

Finance to Accelerate the Sustainable Transition: *The Sustainable Infrastructure Label*



Sustainable Infrastructure Label Overview

FAST-Infra Overview

Transformative
Initiatives



FAST-Infra Label

- ◆ Sustainable infra label underpinned by ESG/Climate resilience standards, governance and reporting rules. As with the green bond label, a **consistent, globally applicable labelling system for sustainable infra** may attract institutional investors and establish sustainable infra as an asset class



Technology-Enabled Platform

Innovative
Financial
Mechanisms



Open Managed Co-Lending Portfolio Programme (OMCPP)



Global Renewable Energy Guarantees

SI Label Overview: Aims



Aims:

- ◆ Market-led collaborative process.
- ◆ Globally applicable label for projects demonstrating significant positive sustainability performance.
- ◆ Designed to enable transformation of sustainable infrastructure into a mainstream, liquid asset class.
- ◆ Lower transaction costs, facilitate due diligence, provide market trust, support disclosure, align with emerging regulatory requirements.
- ◆ Governed by new body inspired by Green Bond Principles - dynamic framework to allow for market evolution (see next steps...).

SI Label Framework



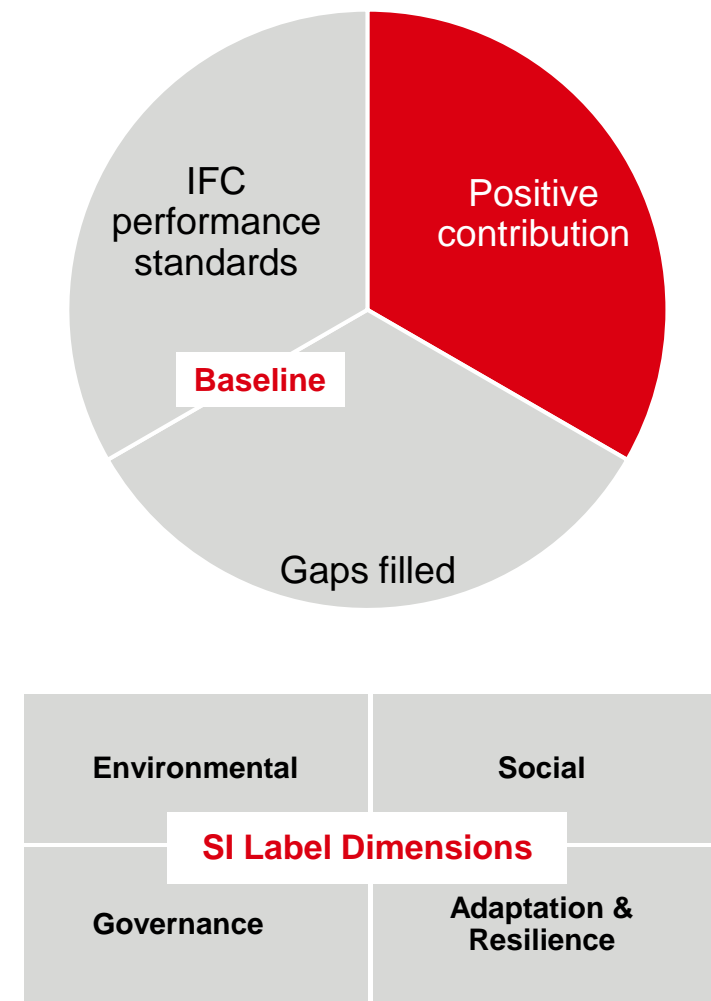
SI Label Overview: Requirements



SI Label Requirements:

- ◆ Tagged to a project / asset (e.g. renewable energy, electricity transmission, clean transport, water, green building, social infra, data infra, NBS).
- ◆ Sustainability across four dimensions of Environmental, Social, Governance, Adaptation & Resilience and 14 criteria.
- ◆ Baseline (IFC Performance Standards + ‘Gaps Filled’) across all criteria
- ◆ Positive Contribution across one or more criteria (reflecting best practice).
- ◆ Minimum Safeguards & Risk Management.
- ◆ Declaration, Disclosure, & Reporting.
- ◆ Independent External Review (*strongly recommended*)

SI label key requirements



Consultation Period Feedback

Broad Participation Across the Market



Multi-stakeholder Initiative

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

FAST-Infra Label

15 Banks



20 Institutional Investors



18 DFIs and Dev. Banks



15 Governments



25+ NGOs and Others



High-profile support



Support and endorsements include:

- ◆ **HRH Prince of Wales's Sustainable Markets Initiative:**
 - ◆ Open letter of support - SMI partners with 'FAST-Infra' to promote SI Label
- ◆ **Financial Times:**
 - ◆ Letter from Noel Quinn, Group Chief Executive, HSBC, Chair SMI Financial Services Taskforce
- ◆ **Mark Carney:**
 - ◆ Tweeted endorsement and support
- ◆ **FAST Infra partners**
 - ◆ Extensive social media promotion from WG members

Open letter of support – FAST-Infra label consultation

The provision of infrastructure is an urgent and ongoing global necessity – and future infrastructure must help to maintain economic growth – crucially – be sustainable as the world investment is required to achieve this – the necessary to meet global development needs. The pipelines of sustainable projects is challenged.

A new scheme, developed by the 'FAST Sustainable Transition', is designed to help bridge the infrastructure investment gap. It aims to bring infrastructure into a mainstream, liquid asset class in order to support resilient projects.

FAST-Infra was conceived by Climate Policy Finance Corporation (IFC), OECD and the Group of Presidents of the One Planet Lab. The Sustainable Markets Initiative (SMI) is a strategic priority workstream within its Financial Services Task Force.

As part of its work, FAST-Infra is developing a sustainable infrastructure label. This is intended to be a globally applicable label within the sustainable infrastructure asset class, designed to meet sustainability criteria. The SI Label aims to contribute to sustainable outcomes and to design more projects with sustainability taxonomies and standards, and is designed to meet the requirements.

Part of the problem is that investment plans are genuinely sustainable. (Finance to Accelerate the Sustainable Infrastructure Label, robust sustainability standards, more investors to this market, and organisations design more sustainable infrastructure, and make sure the label is robust and planet.

FAST-Infra is supported by the as a strategic partner. Members including HSBC, Bank of America, JPMorgan Chase, Lloyd's Bank, and Standard Chartered, believe in infrastructure, and make sure the label is robust and planet.

The consultation for the label has been launched on the FAST-Infra website. By publicly signalling our support, we encourage as many interested parties as possible to participate in the consultation.

Noel Quinn
Group Chief Executive, HSBC
Chair of the Sustainable Markets Initiative's Financial Services Task Force

FINANCIAL TIMES

Letter: Sustainable infrastructure label will aid investors

From Noel Quinn, Group Chief Executive, HSBC Chair of the Sustainable Markets Initiative's Financial Services Task Force

JULY 27 2021

Good infrastructure is the backbone of the economy. Much more of it as emerging economies be built on a sustainable basis. Emissions for decades to come. Investment is needed per year. We're not on track to hit this target.

Without closing the funding gap for #sustainable infrastructure, many projects would never get off the ground. 🚀

FAST-Infra aims to ↑ investment in projects in developing economies. Participate in their consultation here: bit.ly/3ryrXIO

@HSBC @IFC_org @OECD @gi_hub @climatepolicy

Mark Carney ✓
@MarkJCarney

Consultation Announcement: FAST-Infra sustainable infrastructure labelling system. This new label is designed to enable project sponsors, developers and owners to signal the positive sustainability impact of infrastructure assets, and attract ...
📄 climatepolicyinitiative.org

Key Takeaways from the Public Consultation Period



Public consultation period from June-August 2021.

163 pieces of feedback. 30 entities. 33% from private sector - all supportive. No significant challenge to the Framework or Criteria. Areas to consider:

◆ **Framework Document:**

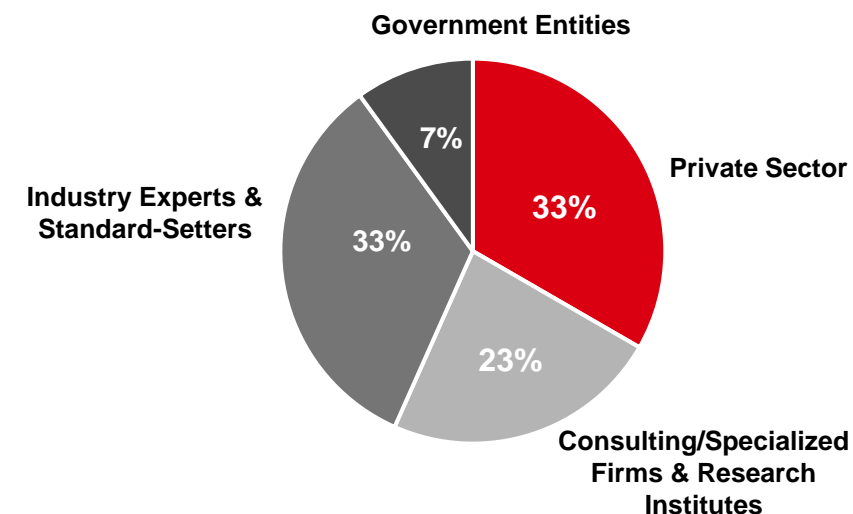
- ◆ Enhancing alignment to IFC PS, SDGs, and Paris Agreement;
- ◆ Minimum safeguards: Robustness of ESIA and ESMS due diligence.

◆ **Governance & Reporting:**

- ◆ Approach to declaration & disclosure;
- ◆ Frequency of reporting and re-evaluation of SI Label;
- ◆ Extent of independent external review (highly encouraged vs. required).

◆ **Sustainability Dimensions & Criteria:**

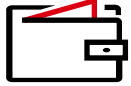
- ◆ Ensuring proper delineation between baseline & positive contribution;
- ◆ Sufficient positive contribution criterion;
- ◆ Elaboration of positive contribution criteria (under Social and Governance Dimensions);
- ◆ Strengthening baselines and references for Environmental and Adaptation & Resilience Dimensions, to ensure compatibility with transition to net-zero / Paris Agreement alignment.



Responses from the public consultation show positive feedback to the SI Label concept and a willingness to use it within their respective organizations.

Next Steps on the Road to COP26

Next Steps: Establishing governance & launch



Secretariat and Data Platform

- ◆ Expressions of interest received for Secretariat and / or Data Platform
- ◆ Narrowing down firms / consortia (to 'host' of the SI Label as Secretariat) and Data Reporting Platform (a repository to store information on all SI Label projects)
- ◆ RFP process to be launched with contracting entity, with an October target launch
- ◆ Ongoing discussions with donors in parallel to support the Secretariat initially, with transition to member funding over time



Endorsements, Stakeholder Engagement, & Marketing

- ◆ Stakeholder outreach to garner industry support and interest in implementing the SI Label
- ◆ Selection of use case projects to test the SI Label on actual projects (*discussions ongoing with key partners*)
- ◆ Development of SI Label logo, branding, and communications material for launch

For greater market uptake, please promote the SI Label through your channels!

Additional Information

Standards that underpin the SI Label



Sustainability dimensions and criteria, with corresponding indicators and reference standards

- ◆ List of **14** sustainability criteria across four dimensions of sustainability – provisional tables to be circulated to WG-1 members for feedback/comment
- ◆ Brief description of baseline criteria (IFC Performance Standards + gaps filled) and ‘positive contribution’ criteria (contribution above and beyond the baseline)
- ◆ Example methodologies and metrics provided to illustrate alignment with baseline / positive contribution criteria
- ◆ Annex will include detailed guidance on requirements to meet baseline / positive contribution criteria, and an extensive list of indicative methodologies / metrics

Dimensions and criteria table

Environmental Dimension
Promotion and Enhancement of Biodiversity & the Natural Environment
Climate Change Mitigation / GHG Emissions Reduction
Promotion of the Efficient Use of Natural Resources / Waste Reduction & Supporting the Transition to a Circular Economy
Embedding Pollution Prevention and Control

Social Dimension
Promoting Gender & Ability Inclusivity
Promoting Health & Safety
Protection and Enhancement of Human & Labour Rights
Land Acquisition & Resettlement Mitigation
Promoting Stakeholder Engagement
Adaptation & Resilience Dimension
Evaluating Risks and Building Resilience and Adaptive Capacity at the Project and System Scales

Governance Dimensions
Embedding Anticorruption Policies & Procedures
Embedding Transparency & Accountability Policies & Procedures
Embedding Government Policies for Project Fiscal Transparency & Procedures
Embedding Sustainability & Compliance Policies & Procedures

Indicators and reference table

Biodiversity & the Natural Environment

Baseline	Positive Contribution	Example Methodology	Example metrics
Achieve overall net gain for natural and modified habitats, as well as critical habitats. At the same time, the project shall not lead to adverse impacts on biodiversity and ecosystem services and shall not significantly convert or degrade natural or critical habitats.	Enhance biodiversity and the natural environment to achieve a positive gain across natural and modified habitats, as well as critical habitats. Offsets shall not be permitted in calculation of any positive gain claim. In addition, project site selection and design shall ensure maximum ecological connectivity.	Using strategic environmental assessments and environmental impact assessments to determine baseline and positive impact. This could include maintenance/ safeguarding/ increase of natural landscape area, including natural habitat and ecosystem services in km2 and in % for increase <i>[ICMA - GBP]</i>	# Critically Endangered, Endangered, Vulnerable Species % natural habitat increase km2 of natural habitat [etc. from SEA and EIA surveys and ongoing monitoring]

Expected benefits of the SI Label

The Label will...

- ◆ Facilitate investment decisions and **attract** private financing / re-financings
- ◆ Encourage governments and sponsors to design infrastructure projects with an aim to obtain SI Label to facilitate financing: increased **pipeline** of high quality projects
- ◆ information will be hosted on all SI labelled assets via an open-source platform, enabling the market to transparently assess & determine the sustainability of labelled assets: Increased velocity and **liquidity** in debt and equity instruments linked to labelled assets

Provide market reassurance...

- ◆ For asset quality and sustainability throughout asset lifecycle

Help facilitate...

- ◆ Due-diligence and structuring of investments – hence reduce transaction costs
- ◆ Reporting under various frameworks (IFC, QIIP, EU Taxonomy, TCFD, etc.)
- ◆ Monitoring and measurement of investment alignment under various sustainability objectives
- ◆ Engagement with regulators to obtain preferential treatment for financing of labelled assets
- ◆ Identification of assets for Use of Proceeds bonds

Consistency:

- ◆ Builds on existing frameworks, taxonomies, standards and regulatory requirements. Aligned with SDGs and QII Principles

Declaration and disclosure:

- ◆ Self-declaration, independent review at different lifecycle stages, and based on transparent disclosure and reporting

Governance:

- ◆ Structure inspired by Green Bond Principles (Members, Observers, Executive Committee) and dynamic framework to allow for it to evolve as market develops

SI Label Contacts

HSBC	Macquarie Green Investment Group	Global Infrastructure Facility
Michael Ridley michael.a.ridley@hsbc.com	Robin Grenfell robin.grenfell@greeninvestmentgroup.com	Towfiqua Hoque thoque@worldbank.org
Stephanie Akinyelure Manager stephanie.akinyelure@hsbc.com		Hayden Morgan hayden@morgrangreenadvisory.com
		Carmel Lev clev@ifc.org