Finance to Accelerate the Sustainable Transition: Infrastructure FAST-Infra

December 10, 2020

Finance to Accelerate the Sustainable Transition: Infrastructure – '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

The FAST-Infra platform

◆ Finance industry-led – multi-stakeholder, public and private, broad-based, open and inclusive

◆ Founding partners: CPI, GIF, HSBC, IFC, OECD

Participating Institutions

Banks

DFIs and Development Banks

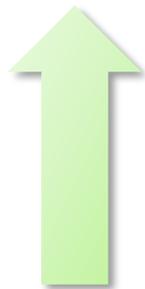
Governments

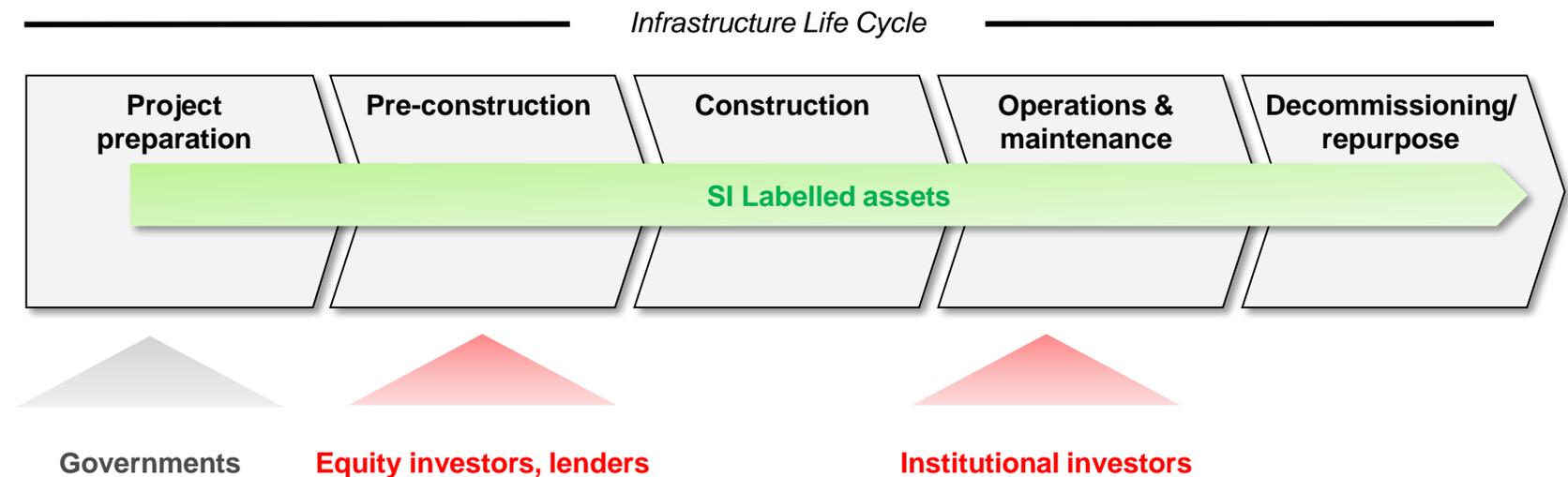## Institutional Investors

NGOs and Others

FAST-Infra Sustainable Infrastructure Label

- ◆ Provide coherency in the market regarding infrastructure quality and sustainability

- ◆ Facilitate investment decisions across private providers of capital (banks, asset owners, asset managers) by easily identifying sustainable infrastructure assets to finance or refinance

- ◆ Encourage original sponsors to design project with label in mind to market asset credentials and facilitate exit

- ◆ Positively influence upstream pipeline preparation efforts of developing country governments to offer bankable, sustainable infrastructure investment opportunities

- ◆ Facilitate use of blended finance by donor governments and development finance institutions

Infrastructure Life Cycle

Incentivise high environmental, social, governance, and resiliency standards across the infrastructure lifecycle

| Project preparation | Pre-construction | Construction | Operations & maintenance | Decommissioning/ repurpose |

SI Labelled assets

Governments   **Equity investors, lenders**   **Institutional investors**

SI Label helps shape the generation and financing of bankable infrastructure projects

Synergies with related initiatives

- ◆ OECD
- ◆ GIF
- ◆ GISD Alliance
- ◆ CFLI-EDFI-GIF
- ◆ MDBs, DFIs and bilaterals
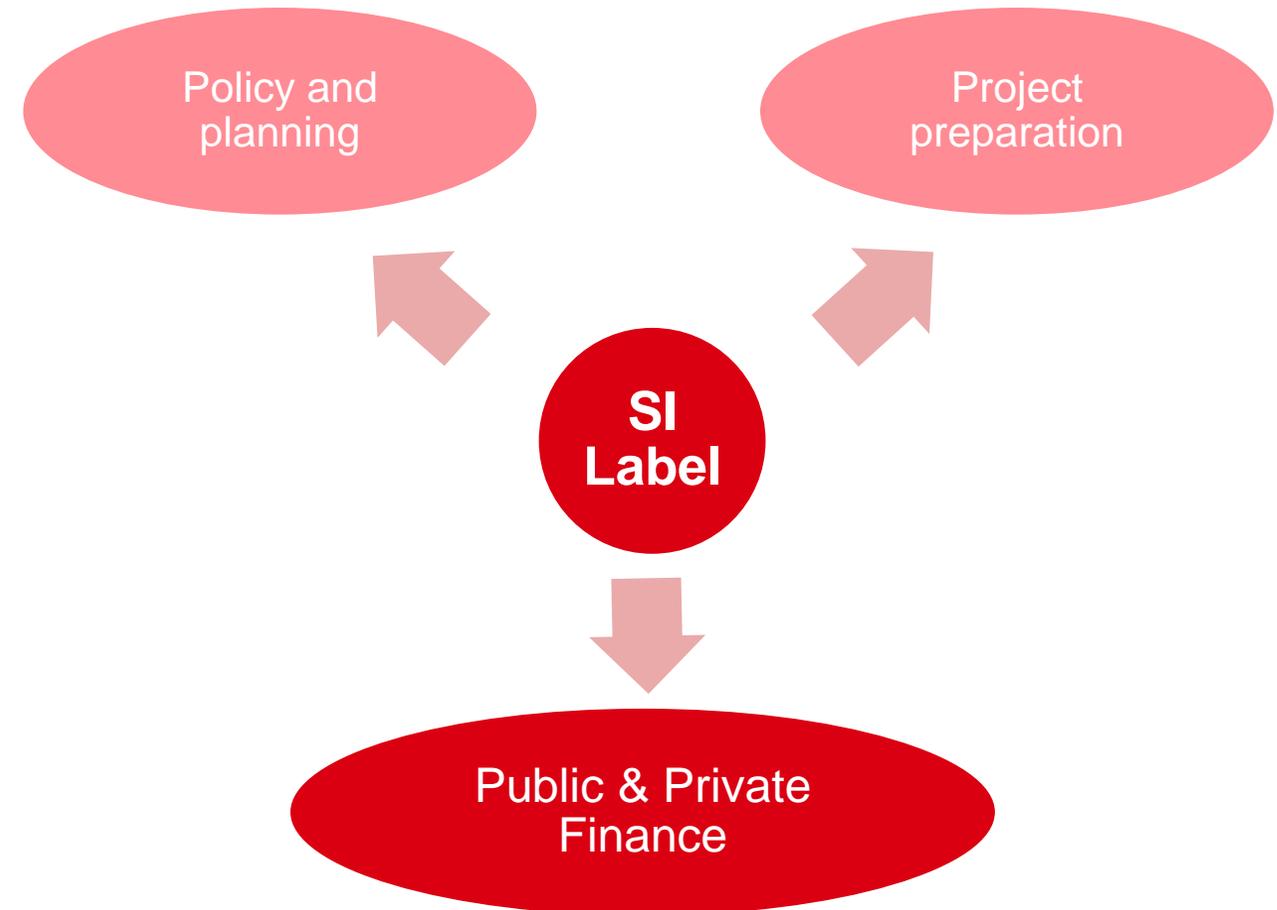- ◆ Governments, NDBs
- ◆ NGOs, Philanthropy

Aligned with

- ◆ MDBs frameworks
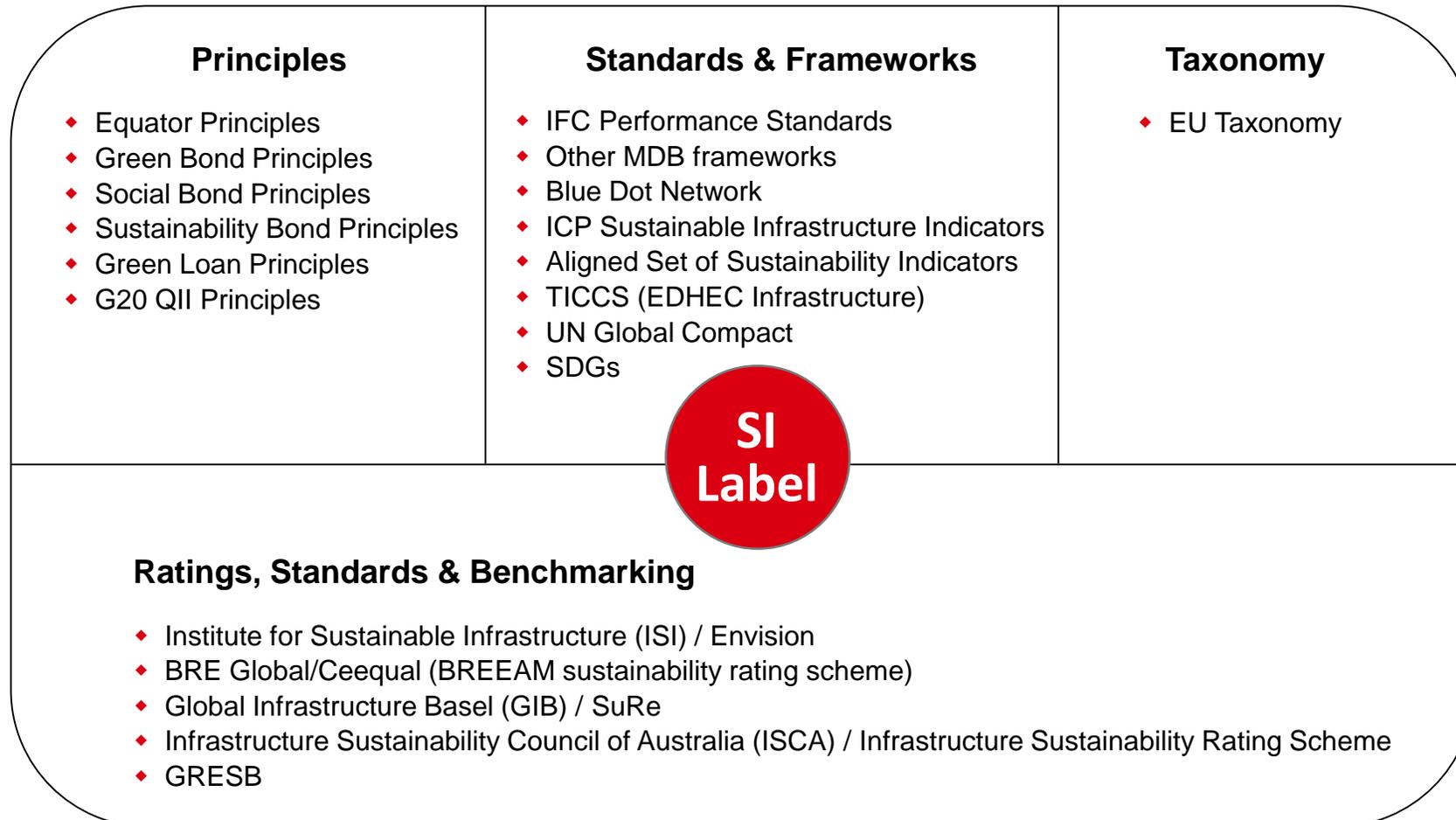- ◆ Taxonomies, Standards & Benchmarking
- ◆ SDGs and QII

Synergies with FAST-Infra initiatives

- ◆ Project selection – i.e. which assets to fund
- ◆ Reporting of ESG information
- ◆ Marketing between initiatives

Policy and planning

Project preparation

SI Label

Public & Private Finance

FAST-Infra SI Label: Globally applicable with distinctive focus on emerging markets
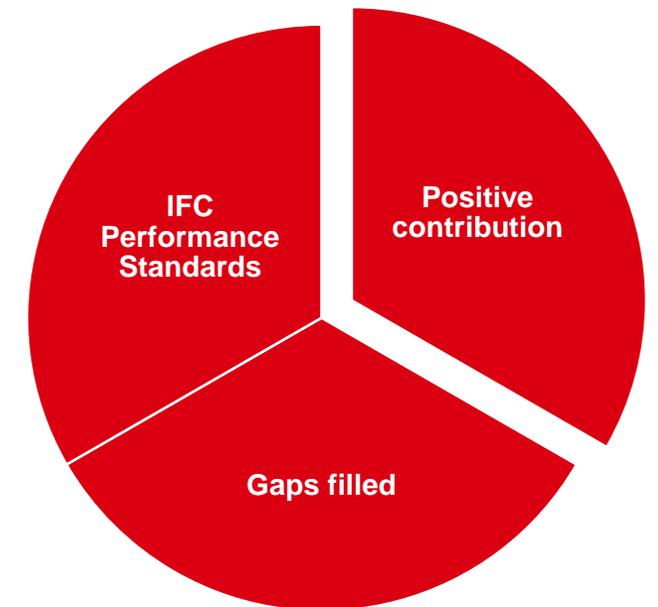
Draws from existing frameworks, standards, and taxonomies; 'curation' to provide coherency and comparability for and across the global infrastructure finance market

Principles

- Equator Principles
- Green Bond Principles
- Social Bond Principles
- Sustainability Bond Principles
- Green Loan Principles
- G20 QII Principles

Standards & Frameworks

- IFC Performance Standards
- Other MDB frameworks
- Blue Dot Network
- ICP Sustainable Infrastructure Indicators
- Aligned Set of Sustainability Indicators
- TICCS (EDHEC Infrastructure)
- UN Global Compact
- SDGs

Taxonomy

- EU Taxonomy

SI Label

Ratings, Standards & Benchmarking

- Institute for Sustainable Infrastructure (ISI) / Envision
- BRE Global/Ceequal (BREEAM sustainability rating scheme)
- Global Infrastructure Basel (GIB) / SuRe
- Infrastructure Sustainability Council of Australia (ISCA) / Infrastructure Sustainability Rating Scheme
- GRESB

SI Label framework: Raising ambition for contribution beyond minimum safeguards

- 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'** (14 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 dimensions (reflecting best practice for each criteria)

- Mapped to the SDGs and QII Principles

- Impact reporting required; self-declaration, second- and third-party opinions, verification, certification; and 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

IFC Performance Standards

Positive contribution

Gaps filled

SA Label: Assets, dimensions, criteria, and indicators

◆ **Types of sustainable infrastructure**

Inexhaustive, Indicative List of Eligible Sustainable Infrastructure Assets
Renewable Energy
Clean Transport
Water, Wastewater, & Sanitation
Solid Waste Management
Green Buildings & Social Infrastructure
Data Infrastructure
Electricity Transmission & Distribution
Nature-Based Solutions

◆ **Dimensions and criteria**

Environmental Dimension

Environmental Criteria
Protection or Enhancement of Biodiversity & the Natural Environment
Climate Change Mitigation/GHG Emission Reduction
Efficient Use of Natural Resources/Materials/Waste Reduction
Pollution Control

Social Dimension

Social Criteria
Gender Integration
Health & Safety
Human & Labor Rights
Land Acquisition & Resettlement
Stakeholder Engagement

Adaptation & Resiliency Dimension

Adaptation & Resiliency Criteria
Climate Adaptation
Climate Risk and Natural Disasters
Resilience

Governance Dimension

Governance Criteria
Anticorruption Protocols & Procedures
Sustainability & Compliance

◆ **Indicators and reference standards**

Environmental Dimension

Environmental Criteria	Reference Standards & Indicators
Protection or Enhancement of Biodiversity & the Natural Environment	• Maintenance/safeguarding/increase of protected area/other effective area-based conservation (OECM)/habitat in km^2 and in % for increase [*ICMA - GBP*] • Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed [*IUCN*]

SI Label framework: Early draft undergoing rapid evolution with working group

SUSTAINABILITY DIMENSIONS | **Indicative Indicators and Best Practice Guidance** *Curated list of indicators and approach to measurement, showing relationship to existing standards as guidance*

Environmental Criteria

Protection or Enhancement of Biodiversity & the Natural Environment
The project shall seek to minimize and avoid negative impacts on ... vironment, and ecosystem services. ... on of sustainable management,

- **Proposed indicator**: Maintenance/safeguarding/increase of protected area/oth... ective area-based conservation (OECM)/habitat in km² ... d in % for increase *[ICMA - GBP]*
- **Propose... ndicator:** Abs... te number of protected and/or priority s... deemed sensitive in protected/conserved area ... ect *[ICMA - GBP]* ... intenance/safeguarding/increase of ... including forest in km² and in % for ... ear and measurable biodiversity ... re identified, benchmarked and ... N) *[IUCN]* ... risk assessment conducted, with ... the Integrated Biodiversity ... t GHG reductions measured via IFC ... ing Guidance for climate-related ... d against a business-as-usual ... rk] ... ect emissions less than 100g ... ssions, applicable to electricity and ... on; threshold will be reduced every ...] ... nual GHG emissions reduced/avoided ... ent (#), with GHG accounting ... ptions referenced *[ICMA - GBP]* ... for Carbon Accounting Financials' ... g Standard for the Financial Industry ... pter) *[PCAF]* ... nagement process independently ... S 2080

Inexhaustive, Indicative List of Eligible Sustainable Infrastructure Assets

Renewable Energy
- Electricity and/or heat/cool from: solar, wind, hydro, geothermal, bio-energy, ocean energy, waste-to-energy

Clean Transport
- Electric and/or hybrid for public, urban/inter-urban ra...
- Active transportation
- Infrastructure for clean energy vehicles and reductio...
- Dry ports

Water, Wastewater, & Sanitation
- Water, wastewater, and/or sewage supply ... r re...
  storage, transportation, distribution, and monitor...
- Water harvesting, irrigation, and ... ainage systems

Solid Waste Management
- Solid waste collection ... age, proc... sing, treatmen...
- Anaerobic digestion o... ... composting of bio-...
- Landfill ... ture, tr... sport, and/or sequestration

Green Building ... Infrastructure
- ... eenfield ... nd retrofit of buildings/facilities for reside...
  pu... ses (e.g. storage, processing facilities, cold st...
  low ... arbon technologies and/or sustainable products

Data Infrastructure
- Broadband networks
- Smart technology
- Infrastructure for remote power system managemen...

Electricity Transmission & Distribution
- Transmission lines
- Distribution systems
- Energy storage
- Smart grids for renewable energy
- Mini grids/distributed generation systems

Nature-Based Solutions
- 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
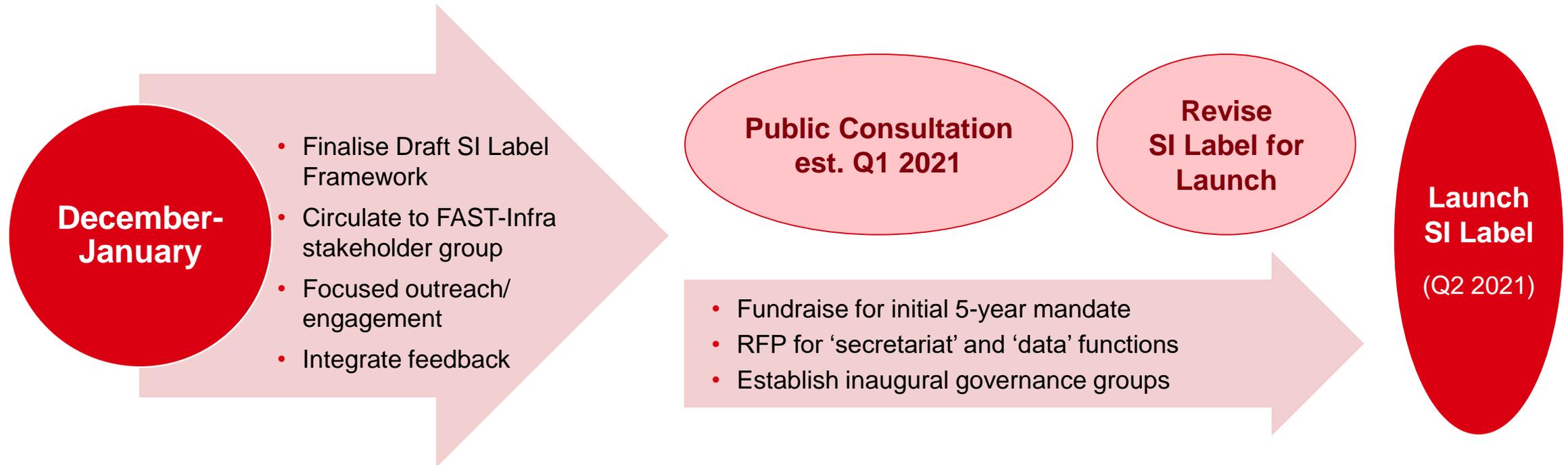
ENVIRONMENTAL DIMENSION
Environmental Criteria

Protection or Enhancement of Biodiversity & the Natural Enviro...
The project shall seek to minimize and avoid negative impacts on bio... and ecosystem services. This may include promotion of sustainable ... conservation, maintenance, and/or rehabilitation of natural habitats a...

Climate Change Mitigation/GHG Emissions Reduction
The project shall demonstrate reductions, avoidance/al... ative, net ... trajectory.

Efficient Use of Natural Resources/Materi... Waste Re... ction &
The project shall integrate sustainable so... ing ... d use of resources ... extent applicable. This may include conside... on of: recycled materi... consumption of water, energy, ... other reso... ces/material inputs; ... construction waste; sustainable ... pp... hains for the sourcing and u... the generation of ha... ous and ... n-hazardous waste materials.

Pollution Contr...
The project shall a... d, ... ate, and manage adverse impacts of po... land ... hum... nvironment).

ADAPTATION & RECILIENCY DIMEN...
Adaptation & Resiliency Criteri...

Climate ... daptation
The project shall incorporate adaptation measures to changing clima... project's design, location, use of resources, pollution, biodiversity, an...

Resilience to Climate Risk & Natural Disasters
The project shall incorporate measures to enhance resilience to clima... risks pertaining to the asset and surrounding environment within the ... the full lifecycle* through use of climate scenarios in terms of direct a... vulnerabilities, and other impacts. Risks include physical risks and tra...

Social Resilience
The project shall consider contribution to social resilience (e.g. the ca... prepare, absorb, and recover from external hazards and shocks).

SOCIAL DIMENSION
Social Criteria

Gender Integration & Inclusivity
The project shall prevent and mitigate adverse impacts related to gender and physical abilities; provide equal opportunity to both women and men; reduce inequalities in access to services across gender and abilities; and be gender- and ability-responsive in design and implementation.

Health & Safety
The project shall avoid or minimize negative impacts to health and safety of affected communities, employees, contractors, and end-users/customers; evaluate, assess, and manage project impacts and risks on community health and safety over the project lifecycle, assuring project activities do not increase security risks for local populations.

Human & Labor Rights
The project shall adhere to human and labor rights standard... and compliance... ith national employment and labor laws; promote safe and healthy working conditions ... health of workers; protect workers, including vulnerable categories (children, migrant... orkers, wo... rs in supply chain); avoid use of forced labor; promote sustainable supply chains; and en... re... ir treatm... nt, nondiscrimination, and equal opportunity for all.

Land Acquisition & Resettleme...
The project shall consider alternati... d... ... that do not require resettlement; be designed to minimize impacts of resettlement ... r econo... ic displacement; and compensate and improve living conditions and livelihoods of dis... aced p... ons w... ere resettlement is necessary.

Stakeholder Engage... nt
The project shall establis... ... ctive engagement with stakeholders and affected communities throughout the project lifecycle; avoid, minimize, or compensate for impacts on indigenous peoples through Free Prior and Informed Consent (FPIC).

GOVERNANCE DIMENSION
Governance Criteria

Anticorruption Protocols & Procedures
The project shall develop and implement an anticorruption and anti-bribery management system throughout the full lifecycle* including measures that promote ethics, accountability, integrity, and transparency.

Sustainability & Compliance
The project shall establish and implement environment and social management systems; [adherence with national corporate governance regulations to] ensure that environmental and social management plans are applied over the lifecycle of a project; implement transparent, sustainable project procurement.

DRAFT

Next steps

- ◆ The SI Label will be issued for consultation to the market in Q1 2021

- ◆ Gain momentum towards COP26 and launch of the SI Label

December-January

- Finalise Draft SI Label Framework
- Circulate to FAST-Infra stakeholder group
- Focused outreach/ engagement
- Integrate feedback

Public Consultation est. Q1 2021

Revise SI Label for Launch

- Fundraise for initial 5-year mandate
- RFP for 'secretariat' and 'data' functions
- Establish inaugural governance groups

Launch SI Label

(Q2 2021)

Thank-you!

For more information on the SI Label (WG-1) under FAST-Infra, contact:

◆ Lori Kerr, Global Infrastructure Facility lkerr@worldbank.org

◆ Robin Grenfell, Green Investment Group robin.grenfell@greeninvestmentgroup.com

◆ Michael Ridley, HSBC GAM michael.a.ridley@hsbc.com