

Finance to Accelerate the Sustainable Transition: Infrastructure FAST-Infra Project Deliverables Progress Meeting #1

FEB 2021



Opening



Christian Deseglise

Head of Sustainable Finance and Investments, HSBC

Overview of the workstreams and the proceedings



Michael Ridley

Director, Senior Responsible Investment Specialist, HSBC GAM

Finance to Accelerate the Sustainable Transition: 'FAST-Infra'



Goals

- ◆ Develop sustainable infrastructure into a deep and liquid asset class
- ◆ Scale-up private investment in sustainable infrastructure in emerging and developing countries



Two key components

- ◆ Develop a sustainable infrastructure label
- ◆ Develop platforms for targeted financial interventions



Broad participation

- ◆ Founding partners: CPI, GIF, HSBC, IFC, OECD
- ◆ Finance industry-led, private-public partnership – broad-based, open and inclusive

Overview of the workstreams and proceedings



FAST-Infra Label

- Sustainable infra label with underlying standards, governance / reporting rules and terms by which it is awarded



Technology-Enabled Platform

- An 'end to end' workflow system allowing a more rapid and concentrated flow of documentation and data throughout the various project phases of sustainable infrastructure financing.



Global Renewable Energy Guarantees

- Regional diversified guarantee funds / off-take guarantees covering several months of debt payments (e.g. for PPAs) with interest / premium payments.



Open-Sourced Managed Co-Lending Portfolio Programme (OMCPP)

- Syndication structure allowing for participation from a wide range of MDBs in emerging markets and investors.



Sustainable Financing Facility (SFF)

- Banks and concessional capital lend to NDBs for on-lending to sustainable infra projects

Sustainable Infrastructure Label (WG-1)

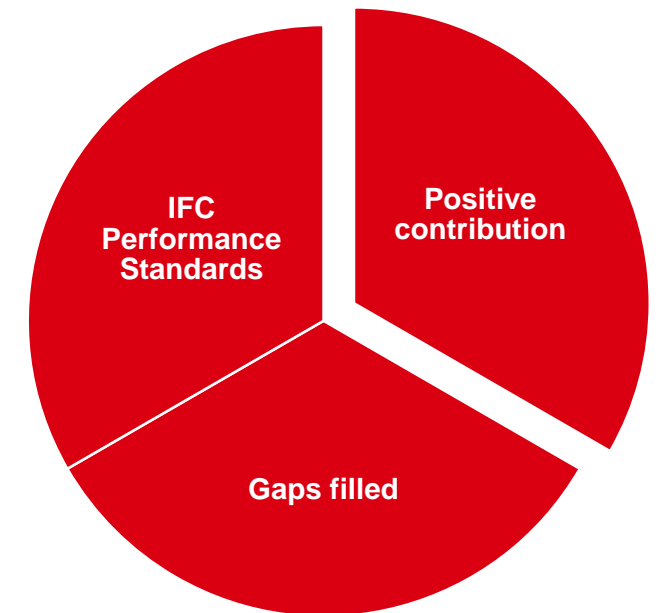
Lori Kerr, Global Infrastructure Facility, World Bank

Robin Grenfell, Green Investment Group, Macquarie

SI Label framework overview



- ◆ Not 'reinvent the wheel'; build on existing frameworks and standards
- ◆ **Inexhaustive, indicative list of assets** that lend themselves to sustainability
- ◆ **Four 'dimensions'** of sustainability
Environmental, Social, Governance, Adaptation & Resiliency
- ◆ Each 'dimension' includes a series of '**criteria**' (15 criteria in total) that, taken together, define 'sustainability' under the SI Label
- ◆ Each 'criteria' is further described/defined by reference to existing standards and associated with a series of '**indicators**'
- ◆ Requirement: IFC Performance Standards + 'gaps filled' + **positive contribution** across one or more criteria (reflecting best practice)
- ◆ Designed in alignment with the SDGs and QII Principles
- ◆ Transparent disclosure & impact reporting required; self-declaration / independent review at different lifecycle stages
- ◆ Governance structure inspired by Green Bond Principles (Members, Observers, Executive Committee)
- ◆ SI Label framework will evolve over time as market develops



Types of sustainable infrastructure



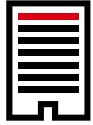
Indicative, inexhaustive list of eligible sustainable infrastructure assets

- ◆ List is 'done'; final inputs from WG-1 members welcome prior to consultation

Inexhaustive, Indicative List of Eligible Sustainable Infrastructure Assets
Renewable Energy <ul style="list-style-type: none"> ● Electricity and/or heat/cool from: solar, wind, hydro, geothermal, bio-energy, ocean energy, waste-to-energy
Clean Transport <ul style="list-style-type: none"> ● Electric and/or hybrid for public, urban/inter-urban rail, freight, multi-modal transport ● Active transportation ● Infrastructure for clean energy vehicles and reduction of harmful emissions ● Dry ports
Water, Wastewater, & Sanitation <ul style="list-style-type: none"> ● Water, wastewater, and/or sewage supply and/or recycling systems, including treatment, storage, transportation, distribution, and monitoring ● Water harvesting, irrigation, and drainage systems
Solid Waste Management <ul style="list-style-type: none"> ● Solid waste collection, storage, processing, treatment, recycling, transport, and disposal ● Anaerobic digestion of bio-waste, composting of bio-waste ● Landfill gas capture, transport, and/or sequestration

Green Buildings & Social Infrastructure <ul style="list-style-type: none"> ● Greenfield and retrofit of buildings/facilities for residential; health; education; and commercial purposes (e.g. storage, processing facilities, cold storage); and other buildings/facilities using low-carbon technologies and/or sustainable products
Data Infrastructure <ul style="list-style-type: none"> ● Broadband networks ● Smart technology ● Infrastructure for remote power system management and/or GHG emission reductions
Electricity Transmission & Distribution <ul style="list-style-type: none"> ● Transmission lines ● Distribution systems ● Energy storage ● Smart grids for renewable energy ● Mini grids/distributed generation systems
Nature-Based Solutions <ul style="list-style-type: none"> ● Utilization of existing or rebuilt natural landscapes – such as forests, floodplains, and wetlands – that provide ecosystem services, as standalone and/or as part of a built infrastructure solution

Standards that underpin the SI Label



Sustainability dimensions and criteria, with corresponding indicators and reference standards

- ◆ List of **15** sustainability criteria across four dimensions of sustainability – provisional tables to be circulated to WG-1 members for feedback/comment
- ◆ Refining definition of baseline criteria (IFC Performance Standards + ‘gaps filled’) and ‘stretch’ criteria (positive contribution above the baseline)
- ◆ Further identifying array of relevant indicators/KPIs and reference standards best aligned to the ‘stretch’ criteria
- ◆ Exploring integration of ‘Paris alignment’ methodology as part of baseline criteria requirements (Environmental Dimension)

Dimensions and criteria table

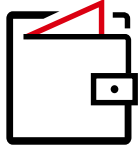
Environmental Dimension	ADAPTATION & RESILIENCE DIMENSION	SOCIAL DIMENSION
Protect & Achieve Net Gain of Biodiversity & the Environment	Climate Adaptation	Gender & Ability Inclusivity
Climate Change Mitigation/GHG Emissions Reduction	Resilience to Climate Risk & Disasters	Health & Safety
Efficient Use of Natural Resources/Materials/Waste Reduction & Transition to a Circular Economy	Social Resilience	Human & Labour Rights
Pollution Prevention	GOVERNANCE DIMENSION	Land Acquisition & Resettlement
	Anticorruption Protocols & Procedures	Stakeholder Engagement
	Transparency & Accountability	
	Sustainability & Compliance	

Indicators and reference table

Environmental Dimension

Environmental Criteria	Reference Standards & Indicators
Protect & Achieve Net Gain of Biodiversity & the Natural Environment	<ul style="list-style-type: none"> • Maintenance/safeguarding/increase of protected area/other effective area-based conservation (OECM)/habitat in km² and in % for increase [<i>ICMA - GBP</i>] • Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed [<i>IUCN</i>] • Project activities should not lead to the conversion, fragmentation or unsustainable intensification of high-nature-value land, wetlands, forests, or other areas of high-biodiversity value [<i>EU Taxonomy</i>]

Stock-take – Where we are (Topic 3: Governance and reporting)



Governance and reporting

- ◆ Directional consensus on (1) structure (i.e., modeled after *ICMA – Green Bond Principles* approach), (2) process involving declaration and external independent review (i.e., self-declaration, second/third-party opinion, verification, certification), and (3) important role of market (i.e., ‘let market decide’ over heavier regulation)
- ◆ Development of draft impact reporting template; to be further refined and shared with WG-1 for feedback prior to consultation

INITIATION STAGE

(Initial self-declaration, can happen at any stage of project lifecycle)

- ◆ **Disclosure:** Self-declaration of expected/alignment with SI Label criteria required to be disclosed; kicks off ongoing reporting/disclosure
- ◆ **Reporting:** Impact reporting, including indicators and associated methodologies, required (as appropriate for lifecycle stage)
- ◆ **External assessments:** Verification and/or certification not required, but highly encouraged
- ◆ **Accountability:** Capital provider(s) must include covenant in requisite documentation on disclosure, reporting, and at least maintenance of baseline

END OF YEAR 1 & SUBSEQUENT YEARS

(one year following initiation stage and for each year following)

- ◆ **Disclosure:** Re-declaration of expected/alignment with SI Label criteria on annual basis required to be disclosed
- ◆ **Reporting:** Annual impact reporting, including indicators and associated methodologies, required (as part of re-declaration)
- ◆ **External assessments:** Verification and/or certification not required, but highly encouraged
- ◆ **Accountability:** Capital provider(s) must maintain covenant in requisite documentation on disclosure, reporting, and at least maintenance of baseline

Stock-take – Where we are (Framework Document)



Draft Framework Document to be circulated with WG for feedback/comment that covers:

- ◆ Introduction of SI Label, overall framing of methodology and approach
- ◆ Eligible types of sustainable infrastructure assets (including table of indicative, inexhaustive list of SI assets)
- ◆ Sustainability methodology, including table of dimensions, criteria, and associated list of illustrative indicators/KPIs
- ◆ Minimum safeguards and risk management (baseline/floor)
- ◆ Measuring, monitoring, and reporting
- ◆ Declaration and external review
- ◆ Governance structure
- ◆ Appendices (e.g., defined terms, list of indicators/KPIs related to SI asset type)

2021 Workplan – Where we are going

FAST-Infra Indicative Detailed Workplan	February		March				April			
	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4
WG-1										
Dimensions, Criteria & Indicators Table										
- WG-1 co-chairs refine criteria & indicators table, re-circulate to sub-WG-1										
- Sub-WG-1 finalize provisional minimum safeguards + gaps and proposed indicators, reconcile with updated criteria & indicators table, send back to co-chairs										
- WG-1 co-chairs make final provisional revisions, re-circulate to sub-WG-1 for VoBo										
- Circulate provisional dimensions, criteria & indicators table to broader WG-1										
- Finalize provisional standards & indicators table based on all inputs received from WG-1										
Asset & Indicators Table										
- Sub-WG-1 finalize provisional indicators for WG-1 co-chair review										
- WG-1 co-chairs refine table, re-circulate to sub-WG-1 for final provisional revisions										
- Circulate provisional asset & indicators table to broader WG-1										
- Finalize provisional asset & indicators table based on all inputs received from WG-1										
Framework Document										
- WG-1 co-chairs circulate draft Framework Document for sub-WG-1 review										
- WG-1 co-chairs incorporate feedback; send to broader WG-1										
- Finalize provisional Framework Document based on all inputs received from WG-1										
- Finalize provisional Framework Document based on all inputs received from Roundtables										
Targeted Roundtable Consultations										
- Send out invitations and materials for roundtables										
- Roundtables w/ broader private sector (e.g. FAST-Infra participants, GIF Advisory Partners, GISD, ILN, CFLI, FSTF, etc.)										
- Roundtables w/ developers										
- Roundtable w/ rating agencies (e.g. S&P, etc.)										
- Roundtable w/ second-party opinion providers (e.g. Sustainalytics, etc.)										
- Roundtable w/ standard-setters (ISCA, GIB, ISI, Ceequal, etc.)										
- Roundtable w/ ICP (MDBs) / ECAs										
- Roundtable w/ civil society										
- Roundtable w/ science-based targets experts										
Public Consultation Period										

Upcoming deliverables:

- ◆ Finalisation of dimensions/criteria/ indicators table, assets/indicators table, and draft Framework Document (**March**)
- ◆ Preliminary consultation process with broader WG-1 and 6-8 roundtables with key stakeholders (**April**)
- ◆ Consolidation of feedback, preparation for formal public consultation period (**launch early May**)

If you are interested in participating in the preliminary roundtables and/or have recommendations, please reach out to the WG-1 co-chairs



FAST-Infra Label: User consensus

Questions with possible options – Poll

Consensus on feasibility :

1

Label requirements: without yet having a detailed review, the dimensions, criteria and indicators seem directionally positive to me

2

Label use: all things being equal, my organization would likely align with the SI Label

3

Label feedback: I (or my organization) would be interested in participating in a more detailed roundtable discussion or public consultation



Possible options :

a) Yes

b) No

a) Yes

b) No

a) Yes

b) No



Q&A

Facilitated by Michael Ridley, HSBC

Case Study – Proof of Concept

Alexandra Basirov, BNP Paribas

Technology Enabled Platform (SG-A)

Michael Ridley, HSBC

Dr Murray Simpson and Lutamyo Mtawali, IBM

FAST-Infra technology enabled platform and concept

High level overview of FAST-Infra initiative focusing on the development of an end-to-end technology enabled platform

Current challenges

Private Terms

Many infrastructure financings occur in the loan market, where terms often are private

Documentation

Key concession and financing terms are likely to be spread across numerous long and complex documents

Standardisation

There is a lack of standardisation for the key terms

Concepts

End to end platform

An 'end to end' work flow system could allow a more rapid and concentrated flow of documentation and data, which may in turn catalyse more infrastructure deals flow

Benefits: Collectively inter-related ideas mentioned above could transform project finance market, drive pace, help bring more bankable projects to market, drive standardisation and improve portfolio and risk management framework

Key Market Participants:

- Banks
- Buy side firms
- Insurance
- Asset Managers

Case For an End-To-End solution

Essential , Effective, Achievable and Secure

• CURRENT CHALLENGES



- ❑ Lack of secure and robust marketplace to facilitate and address
 - ~ **\$6.9 trillion** annual funding gap
- ❑ Inconsistent methods and practices across different geos
- ❑ Lack of standard documentation and highly manual processes
- ❑ Investors: limited transparency and access to well-structured and de-risked bankable projects and strong deal flow
- ❑ Project developers: access to investors + funding, and project preparation guidance (per investor requirements)

• ACCELERATORS



- ❑ Capabilities, expertise and delivery experience of FAST-Infra partners (eppf, IBM, InfraClear, Liquidnet, Scale, SIF-Source)
- ❑ Leverage and integrate partner technology components
- ❑ Collaborate on design, development and deployment

• END TO END SOLUTION APPROACH



- ❑ Iterative, incremental and phased development:
 - ✓ Design: Tech strategy and solution design
 - ✓ MVP: Enable dynamic data capture, create secure smart data rooms, integrate AI application (NLP), Advanced Analytics
 - ✓ Market Testing: Limited participants
 - ✓ Pilot: Enhance functionality – rules engine, data visualisation, reporting engine, etc.
 - ✓ Onboarding: Market participants
 - ✓ Production ready: scalability (participants, geos, deal flow)
- ❑ Convening of multi-stakeholder platforms
- ❑ Data management across full project lifecycle
- ❑ Support different financial instruments (loans, bonds, securitization, etc.)
- ❑ Support labelling: enhanced data capture & management
- ❑ Managing and enabling due diligence
- ❑ Addressing complexities in a regulated industry
- ❑ Address barriers to financing sustainable infrastructure – Mark Carney's **COP26** Private Finance Strategy

Case For an End-To-End solution

Essential , Effective, Achievable and Secure

PLATFORM BENEFITS¹

- Ecosystem partner connectivity
- Deal flow access and scalability
- Secure information sharing – electronically
- Advanced analytics, data insight and transparency
- Process efficiency: automated, simplified & faster
- Smart documentation and consistency



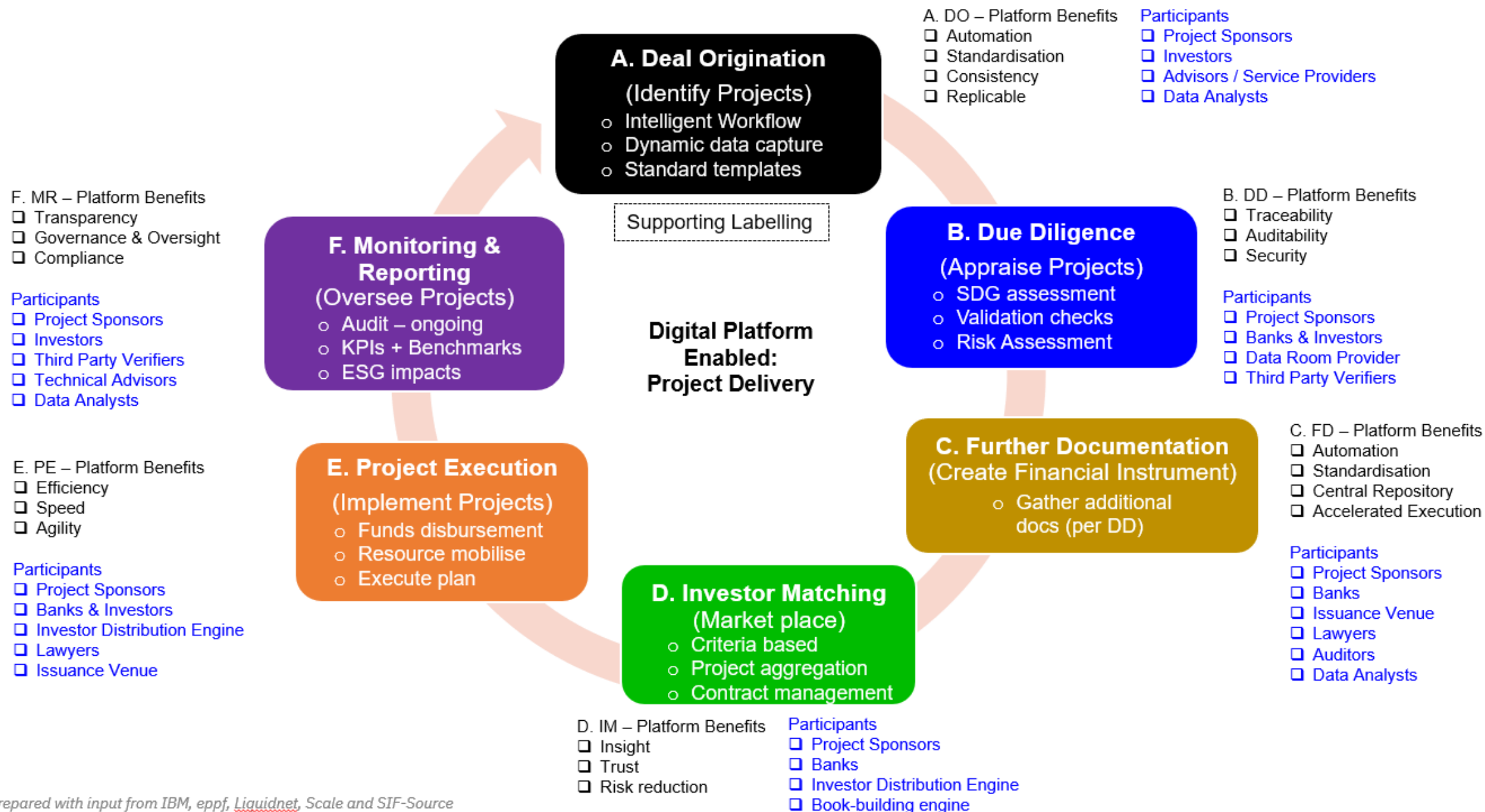
PLATFORM BENEFITS²

- Cost reduction
- Downstream and sell-on business opportunities
- Global standardisation of methods & practices (across geos)
- Auditability, reduced risk and increased trust
- Embedded data governance
- Ongoing application support (24/7, any location)



Project Lifecycle: FAST-Infra Technology Platform

(Phased development approach and incremental enhancement of functionality to create value for users through the various project phases of sustainable infrastructure financing)



IBM Network Examples: Case Studies



Bank Guarantee Network

- Standardising key industry processes
- Eliminating excessive paperwork
- Transparent end to end process



Trade Finance Network

- 16 Banks over 15 Countries
- Marketplace to drive flow
- Digital end to end process

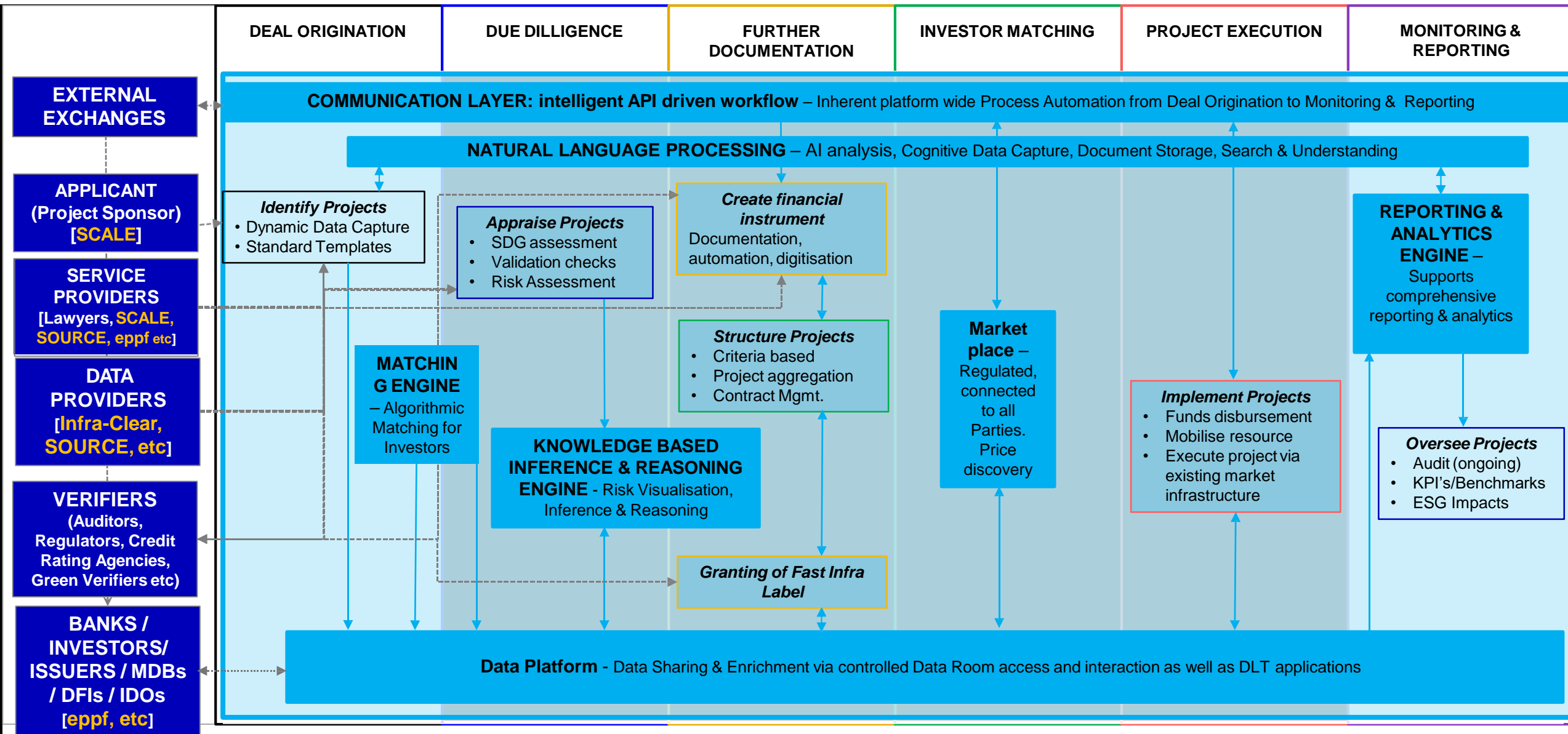



Global Trade network

- Tracking 60% of Global Trade
- Data automating Trade Finance
- Joint Development with Banks

Case For an End-To-End solution

Essential , Effective, Achievable and Secure





Q&A

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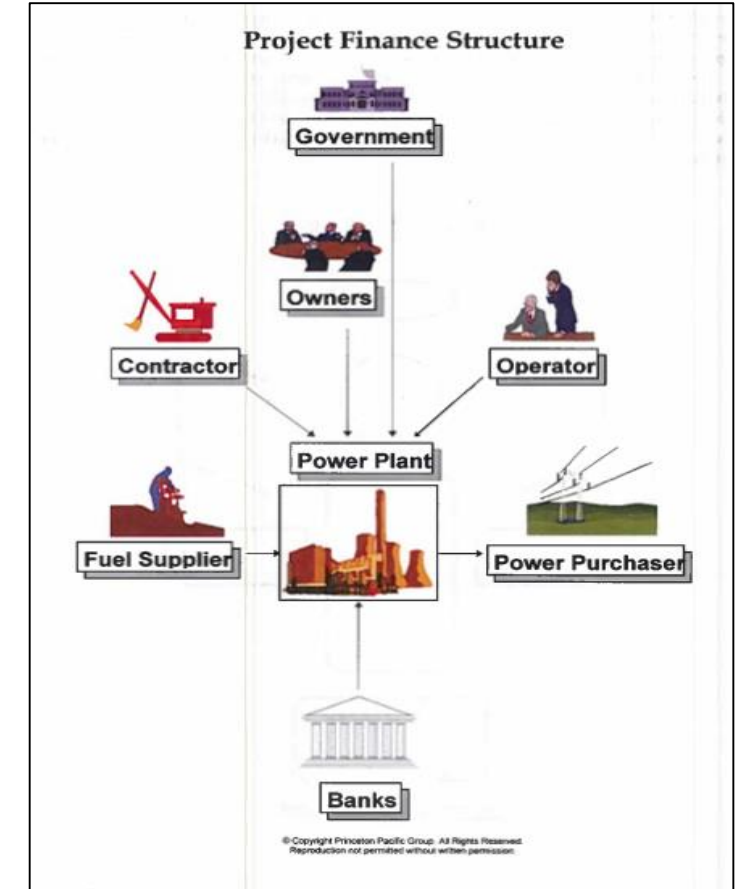
Global Renewable Energy Guarantees (SG-B)

Thierry Deau and Xavier Ploquin, Meridiam

Global Renewable Energy Guarantees



- ◆ Many developing world utilities will sign PPAs but their credit rating is too low for the PPA to be bankable
- ◆ Solution: regional diversified guarantee funds / off-take guarantees
- ◆ A facility covering several months of payment (e.g. for PPAs) with interest / premium payments
- ◆ Initially capitalised by MDBs, with a move to private partnership in the long run
- ◆ Priced to suit risk levels and characteristics
- ◆ Subjecting public utilities to reporting requirements and accounting / listing standards
- ◆ **Goal is to lift all project ratings to BBB-**



Issues to be Addressed in “Phase 0” Planning Process January – June, 2021

- Precedent: Use of guarantees to date and proposed
- Need: survey of clean energy project developers and projects (anecdotal evidence)
- Market environment: global assessment of utility credit worthiness/ratings
- Impact: assessment of likely impact on project development, cost of capital, and results
- Contract: draft form of legal contract - with multi-stakeholder input
- Pricing: development of an initial pricing model for reserve funds and policy premiums
- Currency: development of a methodology for managing currency risks:
- Organization: consideration of different forms of a fund vs. corporation
- Ownership: share company vs. GP/LP fund vs. other
- Management and staffing: skills and talents, organization structures
- Financial plan and funding requirements - operations and reserve funds
- Business plan, funding proposal, and prospective sources of funding



Q&A

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Open-sourced Managed Co-Lending Portfolio Programme (SG-C)

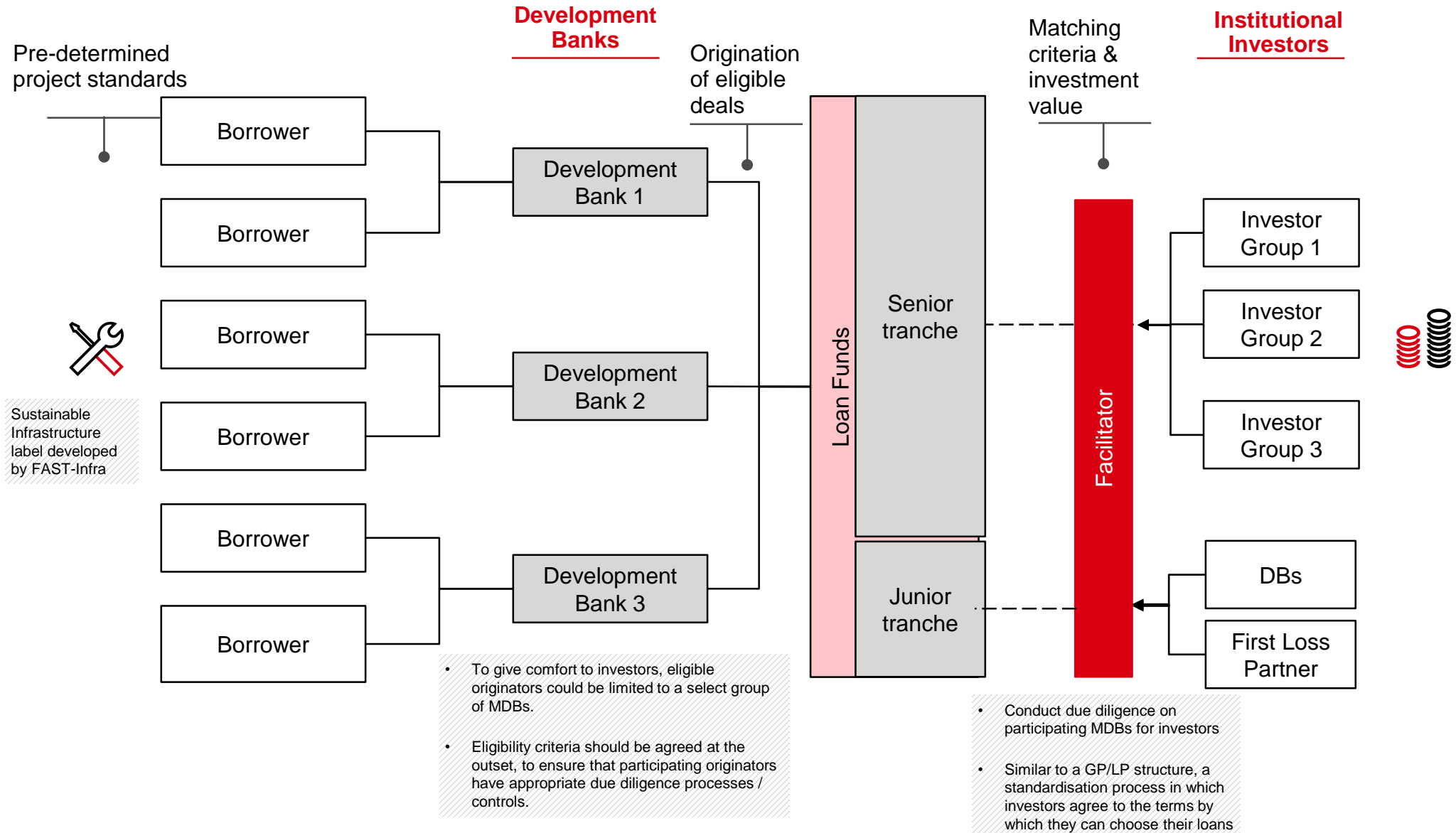
Benjamin Zy Lu, HSBC

Open-sourced Managed Co-Lending Portfolio Programme (OMCPP)

Overview

- An extension of the successful Managed Co-Lending Portfolio Program (MCP), which is a syndications platform for debt investments, first designed and implemented by IFC. It aims to increase the pool of available financings in sustainable infrastructure in emerging markets, by allowing multiple development banks to originate deals with pre-determined sustainability/ESG criteria for a variety of investors.
- Instead of a bilateral structure, the proposal envisages an open platform with various sources of origination (mostly regional development banks) and investors (e.g., insurance companies or sovereign wealth funds) with pre-determined investment criteria, to allow faster, broader distribution of risk.
- Building on the work of FAST-Infra WG 1, a sustainable infrastructure label could be used as part of the eligibility criteria for all loans on the platform.
- Given the multiple parties in the structure, an intermediary entity could act as facilitator to manage the portfolio of infrastructure financings and design loan portfolios to meet specific investor criteria.
- In this structure, various development banks would take the origination role, as highly trusted organizations, with all funding following pre-determined ESG-related standards. This approach would provide investors with direct access to the portfolio of loans originated by the development banks in emerging markets, to which they may have little to or no prior knowledge or affiliation.
- The transaction would be structured as a fixed income investment and investors would participate in the Senior tranche of the loan fund - eligible loans include senior infrastructure loans. Senior Investors are also allocated cash flows ahead of Junior Investors. Initial capital allocation is structured to ensure the senior tranche has investment grade characteristics. The junior tranche in OMCPP would be proportionally taken by participating development banks along with potential other first-loss partners.

Concept illustration



OMCPP Benefits



Borrowers

- Increase the accessibility and supply of funding for sustainable infrastructure in emerging market
- The sustainable infrastructure label (from WG1) would provide standards/ guidelines for borrowers



Originators

- Enable Development Banks to do more and larger transactions
- Get more MDBs to participate in existing MCPP type programme
- Lower the cost and time to complete financing packages by simplifying the syndication process
- Expand a proven solution for mobilising new sources of financing for development
- Standardise governance/ lending process among DFIs



Investors

- Gain first-time entry into emerging markets for large group of investors
- Achieve diversification
- Include capacity to create global or tailored portfolios
- Avoid the need to build origination capacity in global markets
- Access to recognised sustainable infrastructure asset class through reputable DBs

Topics to be addressed

- ◆ Warehousing facility
- ◆ The degree of diversification of the portfolio
- ◆ The time to build a diversified portfolio
- ◆ Investors' appetite of different exposures
- ◆ Funding allocation among originators
- ◆ Standardisation of lending processes / considerations among originators
- ◆ Due diligence on the originators
- ◆ Tranches (whether to include first loss)

FAST-Infra OMCPP: User consensus

Questions with possible options – Poll

Consensus on feasibility :

1
OMCPP concept: without yet having a detailed review on the structure and terms, conceptually, OMCPP sounds a good idea to connect investors and MDBs to scale up sustainable infrastructure, especially in emerging markets?

2
OMCPP challenges: from your view, what could be the most critical issue(s) to be solved when further developing the OMCPP idea?

Possible options :

- a) Yes
- b) No

- a) Appetite from investors
- b) Willingness from MDBs
- c) Structure: a warehousing facility to build up the portfolio
- d) Structure: time to build and reach diversification of the portfolio
- e) Due diligence and Standardisation of lending processes on various MDBs
- f) Others



Q&A

Facilitated by Michael Ridley, HSBC

Sustainable Financing Facility (SG-D)

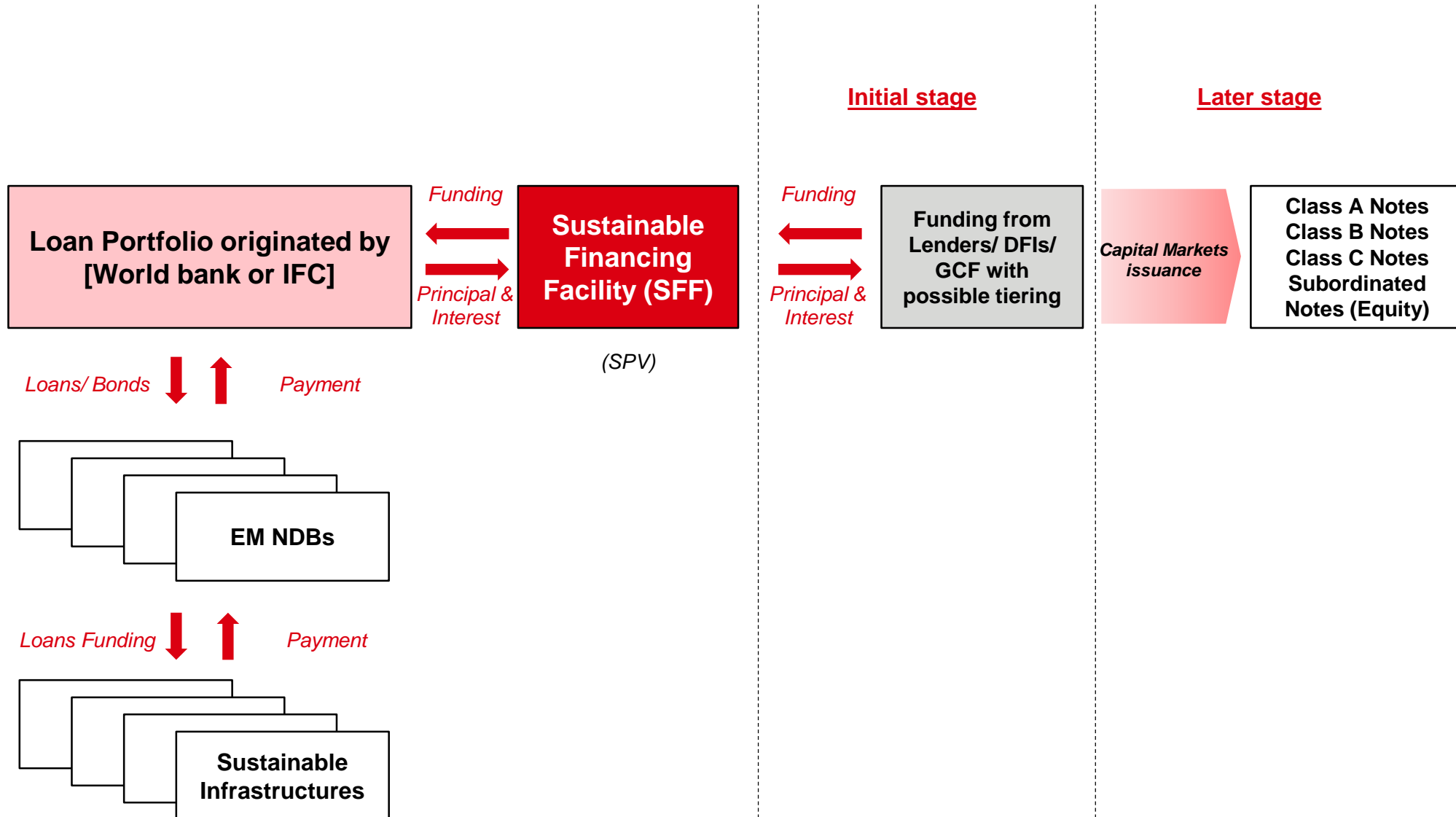
Fuat Savas, JP Morgan

Sustainable Financing Facility (SFF) for National Development Banks

Overview

- National development banks (NDBs) and other publicly owned financial institutions based in emerging and developing countries (e.g., TSKB, FDN, IDCOL, DBSA, BNDES, etc.) are well placed to provide financing to support the transition to a low carbon economy in their domestic markets. However, they lack regular access to international capital markets.
- The proposal is to establish a Sustainable Financing Facility (SFF) for National Development Banks and other FIs, i.e., a special purpose vehicle that would supply funds to eligible NDBs and local institutions for on-lending to sustainable infrastructure projects.
- Initially, the proposed approach would be for a Green Climate Fund / DFI funding tool (possibly with participation from commercial banks), which would then move on to become a capital markets issuer as it builds a wider borrower base amongst NDBs and other FIs (possibly a group of GCF Accredited Entities).
- Eventually, the facility would provide funding to a well-diversified portfolio of NDBs/FIs from emerging markets and would raise capital in global financial markets.

Concept illustration



Main Stakeholders and economics

Main Stakeholders



Originator / Servicer

Illustration of economics for brainstorming

Assets

	Loan notional (mm)	Spread (LIBOR + bps)
NDB 1	\$200	225
NDB 2	\$200	275
NDB 3	\$100	275
NDB 4	\$150	300
Portfolio	\$650	265

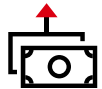


Lenders

(Senior: banks, insurance companies)
(Mezzanine lenders: MDBs / DFIs)

Funding

	% of total	Loan notional (mm)	Spread (LIBOR + bps)
Senior (banks)	40%	\$260	350
Mezzanine (DFIs)	30%	\$195	300
Junior (GCF)	30%	\$195	118
		\$650	



First Loss Investors

(GCF, philanthropic and other catalytic capital)

Topics to be addressed

- ◆ Who will determine NDB selection?
- ◆ Who will determine NDB loan pricing?
- ◆ Will the SFF originate loans itself or buy them from a warehouse?
- ◆ Who will service the loans?
- ◆ What are the minimum requisite funding tenors for the NDBs?
- ◆ What types of infrastructure will be financed (climate-related or broader)?



Q&A

Facilitated by Michael Ridley, HSBC

Next steps

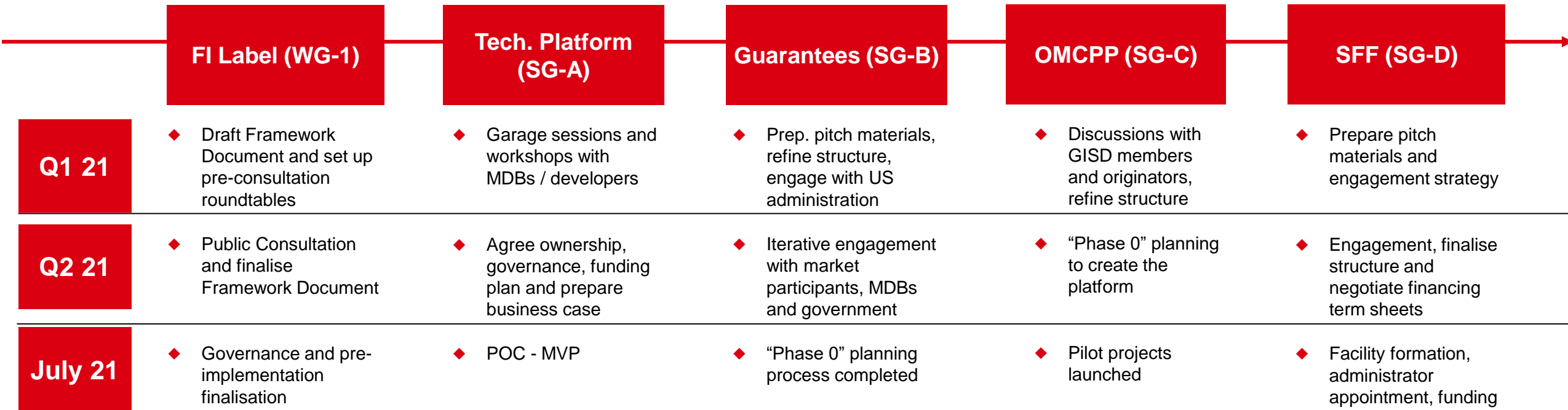
Michael Ridley, HSBC

Next steps



Key actions leading to Pilot Phase

- ◆ Engagement with market participants – concept finalisation and commitment
- ◆ “Phase 0” planning and launch preparation



Appendix: Key FAST-Infra dates

Activity	Feb	Ma	Apr	May	Jun	Jul	August	Sep	Nov
WG1 Label		29 th Mar			9 th Jun		Smaller group meetings to develop concepts and interventions		COP 26 1-12 Nov
Sub Group A Tech Platform	11 th Feb		12 th Apr		14 th Jun				
Sub Group B GREG			14 th Apr		16 th Jun				
Sub Group C OMCPP	12 th Feb		19 th Apr		21 st Jun				
Sub Group D SFF			21 st Apr		23 rd Jun				
Project Delivery Progress	24 th Feb			12 th May					
FAST-Infra Conference						7 th July			



Thank-you!