

Finance to Accelerate the Sustainable Transition: Infrastructure FAST-Infra Working Group 1 (WG-1) Sustainable Infrastructure Label

January 14, 2021



Agenda

- 1 Welcome and introductions
- 2 Stock-take – where we are
- 3 2021 Workplan – where we are going
- 4 Pending items & next steps
- 5 Wrap-up

WG1 Membership



Chairs: Lori Kerr, Global Infrastructure Facility and Robin Grenfell, Green Investment Group, Macquarie

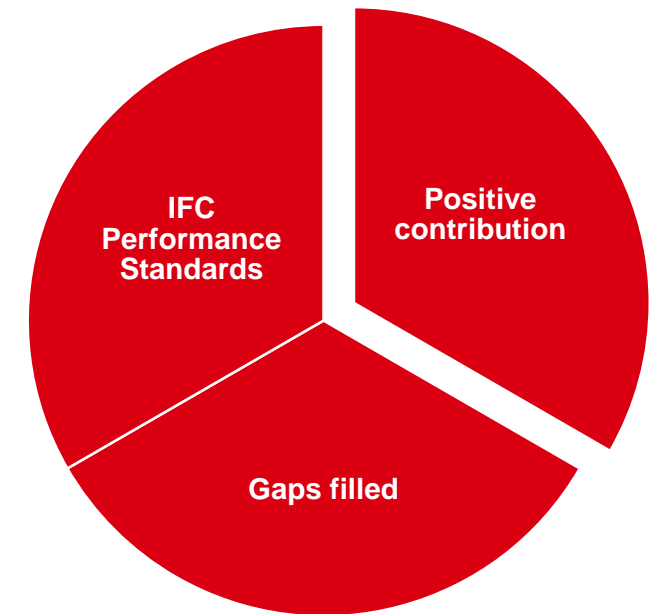
Co-chair: Michael Ridley, HSBC GAM

- ◆ Stanley Kwong, Aviva
- ◆ Astrid Behagel / Sebastien Soleille, BNP Paribas
- ◆ Amar Bhattacharya, Brookings Institute
- ◆ Chantalle Thompson / Morgan Jones, Carbon Trust
- ◆ Sean Kidney, Climate Bonds Initiative
- ◆ Carlos Sanchez, CCRI and WTW
- ◆ Michael Morcom, Citi
- ◆ Claire Chivell, Dept. of Foreign Affairs and Trade (Australia)
- ◆ John Seed, EBRD
- ◆ Frédéric Bobay, Directorate General of the Treasury (France)
- ◆ Michael Mullan, Global Center on Adaption
- ◆ Rick Walters, GRESB
- ◆ Stephanie Maier, HSBC GAM
- ◆ Graham Watkins / Mariana Silva, IADB
- ◆ Megumi Muto, Japan International Cooperation Agency
- ◆ Sarah Peasey, Legal & General Investment Management
- ◆ Francois Bergere, LTIIA
- ◆ Edwige Rey / Leila Kamdem-Fotso / Benjamin Taylor, Mazars
- ◆ Hayden Morgan, Morgan Green Advisory Ltd.
- ◆ Juan Garin, OECD
- ◆ Mohammad Ghozie Indra Dalel, PT SMI
- ◆ Susan Gray, S&P
- ◆ Christophe Dossarps, SIF
- ◆ Chen Chen Lee / Meixi Gan, SIIA (Singapore)
- ◆ Angelina Avgeropoulou / Keir Grey, UK BEIS (UK govt.)
- ◆ Mike Eckhart / Sophie Smyth, University of Maryland
- ◆ Kate Newman / Helena Wright, WWF

Stock-take – where we are (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 dimensions (reflecting best practice for each criteria)
- ◆ 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



Stock-take – Where we are (Topic 1: Types of sustainable infrastructure)



Indicative, inexhaustive list of eligible sustainable infrastructure assets

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

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

Stock-take – Where we are (Topic 2: Standards that underpin the 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

Dimensions and criteria table

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

Indicators and reference table

Environmental Dimension

Environmental Criteria	Reference Standards & Indicators
Protection or Enhancement 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 [ICMA - GBP] • Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed [IUCN]

Stock-take – Where we are (Topic 2: Standards that underpin the label)



What has evolved

- ◆ Revisiting and refining sustainability dimensions and criteria
- ◆ Inclusion of baseline/'floor' definition (IFC Performance Standards + 'gaps filled')
- ◆ Fleshing out requirements above the baseline that demonstrate positive contribution ('stretch' criteria)
- ◆ Further identifying array of relevant indicators/KPIs and reference standards best aligned to 'stretch' criteria

Environmental Dimension

ENVIRONMENTAL DIMENSION
Environmental Criteria
<p>Protection or Enhancement of Biodiversity & the Natural Environment</p> <p>The project shall seek to minimize and avoid negative impacts on biodiversity, the natural environment, and ecosystem services. This may include promotion of sustainable management, protection, conservation, maintenance, and/or rehabilitation of natural habitats and associated biodiversity.</p>

Reference Standards & Indicators
<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 [ICMA - GBP] • Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed [IUCN]



ENVIRONMENTAL DIMENSION		
Achieve Net Gain of Biodiversity & the Natural Environment		
BASELINE CRITERIA (IFC PS & Gaps Filled)	STRETCH CRITERIA	INDICATORS
<p>The project should achieve net gain for natural and modified habitats, as well as critical habitats.</p> <p>For areas of particular importance for biodiversity, additional special measures should be considered:</p> <ul style="list-style-type: none"> • For Key Biodiversity Areas (KBAs), the KBA Business Guidelines should be followed. • For World Heritage Sites, no extractive assets should be permitted. 	<p>The project shall achieve a gain for natural and modified habitats, as well as critical habitats, without the need for offsets. The project design should align with integrated planning and site selection for maximum ecological connectivity whenever possible. Additionally, no project shall sever ecological connectivity and shall take measures to maintain or establish structural and/or functional ecological connectivity (e.g., create wildlife corridors, over/under passes).</p> <p>For areas of particular importance for biodiversity, additional special measures are required:</p> <ul style="list-style-type: none"> • For World Heritage sites, KBAs, and Ramsar Sites, the asset shall achieve a gain in biodiversity, not a net gain (i.e., it will not be possible to cause an impact in the area of asset operation and offset it elsewhere). 	<ul style="list-style-type: none"> • Proposed indicator: Maintenance/ effective management/increase of protected area/other effective area-based conservation (OECM)/habitat in km² and in % for increase [ICMA - GBP] • Proposed indicator: Absolute number and trend of threatened species in project area and its surroundings before and after the project, according to the IUCN Red List of Threatened Species. 'Threatened' species here would include all species listed as Critically Endangered, Endangered or Vulnerable [ICMA - GBP] • Proposed indicator: Trend in structural and functional ecological connectivity within project area and its surroundings [IUCN] • Proposed indicator: 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 [EU Taxonomy] • Proposed indicator: Maintenance/safeguarding/increase of natural landscape area (including natural habitat in km² and in % for increase [ICMA - GBP] • Proposed indicator: Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed (Y/N) [IUCN] • Proposed indicator: Optimize soil management/avoid soil pollution (Y/N) (IDB) • Reference: Biodiversity risk assessment conducted, with information derived from the Integrated Biodiversity Assessment Tool [IUCN]

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)

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 inexhaustive list of SI assets)
- ◆ Sustainability criteria and 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 (as a placeholder)
- ◆ Appendices (e.g., defined terms, list of indicators/KPIs related to asset type)

2021 Workplan – Where we are going



Q1 deliverables:

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

FAST-Infra Indicative Detailed Workplan	January				February				March			
	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4
WG-1			14-Jan									29-Mar
<i>Pre-arranged full WG-1 meetings (90-120 minutes)</i>												
Dimensions, Criteria & Indicators Table												
- WG-1 co-chairs refine criteria & indicators table based on December status, 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												
Preliminary Consultation Process												
Public Consultation Period												

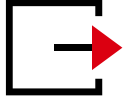
Pending items & next steps



Pending items

- ◆ FAQ document, including:
 - ◆ What is the SI Label, role in the market, key terms/definitions, references to use cases, guidance on certification/verification of SI Label, etc.
- ◆ Impact reporting templates
- ◆ Verification/validation process of SI Label
- ◆ Identify entities for preliminary consultation roundtables:
 - ◆ Private finance (e.g. FAST, GIF APs, GISD, ILN, CFLI, FSTF, etc.)
 - ◆ Developers
 - ◆ Rating agencies (e.g. S&P, etc.)
 - ◆ Second-party opinion providers (e.g. Sustainalytics, etc.)
 - ◆ Standard-setters (ISCA, GIB, ISI, Ceequal, etc.)
 - ◆ MDBs, (ICP) / ECAs
 - ◆ Science-based targets experts

Wrap-up



Next steps

- ◆ Close-out on Topics 1-3
- ◆ SI Label Framework Document (including nested tables, reporting, governance) to be circulated to WG-1 in early-February for feedback/comments
- ◆ Formal public consultation period to be opened (end-Q1) to solicit broader market feedback



Questions?

- ◆ Additional views/comments?
- ◆ Anything else?

Annex



Contacts



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Thank-you!