemology is contrasting to positivism and has its roots in criticism of the application of the scientific model that positivists use to study the social world (Bell et al., 2019, p.30-31). Interpretivists often use different shapes of participative inquiry since they try to minimize the distance between the researched subject and themselves (Collis & Hussey, 2014, p.47). Lincoln & Guba (1985, p.37) define this as the naturalist version of epistemology and states that the researcher and the object of research here interact to influence each other. The view of interpretivists is that the social world is fundamentally different from natural science which is built on social constructionist ontology. Which states that reality is affected by meaning-making and human action, not existing independently and objectively (Bell et al., 2019, p.30-31).

Since this study aims to create an understanding of the motives and future of the Nordic green bond market, we will use interpretivists epistemology in this research. The view of this research is that the reality is not existing independently and objectively. Rather, we are researching the respondents' socially constructed reality and view of the Nordic green bond market. We will try to minimize the distance between us and the respondents as well as what is being researched.

4.1.3 Axiological Assumption
Axiology is about the role of ethics and values (Saunders et al., 2019, p.134). Positivists argue that the research process is value-free. Meaning that they are detached and independent from what they are researching. Further, positivists are concerned with the relationships between the objects of study, and believe that these objects were present before they were interested in them. The positivists also believe that these objects are unaffected by their research activities. On the other hand, the interpretivists argue that researchers have values, even if they have not been made explicit. It is these values that help the researcher to judge what are recognized as facts and the interpretations drawn from these facts. Unlike positivists, interpretivists opine that the researcher is involved with the objects being researched (Collis & Hussey, 2014, p.48).

Axiological interpretivists assumptions are applied throughout this research. We believe our research process is not value-free, instead it is our values that help us determine what are recognized as facts and the interpretations drawn from it. In this research, we as researchers will be involved with the objects being studied.

4.1.4 Rhetorical Assumption
Collis & Hussey (2014, p.48) suggest that the rhetorical assumption is particularly important when writing a thesis. The rhetorical assumption is concerned with the language of the research. In positivist research, the language should be of a formal style, and the researcher should use the passive voice. The rhetorical position is less clear in interpretivist research. Instead, the chosen style should reflect the immediacy of the research and the researcher’s involvement with the data and research. In this research, we have worked with an interpretivist rhetorical assumption. The thesis is written with a personal style, rather than a formal style with a passive voice.

4.2 Research Approach
Collis & Hussey (2014, p.7) states that in deductive research, conceptual and theoretical structure is developed and tested by empirical observations. For example, one could state that a deductive method is used to move from the general to the particular. Which means testing a general theoretical structure with empirical observations. Further, they state that inductive research in studies in which theories are developed from empirical observations, which is the reverse of the deductive method. In this case, you are moving from the specific to the general.
Bryman & Bell (2015, p.25) means that deductive research is theory to observations and inductive research is observations to theory. Though, deductive research will contain features of inductive research. At the same time will inductive research contain features of deductive research. Further, one has to be careful when using the word “theory” in combination with inductive research. Although some researchers undoubtedly develop theories, one has to be aware that the results more often are empirical generalizations. Instead of moving from data to theory like induction, or moving from theory to data like deduction. It is possible with an abductive approach to move back and forth and combine the two approaches. It begins with observing a surprising fact and after that abduction works out a possible theory of how this surprising phenomena could have occurred. With the highly flexible abductive approach, it can be used in a number of different research philosophies. Some argue that it is so hard or even impossible to use a highly deductive or inductive approach that many researchers in practice use abduction to some extent in their work (Saunders et al., 2019, p.155-156).

The purpose of this research is to build upon empirical observations to develop new angles and theories regarding the Nordic green bond market. The outcome of the empirical observations will likely be empirical generalizations of the market. We hope that our findings and analysis will help to build upon and contribute to the existing research and theories of the field as well as provide a different perspective of the Nordic green bond market. Saunders et al. (2019, p.155) states that inductive research is concerned with the context of which such events take place. Therefore, the study of a small sample of subjects might be appropriate. Further, Saunders et al. (2009, p.126) opine that if a researcher wants to understand the reason of a problem rather than describing it, to conduct inductive research instead of deductive would be better suited. With all this in mind, it is clear that the research approach of this thesis is inductive.

4.3 Research Design

There are four types of research designs according to Collis & Hussey (2014, p.4). The research can be of exploratory, descriptive, explanatory or predictive type. Exploratory research aims to develop and look for new patterns in an existing phenomena. Saunders et al. (2019, p.186) states that an exploratory study means to ask open questions to understand what is happening and gain insights of a topic. Ways of conducting exploratory research include search of the literature, interviewing experts and conducting in-depth interviews. One advantage of exploratory research is the flexibility and adaptability. Descriptive research on the other hand aims to describe the phenomena as they exist. The descriptive research is used to obtain and identify information of a particular issue. The purpose of the descriptive research is to gain an accurate profile of events, persons or situations. Descriptive research may be an extension of a part of exploratory research or a forerunner to it. Explanatory research is said to be a continuation of the descriptive research. Here, the researcher goes beyond identifying and describing characteristics of an issue. Instead the researcher are analyzing and explaining the phenomena. Studies that establish causal relationships between variables are often termed explanatory, the emphasis is to study a phenomenon to explain the relationships between variables. Lastly, predictive research goes a further step beyond explanatory research. The predictive research is establishing an explanation of what is happening in particular situations. The aim of predictive research is to generalize from the analysis to predict certain phenomena. Purpose of predictive research is to find out how well something works (Collis & Hussey, 2014, p.4 ; Saunders et al., 2019, p.187-188).
This research will have an exploratory research design. We are aiming to look for new patterns in the existing Nordic green bond market, no hypothesis will be tested. Instead, questions will be asked to the respondents to enable an understanding of the Nordic green bond market and gain insights in the underwriting process in issuances of green bonds. As Saunders et al. (2019, p.186) stated, an exploratory study often includes interviewing experts and search of literature, which this research will.

4.4 Research Strategy

While forming research, there are two different approaches that can be used, quantitative or qualitative study (Collis & Hussey, 2014, p.5). One way to separate qualitative research from quantitative research is to distinguish between non-numeric data (images, words, audio and recordings) and numeric data (numbers). A quantitative research is often connected to any data analysis procedure or data collection technique that uses or generates numerical data, while a qualitative research often is connected to any data analysis procedure or data collection technique that uses or generates non-numeric data (Saunders et al., 2019, p.175).

Qualitative studies investigates participants’ meanings and the relationship among them, to develop a theoretical contribution and conceptual framework. The success of a qualitative study depends not only on getting connection to those who take part, but also demonstrating sensitivity and building rapport to gain cognitive availability to their data. In this type of study, data are derived from images and words, not numbers (Saunders et al., 2019, p.179). It is associated with philosophies of interpretivism since it is needed to make sense of the socially constructed and subjective meanings expressed about the phenomenon that is being studied. Further, qualitative studies are often connected with an inductive approach to theory development. Together with an emergent and naturalistic research design, used to develop richer theoretical perspectives and build new theory that does not already exist in the literature. However, a qualitative study can be using a deductive approach, to test existing theories using qualitative procedures (Saunders et al., 2019, p.179).

Quantitative research uses statistical methods in analyzing the data that has been collected (Collis & Hussey, 2014, p.5). It examines the relationship between variables with numerical measurements and is analyzed by using a wide range of graphical and statistical techniques. As in an experimental design, quantitative research incorporates control to secure the validity of data. It uses a very standard manner of data collection which entails the importance of clear questions so that each question is understood in the same way by all participants. Generally, this methodology uses probability sampling techniques to secure generalizability in the results and the researcher is seen as independent of the research (Saunders et al., 2019, p.178). The research design is associated with positivism and with a deductive approach, but a quantitative study can also take the philosophy of interpretivism and an inductive approach (Saunders et al., 2019, p.176).

With our research paradigm being interpretivist. A qualitative research strategy is more appropriate. Interpretivists often adopt a range of methods that are aiming to describe or translate the meaning of a occurring phenomenon (Van Maanen, 1983, p.9) The focus of interpretivism is to explore the complexity of social phenomena with an aim of gaining interpretative understanding (Collis & Hussey, 2014, p.45). We believe this is best done through a qualitative research strategy. The qualitative method enables us to procure a deeper understanding about the motives of the Nordic banks' choice to be active in the Nordic green bond market, as well as the future of the Nordic green bond market. Interviews with experts within sustainable finance and sustainable bonds will help us obtain rich qualitative data.
4.5 Literature Search

According to Collis & Hussey (2014, p.76), a literature search can be defined as a systematic process to identify the existing knowledge on a specific topic. Knowledge can be in various types of publications and in qualitative or quantitative form. The underlying purpose of this moment is to gather as many relevant literature objects as possible and go through them. In the process of a literature search, you will understand more of the subject and previous research. Which further will provide you with an analysis of what is already known and help you identify research gaps in the existing knowledge. Our literature search is implemented through various databases, such as the one provided by the Umeå University Library. Further, Google Scholar and ‘Digitala Vetenskapliga Arkivet’ (DiVa) are also used.

Once you have decided where to start searching, one must identify the keywords related to your research topic to start off the literature search. Keywords are words used to search databases or search engines for items containing those words. A systematic approach to the use of keywords is needed (Collis & Hussey, p.78). Therefore, a list of keywords for literature search has been established.

Table 2. Keywords - Literature Search

<table>
<thead>
<tr>
<th>Keywords</th>
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<tbody>
<tr>
<td>Sustainability</td>
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<td>Sustainable Finance</td>
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<tr>
<td>Business Ethics</td>
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<tr>
<td>Paris Agreement</td>
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<td>Green Financing</td>
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<td>Green Bonds</td>
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<td>Greenium</td>
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<td>Greenwashing</td>
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<td>EU Taxonomy</td>
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<td>Sustainability-Linked Bonds</td>
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<tr>
<td>Stakeholder Theory</td>
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<tr>
<td>Corporate Social Responsibility</td>
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<tr>
<td>Legitimacy Theory</td>
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</tbody>
</table>
4.6 Criticism of Sources
The most commonly referred advantage of secondary data compared to primary data is the cost. Since secondary data already is gathered means that it is generally less expensive than collecting primary data, but it does not mean that the cost is negligible. Though, there are not only advantages of using secondary data. The fact that the data are already gathered entails a loss of control to the researcher which is the disadvantage of selecting the cheaper alternative. The fact that the researcher has not been involved in the gathering process of data means that the researcher might be unaware of weaknesses of it, misuse it and draw unwarranted conclusions from it. Another consequence of secondary data is that the loss of control can contribute to bias and notwithstanding attempts by the researcher to manipulate the data into a suitable form since the data initially might have been gathered for another purpose (Cowton, 1998, p. 427-428).

By being aware of strengths and weaknesses of primary and secondary sources, we have been able to make careful and informed decisions during the research process. The knowledge has also helped us using suitable and reliable sources from well-performed and peer reviewed research. It has made it possible for us to both carefully search for sources and gather primary data by conducting interviews and analyzing the results. The main source and database that have been used to find relevant literature and articles is the university library at Umeå University. It has given us access to many well-known and highly rated journals which have created confidence regarding the quality of the reviewed literature and given strengths to the drawn conclusions. The scientific articles that we have used come from the following academic journals listed together with their rating from the Chartered Association of Business Schools Academic Journal Quality Guide (2018), generally known as the ABS or AJG list.

Table 3. Journals & Ratings (Chartered Association of Business Schools, 2018)

<table>
<thead>
<tr>
<th>Journal</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Academy of Management Annals</td>
<td>4</td>
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<tr>
<td>Academy of Management Learning &amp; Education</td>
<td>4</td>
</tr>
<tr>
<td>Academy of Management Review</td>
<td>4*</td>
</tr>
<tr>
<td>Accounting, Auditing &amp; Accountability Journal</td>
<td>3</td>
</tr>
<tr>
<td>British Journal of Management</td>
<td>4</td>
</tr>
<tr>
<td>Business Ethics Quarterly</td>
<td>4</td>
</tr>
<tr>
<td>Critical Perspectives on Accounting</td>
<td>3</td>
</tr>
<tr>
<td>Energy Policy</td>
<td>2</td>
</tr>
<tr>
<td>Journal of Banking &amp; Finance</td>
<td>3</td>
</tr>
<tr>
<td>Journal of Business Ethics</td>
<td>3</td>
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</tbody>
</table>
Journals that are rated 4* are “Journals of Distinction”. There are only a small number of houses that have received this grade and those who have are recognized as world-wide exemplars of excellence and have the highest impact factor. Whether the journal are rated 4* or 4, it publishes the best-executed and most original research with low acceptance rates and high submissions (Chartered Association of Business Schools, 2018, p.9).

The ones that have received grade 3 still publish well executed, original research and are highly regarded. They are very selective in what they publish, generally have good submission rates and are heavily refereed. 2-rated journals publish original and acceptable standard research and are well regarded journals in their field. Papers are fully refereed in line with accepted conventions and standards. The 1-rated journals do generally publish more modest standards but recognized research in their field. This rating indicates that the journal meets a general expectation of peer review and normal scholarly standard. Few carry a citation impact factor and many are relatively lightly referred (Chartered Association of Business Schools, 2018, p.9).

Though, rating systems of journals like the ABS list are not free from critique. Adler & Harzing (2009, p.84) states that these systems are volatile, unfair, inconsistent and contributing with incentive problems to researchers. Tourish & Willmott (2015, p. 45) states that ratings make researchers restrict their methods and theoretical frameworks to what is congenial to top journals. That implies that critical questions that must be asked if management and business schools are to meaningfully engage with deepening problems like sustainability draws limited attention. That traditional peer review would provide a purer form of research assessment is not clear according to Walker et al., (2019, p. 743) because of the structures and inherent biases of peer review itself. With the known drawbacks of different research assessment tools we have decided to exclusively use a combination of articles that is peer reviewed and also to be transparent with publishing the ratings according to ABS of the articles that have been used. Since the field of green bonds and challenges within the area clearly can be viewed as a “critical question area”, we have used the ABS guide only as guide and not as a strictly judging system of good or bad since the system according to Tourish & Willmott (2015, p.45) has implications...
on addressing sustainable issues. We have therefore accepted 1- and 2-graded journals when the article in the journal addresses sustainable issues that can be connected to green bonds.

We have further used well-known authors and literature which often are used as course literature by Universities throughout the research and when needed to address the importance and actuality of the field we have also used reputable newspapers such as Financial Times, The Guardian, The New York Times and The Wall Street Journal. These papers have only been used as complement sources in the quickly growing field of green bonds, and we assess these sources as respected and acknowledged newspapers.

4.7 Ethical and Social Considerations

Research ethics refers to the moral values that form the code of conduct in research and most universities have their own research ethics policies to obey (Collis \& Hussey, 2014, p.30-32). Umeå School of Business and Economics (USBE) (2018, p.6) expresses that existing ethical guidelines for social science research must be followed. These guidelines include that study participants must be given adequate information to be able to give informed consent about their participation. Studies should be carried out and reported in a way that ensures that participants do not experience inconvenience. Guidelines on use of data must be respected and the researcher may not act deceptively. Further, information about research motive and other interests must be disclosed. It is also important to reflect upon which information that will be included in the research and if it might be appropriate to anonymize companies and respondents. The respondents should, at least, be informed that the research will be accessible for the public so that they know what they agree to when participating in the study.

There exists according to All European Academies (2017, p.4), also known as ALLEA, four fundamental principles of research integrity. These should guide researchers in their work as well as with their ethical, intellectual and practical challenges inherent in research. The first principle is *Reliability*, which addresses the importance of ensuring the quality of the research, reflected in the methodology, design, analysis and use of resources. *Honesty* is the second one and is about undertaking, developing, reviewing, communicating and reporting in a transparent, fair, unbiased and full way. The third one is *Respect*, which addresses the importance of having respect for colleagues, research participants, ecosystems, society, cultural heritage and the environment. The final and fourth principle is *Accountability* for the research from idea to publication, mentoring and supervision, for its management and organization, for training and for wider impacts.

Collis \& Hussey (2014, p.32) states that no one should be forced to participate in research and that it is recommended to avoid the use of financial offers to induce people to participate. Further, estimated required time together with general expectations should also be given to the respondent before the interview (Collis \& Hussey, 2014, p.32). Collis \& Hussey, (2014, p.32-33) suggest that a principle regarding qualitative data collection is that all respondents should be offered anonymity and confidentiality. Anonymity is the assurance to respondents that their name will not be mentioned in the research, confidentiality is the assurance to respondents that the information given will not be traceable to the one providing it.

The ethical guidelines by USBE and the four ethical principles created by ALLEA have guided us throughout this study to ensure that our research and decisions follow ethical and social guidelines and do not harm any of the participants or stakeholders of this research. All respondents have received details about estimated required time of the interviews and have participated voluntarily. The interviews have been recorded and been deleted after the research.
have been completed. The possibility of anonymity and confidentiality have been given together with the information that the research will be accessible by the public. All respondents have accepted that we include their own name, title and the name of their company in this research to contribute to transparency and development in the Nordic green bond market. Further, we have not received information covered by banking secrecy. Other possible sensitive information is not disclosed in this research and participants have been given the possibility of approving the citations that we have made before the research was published.
5. Research Method
This chapter will explain the research method that is applied throughout this research to understand the Nordic green bond market. The chapter begins with addressing the qualitative data collection and finishes with an explanation of the qualitative data analysis that has been conducted.

5.1 Qualitative Data Collection
Interviews are according to Collis & Hussey (2014, p.133) a research method used for data collection. Selected respondents are asked questions with a purpose of finding out what they do, think or feel. Under an interpretivist paradigm, like this research, interviews are concerned with exploring understandings, opinions, attitudes and feelings. Qualitative data are normally understood only within context and are highly associated with an interpretivist method. This commonly results in findings with a high degree of validity but it does not usually result in findings with a high degree of reliability. Since qualitative data needs to be understood within a context, background information is particularly important. This is known as contextualization and the background information can relate to different aspects, such as time, location and economic influences (Collis & Hussey, 2014, p.130).

Collis & Hussey (2014, p.131) proposes an overview of data collection in an interpretivist study. This overview has guided us in the qualitative data collection. The interview structure, sample method and data analysis is further described in this chapter.

Identify a sample or case
↓
Choose data collection method
↓
Determine what data will be collected and design any questions
↓
Conduct pilot study and modify methods as necessary
↓
Collect the research data

Figure 2. Overview of Data Collection in an Interpretivist Study (Collis & Hussey, 2014, p.131)

5.1.1 Interview Structure
The interviews under an interpretivist paradigm will be unstructured or semi-structured. Structured interviews are associated with quantitative research. Bell & Bryman (2019, p.11) states that structured interviews are used in survey investigations. Hence, structured interviews are not considered in this research and thus not described further. None of the questions are prepared in advance in an unstructured interview, instead the questions are evolving during the course of the interview. The questions are so-called open questions, which cannot be answered with a simple ‘yes’ or ‘no’. In a semi-structured interview, the researcher has prepared some questions to encourage the respondent to talk about the main topics of interest. Other questions are developed during the course of the interview (Collis & Hussey, 2014, p.133).
The interviews in this research will be semi-structured and contain both open- and closed questions. The order in which the questions are asked will be flexible and there may not be a need to ask all pre-prepared questions. Easterby-Smith et al. (2012, p.132) suggest that unstructured or semi-structured are appropriate when it is necessary to understand the personal concepts or ideas used by the interviewee as a basis for his or her opinions, the purpose is to develop an understanding of the respondents’ ‘world’, the logic of a situation is not obvious or the subject is highly confidential. Since our research partly requires understanding of personal concepts, and since the logic of the Nordic green bond market is not perfectly clear, we assess semi-structured interviews being appropriate for this research. Saunders et al. (2019, p.437) also states that semi-structured interviews often are referred to as ‘qualitative research interviews’.

We argue that semi-structured is appropriate for this research, since it allows us to follow a pre-prepared interview guide while also following up interesting answers during the interview. A disadvantage with semi-structured interviews compared to unstructured interviews is that we will follow pre-prepared questions, rather than follow the respondents' relevant experiences. To conclude, semi-structured interviews appear to be a natural choice given that Easterby-Smith et al (2012, p.132) states that it is appropriate when the purpose is to develop an understanding of the respondents' ‘world’. The purpose in this research is to develop an understanding of the respondents' view of the Nordic green bond market.

5.1.2 Interview Guide

Collis & Hussey (2014, p.135-136) suggest that to ensure that the researcher gains the maximum information from the respondents, it is essential to probe the respondent by asking them questions that require them to elaborate on their initial statement. Probes are frequently used in semi-structured interviews and are questions you ask in response to what the interviewee has said. Further, questions should be presented in a logical order and it is often favorably to move from general to specific topics.

In semi-structured interviews, you start with a predetermined list of topics with some key questions related to these topics to guide each interview (Saunders, 2019, p.437). These predetermined list of topics with key questions can be referred to as an interview guide. The interview themes can be derived from the literature, theories, experiences or discussions. One should start with a set of topics that reflect the subject of study. With themes and key questions along with initial questions and probes the interview guide is built. When creating the guide, it is important to ensure that the order of questions are logical. By using the interview guide, the researcher will be able to develop and explore research topics through semi-structured interviews (Saunders et al., 2019, p.454). We have started with general questions to then specify the questions more deeply in certain topics throughout the interview. The interview guide is structured through certain themes that the interview should cover as well as initial questions and key questions to each theme. Probes are used throughout the interviews to make the respondents elaborating on certain statements. Two interview guides have been used throughout this research. One has been used in interviews with investors, and one has been used in interviews with underwriters. The interview guides are found in appendixes.

5.1.3 Sample Method

To answer the research question, the researchers will need to select one or more samples. Sampling techniques enable to reduce the data collection to only a subgroup, rather than all possible cases. For some research questions it is possible to collect data from an entire population, this will not be the case in this study. For all studies where it is impossible for the
researcher to collect data from the entire population, a sample needs to be selected. This is equally important whether you are planning to use interviews or other data collection techniques such as observations. Sampling techniques available can be divided into probability and non-probability sampling (Saunders et al., 2019, p.292-296).

Discussions of sampling in qualitative research tend to revolve around the notion of purposive sampling. Which is a non-probability form of sampling in which the researcher does not aim to sample respondents on a random basis. Instead, the goal is to sample respondents in a way so that those sampled are considered relevant to the research questions. Due to the fact that it is a non-probability sampling, it does not allow the researcher to generalize the findings to a population. Theoretical sampling and snowball sampling are examples of purposive sampling in qualitative research, and most sampling in qualitative research involves purposive sampling of some kind. This type of sampling is about the selection of units being associated with the research questions. The idea here is that the research question itself should give an indication of what units need to be sampled. These units can for instance be people, organizations or departments (Bryman & Bell, 2015, p.428-430). With purposive sampling, the researcher needs to use own judgement to select cases that best will be able to answer the research question. The researcher needs to think carefully about the impact of excluding and including cases when selecting a sample in this way (Saunders et al., 2019, p.321). The snowball sampling is a form of convenience sample, but is according to Bryman & Bell (2015, p.434) worth distinguishing because it has attracted a lot of attention over the years. The snowball approach to sampling means initial contact with a small group relevant to the research topic. These contacts are in turn used to establish contact with others.

Due to the fact that the green bond market is a rather new phenomena, and that the previous research of the Nordic green bond market is not extensive, the choice of a non-probability sampling appears suitable for this research. This research is based on a purposive sampling where the snowball approach is used. A first initial contact with a small group of respondents within the green bond area at banks were made. This contact was in turn used to establish contact with other respondents within the field. The first contact was established within our existing network in three Swedish banks.

The sustainable finance departments at the Nordic banks are under development and the teams consist of a small group of people, which means that it can be hard to find the right respondent. The snowball approach that has been applied has given us the ability to reach experts within the area of green bond underwriting. Further, the work force within the area of sustainable bonds at each Nordic bank is not extensive which has made this snowball sampling approach successful. It has also enabled us to reach investors specialized in green bonds. A disadvantage with the snowball approach is that it is highly possible that the respondents share several characteristics. Thus, it is plausible that we only obtain a small subgroup of the Nordic green bond market. We are aware of these shortcomings and since we rather aim to study the respondents’ experiences and not aim to draw extensive generalizations, we find it as minor weaknesses.

5.1.4 Sample Size
A problem faced within qualitative research is that it can be difficult to outline the amount of interviews that should be conducted. Bryman & Bell (2015, p.436) states that it is impossible to know before theoretical saturation has been achieved. Further, as the research proceeds, it will emerge that not anticipated groups will need to be interviewed. Onwuegbuzie & Collins (2007, p.289) suggest that sample sizes in qualitative research should not be so large that it is
difficult to undertake a deep analysis, but it should not on the other hand be too small, which would make it difficult to achieve data saturation or theoretical saturation. For all non-probability sampling techniques, the issue of sample size has no clear rules. Rather the relationship between the sample selection technique and the purpose of the research is important. The sample size is therefore dependent on your research questions and objectives. This is particularly important when collecting qualitative data through semi-structured or unstructured interviews. Regarding this issue, research textbooks recommend collecting qualitative data until data saturation is reached. Which means until additional data no longer provide new information or suggest new themes (Saunders et al, 2019, p.315).

Our sample size consists of 12 experts within the Nordic green bond market. Nine of these are active in the underwriting process of green bonds, while three of the respondents are active as investors in the green bond market. The respondents' names are presented together with their title and organization in Table 4 on the next page. The interviews are conducted online with the use of Microsoft Teams. Each interview lasted between 45 minutes and one hour. The sample has been an ongoing snowball process until theoretical saturation was reached. Meaning that on the basis of the data collected, further data collection are unnecessary (Saunders et al, 2017, p.1893).

Table 4. Name, Title and Organization

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
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</thead>
<tbody>
<tr>
<td>Oliver Andersson</td>
<td>Associate Sustainable Bonds</td>
<td>Danske Bank</td>
</tr>
<tr>
<td>Nina Ahlstrand</td>
<td>Head of Sustainable Finance</td>
<td>DNB</td>
</tr>
<tr>
<td>Karl Ekholm</td>
<td>Associate Bond Origination</td>
<td>Handelsbanken</td>
</tr>
<tr>
<td>Olivia Sverkman</td>
<td>Associate Sustainable Finance</td>
<td>Handelsbanken</td>
</tr>
<tr>
<td>Charlotta Sjölander</td>
<td>Portfolio Manager</td>
<td>Nordea</td>
</tr>
<tr>
<td>Pär Janson</td>
<td>Portfolio Manager</td>
<td>Nordea</td>
</tr>
<tr>
<td>Ebba Ramel</td>
<td>Associate Sustainable Finance Advisory</td>
<td>Nordea</td>
</tr>
<tr>
<td>Jacob Michaelsen</td>
<td>Head of Sustainable Finance Advisory</td>
<td>Nordea</td>
</tr>
<tr>
<td>Theo Kinnersley</td>
<td>Associate Climate &amp; Sustainable Finance</td>
<td>SEB</td>
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<tr>
<td>Helena Lindahl</td>
<td>Portfolio Manager</td>
<td>SPP</td>
</tr>
<tr>
<td>Ebba Hytting</td>
<td>Associate Sustainable Capital Markets</td>
<td>Swedbank</td>
</tr>
<tr>
<td>Katya Nolvall</td>
<td>Head of Sustainable Capital Markets</td>
<td>Swedbank</td>
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</tbody>
</table>
5.2 Qualitative Data Analysis
Saunders et al. (2019, p.638) suggest that qualitative data are derived from verbal data, textual data or visual data. The data that has been collected in this research is of verbal form from interviews, later transcribed into textual form. Data collection and data analysis are an interrelated set of processes in qualitative research. The qualitative data analysis is undertaken during the collection, but also after it. The analysis helps to form the direction of data collection, especially when following an inductive research approach. Analyzing qualitative data has numerous challenges. Robson (2011, p.466) states that one of these challenges is that there is “No clear and universally accepted set of conventions for analysis corresponding to those observed with quantitative data.”. Further, it is hard to assess how the researcher has structured and summarized hundreds of pages of qualitative data to later present the result.

The qualitative data analysis has been conducted in accordance with what is presented by Cresswell (2009). The raw data from the interviews has been organized and prepared for analysis. The organized data has been studied, described and coded into themes. The systematization of the material is done through studies of the transcribed material to identify keywords and interconnection between themes. During the data analysis process, the information obtained from interviews have been validated to confirm accuracy of the information obtained. Lastly, the systematized data has been compiled and formulated into an empirical chapter. We argue that the qualitative data analysis is done in a structured and distinct way to facilitate the analysis and later conclusions. Further, we have interpreted and analyzed the empirical findings based on presented theories to enable us to draw conclusions and answers of our research questions. This leads to the empirical findings of this research.
6. Empirical Findings

This chapter intends to explain and present the empirical findings of the research in a systematized and summarized way. The chapter begins with a general background of the respondents and is followed by the respondents view of the emergence of the Nordic green bond market and the Nordic green bond market today. Later in the chapter are the different participants, standards and future of the Nordic green bond market presented.

6.1 General Background of Respondents

Oliver Andersson works in the Sustainable Bonds team at Danske Bank within Debt Capital Markets origination in an Associate role. His team at Sustainable Bonds has the responsibility for all markets where Danske Bank is active and the team consists of three people, all based in Stockholm. Andersson has been at Danske Bank for two years, 18 month as a trainee and has since the summer 2020 possessed the role he has today. Andersson has a Master’s degree in Finance from Lund University.

Nina Ahlstrand has been at DNB since 2012 and is the Head of Sustainable Finance. She started the Sustainable Finance team at DNB in 2017. The team consists of four people, including herself, where three are based in Stockholm and one in Oslo. The reason for the geographic allocation of the team is the initial emergence of green bonds, which happened in Sweden. The Sustainable Finance team works globally over all different regions. Ahlstrand has a Master’s degree in Economics from Stockholm School of Economics.

Karl Ekholm and Olivia Sverkman both work within Handelsbanken. Ekholm works as Bond Origination Associate and Sverkman works as a Sustainable Finance Associate. There are ten people that have the same role description as Ekholm spread across Sweden, Finland and Norway and their team is working closely with other departments within Handelsbanken. The team Sverkman works in consists of four people where three are based in Stockholm and one in Helsinki. Ekholm has been at Handelsbanken for ten years and has a Master’s degree in Business and Economics specialized in Finance from Stockholm University. Sverkman has worked at Handelsbanken since 2014, and holds a Master’s degree in Business from Stockholm University.

Charlotta Sjölander and Pär Janson are portfolio managers at Nordea Asset Management. Janson has been at Nordea for 15 years and Sjölander for six years. They are both part of the Swedish fixed income team which consists of 8 people. The team manages funds and mandates with a value of approximately 200 billion SEK, mainly in Sweden and in Swedish Krona. Sjölander has a Master’s degree in Finance from Lunds University. Janson has a Bachelor’s degree in Business from University of Buckingham and a Master of Business Administration in Business Development from Stockholm School of Economics.

Jacob Michaelsen is the Head of Sustainable Finance Advisory at Nordea. He has been with the team since it was created. A member of the Sustainable Finance Advisory team is Ebba Ramel. She is country lead in Sweden and is responsible for the Swedish market. Members of Nordea Sustainable Finance Advisory are based across the Nordics. Ramel has been at Nordea for two years and has been a member of the team for one year. Ramel holds a Master’s degree in Accounting and Financial Management from Stockholm School of Economics. Michaelsen has a Master’s degree in Finance from Copenhagen Business School and a Master’s degree in Management from University of St. Gallen.
Theo Kinnersley is Climate & Sustainable Finance Associate at SEB. His team consists of 20 people and is part of a larger sustainability function at the bank consisting of three teams. Of those teams, the Climate & Sustainable Finance team is the largest and the Chief Sustainability Officer of the bank reports the sustainability agenda directly into the CEO – who is responsible for the execution of the sustainability strategy. Kinnersley has been at SEB for two years and has a Bachelor’s degree in Economics from York University.

Helena Lindahl is a Portfolio Manager at SPP (Storebrand). She has worked in this role for nine years and has previously worked within Debt Capital Markets at Handelsbanken for 14 years. The team she is working in today consists of three people and are managing approximately 134 billion SEK. Lindahl has a Master’s degree Business and Economics specialized in Finance from Stockholm University and has also studied Political Science at Umeå University.

Katya Nolvall is Head of Sustainable Capital Markets at Swedbank and has led the work since the creation of the team in 2017. Her team consists of three people, including herself. A team member is Ebba Hytting who works as Sustainable Capital Markets Associate. Nolvall has been at Swedbank for nine years while Hytting has worked at Swedbank since 2018. Nolvall has a Master’s degree in Business and Economics specialized in Accounting from Stockholm School of Economics and Hytting has a Bachelor’s degree in Business and Economics from Uppsala University.

6.2 The Emergence of the Nordic Green Bond Market
Respondents argue that the emergence of green bonds occurred as a result of an identified need and demand to match investors and capital with sustainable activities. It was clear that a demand for a financial instrument within the sustainability area existed, but there was no product that fulfilled that demand. The birth of green bonds partly fulfilled that demand with increased transparency for investors. This is also a reason why the product was invented, investors started asking more questions and put additional demands on the organizations they financed. Investors wanted to make sustainable investments and green bonds happened to be a suitable instrument. Respondents also state that well-aware ESG-dedicated investors have developed and driven the Nordic green bond market forward. Lindahl states that “It was just that, we wanted more transparency in our investments.”. Banks identified the need and business opportunity of matching these investors with sustainable and green projects.

The documentation in a conventional bond issuance is extensive and can amount to hundreds of pages. All aspects are well-described, but the section ‘use of proceeds’ are often answered by one single sentence: “General Corporate Purposes”. It means that the issuer in general is not obligated to disclose what projects the proceeds are financing. Green bonds have shifted this balance of power. Investors required transparency and declaration on how their proceeds were invested and received an adequate product in green bonds.

The Swedish bond market has a high proportion of real estate companies, of both smaller and larger sizes. Municipalities in Sweden are also active in the bond market and do possess sustainable assets and projects that they can use to issue green bonds. Compared to the Swedish market, the Norwegian as well as the Euro green bond market have a high proportion of energy and utility companies. This sector does not typically have an asset base that is suitable for issuance of green bonds to the same extent as, for example, real estate companies. These prerequisites together with the sustainability focus that has been present among Swedish investors are reasons for why the green bond market emerged in Sweden.
The green bond market was until 2014 based on industry agreements and market praxis. As the market grew with an increased interest in sustainable finance and green bonds, the International Capital Markets Association released voluntary process guidelines in 2014 to clarify the approach of issuance, promote transparency and integrity in the market. The voluntary guidelines created a formalized standard and market practice and green bond frameworks started to harmonize. These guidelines are named Green Bond Principles and are further described in section 6.7.

6.3 The Nordic Green Bond Market Today
Ekholm states that “Green bonds have gone from being a niche product, a very specialized product with a small market share, to be a more common product.”. In the beginning of the COVID-19 crisis, the bond market in general suffered and halted due to the uncertainty in the society. Some respondents states that they in the beginning of the crisis thought that corporations would put sustainability and green bonds down the agenda to outlast the crisis. It was a misjudgment, instead the interest in sustainability increased. This, together with liquidity needs related to COVID-19 issues, led to the Nordic green bond market growing larger than expected. Hytting argues that greenium was present in the Nordic green bond market during this period of time. Meaning that issuers issuing green bonds or other sustainable finance instruments, ceteris paribus, have gotten a more beneficial pricing on their financing compared to if the issuer would have issued a conventional instrument.

Lindahl and Michaelsen state that green bonds have been a catalyst for change and the sustainable finance evolution. Lindahl says that green mortgage loans that exist in the private credit market today can be derived back to the emergence and development of green bonds. Michaelsen states that the green bond market today is a core part of the broader bond market and that the question only is whether issuers exclusively will be able to issue green and sustainability labeled bonds in the future.

The Nordic countries are by many considered pioneers in the green bond market. The Nordic market is growing with more organizations looking at and issuing green or other theme bonds. Norwegian issuers have gained momentum in the market lately even though the market both historically and today is dominated by Swedish issuers. Although the Nordic green bond market occasionally has been seen as homogeneous, respondents argue that there are several local differences and that it should be considered as four individual markets. Andersson explains that the major Danish companies issue in Euro. Since the Danish Krone is pegged to the Euro, issuers do not have the same currency risk of going to the Euro market as a Swedish or Norwegian issuer. Thus, Danish organizations often choose to issue in Euro. The simple answer on why the Swedish green bond market is bigger than the Norwegian, is that there has been a broader sustainability focus in Sweden. Though, one has to be aware that Norway has a different type of industry and asset base compared to Sweden. The Swedish bond market has a high proportion of real estate companies, many with a green asset base. Municipalities in Sweden are also active in the bond market, and do possess sustainable assets and projects that can be used to issue green bonds.

Ahlstrand states that “If we look at the Swedish market, which is a large part of the Nordic market, the real estate sector is an active issuer when it comes to green bonds. It has almost become an expectation from the investors that if bonds are to be issued from a real estate company, they are expected to be green. Since the companies have the sustainability theme high on the agenda and there are several large offerings in the real estate sector.”.
6.4 Underwriters
Banks are as underwriters involved when an organization is seeking financing. The role of the bank is to help the issuer through the bond issuance process. If there is a conventional bond to be issued, a bank's bond origination team is responsible. A sustainable finance team is involved when there is a sustainable debt instrument to potentially be issued, this team is an add-on product in an issuance. The sustainable finance team mentioned and further described is a team that primarily acts towards debt capital markets. Banks can have various sustainable finance teams within other parts of the bank. Though, these teams are not described further in this research.

The first contact with a potential issuer of a green bond can from an underwriter perspective be different. Sometimes the sustainable finance team gets a notice from other departments within the bank that there might be a business opportunity. In other cases the potential issuer reaches out by themselves and states that they would like to issue a green bond. What the first contact looks like can often depend on how far the potential issuer has come with their own sustainability work and sustainability strategy. When the first contact is made, the sustainable finance team investigates different issuance possibilities for the issuer and later pitches what the team thinks would be suitable. Many organizations may have issued bonds before, but extra documentation is required to be able to make a green bond. A green bond framework must be in place which specifies what types of projects are to be financed. To get a green label, a second party opinion is needed. Second party opinion providers are the ones doing the certification and evaluation, the underwriter itself are not able to market something as green if the second party opinion is not in place.

The sustainable finance team informs the potential issuer of different possibilities within sustainable finance and investigates the different possibilities that exist for the issuer. If the conclusion is that green bonds would be suitable as a financing instrument, the team advises on what type of assets that can be underlying such a bond, what type of documentation that is needed and what that process looks like. The team is often responsible for documentation and arranges contact with second party opinion providers as well as other external parties. Nolvall mentions that approximately 70 percent of their time is dedicated to dialogs with issuers, 20 percent is dedicated to dialogs with investors and that the rest is spent on marketing, such as newsletters and events.

To issue a green bond, certain steps are needed. It can generally be said that this process takes approximately ten weeks, depending on the sector and the level of complexity etc. The first step in the process is to develop the green bond framework. The framework is the primarily work of the sustainable finance team. Nolvall states that it occurs that several banks are involved in this process, meaning that they develop the framework jointly. The framework initially includes a background section that describes how the issuer works with sustainability. In this part, a lot of work with the issuer revolving how to tell their story and sustainability strategy is done. A green bond differs from a conventional bond since the green bond is specifically labeled for green assets. A green bond framework consists of four parts; use of proceeds, project evaluation and selection, management of proceeds, reporting. These parts are established according to the Green Bond Principles. The principles and how the underwriter process is designed is further described in section 6.7.

Underwriters are often holding the pencil while writing the green bond framework. A green bond framework has become standardized to make it easier for the investor to compare frameworks. As an investor, you do not want to see a plethora of different definitions since it
becomes difficult to assess. The green bond framework is a standard document that the underwriter helps the issuer to produce. In the final work of the framework, the issuer provides input on what is important to highlight in for example the introduction. These are not mandatory parts to include in a green bond framework. Though, it is a chance to show the issuers general commitment to sustainability.

A respondent states that many frameworks in the real estate sector have been made, therefore frameworks in this sector often are the least extensive to create. A green bond issuance from a sector that has not been commonly represented in the green bond market often requires more work for the underwriter. They then need to educate the issuer to a greater extent of how a green bond works and about the increased expectations that will follow from the stakeholders. The underwriters do also need to understand how green bonds can fit the issuers operations but also the sector in general. Some respondents state that they as advisors in the area of sustainable finance are value adding to the issuer in the sense that they know what is needed to meet or exceed expectations. This is especially important with the continuously changing legislation and regulation in the Nordic green bond market.

With conventional bonds, communication to investors is focused on credit ratings and financial returns. Green bonds have an addition, investors are getting comprehensive information from the reporting and more input from the issuer regarding their projects and sustainability strategy. This reporting and information partly comes from the green bond framework. Kinnersley states that “It builds upon that pillar, transparency.”.

6.4.1 Underwriter Motives
A bank has responsibilities to all its stakeholders. It is for example important for all banks to find products that investors want to invest in, and that organizations want to issue. Several respondents argue that it is in line with the banks’ strategy to promote sustainable investments and developments among their customers. Andersson explains that “Like other companies, we want to promote sustainable finance and we as a bank aim to finance sustainable projects.”. The Nordic banks are seeing an increased interest from investors and customers to issue in a sustainable format and contribute to sustainable development. Underwriting services is therefore one way for the banks to take responsibility and at the same time do business by reallocating capital towards sustainable projects. Respondents state that contributing to the sustainability transition also is a way for their customers to take their responsibility. Hence, there exists a pressure on the Nordic banks to offer green bond underwriting services to their customers to stay competitive. Ramel argues that “For us as a bank, with clear sustainability goals and desire to be one of the strong sustainability players in the market, it is important that we are present if our customers want to act sustainably.”. Michaelsen has a similar perspective and states that “We are a bank that would like to be a part of market developments and we see that the sustainability discussion increases. It is an opportunity for us to be a relevant part of the market and a value adding stakeholder to the society. If we can help to develop the market for sustainable finance, we are happy to do so.”.

Being a market leader on green bonds is a branding opportunity. It enables the banks to market their platform for green bond underwriting. An eminent platform includes extensive contacts with investors and a reputable track record. These contacts and track record leads to green bond mandates from new issuers. Therefore, many banks strive to be one of the market leaders. Kinnersley states that the green bond history at SEB has given them a strong position in the green bond market. SEB has used this position to expand beyond the Nordic green bond market.

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They advised Daimler on their green bond issuance recently and Kinnersley argues that “Our longstanding experience gives us an advantage against other Nordic banks when we pitch to international clients. We would otherwise probably not have a deep relationship with an international client of that size, not outside of the Nordics.”

6.4.2 Underwriter Risks

Participants in the Nordic bond market are constantly reviewed by all stakeholders, regardless of whether it is a green or a conventional bond. If issues connected to a green bond occur, investors can hesitate on buying the conventional bonds from the same issuer as well. Most parts of the capital markets are interconnected, companies that borrow on the bond market can be active on the commercial paper market as well as the foreign exchange market, leading to potential problems affecting many stakeholders. Ekholm argues that “Everyone has a common responsibility. Underwriter, issuer and investor.”. Ekholm further states that it is, independent of sector and product, important to deliver on all promises that are made.

Ahlstrand states that reputational risk is present in transactions within the area of sustainability. It is important for banks to be able to motivate decisions that are made and have clear policies and high business ethics for sustainable bond transactions. The fear is to lose credibility, which potentially can lead to the bank getting fewer bond issuances. A contemporary example exists in Australia, where one of the world's largest coal mines, Carmichael, is in an early stage. This project requires a great amount of capital which has been supplied by banks. The State Bank of India is one of the biggest lenders to this project and has issued a green bond for the purpose of other projects. What has received criticism in this case is that the State Bank of India received legitimacy with the green bond issuance, while they at the same time are financing a project that is considered to be the opposite to green. This has been a hot debate and respondents state that the State Bank of India, together with HSBC who served as the underwriter, has suffered reputational damage.

Many greenwashing cases have occurred due to a lack of a clear and homogeneous definition of green. Sverkman argues that “What we see now is a clear shift in the market, moving away from a market that, for a long time, itself set the standard for what is considered to be green and not. The regulatory shift we now see in the market, with for example the implementation of the EU Taxonomy, will bring more clarity into what activities could be considered as green and generate more standardization and harmonization in the market. A more harmonized view of what is considered to be green activities in the market will also decrease the risk of greenwashing.”.

Though, some argue that the green bond market often is wrongly criticized because of the risk of greenwashing. They argue that it is not in the market for green bonds that there is a risk of greenwashing. Because here the issuer has actually gone through a certification process and have identified which projects are to be financed and not. Instead they argue that the risk of greenwashing exists in the conventional market, when issuers claim that they are green with no verification or second party opinion.

One risk for an underwriter is if the issuer they are servicing is involved in some type of environmental scandal. It does not only affect the reputation of the issuers, the underwriters brand is also damaged immediately. Respondents argue that the sustainability risk can differ depending on the type of company. Investment grade issuers most often have sustainability departments and structures in place, hence they often have good control on these types of potential events. On the other hand, high yield issuers often do not have the same resources,
which can imply a greater risk for the underwriter. In high yield cases, underwriters play an important role in educating and guiding. When it comes to investment grade issuers, educating and guiding is not needed to the same extent.

6.5 Issuers
The Swedish green bond market has a high proportion of real estate companies while the Norwegian and Euro green bond market has a high proportion of energy and utility companies. Hytting states that the Swedish green bond market is the only market in the Nordics where municipalities have issued their own green bonds. The Swedish market has for example seen Gothenburg, Västerås and Örebro all issuing their own green bonds. In the other Nordic markets, municipalities and regions are receiving sustainable financing with green bonds through institutions that are created for the collective financing purpose of all municipalities and regions in the country. KommuneKredit possesses this role in Denmark, Kommunalbanken in Norway and MuniFin in Finland. Sweden does also possess this association in Kommuninvest, but municipalities and regions do also issue green bonds by themself.

6.5.1 Issuer Motives
The reason why organizations decide to issue green bonds can differ. Some issuers are issuing as an integrated part of a broader sustainability strategy. For these issuers it is natural to get a green label on their financing as well. Others want to highlight the sustainability work they are conducting and receive their legitimacy through a green stamp. Several respondents argue that these reasons sometimes are the primary purpose for issuers to issue green bonds. That it is about the big context for issuers, wanting to focus on doing the right things and investing in the environment in the long term. Ekholm states that “We all live in this era, the Greta Thunberg era. We realize that we all have to do everything we can. I think there is a lot of inner motivation to influence.”.

Although some respondents argue that a potential price advantage often is secondary, they are seeing that some issuers are issuing green bonds for purely monetary reasons, hoping for a more beneficial financing. Hytting states that greenium has been noticeable in the Nordic green market in the recent months. Meaning that it was a price advantage issuing in green format versus not doing so. It is mentioned from several respondents that the discount in issuing a green bond can be a few basis points, but that they as underwriters never can promise a discount for an issuer since the price is set by the market. Respondents argue that a goal would be that financial return and sustainability completely goes hand in hand. That it is profitable in monetary terms for issuers to act sustainably. Although the credit risk will continue to be the basis for the price issuers are paying for their financing.

Except for potentially monetary reasons, other investor related motives exist that push issuers towards the Nordic green bond market. One motive to issue green bonds is access to a broader investor base. Issuers attract more stakeholders and potential investors with an issuance of a green bond compared to an issuance of a conventional bond, which can imply slightly better financing. This also constitutes an opportunity to broaden and deepen the investor base. A broader investor base will potentially lower the funding risk of the issuer. Since a green bond attracts more investors, it is likely that the issuer will receive a wider line-up of investors. This lowers the funding risk in the sense that the wider the line-up of investors are, the higher are the chances that some of them will refinance the issuer when the bond has reached its maturity.
Communication is also one of the motives for an issuance of a green bond. As an issuer, you get a unique opportunity to tell the story of the organization’s values and sustainability strategy to relevant investors and other stakeholders. Sustainability stories strengthen the brand of the issuer and with the use of a green financing solution, they can communicate how they work with those issues and reinforce the image of the organization as a sustainable player. This can increase investor confidence and give legitimacy that strengthens the issuer’s brand in more than one way. Some respondents argue that a green bond issuance sends positive signals about internal policies and processes that are in place. That the finance and sustainability teams at the issuers are integrated and collaborate with each other. If they collaborate, it is also likely that other teams are working together and that the sustainability strategy permeates the whole organization. This is becoming more important everyday due to the growth of the relationship between sustainability and finance in society at large.

Several respondents mean that green financing has become a hygiene factor in the real estate sector. Ahlstrand argues that “It has almost become an expectation from the investors that if bonds are to be issued from a real estate company, they are expected to be green.”. Most listed real estate companies are active in the Swedish green bond market, and 75 percent of all issuers are within the real estate sector.

Lindahl contributes with the investor perspective on why organizations issue green bonds and states that “It is possible for companies to take the lead in the queue if they are to issue a green bond. [...] Green bond issuers get better access to investors and are above all having a much better dialogue and get to know their investors in a better way. I think that is reason enough, that issuers want to be more transparent with their investors.”.

6.5.2 Issuer Risks
Ahlstrand argues that a reputational risk can be present in transactions that are connected to sustainability, that it is important to fulfill all obligations communicated to stakeholders. The example regarding the coal mine Carmichael in Australia is used to describe the risks also for issuers. The State Bank of India issued their green bonds with good intentions, but the increased requirements from investors which this issuance entailed came to constitute a problem for the bank. This example shows that a green bond issuance can increase the requirements on the issuer, which implies a risk if the issuer cannot reach these expectations. The higher requirements originate from several factors, one being the wider investor base.

6.6 Investors
Several respondents have mentioned that the emergence and the development of the green bond market have been driven by investors and investor demand. Examples of investors in the Nordic green bond market are pension funds, insurance companies, bond funds, green bond funds and sovereign governments. Nolvall reminds us that a green bond mainly is a “Bond with a green theme, not a green theme with a bond.”. Thus, the investors in green bonds overlap largely with the investors in conventional bonds. Though, it is mentioned that the investors in green bonds are more heterogeneous than the investors in the conventional bond market.

6.6.1 Investor Motives
Investors want financial returns. That is mainly why they are active in the Nordic green bond market. Then there exist reasons to why they think that green bonds are a good way of achieving those returns. One big difference between conventional bonds and green bonds is that liquidity can be slightly higher in a green bond than in a conventional bond issued by the same company. This is because investors in a stressed market situation tend to sell the conventional bond first
for the reason that they want to keep the share of green bonds high. There exists several green bond funds that demand this type of securities, which potentially can lead to the liquidity being slightly higher in a green bond.

If an organization is able to implement ambitious sustainability work, it is often a well-run and well-positioned company. This sends a positive signal to investors regarding the issuers corporate governance. Lindahl states that “For me as a bond investor, green bonds are a very good thing. You know that you have invested in one of the most well-run companies when you have invested in a green bond. You will be able to sleep safely at night.”. If a company has issued a green bond and gone through the whole issue process that is needed, it says something about all internal processes and policies the issuer has in place.

A reason for investing in green bonds that is mentioned is transparency. Meaning that the investors receive information on which projects their investments are financing. It is an advantage for them to be able to tell their customers and investors specifically what they have been financing with their investments. It can contribute with an additional dimension when communicating with investors and strengthens the potential storytelling of a fund.

Michaelsen believes the motives simply follow the times. “The market more broadly looks at sustainability and sustainable finance is growing in importance and relevance. If one is able to attract more investors with an issuance of a green bond, it is obviously a strong indication.”. Respondents also stated that if you simplify: two issuers have the same credit rating and credit risk, then investors are likely to buy the one that has a green bond over the one that has a conventional bond, due to the increased transparency.

6.6.2 Investor Risks
Sjölander and Janson as portfolio managers in the bond market point out that the credit risk in a green bond and a conventional bond is equal, if the bond is issued by the same company with the same terms. Lindahl states that “The first thing I look at is the company, who is the issuer? That is the most important issue. The whole credit risk depends on it, who is going to repay my investment?”. The financial analysis is the first matter. When that analysis is made, investors continue with a sustainability analysis to assess the project and if the type of asset is suitable for a green bond. Sjölander states that their ESG analysis, which is the sustainability analysis, is an integrated part of the credit analysis. Regardless if it is a green or conventional bond.

The example regarding the coal mine Carmichael in Australia constitutes a risk also for investors in green bonds. This example clearly shows that a green project and a green bond is not a stand-alone part of a company's strategy. Even though the State Bank of India did good with their green bonds and projects that these proceeds financed. It became clear that the overall strategy of a company also will affect the green bonds to a high degree.
The accepted standard by stakeholders in the Nordic green bond market is the Green Bond Principles. It is a standard administered by ICMA, the International Capital Markets Association. It is so far market practice in the Nordic countries to inherit this standard. The Green Bond Principles sets requirements for what is financed with a green bond, meaning what types of projects and assets. Further, it states what the internal processes on how to evaluate and select projects should look like. It also clarifies how to handle the process and how to report to investors.

The first (1) part in a green bond framework in line with the Green Bond Principles is the ‘use of proceeds’ part where they define the type of assets that the issuer will finance. The second (2) part of the green bond framework is ‘project evaluation and selection’. This part deals with how the issuer will choose the projects that are to be financed. Here, the underwriter usually recommends a process for the issuer in which they should have a so-called green bond committee, which is an investment committee that approves the green projects that are to be financed with the green bond. They usually recommend that the chief financial officer, the head of sustainability and the head of treasury forms this committee. The third (3) part that the framework consists of is ‘management of proceeds’. This is the part that describes how the company should handle the proceeds they receive through the green bond issuance. The underwriter usually recommends that the issuer either have a green register, which in practice means that you have an Excel sheet where you match the green assets with the proceeds. Or that they have a separate account that you can specifically mark for green projects. The fourth (4) and last part in the process is ‘reporting’. The issuer shall report annually on the green bond projects and its proceeds. The reporting is divided into allocation reporting and impact reporting, where the allocation reporting describes the allocation of proceeds and the impact reporting describes the impact of the project. In this part, the underwriter is not necessarily involved, but can be consulted for advisory.

Respondents states that green bond frameworks in the Nordic green bond market generally are founded on data, well-written and well-explained. With the EU Green Bond Standard incoming, it will not entail much increased demands on Nordic issuers, more than what is already being done today. For example, in addition to complying with the EU Taxonomy's requirements for what is defined as green, it is, among other things, a requirement of verification. In other words, a second party opinion, and that is also already standard in the Nordic market.

All respondents have stated that the Green Bond Principles is the market standard in the Nordic green bond market. It is a relatively open standard that focuses on transparency. The standard does not explicitly state what the issuer has to finance, rather it states which projects that the issuer can finance and how to formulate it. Lindahl says that “The Green Bond Principle by ICMA has become so robust, but it is still quite simple, and this simplicity is the most important thing.”.
6.8 External Reviewers

“I think that external reviews are in many ways the most important part of the green bond market. Because you need that outside input to bring credibility.” - Kinnersley.

Second party opinion providers have a significant role in the Nordic green bond market according to all respondents. They create a document that provides an evaluation of green bond frameworks to assess the green bond’s environmental impact. The second party opinion is a strong document where the provider must maintain credibility to receive more mandates. Further, a green bond requires a second party opinion if Nordic green bond investors are to hold the bond in a labeled green fund or portfolio, which highlights the importance of the external reviewers. Ramel states regarding the discussion of second party opinion providers that “It is an important role. Otherwise, investors are left alone with a difficult assessment.”.

The external verification gives credibility to the Nordic green bond market. For example, the second party opinion provider CICERO works with a shading scale. They rate the green bond frameworks as light, medium or dark green. These second party opinions are often extensive and all respondents argue that it is positive for the Nordic green bond market. The underwriters most often establish a contact between issuer and second party opinion provider. The respondents state that the choice of a second party opinion provider is the issuers. Second party opinion providers that are mentioned throughout the interviews are CICERO, Sustainalytics, Vigeo Eiris, DNV GL and Oekom. Though, the focus has mainly been at CICERO and Sustainalytics. The choice of a second party opinion provider is done by the issuer, the underwriter is only involved in arranging a contact between these two parties. One respondent tells us that it can be said that CICERO is the largest second party opinion provider among their issuers.

A respondent states that a problem in the early stages of the Nordic green bond market was that there were no generally accepted standard or guidelines on how the green bond frameworks and second party opinions should be established. At this point there were only a few second party opinion providers active and CICERO were one of the market leaders, a position they still hold. CICERO acted as the external verifier in the first green bond issuance by the World Bank together with SEB as underwriter in 2008. Back then, CICERO had a small organization with limited resources and possibilities to make extensive amounts of external reviews. After that issuance in 2008, the collaboration between SEB and CICERO continued and other underwriting banks did not get access to their services. It was a competitive advantage for SEB that they were the only underwriter with access to external verifying from CICERO, which they possessed for a few years after 2008. The problem was that it limited the green bond market to only a few participants which also inhibited the development of the market. These problems were partly helped when ICMA released its Green Bond Principles in 2014. When these principles were released, which included criteria of external verifying, other verifying parties entered the market and CICERO scaled up their operations and opened their services to all market participants.

The second party opinion providers are an important function in the market. A respondent tells us that when they sit down with the issuer and discuss their sustainability strategy, they get one side of the coin. Then it is important with a second party opinion with expertise to get the other side. The banks are somewhat biased in underwriting, since they want to make transactions. Though, they only assist to produce the green bond framework, and do not attach a green label to it. It is always a second party that verifies it, the second party opinion provider.
CICERO comes from the academic side of the spectra, they are sustainability researchers. If their second party opinion is dark green, it is a signal that this is a genuinely environmentally good project. The second party opinion providers put their reputations at stake with every second party opinion they make. This means that they cannot let anything doubtful slip through, they must maintain a high quality in their role. A strategic question that is mentioned is, if you want the greenest possible offer, meaning that the proceeds should only finance dark green projects or assets. Or if you want to increase the volume, meaning that the proceeds can be used to finance assets that are not only dark green.

An important note from the investors is that the second party opinion has to be an independent view on the green bond framework. Lindahl states that “We keep that discussion alive. This cannot be diluted, because then everything falls apart.”.

6.9 The Future of the Nordic Green Bond Market
All respondents believe that the share of sustainable funding will increase. Precisely because many projects are towards sustainability today. Further, many argue that there will be more types of products that suit more types of issuers. The basis is that there exist companies that are dependent on capital and want to focus on sustainability at the same time as there are investors who want to invest capital, and want to invest it sustainably. These two forces will lead to future growth of the Nordic green bond market.

Michaelsen argues that “It is a natural part of the market. Green bonds more than anything have been a catalyst for change. We talk about additionality, the value added of green bonds to the market. I clearly think that the green bond market more than anything else has acted as a catalyst for the sustainable finance evolution. This is now a stable core part of the market. The question is if issuers only can issue green bonds and sustainability labeled bonds in the future.”.

Today, large parts of the electricity production is green. The problem now is to transform the production to also use renewable resources. How can manufacturers of appliances stop being dependent on plastic in their products? How to make the automotive industry electrified and renewable? Respondents argue that we partly have learned how to build renewable energy sources, but we have not rebuilt the production. Sustainability-linked bonds might be a good instrument for this. Since they can open the sustainable finance market for the companies that do not typically have green assets or projects, but still implement ambitious sustainability work. To reach the goals in the Paris Agreement, it is important to bring along the organizations that conduct transition work. The organizations that are not the greenest today, but have ambitious objectives to get there. It is mentioned by a respondent that almost every organization that can issue a green bond, may soon have done so. Left is a number of organizations that do not have enough green assets. In these cases it is about making the production green. Sustainability-linked bonds can be an important instrument for these issuers. Lindahl argues in connection to sustainability-linked bonds that “[...] then we can address the next level in the industry and increase sustainability requirements at the same time.”.

Today, all major organizations finance themself through the financial markets. They are taking loans, issuing bonds etc. Kinnersley states that “Once you realize how dependent the world is on private finance, you realize that if anything is going to happen sustainability wise, the financial sector will have an instrumental role to play.”. To be able to reallocate the amount of capital that is needed to reach the goals of the Paris Agreement and succeed with the sustainability transformation, it will be necessary to include the businesses that are in a phase
of transition. To succeed with these ambitions, sustainability-linked bonds play an important role. It opens up the market for issuers that do not have the classic green assets but conducts ambitious sustainability work. Respondents mention that transition is the next phase. Remarkable work has been done within the field of renewable energy. Though, the issue at the moment is the heavy emitting industries. Ahlstrand states that “We will need all types of investments, not only green, in the transition itself to achieve a sustainable economy and the objectives of the Paris Agreement.”

This market has developed since its start in 2008. Investors and issuers have become more proficient and spend more energy on fulfilling expectations. It goes hand in hand with the increased sustainability focus in the society at large. Ekholm states that he is “Absolutely convinced that it will continue to develop and refine continuously, it is something that is happening now and it will happen in a year and later as well. Independent of a taxonomy or not.”

6.9.1 EU Taxonomy
Sverkman states that “The taxonomy works like an encyclopedia, where you should be able to look at specific economic activities and the requirements for them to be considered as green activities within the European Union.”. Ahlstrand states that the EU does not have a monopoly on the word ‘green’. Though, they have a monopoly on saying what is taxonomy aligned and what is not. She further argues that it is in EUs best interest to not hamper the development we are already seeing in the green bond market.

All respondents believe that the EU Taxonomy will have a big impact on the Nordic green bond market with their definitions of what to be considered as green. It is a step towards a standardized and harmonized market where it will be easier as an underwriter, issuer and investor to see what is green and not. Besides all positive effects, some respondents do fear that the EU Taxonomy potentially can suffocate the market with increased requirements. Several respondents mention that the EU Taxonomy has done a good job in growing awareness for sustainable finance. It is a hot topic, and the majority of the financial sector is talking about it. The European Union received 48 000 responses on its proposal with the new taxonomy. There has been incredible interest and respondents state that it is fully natural since it affects everybody in the European Union as well as other stakeholders around the world.

The EU Taxonomy has received extensive feedback from the real estate sector, where changes have been made for what can be considered green and taxonomy aligned. There have been concerns and discussions about the definition of green asset within the real estate sector. With the definition of green in the EU Taxonomy that was published in November 2020, only real estates with Energy Performance Certificate (EPC) A were included. In some European countries, such as Finland and Sweden, the proportion of EPC A rated buildings nationwide is below 1 percent. EPC are a rating system to grade the energy efficiency of buildings. The certificates are used to facilitate comparisons of buildings with each other. The rating system is based on a grading scale from A to G, where the most energy efficient buildings receive the grade A, and the least energy efficient buildings receive the grade G. Requirements for each grade differ between countries and are built upon different pillars. The EPC grading in Sweden is for example pegged against the energy efficiency of newly built real estates, while the grading scale of energy efficiency in other Nordic countries is based on other more constant requirements. Thus, some respondents argue that when you look at specific sectors, some countries will get an advantage while others will be negatively affected by certain definitions. Though, some state that this is the first step in the taxonomy and the first definition of what is
green, and that this will change and develop continuously. In the final version of the EU Taxonomy that was released in April 2021, they included EPC A and EPC B rated buildings, but the proportion of approved buildings remains small.

The EU is currently working on the EU Green Bond Standard (GBS), which means that bonds issued according to these standards must be aligned with the EU Taxonomy. The respondents argue that it will take time for the EU GBS to become market practice and that the Green bond Principles by ICMA will continue to exist in the near future. Though, even if issuers are not obligated to follow the EU GBS, an issuance aligned with the EU GBS will likely increase the attractiveness of the offer to investors, who are required to report their taxonomy alignment. A respondent states that it will be hard with the EU Taxonomy in place to issue a green bond in the Nordic green bond market without stating how it aligns with the taxonomy. Not necessarily because the green bond is completely aligned with the taxonomy, but rather to give investors information about the degree of the alignment.

6.9.2 EU Green Bond Standard

The European Union has in connection to the EU Taxonomy made proposals on a EU GBS to support the sustainable finance policy set by the European Union. The suggestion today is that it will be a voluntary standard and that it still will be possible to issue green bonds that are in line with the ICMA Green Bond Principles. The principles by ICMA are today the accepted market standard and the new EU GBS is built on these principles with an add-on that investments must be aligned with the EU Taxonomy to be an EU green bond. When the EU GBS gets implemented, issuers that have taxonomy aligned investments, will be able to issue a EU green bond instead of a green bond in line with the principles by ICMA. According to respondents, only a small part of the investment universe will qualify as green investments aligned with the criteria set by the EU Taxonomy, which will lead to an existing but small EU GBS market at first. Ahlstrand states that “The big volume of green bonds is still expected to be in line with the principles set by ICMA.”. Andersson agrees and comments on the upcoming green bond issuance by the EU. The EU is planning to issue green bonds according to the GBP by ICMA, even though the EU GBS is on its way.

Questions have also emerged whether the GBS by the EU will be a mandatory standard and how the ICMA GBP and EU GBS will relate to each other in the future. Respondents comment that TEG, the EU Technical Expert Group on Sustainable Finance, have announced that the EU GBS will be voluntary standards for the green bonds issuers, but that discussions have taken place whether it will be mandatory in a few years. Ramel states that “I think that ICMA green bonds and EU green bonds will move towards each other.”. Other respondents are uncertain whether the standard will be mandatory or not, but some banks did with their sustainable finance teams advise customers to report the percentage alignment of investments from the ICMA green bonds with the EU Taxonomy even before the regulation was released. Ahlstrand argues that “Even if the alignment of the investments is not 100 percent, it is still valuable information for investors.”.
7. Analysis

This chapter will present an analysis of the empirical findings in the previous chapter. The empirical findings will together with the reviewed literature and theories be analyzed to answer the research questions and contribute to further development of the Nordic green bond market.

7.1 The Nordic Green Bond Market

The Nordic countries are by many considered as pioneers in the green bond market. The Nordic market is occasionally seen as homogeneous, though, respondents argued that there are several local differences and that it should be viewed as four individual markets. The different Nordic countries are built upon different sectors and industries. The offshore sector in Norway and the real estate sector in Sweden are for example main parts of the economy in the respective country. It creates different asset bases and different prerequisites to be active in the Nordic green bond market. To be able to issue green bonds, issuers must possess green assets and it does, for example, exist a greater share of green assets in the real estate sector compared to the offshore sector. The asset bases in the different Nordic countries can explain the green bond market volume and number of green bond issuances in the countries. The sustainability focus from investors active in the different Nordic bond markets is also a reason for why the markets in the Nordic countries differ in volume. Norwegian issuers have for example gained momentum in the Nordic market lately, but the market is still dominated by Swedish issuers. We argue that investors such as Lindahl with high integrity and extensive sustainability engagement are important ingredients in the growth of the Nordic green bond market. It was the Nordic investors that created the demand for this product and banks entered the market with the help of issuers, when they saw that a new business opportunity emerged. Investors in the Nordic green bond market are also the ones who have brought up discussions regarding problems and weaknesses in the market, such as issues with greenwashing and lack of transparency. We argue that green bonds have increased the transparency and thereby also reduced the information asymmetry existing in the Nordic bond market.

The information asymmetry originates from the conventional bond market. In the documentation of a conventional bond issuance the information regarding ‘use of proceeds are often answered by: “General Corporate Purposes”. This, while other information regarding the bond issuance is extensive and well-described. This creates an information asymmetry between the issuers, the investors and the underwriters. Since the issuer is not obligated to disclose what project the proceeds are financing. Green bonds have shifted this balance of power. The different stakeholders in the Nordic green bond market demanded transparency, and received a suitable product; green bonds.

The Nordic green bond market is a practical example of the implementation of stakeholder theory. Wijnberg (2000, p.329) states that stakeholder theory builds upon the denial of the idea that corporations should strive to maximize the benefits of one single stakeholder, the shareholders. The basis of the Nordic green bond market is that there exists investors who want to do sustainable investments and companies dependent on capital with a desire to act sustainably at the same time. Already in the basis of the Nordic green bond market it has been clear that there exists multiple important stakeholders, not only the shareholders, to the different participants. There exist companies that want to contribute to sustainable development while they at the same time are completing their business idea. We argue that the Nordic green bond participants want to please several stakeholders. These stakeholders include government, customers and society etc. Though, this is not done at the expense of shareholders, since green bonds can offer a slightly lower financing cost, a few basis points, for the issuer. Rather all these different stakeholders are winners with the issuance of a green bond. This is in line with
the stakeholder theory since a fundamental part of it is that organizations should be managed in the interest of all stakeholders, not only in the best interest of the shareholders (Freeman, 1994).

All different stakeholders in the Nordic green bond market presented also relate to each other. The main client of the underwriter is the green bond issuer. The underwriter also establishes the contact between the external reviewer and the issuer. Further, the underwriter helps the issuer arrange a roadshow or other investor meetings to attract buyers of the issuance. When the underwriter helps the issuer write the green bond framework, they relate to the Green Bond Principles by ICMA. With the EU Taxonomy being released recently, the underwriter receives questions from organizations regarding its impact on a potential Nordic green bond issuance. Underwriters need to, since the taxonomy implementation, relate to both the EU Taxonomy and the EU Green Bond Standard while establishing the green bond framework.

We argue that the Nordic green bond market is interconnected and that the market can be difficult to overview. To facilitate the understanding of our analysis and presented conclusions, the market and its participants are illustrated in Figure 6. The Nordic green bond market is, as mentioned before, presented with an underwriter perspective. Hence, the underwriter is illustrated at the center of the figure.

Figure 3. The Nordic Green Bond Market

We have identified two main gatekeepers in the Nordic green bond market, underwriters and external reviewers. The underwriter is the first contact for an issuer of a green bond and hence the first gatekeeper. If the underwriter after a screening makes the assessment that the potential issuers does not possess enough green assets for an issuance of a green bond, the chances are small for the potential issuer with the current asset base to make it to the green bond market. Instead, the underwriter might advise the clients of other possible financial solutions. These can still be within the sustainability area, where sustainability-linked bonds can be an alternative. The external reviewers are the second gatekeeper and have the function of enabling the underwriter and issuer to market the bond as green, since it is the second party opinion provider that confirms the greenness of the bond. This is an important function, as it brings
legitimacy, transparency and integrity to the market with an assessment that is simple for stakeholders such as investors to understand. Further, ICMA has established the Green Bond Principles which defines how the process of setting up a green bond framework is implemented by the underwriter and the issuer. The European Commission has developed the EU Taxonomy that serves as an encyclopedia of greenness. This enables the market to relate to given definitions on what is considered green and not. This taxonomy prevents different interpretations and differences of opinion on greenness and will therefore be an important function in the Nordic green bond market. The EU Green Bond Standard by the European Commission is a voluntary standard that states what is needed to fulfill in an issuance of a EU green bond. The requirements in the EU GBS for an issuance of a EU green bond are fully aligned with the EU Taxonomy with stricter requirements of green assets compared to the green bond principles by ICMA.

7.2 Underwriters

The sustainable finance teams at the respective bank are relatively similar in size and are all growing. Most banks have a team consisting of 3-5 members. The teams go under different names depending on which bank you are referring to, names such as Sustainable Finance, Sustainable Finance Advisory, Sustainable Capital Markets, Climate & Sustainable Finance etc. Independent of the name of the group, the team is part of a larger underwriter function at the bank. Responsibilities and division of tasks within the team can differ between the banks, where some are responsible for only sustainable bonds, while others also include sustainable loans or sustainable equity. To exemplify, the Sustainable Finance team at Handelsbanken works both with sustainable bonds and sustainable loans, while the Sustainable Capital Markets team at Swedbank works with sustainable bonds and sustainable equity. The sustainable finance team is often an add-on product in the bank's underwriting service. The sustainable finance teams are growing in number of co-workers with the increased interest in sustainable finance. It is clear that SEB still possesses benefits from their early entrance in the green bond market when they in 2008 underwrote the green bond issuance by the World Bank, and also from the tight collaboration they started with CICERO connected to that issuance. It is today shown in the green bonds they are underwriting, with for example the global company Daimlers recent issue, but also in the number of employees they are within their sustainable finance team. Further, they are globally the seventh largest underwriter. A position that is remarkable for a Swedish bank.

The background and the reason for why the respondents ended up in the green bond market and the sustainable area differ. The interviewees that work in the sustainable finance area in more senior positions and have been in the financial sector for some time, do have a more traditional financial banking background. Nolvall, Ahlstrand and Michaelsen have all started up the sustainable finance team in their respective banks. Though, the reason why the respondents ended up in the green bond market has often been a coincidence.

There are several motives for Nordic banks to serve as underwriters in the green bond market. Respondents within the Nordic banks have argued that it is in line with the banks' strategies to promote sustainable investments and promote sustainable development among their customers. Though, the question is why does the bank have a strategy to promote sustainable development? We argue that this question can be partly answered with the concept of corporate social responsibility (CSR). CSR is a commitment to improve the well-being of the community through discretionary business practices and contributions of corporate resources (Kotler & Lee, 2005, p.3). To serve as an underwriter in the green bond market is a way for the bank to contribute to the sustainable development of society. We argue that the corporate social
responsibility of the banks in their role as a financial intermediary is to ensure that they can reallocate capital that contributes to the transition to a sustainable society. This is one way of ensuring that. Or as Michaelsen stated, this is an opportunity for them to be a relevant part of the market and a value adding stakeholder to society. Freeman et al. (2010, p.27) states that no stakeholder is alone in value creation. The interest of each stakeholder is connected to each other. To be a value adding stakeholder to society one has to satisfy multiple stakeholders. We argue that this is the case with green bond underwriting.

It has to be remembered that the main focus for banks most often is profits. In the Nordic bond market, banks act as an intermediary between investors and issuers. The underwriter earns its profit by the difference between their purchase price and their selling price. This difference is often called the underwriting spread. Several respondents have mentioned that it is important for the banks to try to find products that investors want to invest in, and that companies want to issue. Many respondents also claim that the banks exist to help their customers, and that their customers are both investors and issuers. Therefore, we argue that one of the most natural motives for the banks to serve as underwriters of green bonds is the existence of demand. Green bond underwriting is close to the core business of the banks, this makes this service a natural part of the Nordic banks offer. In general, we argue that the banks are interested in areas where they possess core competencies and are able to generate profits. Though, we argue that the research questions cannot be answered by purely financial motives.

Suchman (1995, p.574) states that the legitimacy theory builds upon the beliefs that social constructions create understandings of what is legitimate behavior of an entity or business. One could describe a legitimate business as a business with behavioral patterns that is in line and agrees with what a group of observers supports or accepts as a behavioral pattern. Further, Deegan (2019, p.2315) states that successful organizational operations and maintenance of it require that managers ensure that their organization operates in conformance with expectations of the community and by doing that, the organization reaches the status of being legitimate. With this in mind, we argue that one motive for the banks to serve as underwriters of green bonds is legitimacy. The underwriter role of green bonds provides a picture of the whole bank as a legitimate business with the support and acceptance by stakeholders. A respondent argued that an issuer with the help of the financing solution can reach out to their stakeholders and tell their sustainability story, which strengthen the image of the company as a sustainable player and in turn increase investor confidence. This gives legitimacy that strengthens the brand of the company. Similarly, underwriting strengthens the image of the bank as a sustainable player, which provides the bank with legitimacy. In the area of sustainable finance and legitimacy theory, we argue that an extent of peer-pressure exists. When SEB and the World Bank put together the first green bond, a movement was started. Now, to underwrite green bonds and act for a sustainable development is a behavioral pattern that is in line with what society supports and accepts. In the same way would a bank that did not provide green bond services be a laggard in the sector and possibly not considered a fully legitimate business.

When an organization has received legitimacy, activities to maintain the achievement starts. Such activities according to Ashforth & Gibbs (1990, p.183) include: symbolic assurances that everything works well, continuous role performance, and attempts to forestall or prevent and anticipate potential challenges to legitimacy. We argue that this can be applied to the Nordic green bond market, when green bond issuers, underwriters and investors have reached legitimacy. Now they are assuring stakeholders of a well-functioning market where greenwashing does not constitute any problem. Though, we argue that a potential challenge to the legitimacy of the issuers, underwriters and the Nordic green bond market is in fact
greenwashing. However, we have not encountered any obvious evidence of the existence of greenwashing in this market. Though, respondents have mentioned that it is important to be aware of the risk of greenwashing. This leads to the analysis of potential risks for underwriters in the Nordic green bond market.

As Scholtens (2006, p.28) states, there is a reputational risk for financial intermediaries where actions of borrowers or issuers may negatively affect them. This reputational risk is an incentive for banks to include social, ethical and environmental considerations in their evaluation of firms or projects. The financial intermediaries have recognized sustainability problems, and various intermediaries have come up with product and market innovations for this. Such market innovations include green bonds as well as sustainability-linked bonds. With this reputational risk in mind, business ethics is an important matter in the green bond market. Freeman et al (2017, p.3) suggested that the stakeholder theory emerged as a new understanding of three interconnected business problems. The problem of understanding how value is created, the problem of connecting business ethics and capitalism and the problem of helping managers think about management in a way such that the first two problems are addressed. The stakeholder theory provides a relevant perspective to the Nordic green bond market since more stakeholders than the issuer and its shareholders are taken into account. We argue that the reputational risk is one of the main risks for the banks in their role as underwriters in the green market. An example of this risk is in the case of the coal mine Carmichael in Australia. Where the State Bank of India had issued green bonds for projects at the same time as they were financing one of the world’s largest coal mines. This received severe critique, and the reputation of the State Bank of India suffered enormously. This is also in line with what Holz (n.d) stated, that the risks associated with green bonds are reputational rather than financial. A respondent states that the risks that have been linked to greenwashing have been due to the fact that there has not been a clear definition of what is considered green and not. Sverkman argued that we are shifting from being a market where the market itself sets the standard for what is best practice and what counts as green and not. We are currently in a regulatory shift where the market will look at the EU taxonomy to get clarity about what is considered as green and not. We argue that the taxonomy has this purpose in mind, to reduce the risk of greenwashing and promote sustainable investments.

7.3 Issuers
The Nordic green bond market differs between sectors in number of issuances and in volume. Real estate companies are outstanding in the Swedish market and issuers in the real estate sector are today expected to issue green bonds instead of conventional bonds if they are looking for financing. Ahlstrand states that “Since real estate companies have the sustainability theme high on the agenda and there are several large green offerings in the real estate sector, it almost has become an expectation from investors that if bonds are to be issued from a real estate company, they expect it to be green.”.

The motives for issuers to issue green bonds are many. One of the central motives is because of monetary reasons. Respondents have mentioned that greenium has been noticeable in the Nordic green bond market in recent months. It means that issuers of green bonds, ceteris paribus, have gotten a more beneficial financing cost compared to issuing a conventional bond. In this case of greenium in the Nordic green bond market, issuers have gotten a discount with a few basis points. Despite the discount, we, together with several respondents, argue that there are not purely monetary motives for a green bond issuance. That issuers have a larger perspective, that they want to focus on doing the right things and investing in the environment in the long term. We argue that this, similarly to the motives for underwriters, is in line with
CSR. The issuers are affected by the pressure from all its stakeholders, this pressure includes taking social responsibility. This responsibility can take many forms, often related to the issuers daily operations. Responsibility can also be taken through the transformation of the organizations financing with an issuance of a green or other sustainability instrument. With a green issuance, the company receives a marketing opportunity together with a green label on its financing.

On the other hand, Fleming & Jones (2013, p.1-2) argued that CSR has become a marketing and branding tool for many large and medium-sized companies. The idea of transforming corporations into considering social structures beyond financial rationality misunderstands the function of capitalism. Fleming & Jones (2013, p.2) further argued that there is a tension between business ethics and the general sense of a business. According to them, this can imply that CSR begins to look like wishful thinking. We argue that it is indeed the fact that green bonds as well as CSR is a marketing and branding tool for many companies. As an issuer, one gets a unique opportunity to tell the story of the company. These sustainability stories strengthen the brand of the issuer and with the use of green bonds, they can reinforce the image of the company as a sustainable player. The green bond is indeed a marketing opportunity for an organization, but it does not explicitly state that these organizations do not want to take a needed responsibility. We argue that green bonds are influenced by several interacting motives. Purely monetary reasons, a way to carry the organization's social responsibility and a marketing opportunity.

Respondents argued that they in the beginning of the COVID-19 crisis thought that corporations would put sustainability and green bonds down the agenda to outlast the crisis. It turned out to be a misjudgment. Instead, the interest in issuing sustainability bonds increased. The Nordic green bond market grew larger than expected with increased liquidity needs and increased sustainability interest related to COVID-19 issues. Since the beginning of the COVID-19 crisis, we argue that there has emerged an increased desire among issuers in the Nordic bond market to take corporate social responsibility. That issuers in today’s market, in line with the stakeholder theory, wants to satisfy more than one single stakeholder by taking responsibility for more than their profits. A green bond issuance in this time of pandemic is also a way for organizations to market themselves as sustainable players and strengthen their brand, while not harming the profitability of the business. As mentioned earlier, green bond issuance is also a way for organizations to, with a few basis points, get a more beneficial financing.

7.4 Investors
Investors active in the Nordic region have a high sustainability focus and acted in advance before new regulations like the EU Taxonomy have been implemented. Investors in the Nordic region have also been the ones driving the Nordic green bond market forward with pressure on issuers and other market participants. These investors have in turn been put under pressure from their stakeholders, such as retail investors, media and others. The implementation of the GBP in 2014 and the regulatory shift that can be seen in the market have required investors to be more sustainability oriented. The EU Taxonomy now requires institutional investors to disclose the alignment of their investments with the EU Taxonomy, which will increase investors sustainability focus. It will make it easier for retail investors and media to assess funds and investments that institutional investors do, which can increase the pressure to make more sustainable investments. As respondents stated that the percentage alignment of green bonds with the EU Taxonomy will be valuable information for investors, as will investors alignment with the EU Taxonomy be valuable information for media and retail investors.
Sustainable investments is one way for investors to take CSR. It is a possibility for them to contribute to sustainable development and the transition to a sustainable society while achieving financial returns. Institutional investors do in many cases strive after a high share of sustainable investments in their portfolios, which can be derived back from their desire to take their corporate social responsibility but also from existing pressure from their stakeholders. Deegan (2019, p.2315) states that successful organizational operations and maintenance of it require managers to ensure that their organization operates in conformance with expectations of the community, and by doing that, the organization reaches legitimacy. Thus, we argue that sustainable investments and actions of CSR satisfies stakeholders, gives legitimacy for the investors organization and contributes to sustainable development at the same time. The Nordic investors have been successful within the sustainability area and their investments in the Nordic green bond market have been extensive. During the past months, greenium has been present in the market. We argue that this indicates a high demand on Nordic green bonds currently, which in turn indicates a high interest from investors.

7.5 External Reviewers
The second party opinion providers play a significant role in the Nordic green bond market with their possibility to put a green stamp on the issuer’s green bond framework. As Kinnersley stated, “[...] external reviews are in many ways the most important part of the green bond market. Because you need that outside input to bring credibility.” Second party opinion providers are the only gatekeepers in the Nordic green bond market to assess the level of greenness in the green bond frameworks of the issuers. Their green assessments provide legitimacy, transparency and integrity to the Nordic green bond market. They, as external parties, require transparency to succeed with their green assessments and provide legitimacy and integrity to the market. Deegan (2019, p.2315) stated that successful operations require that managers ensure that the operations are in conformance with expectations of the community. By doing that, the organization reaches the status of being legitimate. We argue that the second party opinion is a way for issuers and underwriters to ensure that the operations are in line with expectations of the community. Therefore, the second party opinion brings legitimacy to the issuer, underwriter as well as the Nordic green bond market in general. This is in line with legitimacy theory, Suchman (1995, p.574) stated that “Legitimacy is a generalized perception or assumption that the actions of an entity are [...] appropriate within some socially constructed system of norms, values and beliefs.”. We opine that the actions of the issuer and underwriter is considered appropriate with the help of the second party opinion provider. Further, we argue that the Nordic green bond market without external reviewing, would be exposed to greenwashing if underwriters and issuers themselves would assess the level of greenness.

It is important that external reviewers, with their significantly important role in the Nordic green bond market, continue to be independent of influences by issuers, underwriters and other stakeholders. CICERO started as an independent university-linked and science based external reviewer but can today, together with all other external reviewers in the Nordic green bond market, be seen as a standard reviewing firm that is getting paid by the organizations they are reviewing. This can lead to incentive issues in the market where a reputation of favorable green bond assessments would attract green bond issuers. Although this could be favorable for the external reviewer in the short term with a high demand of their assessments. It would probably in the long run hurt the reviewer by a loss of legitimacy since investors probably would lose confidence in their green reviews. Green bond investors are often careful with their sustainability investments since they are constantly reviewed by their investors, media and
other stakeholders. If some of their classified green investments would appear as non-green, they would suffer brand damage, legitimacy problems. They would therefore probably not invest in green bonds that are reviewed and assessed by an external reviewer with a bad reputation. This would also make issuers to shy away from a reviewer with a bad reputation since the issuers primary purpose is to obtain financing from the investors. The reputation and the credibility of the external reviewers is therefore of the highest importance which the reviewers are aware of. This limits the potential dangers regarding external reviewers in the Nordic green bond market, but it is still something that needs to be considered and not forgotten. As Lindahl states regarding external reviewers and incentive issues: “We keep that discussion alive. This cannot be diluted, because then everything falls apart.”.

7.6 The Future of the Nordic Green Bond Market

As Sverkman stated “What we see now is a clear shift in the market, moving away from a market that, for a long time, itself set the standard for what is considered to be green and not. The regulatory shift we now see in the market, with for example the implementation of the EU Taxonomy, will bring more clarity into what activities could be considered as green and generate more standardization and harmonization in the market.”

7.6.1 EU Taxonomy

The EU Taxonomy is likely to have a big impact on the Nordic green bond market. We argue that the taxonomy is the most important factor for the future of the market since it has the potential to reduce the risk of greenwashing. Respondents mention that the risk of greenwashing in the market originates from a lack of a clear definition on what is green and not. Potential harmonization of the term “green” in the Nordic market with the EU Taxonomy would not only reduce the risk of greenwashing, but also strengthen market integrity by ensuring transparency with a consistent application of the same standards. This can potentially further reduce the information asymmetry between issuer, underwriter and investors. It could also contribute to an increased liquidity by an expanding pool of comparable investment products and thereby facilitating further access to large institutional investors. Several respondents argued that it will be harder to issue a green bond that is in line with the principles by ICMA without stating how it aligns with the EU Taxonomy. We argue that this will increase the demand for the coming EU green bonds, since these bonds are fully aligned with the EU Taxonomy and the EU GBS. That issuers will do their best to get their assets taxonomy aligned to be able to issue EU green bonds, since investors will aim for a high share of taxonomy aligned investments in their portfolios to improve their storytelling and please their stakeholders. This increased demand will potentially also increase the speed of the ongoing regulatory shift of the market. Where the market is going from being self-regulating to being exposed to regulation and legislation, such as the EU taxonomy and others.

Organizations with an existing green asset base are the ones that are able to issue green bonds. It enables organizations to enjoy the opportunity of a lower financing cost with a few basis points while they at the same time are able to promote their sustainability work. The extensive focus on the Energy Performance Certificates within the real estate sector have created a large green asset base within the real estate sector. It has made it possible for a large number of real estate companies to use and issue green bonds to fund their businesses. This possibility has further increased the sustainability focus within the real estate sector, we argue it has made green financing a hygiene factor for real estate companies. As Ahlstrand states: “It has almost become an expectation from the investors that if bonds are to be issued from a real estate company, they are expected to be green.”. These conditions have pressured real estate companies in the Nordics to increase their sustainability work and green financing is no longer
a way for real estate companies to achieve legitimacy for their business. With the high expectation on green financing from investors, conventional financing can be a way for real estate companies to become laggards in the sector and possibly lose their legitimacy.

Without a clear definition of green, it is possible for different participants in the Nordic bond market to make their own assessments and possibly use this opportunity in a way that does not benefit the market in the long term. An existing problem with the definition of green is that it is a term with local differences and nuances. For example, the EU Taxonomy received extensive feedback from the real estate sector that claimed that they would suffer from the proposed green definitions. Nordic issuers and investors are concerned about the applicability of the EU Taxonomy, especially how it relates to the financing of low-carbon real estate.

With higher requirements and expectations from stakeholders, some countries feared that the definition regarding Energy Performance Certificates connected to green assets would be too narrow. Respondents argued that the EU Taxonomy with its high requirements would suffocate the market. With this green asset definition in the real estate sector, a small part of the Nordic buildings would be classified as green according to the taxonomy. The Nordic countries have high building requirements in general, these high requirements are underlying the rating system Energy Performance Certificate. Which leads to very few existing buildings receiving an Energy Performance Certificate A or B. For example, only about 1 percent of Finland and Sweden’s buildings receive EPC A (Climate Bonds Initiative, 2021, p.19). At the same time, these buildings both overall and on average consume less energy than in other European countries (Sustainabonds, 2021). With that initially proposed definition, the Nordic green bond market and Nordic issuers seeking green funding would suffer, since the real estate sector is such a large part of the Nordic green bond market. In the final version of the EU Taxonomy, the requirements regarding this sector were reduced marginally. Though, we argue that the problem remains. There are local differences that complicate the general definition of green.

An area of improvement in the Nordic green bond market mentioned throughout the interviews are reporting. It can from an investor perspective with different green bond issuances be hard to compare and assess the information in every single green bond issuance. The reporting is by us as researchers an identified threshold for investors in the Nordic green bond market. Extended standardization and harmonization in reporting methods could thrive the market in the sense that it would be easier for investors to assess the level of positive environmental impact that a specified green bond contributes to. More investors would potentially also engage in the market with increased standardization and harmonization since the threshold to engage and do qualified analyzes would be lower. With an increased number of active investors in the Nordic green bond market. The volume and number of green bond issuance could increase, since with an increased number of investors it would be even more attractive for organizations to issue green bonds as a financing solution. The expectations in the Nordic green bond market is that the EU Taxonomy can contribute with an accepted harmonized standard in this field. Though, sustainability related reporting is still a relatively new phenomenon and it will probably take time to develop a robust and generally accepted reporting standard in this area.

7.6.2 Sustainability-Linked Bonds
Sustainability-linked bonds have made an entrance in the Nordic bond market and have received a lot of attention. Instead of financing already green assets and projects like a green bond, a sustainable linked bond finances the sustainability transition of the company. This type of bond connects the sustainability targets of the company with the coupon of the bond. Issuers are not obligated to report on the use of proceeds, instead, the issuers are penalized if they do
not reach their sustainability targets which are underlying the bond. This opens up the sustainability market for organizations in sectors that are not the most sustainable today. We argue that the possibility to succeed with the sustainability transition and achieve the goals of the Paris Agreement and the objectives of the UN 2030 Agenda lies within these industries. Ahlstrand does a similar analysis and states that “We will need all types of investments, not only green, in the transition itself to achieve a sustainable economy and the objectives of the Paris Agreement.” It means that the most important work today is to bring along the non-green business on the sustainability journey to be able to achieve net-zero emissions in the future. Green bonds have within finance contributed to the sustainability movement. Michaelsen states that “Green bonds more than anything have been a catalyst for change.”. Though, to succeed with these ambitions, green bonds might not by itself be the most suitable instrument since businesses within these non-green industries do not possess the needed green asset base. Instead, we think that sustainability-linked bonds, together with green bonds, have the potential to play this important role within financing to facilitate the transition toward a sustainable society. Lindahl argues, in connection to sustainability-linked bonds, that the instrument “[...] can address the next level in the industry and increase sustainability requirements at the same time.”. This is in line with what Climate Bonds Initiative (2020, p.11) states, sustainability-linked bonds can serve as a critical instrument in the transition finance.

Though, sustainability-linked bonds and transition finance is not unproblematic. Would underwriters and investors like to underwrite and invest in all industries that are needed to achieve more sustainable operations and provide them with a green label? Underwriters and investors do like business opportunities, but in transactions like this they are setting their reputation at stake. As Ahlstrand stated, reputational risk is present in transactions within the area of sustainability. One potential reputational risk in this area is greenwashing. We argue that this constitutes a potential problem in these transition cases. Many different sectors with their products and services are needed today. Though, their business might not be Paris aligned or considered green by the society in general. Therefore, it is possible that underwriters as well as investors will shy away from these cases to avoid negative publicity and attention. This can ultimately and hypothetically lead to a scenario where the non-green organizations are left without financing that is necessary for the implementation of a transition towards sustainability. We argue, in line with the respondents, that the most important task to achieve the goals of the Paris Agreement and the objectives of the UN 2030 Agenda is to get the non-green organizations onboard on the sustainable journey. That today’s focus in the Nordic bond market should be shifted from making already green businesses greener to instead providing beneficial financing to issuers’ journeys towards sustainability. Though, one has to be careful in the implementation of transition finance. Climate Bonds Initiative (2021, p.1) argues that the targets set in sustainability-linked bonds can be too entity-specific and potentially difficult to compare to peers as well as wider targets such as the Paris Agreement. These potential problems are not insurmountable, sustainability-linked bonds could be an instrument of great importance in the future of sustainable finance.

7.6.3 Scenarios
The Nordic green bond market is in the middle of a regulatory shift with the implementations of the EU Taxonomy. This has affected all stakeholders in the Nordic green bond market with new definitions of green and requirements that forces participants to disclose their alignment with the taxonomy. This has further affected the future conditions of the Nordic green bond market, predictions before the EU Taxonomy had its final release on April 21th 2021 might be outdated. We have therefore with a basis in the empirical findings from the social world of the Nordic green bond market developed three most-likely-scenarios for the market at large in the
long term. Although different levels and other scenarios can occur, we have decided to not present these further to facilitate a more broader view and understanding of the future of the Nordic green bond market. The three scenarios will further be described below with a conclusion presented in section 8.1.2.

Table 5. Possible Scenarios

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Possible Outcome</th>
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<tbody>
<tr>
<td>Scenario 1</td>
<td>Green and other theme bonds outcompetes conventional bonds. The Nordic bond market will consist of theme bonds.</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>Green and other theme bonds co-exists with conventional bonds. The Nordic bond market will consist of theme- and conventional bonds.</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>Green and other theme bonds are temporarily instruments. The Nordic bond market will consist of conventional bonds.</td>
</tr>
</tbody>
</table>

The first and one of the most possible scenarios that we have discovered is that green and other theme bonds outcompetes conventional bonds. That the Nordic bond market only will consist of theme bonds in the future. With the combination of different theme bonds it is possible for most organizations to complete a financing that is 100 percent sustainable and contributes to achieving the goals of the Paris Agreement and the objectives of the UN 2030 Agenda. Green and other theme bonds fulfill the same financing needs as conventional bonds with an addition of promises about sustainability impact. An issuance of green and other theme bonds can also provide the issuer with more beneficial financing costs and be a marketing tool to promote sustainability work. An organization can for example issue sustainability-linked bonds to transform the production line to lower emissions, green bonds to finance solar panels on their headquarters and social bonds to improve working conditions in factories abroad. We argue that a combination of theme bonds in this way is an opportunity for the organization to fulfill their CSR, receive legitimacy and please all stakeholders. While at the same time possibly solving the problem stated by Freeman (2017, p.3): “[...] connecting business ethics and capitalism.”.

The second possible scenario that we have identified during this research is the continuation of the coexistence between conventional bonds and theme bonds. Today’s Nordic bond market is considered by participants to generally be well-functioning and it can therefore appear natural that the bond market also in the future is shared between conventional bonds and theme bonds. However, one can speculate how the market shares of these bonds will develop over time. The green bond issuance in the Nordics are growing and approximately 14 percent of all bonds issued in SEK are green (SEB, 2020). With the basis in the trends and the empirical findings, we argue that it is likely that this growth continues. What could limit the growth or the existence of green and other theme bonds would be if some reputational scandal, or known unknown scandal appeared. Financing instruments within the sustainability area are sensitive for scandals and greenwashing cases. If one of the most well respected participants in the Nordic green bond market such as SEB, Vasakronan, CICERO or SPP would appear in the middle of
a greenwashing scandal that is large enough, we could see a scenario where the market of conventional bonds stands its ground. Conventional bonds have a longstanding history and are a core part of the debt capital markets. Therefore, it could be natural that conventional bonds have a place in the bond market also in the future. Though, green, sustainability-linked as well as other theme bonds are growing. We argue that a crisis of greater magnitude within the area of sustainable finance would be needed to harm the growth that can be seen in the green and other theme bond markets.

The third possible, but not the most likely, scenario that we have identified is that conventional bonds outcompetes green and other theme bonds. A scenario where the Nordic bond market would return to a situation with issuances of only conventional bonds. We argue that the movement that was created with green bonds was a one-way ticket and as Ekholm stated “We all live in this era, the Greta Thunberg era.[...]”. However, a reputational scandal or other known unknown scandal of larger magnitude by the more prominent participants in the Nordic green bond market could harm the market to that extent that it draws back completely. Incentive problems in the Nordic bond could be the issue that triggers the drawback of green and other theme bonds. The second party opinion providers are pronounced independent. If this independence is lost, the credibility and legitimacy of this market can vanish, which in turn threatens the existence of it. There are also threats connected to issuers, investors and underwriters. Since the structure enables profits, it is a possibility that they will work solely with their self-interest in mind. This implies a threat to the market since the best interest of the Nordic green bond market is not considered. These potential problems are causes that possibly can lead to a scenario where the market returns to the sole issuance of conventional bonds.

Which scenario that we consider the most likely is presented in the conclusions of this research. We argue that a similar evolution as the one we have described for green bonds awaits the market for sustainability-linked bonds. The market starts off as the wild west, moves to self-regulation and ends up with EU level regulation.
8. Conclusions
We will finish this research with a conclusion regarding our research questions and an evaluation of the relevant truth criteria connected to this research. Further are contributions, social and ethical implications and suggestions for further research presented.

8.1 Conclusion
The Nordic green bond market has been analyzed through an underwriter perspective and conclusions are presented with a basis in our research questions:

- **What are the motives for underwriters, issuers and institutional investors to be active in the Nordic green bond market?**

- **What are the future outlooks for the Nordic green bond market?**

The first conclusions that will be presented regards the motives to be active in the Nordic green bond market. Following that will the future outlooks for the Nordic green bond market be presented.

8.1.1 What are the Motives for Underwriters, Issuers and Institutional Investors to be Active in the Nordic Green Bond Market?
First, our conclusion is that the motives for issuers, investors and underwriters are similar. The first and most distinct motive is financial, there are monetary reasons behind the choice to be active in the Nordic green bond market. For issuers, the monetary advantages come in the form of greenium with more beneficial financing costs. For investors, there is a belief of a higher risk-adjusted return and a less volatile instrument. Underwriters have a hope of winning more mandates and thereby increasing their profits. Though, we state that the research question cannot be answered by purely financial motives.

The second motive that we have identified to be active in the Nordic green bond market is the concept of corporate social responsibility. It is a commitment by organizations to improve the well-being of the community through discretionary business practices and contributions of corporate resources. One way for issuers, investors and underwriters to contribute to sustainable development is through sustainable finance, such as green bonds. These three participants in the Nordic green bond market have been under pressure from their stakeholders to take their social responsibility. The issuer receives a green label on their financing, the investors receive a green label on their investment and the underwriter receives a green label on their underwriting.

The third motive that we have identified is the businesses aim to achieve and maintain legitimacy. A legitimate business is a business with behavioral patterns that is in line with what stakeholders support or accept as behavioral patterns. One way for organizations to receive legitimacy is by participating in the Nordic green bond market. Issuers receive legitimacy to their business through a green bond issuance, investors receive legitimacy by investing in green bonds and revive a green label on their financing and underwriters receive legitimacy when underwriting green bond issuances.

To conclude, we state that the motives to be active in the Nordic green bond market are threefold. Financial motives, to take corporate social responsibility, and receive legitimacy by their stakeholders. This while at the same time endeavor to connect business ethics with capitalism.
8.1.2 What are the Future Outlooks for the Nordic Green Bond Market?
The Nordic green bond market is in an ongoing regulatory shift where the market is going from being self-regulating to being exposed to regulation and legislation, such as the EU Taxonomy. The taxonomy will have a major impact on the Nordic green bond market with harmonization of the green definition which will strengthen the integrity in the market by ensuring transparency. This harmonization can contribute to increased liquidity since it expands the pool of comparable products. It could also reduce the information asymmetry in the Nordic green bond market between issuer, underwriter and investors. We state that the EU Taxonomy is the most important and critical factor for the future of the Nordic green bond market and that a similar shift awaits the Nordic market for sustainability-linked bonds. Where the Nordic sustainability-linked market, similarly to the Nordic green bond market, starts off as the wild west, moves to self-regulation and self-verification to end up with EU level regulation.

Sustainability-linked bonds have made a strong entrance in the Nordic bond market and have received great attention. These bonds open up the sustainable finance market for companies in sectors that are not considered the most sustainable today. We state that to achieve the goals of the Paris Agreement and the objectives of the UN 2030 Agenda, a transition of these sectors are of great importance. That the most important work to reach these goals is to bring along the non-green business on the journey towards net-zero emissions. Though, we state that sustainability-linked bonds and other transition cases are not unproblematic. These cases are not always considered green by society. Thus, it is possible that underwriters as well as investors will shy away from these to avoid negative publicity and attention. This can lead to a scenario where the non-green companies are left without financing that is necessary for the implementation of a transition towards sustainability. A scenario that would be fateful for the transition towards the goals of the Paris Agreement and the objectives of the UN 2030 Agenda. A big topic in sustainable finance during the last years has been the expansion from green to transition. We are in a phase where society has to make brown green, not green greener.

To conclude, we have argued that we see three possible scenarios regarding the Nordic bond market. In the long run, we state that the most likely scenario is where green bonds, sustainability-linked bonds and other theme bonds outcompete conventional bonds. With the combination of different theme bonds it is possible for most organizations to complete a fully sustainable financing. We exemplify with an organization that issues sustainability-linked bonds to transform the production line to lower emissions, green bonds to finance solar panels on their headquarters and social bonds to improve working conditions in factories abroad. By this, the issuers fulfill their CSR, receive legitimacy and please all its stakeholders. This is a scenario that would contribute in achieving the goals of the Paris Agreement and the objectives of the UN 2030 Agenda.

8.2 Truth Criteria
When the method of analysis is selected and the analysis is made, there is a need to evaluate the approach. Criteria for research evaluation addresses the importance of that the researchers are highly familiar and close to the qualitative data that has been collected. A rigorous and systematic approach to the analysis must be applied which means that the researcher must be clear about the methods and methodology that has been used for data collection and the techniques that have been applied for analyzing the data (Collis & Hussey, 2014, p.172). The four truth criteria terms credibility, transferability, dependability and confirmability are what Lincoln & Guba (1985, p.300) calls “the naturalist’s equivalents for the conventional terms”, which are external validity, internal validity, reliability and objectivity.
8.2.1 Credibility
Credibility is the parallel criterion to internal validity (Saunders et al., 2019, p.217). It is major and central in establishing adequate trustworthiness in the way of information source. The conclusions and findings cannot be found credible by the consumer of the report without adequate credibility applications (Lincoln & Guba, 1985, p.213). Establishment of credibility entails both submitting findings to participants of the social world being studied to confirm that the researcher has correctly understood that social world and ensuring that the research is carried out according to good practice (Bell et al., 2019, p.363). Resources and access to data sources of good quality is crucial to produce a credible report (Lincoln & Guba, 1985, p.213).

All interviews throughout this study have been recorded for the purpose of transcribing and ensuring that all data has been correctly understood. Data has further before publication been confirmed by respondents to validate the alignment with the social world. Although all presented data has been confirmed by the respondents, credibility questions can be raised regarding our findings of sustainability-linked bonds. This instrument has not been the primary focus of the research but has been discussed extensively in connection to the Nordic green bond market. Though, the instrument by itself has not been analyzed further since that is not the main purpose of the research.

Our supervisor Lars Silver has been regularly consulted to ensure the quality of the research and that the research is carried out according to good practice. Literature search has been implemented through various databases, such as the one provided by the Umeå University Library and Google Scholar. This to ensure good quality for a credible research.

8.2.2 Transferability
This is the parallel criterion to generalizability or external validity (Saunders et al., 2019, p.217). To be able to tell if a working hypothesis that has been developed in one context might be applicable in another, transferability or level of transferability is used in qualitative studies (Lincoln & Guba, 1985, p.124) The assumption that is made about transferability is that it is possible at best to only abstract working hypotheses and that the transferability is dependent on the degree of similarity between receiving and sending contexts. The degree of transferability cannot further be inferred by a researcher that only knows the sending context. To be able to assess the transferability one needs to know both contexts to make the judgement trustworthy since the qualitative study is dependent of the significance aspect of the social world and the contextual uniqueness (Lincoln & Guba, 1985, p.297 ; Bell et al., 2019, p.365).

Green bonds emerged in the Nordics, and the now globally existing green bond markets do originate from the Nordic green bond market. With this in mind, the conclusions drawn in this study could be assumed to successfully be transferred to other green bond markets. Though, capital markets around the world can be structured in different ways with local differences. Although the implementation of the EU Taxonomy and the other taxonomies around the world creates a more global standardization and harmonization in the green bond markets, today’s differences in standards limits the transferability of this study. This research is based on explanations of reality based on the respondents' own perceptions, which means that the explanations are constructed in social contexts and can change over time. With this in mind, we state that the conclusions drawn in this research will not be transferred to other green bond markets. Though, we encourage further research within the area.
8.2.3 Dependability

Dependability is a parallel criterion to reliability to assess the factors of design or phenomenal induced change and instability (Saunders et al., 2019, p.217; Lincoln & Guba, 1985, p.299). The level of dependability can be used to assess whether the findings of the research are likely to apply at other times (Bell et al., 2019, p.48). It can involve adoption to an approach similar to auditing, to ensure that complete records are kept of all phases of the research process (Bell et al., 2019, p.365). The level of dependability can be assessed by reviewing the extent to which decisions about the conduct have been influenced by different practical matters like client interests and sponsor deadlines. It can also be assessed by reviewing the extent to which the researchers have endeavored to find positive as well as negative data. The level of sophistication of the researchers and the possibility that the study might have been influenced by Hawthorn and/or Pygmalion effects can also be taken into account (Lincoln & Guba, 1985, p.324).

The research process and the steps that we have taken throughout this research have transparently been disclosed in a detailed and obvious way. This study is conducted with the view of the underwriters in the Nordic green bond market, which has made the findings of the research vulnerable for their self-interest. Investors have partly been interviewed in an attempt to limit that influence on the research findings. No compensation from participants or other stakeholders have been received throughout this research, except student grants from the Swedish government. We as researchers have no self-interest in the Nordic green bond market and have not endeavored to find either positive or negative data. The aim has been throughout this qualitative research to achieve as objective results as possible with limited influence by us as researchers. Possible Hawthorn and/or Pygmalion effects on the findings have not been discovered, but cannot be precluded.

8.2.4 Confirmability

Confirmability is the parallel criterion to objectivity that is used in quantitative research (Bell et al., 2019, p.363). With this qualitative view of research, one has to recognize that complete objectivity is impossible. Confirmability is concerned with ensuring that the researchers have acted in good faith. That it should be obvious that the theoretical inclinations or the personal values of the researchers have not been allowed to sway the conduct and the findings of the research (Bell et al., 2019, p.365). Confirmability addresses the level of degree that personal values has been allowed to intrude the research (Bell et al., 2019, p.48).

We argue that our theoretical inclinations and personal values have not swayed the finding of the research. The interviews are conducted with the use of interview guides that can be found in the appendices. Further, the transcription and analysis of the data is done systematically and the empirical findings are presented. Though, our personal values exist, even if they have not been made explicit. It is these values that help us judge what are recognized as facts and the interpretations drawn from these facts. To conclude, we state that our personal values have not intruded on the respondents' answers, but it has helped us judge what are recognized as facts.

8.3 Contributions

This research has contributed to the theoretical discussion regarding the Nordic green bond market by adding a different perspective to the existing research. We argue that theoretical contributions are made by identifying stakeholders in Nordic green bond market and explaining the motives to be active in this market from a theoretical point of view. Further, the future of the market has been addressed with a connection to the EU Taxonomy. The Nordic banks as well as their stakeholders have been affected by the ongoing regulatory shift of the Nordic
green bond market. This research has contributed to the understanding of this shift, as well as its effects. To conclude, this research has contributed with an understanding of the stakeholders in the Nordic green bond market and motives connected to legitimacy and corporate social responsibility. This will facilitate further research within the area.

We argue that the understanding of the motives and future of the Nordic green bond market will help practitioners in the current introduction and development of other theme bonds. Such as blue bonds, sustainability-linked bonds and others. This research has also studied the newly implemented EU Taxonomy. It has provided opinions on its impact on the Nordic green bond market as well as the future of it. We state that this can help stakeholders form their perception of the ongoing regulatory shift in the Nordic green bond market. To conclude, this research provides practical contributions by suggestions for further development of the Nordic green bond market.

**8.4 Social and Ethical Implications**

The purpose of the research was to give understanding of, and contribute to, the development of the Nordic green bond market. Further, the purpose was to discover motives and the future of this market to facilitate future research and deepen the understanding of the Nordic green bond market. Governments across the globe have committed to the goal of a more sustainable economy when accepting the Paris Agreement and the UN 2030 Agenda. Sustainability is gaining importance in the society as well as in the financial sector and this thesis has given us as researchers the possibility to further investigate aspects of social and ethical importance in the financial world. It is our belief that the market participants in the Nordic green bond market together can create a sustainable financial sector which will facilitate a landscape and future where sustainability is a core value.

We argue that this research has provided us with insight and understanding of sustainability issues in Nordic green bond market. This can give rise to sustainability questions in general, but foremost we hope that this research will provide the market participants with tools to develop this market further. We have stated that the motives for being active in the Nordic green bond market is threefold. Where monetary reasons and a will to take social responsibility constitutes important motives. Therefore, we argue that the combination of corporate social responsibility and profits has a positive effect on the financial sector. This is in line with a fundamental part of the stakeholder theory, namely that organization should be managed in the interest of all stakeholders. Our conclusions do not suggest that the motive for being active in the Nordic green bond market is purely financial or to take responsibility. Instead, we argue that it is a crossfire between several motives and values. It is summed up by a social world where purely monetary reasons no longer are the single best interest of shareholders or other stakeholders.

We hope that our conclusions send a message to the Nordic green bond market participants that they should continue to develop the market with sustainability and best practice in mind. The Nordic green bond market is witnessing several significant events, where the introduction of the EU Taxonomy and the entrance of sustainability-linked bonds constitutes two of them. This research addresses the introduction of the EU Taxonomy and we argue that their definition of green is much needed, but that the implementation of it has to be carried out carefully with social and ethical implications in mind. Sustainability-linked bonds will provide a needed instrument in the bond market to facilitate the transition of the non-green companies to a sustainable future. Though, sustainability-linked bonds are not unproblematic. These bonds can finance companies that are not sustainable today, but these transition cases are aimed at
developing the company towards sustainability in the long term. Thus, a potential trade-off between short- and long term sustainability is needed. To conclude, sustainability-linked bonds can play an important role in the future of the bond market. Though, a similar regulatory shift that is witnessed in the Nordic green bond market awaits the sustainability-linked bond market which can lead to social and ethical implications.

8.5 Suggestions for Further Research
The purpose of this research has been to discover the motives and the future of the Nordic green bond market. We have during the research discovered other interesting and important areas that would need further research. These areas are presented below.

- **EU Taxonomy**
The EU Taxonomy has been a hot topic in financial news during the development of this research and has been an uncertainty since the final release of the Taxonomy was on April 21th 2021. The impact of the taxonomy on the financial markets is so far partly unexplored by researchers. To today's date, no one can fully understand the level of impact the taxonomy will have and how the financial market will react and adapt to it. We state that this is a hot research topic that needs to be addressed as soon as possible for the benefit of the society and the financial markets. An interesting perspective is for example the level of impact the EU Taxonomy will have on the different financial markets in the European countries.

- **Sustainability-Linked Bonds**
We have during this research encountered a newly emerged theme bond, sustainability-linked bonds. This product is briefly described and the future of it is partly analyzed but also unsure. We argue that sustainability-linked bonds as a newly emerged instrument within sustainable finance should be put in focus by the researchers. Interesting perspectives are for example the premium paid for these and the difficulty in establishing sustainability targets connected to the bond to avoid greenwashing.

- **EU Green Bond Standard**
Respondents have argued that they in the near future see a scenario where the EU Green Bond Standard and the Green Bond Principles by ICMA co-exists. This implies that there will exist two different types of green bonds in the Nordic green bond market. One type of green bond that is aligned with the EU Green Bond Standard by the European Commission and one type of green bond that is aligned with the Green Bond Principles by ICMA. This opens up a question whether it will be a statistically significant premium that is paid for any of the bonds.

- **Second Party Opinion Providers**
During this research we have touched upon the important role of the second party opinion providers in the Nordic green bond market. The impact of Second party opinion providers to the Nordic green bond market are relatively unexplored by researchers. A suggestion for further research is to conduct a qualitative study with an aim to create an understanding of the second party opinion process and its implications for the green bond market. We have also found the incentive structure in second party opinions and its effectance on the Nordic green bond market as an interesting field for further research.
Reference List


Appendixes

Appendix 1. Interview - Underwriter

The primary purpose of this thesis is to describe the market for green bonds from a Nordic bank perspective. The thesis explores and identifies motives, potential problems and the future of the Nordic green bond market.

The interview will initially treat questions regarding your background and your organization. Furthermore, the interview consists of five themes; background, market and motives, certifications, sustainability, and the future of green bonds.

Your role and the motives for your organization to be active in the Nordic green bond market will be processed. Further, we want to understand your perception of the future, risks and potential problems connected to green bonds. Thus, enabling the study to contribute to a sustainable development in the field. The thesis is delimited to the Nordic market. This interview guide is primarily a basis for the interview. Beyond these questions, there is room for supplementary questions.

The participation in this study is voluntary. The thesis follows Umeå university’s research ethical guidelines. The interview will be recorded to enable later analysis of the material. The recording will only be available for us, Emil and Felix. Further, the analysis of the material will be included in the thesis. You own the right to determine whether your name, title and organization shall appear in the published thesis. If you prefer anonymity, we ask you to state this in the beginning of the interview.

Background

● What is your role description today?
● Can you tell us about your background?
● Can you describe the organization and team you are working in?

The Nordic Green Bond Market

● How does a green bond differ from a conventional bond?
● What does the process look like when issuing a green bond?
● What is the role of the bank in the issuance of a green bond?
● What is your role in the issuance of a green bond?
● What is your view of demand and supply of green bonds in the Nordics?
● Does your requirements and workload differ between a conventional bond and a green bond?
● Is there any difference in the fee you charge for underwriting a issuance of a green bond compared to a conventional bond?
Motives
- What do you perceive to be the main reasons for the emergence of green bonds?
- What do you perceive to be the main reasons why issuers choose to issue green bonds?
- What do you perceive to be the main reasons why banks choose to act as underwriters of green bonds?

Certification and Standards
- Do you experience that there is a generally accepted standard for green bonds?
- What are your customers’ view on the green bond standards?
- What is your view on the second party opinion of green bonds?
- What is your view on the ongoing debate regarding the EU-taxonomy?
- To what extent are you responsible for following up the projects financed with green bonds?
- How does the internal and external review of green bonds work?

Sustainability
- Are there any specific red flags in the potential issuance of a green bond?
- Do you think that there are any specific risks for the various stakeholders in the green bond market?

The Future of Green Bonds
- What is your view on the future of sustainable finance?
- How do you think the market for green bonds will develop in the future?
- How do you see the future development of standards for green bonds?
- Do you have any general suggestions on how the market for green bonds could be improved and developed?
Appendix 2. Interview - Portfolio Manager

The primary purpose of this thesis is to describe the market for green bonds from a Nordic bank perspective. The thesis explores and identifies motives, potential problems and the future of the Nordic green bond market.

The interview will initially treat questions regarding your background and your organization. Furthermore, the interview consists of five themes; background, market and motives, certifications, sustainability, and the future of green bonds.

Your role and the motives for your organization to be active in the Nordic green bond market will be processed. Further, we want to understand your perception of the future, risks and potential problems connected to green bonds. Thus, enabling the study to contribute to a sustainable development in the field. The thesis is delimited to the Nordic market. This interview guide is primarily a basis for the interview. Beyond these questions, there is room for supplementary questions.

The participation in this study is voluntary. The thesis follows Umeå university’s research ethical guidelines. The interview will be recorded to enable later analysis of the material. The recording will only be available for us, Emil and Felix. Further, the analysis of the material will be included in the thesis. You own the right to determine whether your name, title and organization shall appear in the published thesis. If you prefer anonymity, we ask you to state this in the beginning of the interview.

Background
- What is your role description today?
- Can you tell us about your background?
- Can you describe the organization and team you are working in?

The Nordic Green Bond Market
- What is your role at the Nordic green bond market?
- How does the process differ in the analysis of a conventional bond compared to a green bond?
- What is your perception of demand and supply in the Nordic green bond market?
- What is your perception of demand and supply of green bonds in the different Nordic countries?

Motives
- What do you perceive to be the main reasons for the emergence of green bonds?
- What do you perceive to be the main reasons why issuers choose to issue green bonds?
- What do you perceive to be the main reasons why banks choose to act as underwriters of green bonds?
Certification and Standards
- Do you perceive that there is a generally accepted framework for green bonds?
- What is your view of the second party opinion certification of green bonds?
- What importance does the certification of green bonds have according to your experience?
- What does the follow-up of green bond financing look like?
- What does the scrutiny of green bonds look like?

Sustainability
- Have you ever considered not investing in a green bond?
- Are there any potential red flags in the analysis of a green bond?
- To your knowledge, are there any specific risks for the participants in the Nordic green bond market?

The Future of Green Bonds
- What is your perception about the future of sustainable finance?
- What is your perception about the future of the green bond market?
- What is your perception about the development of certifications and standards on the green bond market?
- Do you have any general or specific suggestions for improvement and development of the green bond market?