



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

2017 CLIMATE MAINSTREAMING Practices Report

December 2017



Acknowledgements

This report was prepared by I4CE – Institute for Climate Economics. I4CE houses the Secretariat for the Climate Action in Financial Institutions Initiative.

All of the case studies on emerging practices presented in this report can also be found online on the website of the Initiative. The online Climate Mainstreaming Practices Database aims to facilitate knowledge sharing between financial institutions. Gathering case studies written and submitted by supporting institutions, it provides an overview of how they are integrating climate change in their operations, and supports the work of each of the Initiative's work stream groups.

The Climate Mainstreaming Practices Database is available here:
www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

I4CE – Institute for Climate Economics

I4CE is an initiative of Caisse des Dépôts and Agence Française de Développement. The Think Tank provides independent expertise and analysis when assessing economic issues relating to climate & energy policies in France and throughout the world. I4CE aims at helping public and private decision-makers to improve the way in which they understand, anticipate, and encourage the use of economic and financial resources aimed at promoting the transition to a low-carbon economy.

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Introduction

Countries around the world face the challenge of equipping their economies and societies with low-carbon climate-resilient strategies, policies and programs to avoid locking into unsustainable development patterns.

The private sector, including financial institutions, face the challenge of incorporating climate change risks into decision-making processes to avoid harmful effects on business models and market competitiveness, and to harness the opportunities of low-carbon, resilient development.

Together, public and private financial institutions face questions including:

- How can financial institutions devise and implement locally driven low carbon, resilient policies and business models that support climate change mitigation and adaptation while preparing for accompanying changes?
- How can financial institutions integrate different economic actors into new development models and provide incentives and opportunities for them to engage?
- How can financial institutions manage climate change risks and uncertainties, and generate and seize new climate-smart opportunities?
- What priority initiatives, particularly in the financial sector, are needed by institutions and companies to achieve development, investment and sustainability goals and meet fiduciary responsibilities?

Financial institutions can and are playing a key role in addressing these challenges, internally and through relationships with their clients.

At the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), over twenty leading public and private financial institutions came together to launch the **Climate Action in Financial Institutions** Initiative. Guided by 5 voluntary principles, the Climate Action in Financial Institutions initiative aims to make climate change considerations a core component of how financial institutions conduct business. These efforts by the financial community are key complementary actions in parallel to the development of appropriate regulatory and enabling environments at the domestic and international levels.

These Principles, presented in **Box 1**, have been developed based on practices implemented by financial institutions worldwide over the last two decades.¹ They recognize that addressing climate change requires simultaneously (i) seeking out and scaling up low-carbon opportunities, and (ii) addressing risks posed by climate change. Institutions that support the Principles realize they play a pivotal role in scaling up and directing financing toward investments and assets that are necessary for transitioning to a global low-carbon, climate resilient economy.

1. Notwithstanding the need to integrate climate action within the operations of a financial institution, the importance of parallel efforts by policymakers to ensure the appropriate regulatory and enabling environments exist to scale up financing to address climate change cannot be overstated. Other initiatives and public statements have been made over the last several years by the financial community calling on policymakers to take such actions.

BOX 1. The Five Voluntary Principles for Mainstreaming Climate Action in Financial Institutions

The Five Voluntary Principles for Mainstreaming Climate Action in Financial Institutions aim to support and guide financial institutions moving forward in the process of adapting to and promoting low-carbon climate resilient development.

1. COMMIT to climate strategies

Be strategic when addressing climate change. Institutional commitments to address climate change are demonstrated by senior management leadership, explicit strategic priorities, policy commitments and targets, which allow for the integration of climate change considerations within a financial institution's lending and advisory activities over time.

2. MANAGE climate risks

Be active in understanding and managing climate risks. Assess your portfolio, pipeline and new investments. Work with clients to determine appropriate measures for building resilience to climate impacts and improving the long-term sustainability of investments.

3. PROMOTE climate smart objectives

Promote approaches to generate instruments, tools and knowledge on how best to overcome risks and barriers to investment in low-carbon and

resilient investments. This may include mobilizing and catalyzing additional financing and developing specialized financing vehicles/ products, such as green bonds, risk sharing mechanisms or blended finance. Engage clients and other stakeholders (e.g., rating agencies, accounting firms) on climate change risks and resilience, and share lessons of experience to help further mainstream climate considerations into activities and investments.

4. IMPROVE climate performance

Set up operational tools to improve the climate performance of activities. Financial institutions track and monitor indicators tied to climate change priorities, including GHG reporting, lending and advisory volumes supporting green investment, climate related asset allocations, and the institution's own climate footprint.

5. ACCOUNT for your climate action

Be transparent and report, wherever possible, on the climate performance of your institution, including increases in financing of clean energy, energy efficiency, climate resilience or other climate-related activities and investments. Be transparent and report, wherever possible, the climate footprint of the institutions' own investment portfolio, and how the institution is addressing climate risk.

Today, the Climate Action in Financial Institutions Initiative counts over 30 financial institutions as members or "Supporting Institutions", representing over 11 trillion of assets under management (see **Box 2**). Individual Supporting Institutions are financial institutions whose management has publicly confirmed its support for the Five Voluntary Principles. Institutions participate on a voluntary basis in the ongoing knowledge sharing and development of emerging operational approaches and practices linked to the Principles. By endorsing these Principles, financial institutions are acknowledging the importance of systematically integrating climate change considerations across strategies, programs and operations to deliver better, more sustainable short-term and long-term results.

The Initiative's principal objective is to assist Supporting Institutions in "mainstreaming" – or making climate change considerations a core component of

how an institution conducts business. This implies a shift from incremental financing of climate activities to ensuring that climate change is a core consideration and a "lens" through which institutions deploy capital. This is a complex process as it takes time to design and deploy new strategies, approaches, tools and methodologies and align internal systems to capture information, data and metrics that can help mainstream climate considerations. Sometimes, approaches require regular updating to reflect enhanced understanding and accounting of climate change impacts and opportunities.

To assist Supporting Institutions in the mainstreaming process, the Initiative focuses on sharing expertise, knowledge and practices among its members – and with the broader business and financial community. In the two years since the launch of the initiative, both founding and new members have built on existing, and developed new approaches to mainstream climate

BOX 2. The Initiative and its Supporting Institutions

As of 1 December 2017, 33 financial institutions have endorsed these Voluntary Principles:

- the African Development Bank (AfDB),
- the Agence Française de Développement (AFD),
- the Asian Development Bank (ADB),
- the Development Bank of Latin America (CAF),
- the Belgian Investment Company for Developing Countries (Bio Invest),
- BMCE Bank of Africa,
- BNP Paribas,
- Cassa depositi e prestiti (CDP),
- the Caisse de Dépôt et de Gestion (Morocco),
- the Caisse des Dépôts et Consignations,
- the Council of Europe Development Bank (CEB),
- Crédit Agricole,
- the Development Bank of Southern Africa (DBSA),
- the European Bank for Reconstruction and Development (EBRD),
- the European Investment Bank (EIB),
- HSBC Holdings plc,
- the Industrial Development Bank of India (IDBI),
- the Industrial Development Corporation (IDC),
- the Inter-American Development Bank Group (IDB),
- the International Finance Corporation (IFC),
- the Japan International Cooperation Agency (JICA),
- KfW,
- Malaysia Credit Guarantee Corporation,
- the Multilateral Investment Guarantee Agency (MIGA),
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.,
- the New Development Bank (NDB),
- the Nordic Development Fund,
- Promotion et Participation pour la Coopération Économique (PROPARCO),
- Société Générale,
- Türkiye Sınai Kalkınma Bankası A.S.(TSKB),
- Yes Bank,
- the West African Development Bank (BOAD),
- the World Bank.

considerations and support the objectives laid out in the Paris Agreement. Sharing this knowledge and experience is essential to accelerating pace of change in business practice and culture. Recognizing the range and variety of approaches taken to implement the Five Principles is essential and reflects the diversity of situations and contexts among financial institutions themselves.

This report thus presents the climate action story from the perspective of member Supporting Institutions through a range of case studies demonstrating how the principles are being put into practice. Rechristened the '*Climate Mainstreaming Practices Report*', it provides an update to the initial 2015 [Emerging Practices report](#). It demonstrates how the Principles can be applied across the financial community with real-world and operational examples submitted by the financial institutions themselves. The report illustrates some of the many ways public and private financial institutions – with different mandates, clients and business models – work to progressively integrate climate change considerations across policies and operations. It aims to facilitate learning

and knowledge exchange on practical approaches for each financial institution to develop its own robust, yet tailored, approach.

The practices presented here are often the result of multiple attempts, refinements and lessons learnt from implementation. Some reflect many years of experience and common methodologies or approaches that are applied by many institutions today. Others touch on newly emerging approaches that have been implemented very recently and/or are in a testing period and respond to some of the most pressing challenges as embodied in the four Work Streams topics selected by the Initiative for collaborative study over the 2017-2018 period: Climate Risks; Tracking & Reporting Initiatives; City-Level Climate Smart Approaches; and Spreading a Climate Strategy across a whole Institution. These are presented in detail in the following section.

The case studies showcased here have been prepared and submitted by member Supporting Institutions and are by no means exhaustive nor prescriptive – but rather the basis for knowledge

sharing across the financial community. All of these case studies – as well as those from the 2015 report – are currently available online on the Initiative's website as part of the *Climate Mainstreaming Practices Database*.² As of December 2017, the Database contains over 50 case studies submitted by member Supporting Institutions.

We hope the financial community finds this Climate Mainstreaming Practices Report useful and inspiring for those considering or working to implement practical approaches to mainstream climate change within financial institutions.

The Implementation of the 5 Voluntary Principles, two Years of Increased Momentum

Two years after its launch on the sidelines of COP21, the Climate Action in Financial Institutions Initiative now gathers over 30 financial institutions that have endorsed the 5 Voluntary Principles for

Mainstreaming Climate Action. From its inception, the Initiative has included both public development banks, other public financial institutions, as well as a range of commercial financial institutions from both developed and developing countries.

In 2016, the Initiative established its governance structure through a Coordination Group that gathers four institutions representing each of the four constituencies of the initiative: i) Multilateral development banks, ii) International, bilateral, regional and national development banks, iii) Developed country commercial financial institutions, iv) Developing country commercial financial institutions. Today, this Coordination Group is made up of representatives from the AFD, the EBRD, HSBC and Yes Bank.

In 2017, the Initiative launched four Work Streams for 2017-2018 that bring together interested Supporting Institutions to share practice and knowledge on specific topics reflecting the needs and interest of both public and private financial institutions to further implement the 5 Principles.

BOX 3. The 2017-2018 Initiative Work Streams

Implementing the 5 Principles is a long process, which can be facilitated and accelerated by exchanges with peers and collaborative efforts. After the endorsement of the 5 Principles, the Initiative set up a work program for 2017-18 to exchange with peers, share best practices and progress on four areas of work. The four areas of focus chosen represents the topics where the interest from a broad range of Supporting Institutions was highest, and where the development of new approaches, tools and processes is seen as delivering added value:

Works Stream 1: Climate risks: approaches, tools and methodologies

Objective: Map existing practices and identify how financial institutions could better use climate-risk related information to manage exposure and identify opportunities.

Link with the principles: Focusing both on physical-related risks and on transition related risks, the objective of this work stream is to facilitate knowledge sharing between Supporting Institutions around the second Principle "Manage climate risks".

Works Stream 2: Mapping reporting initiatives and understanding implementation challenges

Objective: Identify and examine the most commonly used tracking and reporting initiatives related to climate investments.

Link with the principles: Including methodologies to track and report climate finance flows, the impact of climate investments and the nature of green bonds proceeds and their expected environmental impact, this area of work covers both the 4th and 5th principles: "Improve climate performance" and "Account for your climate action".

Works Stream 3: City-level climate smart approaches and financial instruments

Objective: Facilitate exchanges between financial institutions and local governments to share knowledge and discuss the best practices and tools to scale up public and private sector investment in climate-resilient urban infrastructure.

Link with the Principles: Identifying a lack of understanding on how to develop city-level smart approaches, supporting institutions decided to work on the 3rd Principle "promote climate smart objectives" with a special focus on cities.

² <https://www.mainstreamingclimate.org/climate-mainstreaming-practices-database/>

Works Stream 4: *Spreading a climate strategy into a whole organization*

Objective: Share experience and identify best practices to communicate a strategy from senior management and disseminate it through the management structure and the different business lines and teams across an institution.

Link with the principles: Focusing on the dissemination of the climate strategy and ensuring commitment and support from dedicated and operational teams once climate objectives and/or a dedicated strategy has been adopted, this work stream is directly linked with Principle 1 “commit to climate strategies”.

Supporting Institutions are involved in each work stream on a voluntary basis, sharing their experience, learning from each other and discussing best practices, as well as issues and challenges encountered.

Each work stream is divided into several phases, starting with a mapping of the different approaches and tools used, as well as of other existing platforms or networks currently addressing similar topics, in full or in part, and concluding with an analysis of the best practices and ways forward on the further implementation of the related principles.



Purpose, Approach and Emerging Trends

The Five Voluntary Principles for Mainstreaming Climate Action within Financial Institutions are a “chapeau” that encompasses ongoing work as well as new areas where some institutions are only now beginning to engage. The experience in some areas may be more extensive than others; nonetheless, emerging practices can be seen across all five Principles.

The Climate Mainstreaming Practices case studies provide a snapshot of how financial institutions are supporting the Principles today. Practices highlighted in this document are not intended to be prescriptive, but rather to showcase efforts that have been developed, tested and refined over several years or

are in the process of being developed and constitute a basis for discussions for each of the four work streams.

Based on the case studies and the discussion held in relation to the four Work Streams, a number of over-arching trends can be identified on how climate change is being increasingly integrated by Supporting Institutions:

1. Both public and private financial institutions are developing dedicated climate-focused strategic documents

This first trend is illustrated by the increasing number of case studies highlighting the adoption or update of climate strategic documents. This has been initially seen principally among public financial institutions, but a number of private institutions are now moving to enact similar dedicated plans and strategies.

2. Supporting Institutions are rising to the challenge of developing the tracking and risk assessment methodologies and tools.

Both public and private financial institutions are increasingly deploying the tracking and risk assessment tools necessary to understand how their activities support or hinder climate action, and the associated risks. In a number of cases this has been in response to increased climate-related reporting and disclosure requirements at the national level. For example, this trend is illustrated by case studies submitted by private banks based in France. These institutions currently face the obligation to conduct increased climate-related reporting and disclosure (Article 173 of the French Energy Transition for Green Growth Act).

3. Financial institutions are using an increasing range of approaches – such as sector-specific facilities - to support upstream project development and the achievement of the Paris Agreement

In many instances, a lack of a pipeline of robust projects at times limits financial institutions from financing climate-related investments. A number of Supporting Institutions have created facilities to help spur project development, at times focusing on specific barriers and to leverage investments for cities or to support the implementation of the Nationally Determined Contributions (NDC).

4. Supporting Institutions are partnering with each other – as well as national and sub-national counterparties – to align investment with low-carbon climate resilient development

A number of case studies highlighted how strong collaboration with national or sub-national authorities has been an element of success to foster investments in line with the implementation of the Nationally Determined Contributions or national / sub-national climate action plans.

5. Demonstrating access to additional financial resources for climate action is in many instances a key means for Climate Divisions to convince their hierarchy and operational teams to take climate onboard

In a number of case studies, the successful uptake of climate change across an institution was linked to an accompanied increase in access to additional funding for projects. Increased funding can help Climate Divisions within financial institutions get and maintain the attention of operational teams. This occurred through becoming an accredited entity to channel funding from external sources, such as the Green Climate Fund; accessing concessional finance through the Climate Investment Funds or country-specific forces funding; or from the attribution of additional internal sources.

The Climate Action in Financial Institutions initiative offers a space for discussion and dialogue on the ways forward to adopt best practices and aims to assist the entire financial community to integrate climate change in their operations and move from commitments to action.

Complementary Initiatives

Many existing initiatives give a voice and platform for a range of financial institutions to show leadership on climate change. Most of these involve a call for action by policy makers to set the right policies and market signals so finance can flow towards climate-smart and resilient investment. While many existing leadership commitments support aspects of the Principles, none have a sole focus on how institutions operationalize requirements to mainstream climate considerations throughout their operations. These Principles are designed to fill this gap and complement existing initiatives and leadership statements from the financial community. A sample of other complementary initiatives are described in **Box 4**.

BOX 4. Complementary Climate Initiatives

The Carbon Disclosure Project (CDP) holds the largest global collection of self-reported climate change, water and forest-risk data. Partners including businesses, governments and investors agree to share information with CDP and use aggregated information to make investment and purchasing decisions. In 2017, 803 institutional investors representing over \$100 trillion of assets disclosed

climate data to CDP. **The Equator Principles** is a binding risk-management framework adopted by financial institutions. It seeks to determine, assess and manage environmental and social risk in projects, and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. As of 2017, the Equator Principles totaled 91 signatories.

Climate Action 100+ is a five-year investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change. Specifically, through collaborative engagement, investors will request companies to: take action to reduce greenhouse gas emissions, consistent with the goal of the Paris Agreement to keep global temperature rise well-below 2-degrees Celsius; provide enhanced corporate disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and sector-specific Global Investor Coalition Investor Expectations on Climate Change guidance; and implement a strong governance framework that clearly articulates the company board's accountability and oversight of climate change.

Global Investor Coalition on Climate Change/ Institutional Investor's Statement on Climate Change sets out the contribution that investors can make to increase low-carbon and climate-resilient investments. The 2014 statement was signed by 409 investors representing more than \$24 trillion in assets. In 2017, nearly 400 global investors (managing more than \$22 trillion in assets) urged G20 to stand by Paris Agreement and drive its swift implementation.

The Green Bank Network gathers six Green Banks and two non-profit organizations, the Natural Resource Defense Council (NRDC) and the Coalition for Green Capital (CGC) to foster more green banks to leverage private capital.

Institutional Investor Group on Climate Change/Climate Change Investors Solutions Guide provides non-binding guidelines on how to better address climate change from an investor's perspective. A range of strategies and solutions are presented including on carbon pricing, low carbon investment, managing and reducing carbon exposure in portfolios and engagement.

The Montreal Carbon Pledge commits those that sign it to measuring and disclosing the carbon footprint of part or all of their equities portfolio to help investors better understand, quantify and manage climate change-related impacts, risks and opportunities. Launched in 2014, it is supported

by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI).

The Portfolio De-Carbonization Initiative (PDC) is a multistakeholder initiative that aims to decrease GHG emissions by mobilizing institutional investors committed to gradually decarbonizing their portfolios. Co-founded by Amundi, AP4m CDP and UNEP, the PDC requires asset owners and managers to support, or firmly plan to support, clients seeking portfolio de-carbonization or similar climate-related capital re-allocation efforts and are fully and publically committed, at CEO level, to promoting the PDC and its recruitment activities among peers.

United Nations – Principles for Responsible Investment (PRI). Launched in 2006 at the New York Stock Exchange, the PRI were convened by the U.N. Secretary-General and developed by an international group of institutional investors to reflect the increasing relevance of environmental, social and corporate governance issues in investment practices. The 1,862 Principles signatories publicly committed to adopting and implementing them where they are consistent with their fiduciary responsibilities.

The Sustainable Insurance Forum (SIF) gathers leading insurance supervisors and regulators seeking to strengthen their understanding of and responses to sustainability issues for the business of insurance. It is a global platform for knowledge sharing, research and collective action. The Forum was launched in 2016 by the UN Environment Programme, drawing together its Inquiry into the Design of a Sustainable Financial System and the Principles for Sustainable Insurance (PSI).

The **Task Force on Climate-related Financial Disclosures** (TCFD) was set up after the request of the G20 Finance Ministers and Central Bank Governors to the Financial Stability Board to review how the financial sector can take account of climate-related issues. After a consultation on the physical, liability and transition risks associated with climate change, the Task Force released in June 2017 a set of recommendations structured around four thematic areas: governance, strategy, risk management and metrics and targets.

Principle

1

Commit to Climate Strategies

Be strategic when addressing climate change. Institutional commitments to address climate change are demonstrated by senior management leadership, explicit strategic priorities, policy commitments and targets, which allow the integration of climate change considerations within a financial institution's lending and advisory activities over time.

Overview

Many financial institutions are taking action and demonstrating leadership on climate change, by developing or updating climate strategies, and making public commitments. For example, a number of development finance institutions and private financial institutions have made commitments to allocate capital and steer financial flows toward more low-carbon, resilient activities.

Principle 1 recognizes that bottom-up, organic approaches to addressing climate change may not alone be sufficient to integrate climate change across strategies, policies and operations. It recognizes that senior level commitments to address climate change can have a positive influence throughout all layers of management and operations. It emphasizes the importance of building climate change considerations into the strategic direction and vision of a financial institution, as well as through institution-wide actions.

Senior Management Leadership

Principle 1: COMMIT to Climate Strategies – is about leadership from senior management at the highest level, including at the level of the board of directors and/or governors. A climate strategy promoted by an institution's leaders, in the form of climate-relevant strategic priorities, policy commitments, plans and/or targets, encourages a coherent approach and serves as a foundation and catalyst for an array of operational responses. This also requires, the collection of data, the development and implementation of tools and metrics as well as capacity building and knowledge sharing actions that contribute to embedding climate change considerations across the institution.

Work Stream 4 precisely looks at the challenges and current state of practice of the dissemination of a strategy inside each organization. This includes an

BOX 5. Commitments from Financial Institutions

The integration of climate change in financial institutions first occurred among public financial institutions mandated to support national and international policy objectives. Private financial institutions, however, are rapidly demonstrating a strong interest in the management of climate risks and opportunities. There is clear recognition of the critical role that private sector actors can play to promote the transition to a low carbon climate resilient economy.

Following pledges from public financial institutions to significantly increase their climate finance targets, a number of private financial institutions made funding commitments on the sidelines of COP21, COP22 and COP23. Pledges include the mobilization of climate finance in specific countries or regions, or in specific sectors like renewable energy.

The adoption of this type of commitments represents a first milestone for mainstreaming climate change in financial institutions, as the definition of overarching objectives and targets is considered as one of the first steps in this process. To be successful, it appears necessary for these commitments to be supported by the adoption of climate-specific action plans and strategic intervention frameworks. This Report includes case studies that illustrate how public institutions have adopted or revised institutional strategic documents on climate change since 2015.

analysis of how climate is taken up from the senior management level, across the management structure and the different business lines, and to teams across an institution.

Explicit Strategic Priorities, Policy Commitments and Targets at all Levels

Robust climate strategies can be promoted through a combination of strategic priorities, policy commitments, plans and/or targets defined for all institutions and then applied to the different departments. Strategic priorities can vary from explicit climate change commitments to prioritizing lending and advisory activities in climate-relevant sectors (e.g. renewable energy, energy efficiency, sustainable agriculture). Internal policy commitments can lead to the creation of strategic priorities for an institution. For instance, an internal policy commitment to reduce portfolio-level greenhouse gas emissions can result in a new strategic priority to pursue lending and advisory activities in climate-relevant sectors. Targets can ensure that action permeates all levels of an institution but generally work better when linked to a strategic priority or policy commitment.

BOX 6. Focus on Work Stream 4: Spreading a climate strategy into a whole organization

The integration of climate change inside an institution is an internal issue addressed through a wide diversity of approaches. This working group offers public and private institutions the possibility to step back to assess their own internal approaches and to share their experience on the adoption and implementation of climate strategies and frameworks. It focuses on the drivers needed to ensure commitment and support from dedicated and operational teams once climate objectives and/or a dedicated strategy has been adopted.

As a first step, the work stream aims to map the range of existing approaches to disseminate a climate strategy throughout an organization and to identify: 1) what are the main motivations for financial institutions to integrate climate change; 2) how institutions have organized/reorganized themselves to integrate climate change into their decision-making processes; 3) what were the main challenges they faced, and the successful approaches they used.

Illustrative Elements

Examples of actions being taken towards implementation of this Principle include:

- Climate change is adopted as a corporate/ institutional priority by an institution's directors and/ or governors, for example through a strategic plan that integrates climate change or a systematic mainstreaming of climate into business/ strategic plans.
- Senior management is held accountable – e.g. vice president/managing director – for promoting climate change objectives. Institutionalized roles are created to promote and are accountable for meeting climate change objectives.
- Incentive structures are in place, such as quantitative and/or qualitative targets for climate change actions, and included on scorecards, in performance management systems or other systems that track the delivery of results at all levels.

- New facilities, business lines, products or special financing vehicles are designed to increase financing for climate-smart investments supporting NDC implementation.
- Development of communication and training materials to build internal capacity within the institution and spread climate consideration across the operations of the different sectorial teams.
- A network of focal points across sectorial divisions facilitates mainstreaming across the organization.

Some Lessons from Emerging Practice in Action

Annex B includes several case studies on emerging practices, which illustrate some ways financial institutions are operationalizing this Principle. Some lessons emerging from this experience include:³

“At the institution level: Multi-country dedicated climate instruments can help mainstream climate strategies and incentivize operational staff to better integrate climate considerations and risks in project design and build new project portfolio with improved climate co-benefits. At the country level: a dedicated climate-focused technical assistance instrument can help countries take next steps at a macro level / governance level towards the operationalization of their NDC.”

Agence Française de Développement (AFD)

“Strong management and Board support is key for institutional buy-in.”

Asian Development Bank (ADB)

“Joining networks and clubs to learn and share best practices was seen as an important part of the process leading to the establishment of the Sustainable Development Unit.”

CDG Capital, part of Group Caisse de Dépôts et de Gestion Maroc (Group CDG).

“Ensuring management buy-in for objectives and deliverables and involving management from all relevant departments in the monitoring process is essential to maintain awareness across the institution around the Strategy’s relevance and to increase the likelihood of its implementation.”

European Investment Bank (EIB)

3. Note this is not intended to provide a comprehensive picture of emerging practices across Supporting Institutions. These examples have been provided on a voluntary basis by some Supporting Institutions. Examples are the sole responsibility and product of those institutions.

“Where critical human resource gaps are identified, workshops be held either internally or externally to build skills capacity to ensure that the climate change information meet the requirements of the Bank’s GRI indicators.”

Industrial Development Corporation (IDC)

“Upstreaming climate change in strategic documents and programming, even before the discussion of specific projects with Governments is key to mainstreaming and taking climate change into consideration throughout operations.”

Inter-American Development Bank (IDB)

“Deep analysis of international trends and other institutions’ situations contribute to increase persuasiveness of necessity of climate change measures.”

Japan International Cooperation Agency, (JICA)

“Forming the Sustainability Management System with top management and staff from different departments resulted in higher sense of ownership by the various employees having different perspectives – building on past initiatives.”

TSKB

“Having a proactive approach and being an early mover in sunrise sectors (like natural capital) creates opportunities for assuming knowledge leadership”

YES BANK

The inaugural 2015 Emerging Practices report gathered the following case studies related to Principle 1:

- African Development Bank (AfDB): 5 Year Climate Change Action Plan (CCAP) Puts Climate Change at the Forefront of Development
- Asia Development Bank (ADB) Makes Climate Change Core to Operations through Series of Strategy and Policy Changes
- IFC Builds an Internal Infrastructure to Embed Climate into Its Core Business Operations
- AFD Strives to Reconcile Development and the Fight Against Climate Change: Dedicated Climate Change and Development Strategy
- YES BANK Has Incorporated the Ethos of Responsible Banking That Addresses Climate Change

All case studies are available in the online Climate Mainstreaming Practices Database:
www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

Principle 2

Manage Climate Risk

Be active in managing climate risk.

Assess your portfolio, pipeline and new investments. Work with clients to determine appropriate measures for building resilience to climate impacts and improving the long-term sustainability of investment.

Overview

The growing threats from climate change make understanding, quantifying and actively managing business exposure to the physical impacts of climate change and/or sudden or dramatic decreases in the value of carbon assets is an important part of modern-day risk management.

Principle 2 emphasizes the importance of understanding and addressing climate change risks to an institution's existing portfolio and operations, as well as pipeline and future investments.



Assessing Portfolio, Pipeline and New Investments

Assessing a financial institution's portfolio, pipeline or new investments for carbon risk is possible, but depends on an assumption that policy or market changes will have an impact. These changes could potentially be coupled with market price signals, including a price on carbon, or other policies implemented by financial regulators such as the inclusion of low-carbon alignment of portfolios in statutory or regulatory requirements. (see **Box 5**).

Several financial institutions, NGOs and civil society organizations that promote carbon pricing and regulatory restrictions on fossil fuels have looked at how balance sheets might be exposed to dramatic decreases in the value of carbon assets.

Some institutions today screen new investments for GHG emissions to understand the social cost of carbon in the economic assessment of an investment. Assessing a financial institution's portfolio, pipeline or new investments for exposure to physical and transition impacts from climate change is more complicated.

Most financial institutions, following routine market practice, assess risk on a time horizon far shorter than that necessary to gauge the long-term impacts of climate change. Many other actors in the financial system tasked with understanding risk also assess forward risk on relatively short time horizons. Traditional modeling techniques that rely on historical events and extrapolate forward using statistical analysis are an imperfect basis for understanding climate risk, due to uncertainties associated with changes in climate and extreme weather events, and of course the timing of those events.

Nonetheless, some financial institutions are beginning to try to understand their own exposure to climate risk (both physical and transition risks) in more quantifiable ways. The following examples show emerging practices by some public and private banks to better understand climate risk for their investments, including the use of climate risk screening tools to identify potential physical impacts to an investment from natural hazards, some of which are linked to climate change, such as drought, water shortages, flooding and increased frequency of extreme weather events. Others are developing "decision making under uncertainty" approaches for use when data is not available or quantification of risk is challenging.

As called for by Article 2.1c of the Paris Agreement, financial actors will increasingly need to incorporate a forward-looking analysis to better understand the alignment of their portfolios with a 2°C pathway.

Taking a step further and integrating this into their risk management and investment decision-making processes could also help them better manage climate-related risks and opportunities in their portfolios. Such analysis would need to be based on scenarios that represent different pathways for decarbonization of the economy, and more specifically a 2°C pathway, broken down into quantitative variables of financial impact of the risks and opportunity for low-carbon transition.

BOX 7. Financial Policy and Climate Risk

Mainstreaming climate risk considerations within financial policy has emerged as a relatively new area of research in the last years. A number of "initiatives" which explore ways to enhance financial policy, regulation are worth noting:

Task Force on Climate-related Financial Disclosures (TCFD): In April 2015, the G20 Finance Ministers and Central Bank Governors requested the Financial Stability Board (FSB) "to review how the financial sector can take account of climate-related issues." Consequently, the FSB launched in January 2016 the Task Force on Climate-related Financial Disclosures (TCFD) with the mission to provide recommendations for companies to improve their disclosures on financial impacts of climate issues in a way that will help financial actors to understand the climate-related risks of their portfolios. After a consultation on an interim report begun in the beginning of 2017, the TCFD released its final recommendations for financial-sector organizations, including banks, insurance companies, asset managers, and asset owners in June 2017. The recommendations organized in four thematic areas (governance, strategy, risk management, and metrics and targets) were welcomed by the financial community and received wide support from businesses, banks, and public authorities such as insurance supervisors and regulators, etc.

UN Inquiry for Sustainable Financial System: In January 2014, UNEP established the "UN Inquiry into the Design of a Sustainable Financial System" (UNEP Inquiry), mandated to explore options for aligning the financial system with sustainable development. The final report of the Inquiry was published in October 2015, and suggests that there is a "quiet revolution" among many financial policy makers (particularly from emerging economies) to integrate sustainable development into the fabric of the financial system.

Bank of England, Prudential Regulatory Authority (PRA):

The Bank of England PRA launched a review of climate risk in the insurance sector, based on a connection between its core prudential duties and the UK Climate Change Act. It sought to understand the implications of climate change on the soundness of the UK insurance sector, underscoring the links between the activities of regulated financial institutions and financial policy and regulation. The Bank of England in 2017 launched an internal review of the banking sector's exposure to climate change as a significant financial threat. This demonstrates the commitment it has made to considering climate-related financial risks to regulated firms as part of the Bank's approach to prudential supervision and aiming to enhancing the resilience of the UK financial system to climate change by supporting an orderly market transition to a lower-carbon economy. The Bank of England's Governor, Marc Carney, has also facilitated a discussion on the impacts of climate change to the stability of the financial system through the Financial Stability Board.

The "1 in 100 Initiative": The 1-in-100 Initiative, launched during the 2014 Climate Summit by an alliance of global accounting bodies and the insurance industry, aims to integrate natural disaster and climate risk into the financial regulation globally. At the core of the initiative is a "1-in-100 year stress test," which evaluates the maximum probable annual financial loss that a company, a city, a region, or even an individual property could expect once in a hundred years. The initiative seeks to facilitate better accounting and disclosure of "catastrophe risk", many of which are linked to changes in climate.

Improving the way institutions understand and address climate risks

It is increasingly recognized that climate change will have far-reaching implications for how financial institutions identify, assess and manage a range of both risks and opportunities. Financial institutions strive to recognize the importance of understanding and addressing climate change in their existing portfolios and operations, pipelines, and future investments, whether in the form of the implications of the physical impacts of climate change, or the policies and market shifts expected to be necessary to stabilize and reduce greenhouse gas emissions.

BOX 8. Climate-Related Risks

A common understanding of climate-related risks is starting to take shape through multiple fora for discussion internationally. For instance, the Task Force on Climate-related Financial Disclosures has divided climate-related risks into two major categories:

Transition Risks: These risks are related to the uncertain impacts (positive and negative) that result from the effects of transitioning to a low carbon economic model. The transition may indeed entail extensive policy, legal, technology, and market changes that depending on their nature, speed, and focus, transition risks may pose varying levels of financial and reputational risk to organizations. Transition risks include:

- a. Policy risks that emerge through changes in policies and regulations and litigation or legal risks that are more and more visible through the increasing number of climate-related mitigation claims. Often brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organizations, reasons for these claims are diverse and range from failure to mitigate climate impacts, failure to properly adapt and assess climate risks or the insufficiency of disclosure.
- b. Technology risks arising through the rapid evolution and deployment of technologies creating some winners and losers
- c. Market risks emerging through shifts in supply and demand of some goods, commodities and services in different markets
- d. Reputation risks arising from changing customer or community perceptions of an organization's contribution or detracting the transition to a low carbon economy

Physical Risks: The risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Financial implications for organizations are diverse and can go from direct damage to assets and indirect impacts from supply chain disruption. Effects of climate change such as changes in water availability, sourcing, and quality; food security; and extreme temperature changes can also affect organizations' premises, operations, supply chain, employee safety.

Source : TCFD Recommendations report

In an effort to facilitate knowledge sharing between Supporting Institutions on climate-related risk management, the first of the initiative's four work streams looks into this core question (Box a).

BOX 9. Focus on Work Stream 1: Climate risks

Through knowledge sharing exercises to be engaged between a wide range of Supporting Institutions and external experts and the elaboration of a far-reaching mapping exercise, this work stream will look at three key areas of questions to develop common understanding of climate risk-related issues; shared definitions; and experience on developing metrics to assess this issue quantitatively and qualitatively.

Work Stream 1 will first review how climate-related risks are currently being defined and prioritized by different types of financial institutions, as well as how improved risk assessment approaches can be used to identify and pursue opportunities. It will focus on seeing if the current practice of financial institutions is converging, and how these definitions may vary depending on different types of activities and mandates. Second, this work stream will aim to identify how financial institutions are – or are beginning to – link this subject with their governance, strategy and risk management processes. Finally, focus will be given to identify the range of qualitative and quantitative approaches currently being used or developed by financial institutions. It is unlikely that a one-size fits all approach is feasible, given the variety of institutions and climate related risks and opportunities. As such, the work stream will focus on identifying shared challenges, commonalities in approach and methodological convergence to foster exchange and collaborative learning between institutions.

Illustrative Elements

Examples of actions being taken or that could be taken towards implementation of this Principle include:

- Assessing climate risks to new investments, pipeline and/or an existing portfolio, together with clients and other stakeholders. This could include for example impacts on physical assets, investments where the impairment of physical assets would have a significant financial and/or developmental impact, and potential impacts from climate related extreme weather events on financial or economic health, or development objectives.
- Providing technical support to strengthen climate risk management shifts towards structural and non-structural interventions that investment projects could integrate to address physical climate risks
- Financial institutions can encourage their counterparties to issue-forward looking information on their alignment with low carbon and climate-resilient a 2°C pathways, for example by following the TCFD guidelines and adapt information systems so as to be able to collect, store and aggregate new indicators and information on the climate-related issues of counterparties.
- Putting in place a governance or organizational system that will encourage climate-related issues to be taken into consideration by each internal business division.
- Adapting financial models used by the including climate risk based indicators.

Some Lessons from Emerging Practice in Action

Annex B includes several case studies on emerging practices⁴, which illustrate some ways financial institutions are working to assess and manage physical and transition risks posed by climate change. Approaches to systematically assess and manage such risks are not widespread at this time, although this is expected to increase in coming years. Updates to these practices are likely to include new, possibly innovative approaches to assessing and managing climate risk in a financial institution's existing investments and portfolio. Some lessons emerging from this experience include:

⁴ Note this is not intended to provide a comprehensive picture of emerging practices across Supporting Institutions. These examples have been provided on a voluntary basis by some Supporting Institutions. Examples are the sole responsibility and product of those institutions.

“As physical climate risks and associated risk management solutions are highly context specific, there is a growing need for more tailored, project-level technical support in designing and assessing climate risk management options.”

Asian Development Bank (ADB)

“A sector and issue-based approach enables assessing materiality of the transition risk under a set of scenarios”

Crédit Agricole

“Connecting a customer-specific assessment to a macro sector and issue-based approach provides an easy readable transition risk index at the customer level”

Crédit Agricole

The inaugural 2015 Emerging Practices report gathered the following case studies related to Principle 2:

- World Bank’s Climate and Disaster Risk Screening Tool Helps Identify Short- and Long-Term Climate and Disaster Risks for Better Risk Management in Development
- ADB Integrates Climate Risk Management Framework throughout Operations
- Nordic Development Fund Case Study: Pushing for Excellence through Climate Change Screening
- YES BANK’s Environment and Social Policy (ESP) Addresses Climate Risks through a Multi-Step Implementation Process with Identified Inter-Department Responsibilities

All case studies are available in the online Climate Mainstreaming Practices Database: www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

Principle

3

Promote Climate Smart Objectives

Promote approaches to generating instruments, tools and knowledge on how best to overcome risks and barriers to low carbon and resilient investments. This may include mobilizing and catalyzing additional financing and developing specialized financing vehicles/products, such as green bonds, risk sharing mechanisms or blended finance. Engage clients and other stakeholders (e.g. rating agencies, accounting firms) on climate change risks and resilience, and share lessons of experience to help further mainstream climate considerations into activities and investments.

Overview

Principle 3 encompasses actions by financial institutions to promote climate smart objectives with clients and external stakeholders to create opportunities for increasing climate smart investment. Indeed, many financial institutions see the business opportunity to finance climate smart investments and have dramatically increased financing in recent years, most notably in renewables. This Principle does not necessarily imply the development of new or distinct business lines to capture opportunities linked with climate change, although some have chosen to establish dedicated funds and facilities to do so.

Principle 3 highlights the need to incorporate climate change considerations in routine business development efforts to seek out new investment opportunities. For many development finance institutions, client engagement and development of projects are often driven by country demands, and for many private finance institutions proactively promoting climate smart objectives is an opportunity to increase demand for financing.

Promoting Climate Action with Clients, Stakeholders

Engaging clients and stakeholders can take many forms, such as dedicated attempts to develop industry, sector or country strategies, or work with rating agencies, insurance companies, specialized engineers and accountants, or other entities that provide professional services to financial institutions, which enable them to make well-informed investment decisions.

For many development financial institutions and banks that provide project financing support, this can be a part of business development efforts to promote the use of specialized climate funds, the issuance of green bonds, or even the knowledge gained through climate-risk screening of projects.

BOX 10. Using classic instruments in innovative ways

Climate finance often focuses on developing "innovative" financial instruments, however Public Financial Institutions (PFIs) have been active in tailoring more "classic" instruments such as credit lines to Local Financial Institutions (LFIs). "Green Credit Lines" or GCLs support lending to green projects including renewable energy, energy and resource efficiency, sustainable transport, waste management, and in some cases climate change resilience (adaptation). Their aim is to foster lending to projects with environmental benefits and build capacity in LFIs to expand the local green lending market after the credit line is closed. Among the public financial institutions supporting the initiative, many have experienced this instrument in various forms, which appears as one component of a broader support package including guarantee schemes, associated insurance mechanisms, and tools allowing the leverage of equity.

Source: I4CE (2017) *Using credit lines to foster green lending: opportunities and challenges* <https://www.i4ce.org/download/using-credit-lines-to-foster-green-lending-opportunities-and-challenges/>

Financial Products and Services to Address Climate Change

Many financial institutions have already begun to develop and market products and services that help clients address climate change. Green bonds, concessional finance, specialized funds or other financial vehicles signal to both markets and clients the availability of products that can help mobilize

financing or catalyze climate-smart investments, including technical assistance and capacity building. Many financial institutions also play a critical role in mobilizing additional sources of capital to climate-smart projects, including through syndication operations and risk sharing structures that crowd in investors to dedicated climate funds and facilities.

Promote Knowledge Sharing and Dissemination

Financial institutions are in a unique position to share experience and knowledge gained from practical approaches to climate-smart investments. Sharing practices and approaches that are successful can inform clients, stakeholders and other financial institutions about lessons learned from implementation. Financial institutions already participate in many industry-wide fora where good practices and lessons from experience are shared. Continuing and enhancing such knowledge sharing will be vital as new approaches to deal with climate risks and catalyze opportunities emerge. For the 2017-2018, Supporting Institutions decided to specifically collaborate on the issue of climate smart approaches and instruments for cities.

BOX 11. Focus on Work Stream 3 - City-level climate smart approaches and financial instruments

In a context of growing urbanization, a number of "climate-related issues" are increasingly concentrated in cities and urban areas. Over the last decade, cities have been increasingly active in the area of climate change – and have received more and more attention. However, cities are often limited by capacity constraints- particularly in terms of financial structuring and investment policy and the level of decentralization often determines their capacity to attract financial resources. These capacity issues are further exacerbated by quickly evolving technologies, changing economic models for climate-smart urban development, and diverse legal and administrative frameworks very specific to national contexts.

This work stream will be a forum for both supporting institutions and local authorities to share their experience, learn from each other and discuss the further development of dedicated financing tools to address climate change. This has been identified as a key element to foster low-carbon and climate-resilient urban development.

BOX 12. Existing initiatives working on climate finance and cities

The Cities and Climate Finance Leadership Alliance (CCFLA) launched in 2014 aims to gather the knowledge and expertise of diverse organizations to implement a set of measures to catalyze and accelerate investment into low-carbon and climate-resilient infrastructure in cities and urban areas. In 2016, CCLFA members, CDP and Climate KIC produced a white paper 'Barriers to Private Sector Investments into Urban Climate Mitigation Projects' presenting new research on improving access to climate finance for cities and offering bankable climate projects to investors.

The C40 is a network of the largest cities in the world committed to addressing climate change. Created and led by cities, the C40 identified the issue of finance as key. To help finance municipal low-carbon and sustainable projects, the C40 launched a [call for national governments and international financial institutions](#) on the sidelines of the Habitat III conference and conducted an analysis of the sustainable infrastructure projects currently in development across C40 cities with the CDP.

The Global Platform for Sustainable Cities (GPSC) is a knowledge sharing program coordinated by the World Bank that will provide cities access to cutting-edge tools and promote an integrated approach to sustainable urban planning and financing. As a core component of the program, an Urban Sustainability Framework (USF) is being developed to streamline existing indicators and enable cities to select indicators suitable for achieving their policy objectives. On investments and financing the GPSC aims to help cities develop a program to enhance financial capacities in municipal financial management, building investment options such as through city creditworthiness, municipal bonds, PPPs, etc. and preparing bankable/investable projects.

Illustrative Elements

Examples of actions being taken towards implementation of this Principle include:

- Promotion and underwriting of green or climate bonds, new financial structures or other instruments such as green credit lines that explicitly incorporate concepts supporting climate smart investments.
- Mobilize and catalyze additional investment wherever possible, including through the use of syndications and other coordination efforts with investors, risk sharing facilities that crowd in new investors into funds, and/or dedicated climate facilities.
- Impact funds, blended finance or other dedicated mechanisms that provide financing for projects that might not otherwise be financed on purely commercial terms, but have the ability to both demonstrate to the market the absence of risk and can catalyze additional investments.
- Industry specific strategies to increase lending that support climate-smart investments, including clean energy (renewables, solar or other clean energy generation), energy efficiency or climate resilient infrastructure.
- Advisory services to help clients gain a greater understanding of climate-smart opportunities involving mitigation and resilience/adaptation strategies and programs.
- Participation in knowledge-sharing platforms, organizations that facilitate the development of harmonized methodologies, tools or standards, or other approaches that promote cross-dissemination of climate change learning.

Some Lessons from Emerging Practice in Action

Annex B includes several case studies on emerging practices, which illustrate some ways financial institutions are working to engage their clients and stakeholders. Some lessons emerging from this experience include:⁵

⁵ Note this is not intended to provide a comprehensive picture of emerging practices across Supporting Institutions. These examples have been provided on a voluntary basis by some Supporting Institutions. Examples are the sole responsibility and product of those institutions.

“Climate change increases the cost of upfront development investments but creates also opportunities for more sustainable approaches”

Agence Française de Développement (AFD)

“Promoting low-carbon and climate-resilient development pathways, both through investments and public policies, implies moving from a sectorial to an integrated and transversal urban vision. This approach poses a number of key challenges to both to cities and public entities supporting them, such as CAF, as it requires significant change in the institution’s processes and the mobilization of additional expertise on urban or climate issues.”

Development Bank of Latin-America (CAF)

“It is essential for DFIs to support governments in implementation and realization of national policy and established targets in building a low carbon and resilient transition process thus creating an enabling environment that opens up new technologies particularly in both the small and large scale RE market, as is the case in South Africa.”

Development Bank of South Africa (DBSA)

“Experience demonstrates that it is risky to implement a ‘green’ strategy without appropriate tools and guidance. Successful mainstreaming engages all levels of a financial institution: from management endorsement, institutional strategy approval and target setting to deal tracking systems, branch-level origination support and individual staff objectives.”

European Bank for Reconstruction and Development (EBRD)

“JICA’s Support for the establishment and implementation of the ‘Bangkok Master Plan on Climate Change 2013-2023’ provided Japanese private companies the business matching opportunities to expand their market to Thailand, mobilizing Japanese private actors to support low-carbon activities in Thailand.”

Japan International Cooperation Agency (JICA)

“The Indian MSME sector has been behind the curve in adopting best practices in Energy Efficiency and Occupational Health Safety due to lack of management resources, technical skill sets, proficient resource management, resilient infrastructure or financial access. The project has brought a positive change in MSME owners’ attitudes towards workplace safety and energy efficiency at their units, thereby improving employee morale, operational efficiency, and overall productivity of the MSMEs.”

YesBank

The inaugural 2015 Emerging Practices report gathered the following case studies related to Principle 3:

- DBSA—The Development Bank of Southern Africa Implements Effective Partnerships through Designing and Developing Effective Partnership Models to Implement Strategic Plans and Programmes
- Japan International Cooperation Agency (JICA) Promotes Climate Change-Related Projects through Program Loans
- EIB’s Experience Shows That Green Bonds Can Be a Market-based Process to Promote Accountability and Engagement in Climate Finance
- YES BANK through Its Green Bonds, Has Shown It as an Accepted Instrument and Has Encouraged Responsible Investment in Debt Capital Markets in India
- Societe General (SocGen) Positive Impact Bond

All case studies are available in the online Climate Mainstreaming Practices Database:

www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

Principle 4

Improve Climate Performance

Set up operational tools to improve the climate performance of activities.

Financial institutions track and monitor indicators tied to climate change priorities, including GHG reporting, lending and advisory volumes supporting green investment, asset allocations, and the institution's own climate footprint.

Overview

Principle 4 emphasizes the need for a financial institution to have the appropriate operational tools, as well as systems to track, monitor and incorporate climate considerations into day-to-day operations. Without such tools, an institution may be unable to understand, assess and quantify its climate performance. Operational tools and results frameworks to assess performance are an important first step to understanding, and ultimately improving overall institutional performance related to climate change.



Establishing the Tools and Indicators to Address Climate Change Priorities

Financial institutions generally seek information that helps to understand the climate impact, risks and opportunities associated with their engagement and operations. This may include among others: how much finance is flowing for climate action and what additional financing/climate financing they are able to mobilize; their capital allocation between climate smart and other lending and investment activities; and the impact of investments on the climate (for example by looking at the carbon footprint, social cost of carbon) or as a result of climate change (for example by identifying potential risks from climate impacts or climate related policies).

Financial institutions have been developing, and/or engaging with others on the development or adaptation of, operational tools and systems that allow such information to be captured, quantified and measured.

Financial institutions can draw from a growing set of publically available resources to guide their tracking and monitoring efforts – See **Box 13**.

Developing credible definitions and tools to measure, account and report such information, or provide qualifications in the absence of feasible quantification, requires resources and expertise. Often engagement with other financial institutions and external stakeholders is needed to ensure approaches as aligned with market practice.

When a tool or system is developed or adopted, internal capacity and staff may be needed to mainstream it into internal systems to capture relevant information. This may require significant effort to raise awareness, provide support structures and training so that they can be used effectively – all of this may have budgetary implications for operations.

Financial institutions can also set targets or benchmarks to measure or qualify performance and progress over time, such as how well strategic priorities are implemented. Indicators are often tracked through scorecards or results frameworks. Systematically capturing information allows for better, more consistent decision-making, improved risk management, and more informed risk-taking. It facilitates the identification of new climate-smart investment opportunities.

While not all operational tools will result in disclosure of information, many operational tools that allow for tracking can also facilitate more transparent reporting (see **Principle 5**).

BOX 13. MDB/IDFC Common Principles for Tracking Mitigation and Adaptation Finance: ⁶

In 2012, the Multilateral Development Banks (MDBs) published a joint approach for climate finance tracking and reporting that responds to the context in which the MDBs invest in developing and emerging economies. Similarly, the International Development Finance Club (IDFC) – a group of development finance institutions from across the world – have also been tracking and disclosing global climate adaptation and mitigation finance commitments on the basis of a joint methodology and data collection process.

In 2015, the MDBs and IDFC harmonized existing methodologies, and agreed on common principles to track financing for mitigation and adaptation investments. For mitigation, they established a common list of activities drawn from MDBs and IDFC's lists. For adaptation the key points of commonality between the two groups were articulated, plus identification of key issues that need to be further addressed.

Illustrative Elements

Examples of actions being taken towards implementation of this Principle include methodologies, tools and systems that:

- Assess the GHG impact of investments and/or the carbon footprint of operations and physical assets (e.g. corporate travel, recycling and building energy use and efficiency).
- Assess and account for climate finance flows, including: actual balance sheet allocations; other allocations from specific climate finance sources; and additional funds "leveraged" from balance sheet investments, and additional funds mobilized from external sources for climate smart investments.
- Screen for climate risk and opportunity.⁷ Build carbon pricing/social cost of carbon into economic analysis of investments.

⁶ A case study on these common principles is available in the 2015 Emerging Practices Paper and in the Climate Mainstreaming Practices Database (www.mainstreamingclimate.org)

⁷ Principle 2: Managing Climate Risk deals specifically with an institution's ability to understand, assess, monitor and quantify impacts from climate risks. Emerging practice by institutions seeking to address climate risk include climate risk screening tools. These would also be considered an operational "tool" under Principle 4.

- Assess the coherence of investments and operations with a 1.5 to 2C maximum temperature increase pathway for the country or region of intervention to respond, to the increasing demand for financial institutions to report on their respective contributions to climate action (such as the implementation of NDCs) or 'transition' objectives (such as the French Energy Transition Law Article 173 reporting requirement).

Some Lessons from Emerging practice in Action

Annex B includes several case studies on emerging practices,⁸ which illustrate some ways financial institutions are developing methodologies, tracking tools, systems and approaches that enhance the ability to assess and manage climate performance. Some lessons emerging from this experience include:

“Greater commitment and involvement from the top management was key to implementing EMS at various level of the organization”

YES BANK

“Showing results is of outmost importance for the continuation and growth of initiatives aimed at monitoring GHG emissions in day-to-day operations”

Development Bank of Latin-America (CAF)

The inaugural 2015 Emerging Practices report gathered the following case studies related to Principle 4:

- The EBRD's Measuring, Reporting and Verification (MRV) Approach Allows for Transparency and Accountability
- Japan International Cooperation Agency (JICA) Develops a Tool to Improve the Design and Implementation of Climate Change-Related Projects
- Lending Targets Lead to Performance Tracking at Inter-American Development Bank (IADB)
- Credit Agricole CIB Uses Sectoral and Issue-Based Cartography of Global Financed Emissions for Developing CSR Sector Policies
- Assessment of Projects' GHG Emissions at AFD: Implementation of a Comprehensive Carbon Footprint Tool
- Internal Carbon Tax of Societe Generale
- MDBs and IDFC establish Common Principles for Climate Finance Tracking

All case studies are available in the online Climate Mainstreaming Practices Database: www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

⁸ Note this is not intended to provide a comprehensive picture of emerging practices across Supporting Institutions. These examples have been provided on a voluntary basis by some Supporting Institutions. Examples are the sole responsibility and product of those institutions.

Principle

5

Account for your Climate action

Be transparent and report, wherever possible, on the climate performance of your institution, including increases in financing of clean energy, energy efficiency, climate resilience or other climate-related activities and investments. Be transparent and report, wherever possible, the climate footprint of the institutions' own investment portfolio, and how the institution is addressing climate risk.

Overview

Principle 5 is about transparency and disclosure of climate information. Transparency and disclosure of climate information provides decision-makers, investors, shareholders and the market in general with critical information that can help drive greater climate action by a wider number of institutions, companies and consumers. Transparency and disclosure can help drive capital flows toward climate-smart activities, and can contribute to efforts to manage climate risks in the financial system as a whole.

Many financial institutions and investors already voluntarily disclose climate-related metrics and information involving carbon emissions and footprint, as well as climate-related impacts. In many cases, disclosure of climate-related metrics requires the tools and approaches discussed in Principle 4, although not all information generated through tools necessarily requires disclosure. An increasing number of jurisdictions have adopted guidelines for regulated financial institutions to report and disclose information on carbon investments and risks, and many public sector financial institutions are required to report similar information to governments and citizens. Furthermore, Article 173 of the French Energy Transition for Green Growth Act (2015) has set disclosure requirements for asset owners on their management of climate-related risks.

In many ways, the ability to disclose metrics and assessments related to climate risk – in terms of carbon assets or impacts from climate change – depends on the availability of credible tools and approaches for measuring or assessing them. In areas such as GHG accounting, a significant amount of work has been done, and similar approaches are being applied, by a wide variety of institutions. In other areas, such as quantifying exposure to physical climate impacts, tools are only now being developed and tested which can allow for credible disclosure of such information. Even on a voluntary basis, such disclosure can have significant impacts on the ability of the financial markets to transform and adapt to a changing climate.

Climate Finance Tracking and Reporting

Article 2.1. c) of the Paris Agreement set the objective of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”. This call for the financial sector clearly recognizes its importance in scaling up financial flows and investment and sending signals to economic stakeholders. The International Energy Agency estimates that more than \$1 trillion in new, low-carbon investments will be needed each year between 2011 and 2050 in the energy sector alone if warming is to be limited to 2 degrees Celsius – the threshold for catastrophic impacts. Tracking climate-related or ‘Paris Agreement aligned’ financial flows can help understand overall trends in markets, as these reports can highlight shifts occurring year-over-year within certain sectors or industries. Climate finance reporting is also important for policy makers,

who use such data to understand how climate finance is being used and leveraged, and whether certain structures and risk mitigation measures are more effective than others.

BOX 14. Impact Reporting and Financial Instruments – the example of green bonds

Many financial actors and market stakeholders are increasingly seeing impact reporting as a key means of understanding the environmental impacts of their activities. Impact reporting includes any type of reporting that quantifies the climate or environmental impact of a project or asset. Today, the green bonds market is principal focus of climate-related impact reporting as green bond issuers are called to report on the use of proceeds. The resulting information is seen as key for market participants, particularly as the green bond market grows raising issues of environmental integrity and the veracity of ‘green’ claims as the issuer base widens - across geographic regions, across ratings bands, and as the asset base extends from the mainstays of renewable energy to infrastructure and other sectors.

The Climate Bonds Initiative’s (CBI) work in this area has indicated that for some potential issuers it remains an additional task and potentially a disincentive. However, they note that for some institutional investors, it is becoming a mainstream ESG consideration. CBI’s work indicates that the percentage of issuers providing impact reporting has been rising on a yearly basis, from 33% in 2013 to 47% in 2016. Furthermore, a number of different metrics are currently in use to account for impacts, ranging from reporting on ‘CO2 savings’, however some issuers report on ‘intensity’, ‘emissions’, ‘TCE reduction’ or ‘production of (clean) energy’.

CBI’s work suggests that the lack of a definitions and norms in this area may be holding back impact reporting becoming a standard practice. This more generally reflects the challenges in accounting for climate action today given a lack of shared definitions on what in a given geographical or economic context should count as ‘green’ or ‘climate related’ or most recently ‘Paris Agreement-aligned’.

Source: Climate Bonds Initiative (2017) *Post-Issuance Reporting in the Green Bond Market* <https://www.climatebonds.net/2017/07/impact-reporting-green-bonds-closer-look-analysis-our-recent-use-proceeds-report>

For several years, many development finance institutions (DFIs) have been publically reporting their climate finance for mitigation and (more recently) adaptation investments. Some are also reporting private climate investment leveraged by public finance. In addition to the self-reporting by DFIs, Climate Policy Initiative (CPI), Bloomberg New Energy Finance and the Organization of Economic Cooperation and Development (OECD) also gather information from a variety of financial actors to develop comprehensive climate finance reporting. Most recently, domestic-level studies are being produced to understand trends at the level of a given country, such as the work by I4CE in France, CPI in Côte d'Ivoire, the OECD in South Africa or the Colombian Government's (DNP) Sisclima tracking work. These reporting efforts provide critical information for policy makers, other financiers and investors.

BOX 15. Focus on Work Stream 2 - Mapping reporting initiatives and understanding implementation

Many Supporting Institutions are part of participating in reporting initiatives or have developed their own approaches, however mostly among public institutions. This work stream focuses on sharing practice between institutions, but also draw out the relevant experience and questions for financial institutions taking initial steps to track and report on climate-related investment and financial flows.

Across three phases, this work stream aims to share experience and practice on:

- The range of reporting initiatives and their underlying methodologies including climate finance tracking and reporting, greenhouse gas accounting approaches, green Bonds impact reporting, measuring the coherence/alignment of portfolios with national/international climate objectives
- The resources needed and benefits of joining a climate investment related reporting initiative
- Tracking and assessing contribution to climate and 'transition' or Paris Agreement-aligned activities

Illustrative Elements

There are a number of ways a financial institution can disclose climate actions, including through annual reports, participation in investor coalitions or other organizations that provide reporting mechanisms, or through mandated reporting requirements. Examples of approaches taken by institutions include:

- Disclosing investment and financial support for climate-related actions, and potentially reporting on additional funds leveraged or mobilized.
- In order to facilitate tracking, adopt qualitative or list-based definitions aligned with international practice on projects, companies and/ or activities that are classified as contributing to, neutral or counter-productive to climate change objectives.
- Develop systems to quantitatively assess the impact of projects, financial instruments and activities on climate change (GHG emissions, other quantifiable indicators for climate change such as: hectares of protected forests, emission intensity of the energy mix, access to clean energy, resilience indicators, etc.).
- Disclosing the carbon intensity of investments and/or carbon assets at potential risk due to policy reform or market evolutions.
- Information on how a financial institution is assessing exposure to and addressing climate-related physical and transition risks.
- Disclosing an institution's emissions footprint, for operations and investments, such as emissions from corporate travel, corporate recycling and building energy use and efficiency, assessments of investment portfolio emissions.

Some Lessons from Emerging Practice in Action

Annex B includes several case studies on emerging practices,⁷ which illustrate some examples of disclosure and transparency practices of financial institutions. Some lessons emerging from this experience include:

“Engagement with key departments in the conceptualization and development of the Asian Development Bank’s Public Climate Financing Database and public website made delivery of the output prompt and effective.”

Asian Development Bank (ADB)

“The key challenge addressed is how to decline macro policies into micro objectives that make sense for banking business lines.”

Société Générale (SG)

“Increased ESG disclosures and consistent performance in ESG Ratings, helps build trust and credibility for the Bank’s ESG performance, and in turn leads to improved investor confidence, profitability for the Bank and substantiates the business case for adopting Environment and Social Policy (ESP).”

YES BANK

The inaugural 2015 Emerging Practices report gathered the following case studies related to Principle 5:

- MDBs Harmonize Approaches for Tracking in Order to Improve Disclosure of Important Climate Data
- Yes Bank’s Triple Bottom Line Accounting and Reporting Key to Building Credibility and Trust
- EIB Publication of Carbon Footprint Methodologies, Project Level Absolute & Relative GHG Data, Aggregate Annual Data, and Impact Reporting for Green Bonds
- The IDFC Publicly Reports Green and Climate Finance Data

All case studies are available in the online Climate Mainstreaming Practices Database: www.mainstreamingclimate.org/climate-mainstreaming-practices-database/

Annex A.

Methodology for Collecting Case Studies

The Secretariat requested that Supporting Institutions provide examples that illustrate how – in very practical terms – they have implemented concepts included within the Principles. The examples provided are not about specific projects an institution may have financed, but rather the operational approaches, tools and internal policies they have employed. When compiling the examples and case studies, the following guidelines were provided.

Purpose: The purpose of the second version of the Emerging Practices Paper (named *Climate Mainstreaming Practices Report*) is to illustrate, through examples and case studies, an Institution’s approach to supporting the Principles for Mainstreaming Climate Action within Financial Institutions and will have a strong focus on the issues prioritized by members of the initiative in the form of Work Streams. These examples and case studies are meant to illustrate how an institution supports each Principle and to inform the knowledge sharing efforts of the initiative’s work streams.

The Climate Mainstreaming Practices Report is meant to collect a “snapshot” of practices undertaken today. It is not meant to be prescriptive or exhaustive.

Approach/Instructions: The case studies are meant to tell a story, and “illustrate” how a policy, approach or tool related to the Principles and/or the Work Streams helped mainstream climate action within your institution. Simply acknowledging that your Institution has a policy, operational tool or approach is not sufficient for the *Climate Mainstreaming Practices Report* (eg. simple “yes” or “no” answers will not be enough). When putting together your institution’s example, please consider the following guidelines:

- To ensure the global consistency of the document, the case study would need to be presented as an illustration of one of the 5 Principles, and be related to either of the work streams.
- It would be helpful to know when the policy, approach or tool was put into effect; what was the process followed, whether it was instituted through a policy change, board decision or management directive; and when it was implemented.
- How was the policy/approach/tool developed? Was it in response to something internally, externally? How

long did it take to put it together? What teams were associated to develop it? Were outside consultants employed to design/develop it? What consultation process was chosen? Were special committees/groups employed to gain internal and/or external consultations/consensus?

- Once the management decision was made, how was the policy/approach/tool implemented? Did it affect one group/department, multiple groups/departments, or the entire institution? Was it rolled out to specific departments (eg: industries, regions) first, or across the institution. How long (eg: months, financial or fiscal years?) did it take for the policy/approach/tool to become effective? How did you generate engagement from operational teams?
- How long has the policy/approach/tool been in place? Does it require specialized staff or teams to implement? Were there budgetary implications? What has been the operational/lending volume impact of the policy/approach/tool?
- What has been the response from clients, external entities (eg: NGOs, civil society) regarding the policy/approach/tool?
- Have there been independent and/or external evaluations of the policy/approach/tool?
- Has the policy/approach/tool been revised since its original implementation? Have lessons of experience been incorporated into revisions of the policy/approach/tool and how?
- What has been the overall impact of the policy/approach/tool in terms of the overall performance of the Institution?
- Since the policy/approach/tool was applied what framework was set up to track and report progress made towards meeting its objectives/targets/goals?

Disclaimer: All case studies submitted by Supporting Institutions are the sole responsibility and product of that institution. They were not reviewed or edited by any other institution, nor does their inclusion in the collection of the Climate Mainstreaming Practices Report imply that the content of the case studies have been endorsed by other Supporting Institutions.

Annex B.

2017 Case Studies

Sharing Practice to Support the Implementation of the Paris Agreement

The Climate Action in Financial Institutions Initiative is the only network bringing together both public and private financial institutions with the sole objective to share concrete expertise, insights and practice in mainstreaming climate change across their operations. Built around shared commitments to implement the Five Voluntary Principles, the Initiative aims to support and guide financial institutions moving forward in the process of adapting to and promoting a low-carbon climate resilient development.

This section presents the case studies that have been submitted by Supporting Institutions since the publication of the inaugural Emerging Practices report in 2015. You will find in Annex C. a list of the case studies submitted for this first report.

At COP23 in Bonn, the Climate Action in Financial Institutions initiative called on the world's entire financial community to sign up to the 5 Principles and announced the launch of an online and publically accessible Climate Mainstreaming Practices Database. The Database contains all case studies submitted by member Supporting Institutions. The case studies showcased are by no means exhaustive nor prescriptive, but aim to facilitate learning and knowledge exchange on practical approaches to help financial institutions develop their own robust, yet tailored, approach.

It is accessible on the website of the initiative www.mainstreamingclimate.org.

List of the case studies submitted for the 2017 Climate Mainstreaming Practices report:

Principle 1:

Agence Française de Développement's (AFD) Multi-Country Climate Adaptation Facility to support NDC implementation in vulnerable countries.

Asian Development Bank's (ADB) Climate Change Operational Framework 2017-2030 (CCOF2030)

CDG Capital sets up a Sustainable Development unit

The European Investment Bank's Climate Strategy

Creation of IDC's Climate Change Response Strategy
 Mainstreaming Climate Change into the Interamerican Development Bank Group (IDBG)

JICA's Internal Strategy for Climate Change and 2020 financial target

TSKB's Sustainability Management System (SMS): managing climate change-related risks and opportunities

YES BANK's Natural Capital Initiative

Principle 2:

ADB scales up the integration of physical climate risk management into its operations

Crédit Agricole's PgXCA methodology to assess the materiality of climate risks

Credit Agricole CIB's Development of a Medium-Term Transition Risk Index

Principle 3:

AFD and the Government of Senegal (GoS) develop cutting-edge tools for smarter flood investment and improved urban planning

The Development Bank of Latin-America (CAF) "Cities with a Future" initiative

DBSA's innovative blending financing mechanism to catalyze small scale renewable energy market in South Africa

EBRD's Green Economy Financing Facilities

EBRD's Green Cities Framework

JICA's Support for the establishment and implementation of the 'Bangkok Master Plan on Climate Change 2013-2023'

YES BANK's Promotion of Energy Efficiency and Occupational Health & Safety in the Indian MSME sector

Principle 4:

CAF upgrades its Environmental Corporate Program to a fully Integrated Management System for Environment and Social Responsibility

Yes Bank's Environment Management System (EMS) and Policy-Journey to become the first Bank achieving ISO 14001:2015 Certification

Principle 5:

Asian Development Bank's Public Climate Financing Database

Société Générale's implementation of its commitments for the coal sector

Yes Bank's Sustainability Leadership reflected through ESG disclosures

All case studies are available in the Climate Mainstreaming Practices Database (www.mainstreamingclimate.org/climate-mainstreaming-practices-database/)



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Find more case studies online at <https://www.mainstreamingclimate.org/>

Agence Française de Développement's (AFD) Multi-Country Climate Adaptation Facility to support NDC implementation in vulnerable countries.

Institution	Principle	Related Work Stream(s)
		

Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
May 2017 Adapt'Action Climate Adaptation Technical Assistance Facility to support implementation of Nationally Determined Contributions (NDCs) in 15 countries vulnerable to climate change	At the institution level: <ul style="list-style-type: none"> • One project manager in AFD / Climate Change Division One dedicated Project Management Unit with external consultancy firm Transtec (one consultant full time, one senior consultant one third time + mobilization of local experts when needed) <ul style="list-style-type: none"> • Mobilization of staff from AFD Climate Change Division (and operational divisions) to help supervise project design and implementation at country level One project manager from Expertise France At the country level: Recruitment of local and international experts to implement activities	First initial 15M EUR tranche approved by AFD Board in 2017 (subsidies). 30 M EUR objective.

Monitoring, reporting tools	How Implemented?
Quarterly reports from the Management Unit.	<p>At the institution level: Implemented through existing structure, within the AFD climate change division with the creation of a specific Project Management Unit (team of consultants from consultancy firm Transtec).</p> <p>At the country level: design of the project during an identification mission with a multi-stakeholders workshop around NDC implementation to identify priorities and activities to be financed by Adapt'Action. Design of specific local governance with the signature of a MOU.</p> <p>Execution phase is managed directly by AFD and Expertise France (French agency for international technical cooperation) to accelerate NDC implementation (recruitment of experts etc.) with a strong involvement of countries with regular local project committees and involvement of local technical focal points.</p>

Key Lessons

Adapt'Action was started only 6 months ago, however after completing the identification stage in a first set of countries, AFD already notes that:

- At the institution level: Multi-country dedicated climate instruments can help mainstream climate strategies and incentivize operational staff to better integrate climate considerations and risks in project design and build new project portfolio with improved climate co-benefits;
- At the country level: a dedicated climate-focused technical assistance instrument can help countries take next steps at a macro level / governance level towards the operationalization of their NDC;
- At both levels, the Adapt'Action Facility, through the approach and the activities that will be deployed, has the ambition to help both the AFD and 15 vulnerable countries to commit to climate strategies and promote climate smart objectives.

Introduction

In May 2017, AFD launched the new "Adapt'Action" Facility to support the implementation of Nationally Determined Contributions (NDCs). The aim is to help countries vulnerable to climate change achieve low-carbon and climate-resilient development trajectories and support an increase in "climate investments", with a focus on adaptation.

Adapt'Action aims to partner with 15 countries to:

i) Strengthen "climate" governance to ensure they effectively implement their NDC through capacity-building activities for all actors across the national territory;

ii) Translate NDCs into sectoral public policies, combined with concrete action plans focusing on key climate change sectors;

iii) Design transformational "climate" programmes and projects, with a priority focus on adaptation, based on a robust analysis of vulnerability to climate change and the various potential adaptation solutions, while simultaneously integrating methods of managing uncertainty.

The Facility focuses on African countries, the Least Developed Countries and Small Island Developing States. In addition to this Facility, AFD will assist

countries in mobilizing financing and partners in order to scale up their action.

Development and Design

Financed and coordinated by AFD, the implementation of Adapt'Action involves multiple institutions. Expertise France, the French agency for international technical cooperation, is in charge of the first objective dedicated to climate governance. AFD is in charge of implementing the second and third objectives with the assistance of a dedicated Project Management Unit. For each country, a joint identification mission with a multi-stakeholders workshop is organized with the institution(s) in charge of NDC implementation in the country. The workshop aims to identify with involved parties (including authorities, NGOs, private sector) specific needs, existing projects, and propose activities to be financed by Adapt'Action. A memorandum of understanding is signed with the institution(s) in charge of implementing the NDC to determine local governance of the project, roles and responsibilities and a work plan for the first period. Then AFD and Expertise France will manage directly the execution phase with recruitment of experts to implement activities in each country.

Implementation

At the internal level: this new financial instrument is a promising opportunity to mainstream climate strategies and incentivize local agencies and operational staff to better integrate climate considerations and risks in project design and in their discussion with local authorities and counterparts. Adapt'Action tries to work at very early stage with operational staff so that the country level project is co-constructed. Although the instrument is a technical assistance Facility, the objective at medium term is to generate new investment projects with improved adaptation co-benefits.

At the external level, this new Facility is working with countries at a macro/structuration level promote NDC implementation through supporting better climate governance, better integration of climate considerations in public policies, and to foster the preparation of climate programs. During the initial identification mission, a multi-stakeholders workshop is systematically organized (including local authorities, financial partners, NGOs and the private sector) to identify key needs to be addressed. Beyond the fact that this workshop helps Adapt'Action identify relevant activities to finance, it is also useful for countries to foster exchanges and operationalize the Paris Agreement.

The main challenge of the instrument lies in the broad geographic scope of the Facility (15 countries) and the large number of actors involved both internally and externally.

Results and next steps

As of October 2017, 6 identification missions have already been conducted (Comores, Niger, Dominican Republic, Tunisia, Madagascar and Mauritius) and 1 is planned before the end of 2017 (Congo Brazzaville). First MOUs are to be signed before the end of the year and the implementation phase will begin early 2018.



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Asian Development Bank's (ADB) Climate Change Operational Framework 2017-2030 (CCOF2030)

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
4 July 2017	The development of the CCOF2030 required the establishment of an internal working group and engagement of various consultants who prepared the necessary background analysis and facilitated stakeholder consultations.	Approved by the ADB President.
Monitoring, reporting tools		How Implemented?
The CCOF2030 contains a results framework which includes performance indicators, such as baselines and targets. Periodic reports will be prepared, drawing on this results framework, and including other relevant information.		The CCOF2030 was developed in recognition of the importance of scaled up climate change actions to support the achievement of country climate and development objectives. A consultative approach was employed in the preparation of the CCOF2030. Actions and measures were derived from institutional learnings and sector and thematic assessments.

Key Lessons

- Strong management and Board support is key for institutional buy-in.
- High value of internal and external stakeholder consultations.

Introduction

ADB acknowledges the central role of climate action for the achievement of the Sustainable Development Goals. Climate action will determine the sustainability of development in ADB's developing member countries (DMCs) in Asia and the Pacific, which have the largest number of climate-vulnerable people and highest overall potential for reducing greenhouse gas emissions. Recognizing the importance of climate change as a core issue in its Midterm Review of Strategy 2020, ADB identified the need for a climate change operational framework to meet its commitment to double climate financing, as also to underpin its forthcoming institutional strategy, Strategy 2030.

Approved on 4 July 2017, the Climate Change Operational Framework 2017-2030 (CCOF2030) provides broad direction and guidance for enhancing resilience and strengthening climate actions in ADB's operations and business processes including country partnership strategies, country operations business plans, sector and thematic strategies, DMC programs and projects, technical assistance, and knowledge and capacity-building support. This was developed in accordance with the goal to deliver stronger, better and faster support to its DMCs as «One ADB».

The CCOF2030 positions ADB to facilitate, collaboratively and proactively, a regional shift toward a low greenhouse gas emissions and climate-resilient development path. It provides guidance across all ADB sector and thematic groups to support climate adaptation and mitigation actions, operationalizing ADB's commitment to provide climate financing of at least \$6 billion per year from its own resources by 2020. It provides the framework for ADB's support to its DMCs in meeting their climate commitments and development objectives under the Paris Agreement, the Sustainable Development Goals and the Sendai Framework for Disaster Risk Reduction, including in the development and implementation of nationally determined contributions.

Development and Design

ADB employed a consultative approach in the development of the CCOF2030, from concept stage to approval by the ADB President. Internally, extensive consultations were undertaken with relevant ADB departments and staff in preparing the CCOF2030. The CCOF2030 development also benefited from consultations with various external stakeholders in the preparation of the Strategy 2030, and from a regional consultation workshop with DMC representatives.

The CCOF2030 was developed by building on the substantial experience and progress of the DMCs in addressing climate change and ADB's own experience in providing climate-related assistance to its DMCs, particularly over the last decade. The analysis behind the CCOF2030 drew on ADB's rich knowledge base. Supporting studies were also undertaken to improve understanding of climate risks across the region; and to assess opportunities for ADB to improve resilience through its water resource investments, scale up low-emission energy investments, strengthen the integration of resilience and low-emission objectives through urban operations, strengthen and simplify access to advanced clean technologies, and optimize the achievement of the SDGs through climate operations.

Implementation

In the light of the adoption of the Paris Agreement in 2015, ADB initiated the preparation of the CCOF2030 to articulate the strategic directions envisioned by ADB towards its commitment to provide climate financing of USD\$6 billion from its own resources by 2020 and subsequent scaled up actions through 2030. The formulation of the CCOF2030 required management guidance and support as well as collaborative inputs from relevant personnel/departments of ADB. Consultations were undertaken including with ADB management even at the early stages of the CCOF2030 development. The institutional measures and priority actions in the CCOF2030 were identified, guided by the ADB's operational experience and progress, and the background papers developed.

ADB will strengthen internal mechanisms and proactively engage its DMCs to support climate actions geared towards improving climate resilience, achieving national sustainable development and contributing to international climate change efforts. ADB's support to DMCs will be focused on five actions centered on:

(i) supporting institutional development and policy frameworks conducive to ambitious climate action in developing member countries;

(ii) facilitating access to public and private, domestic and international climate finance;

(iii) promoting the use of climate technologies in operations;

(iv) developing knowledge solutions and support for capacity development, and strengthening partnerships and networks.

Internally, ADB will strengthen internal practices to ensure delivery of stronger, better and faster climate action, ensuring that:

- climate change considerations are fully mainstreamed in its strategies and business processes;
- the role of concessional finance in enhancing climate action is assessed with more strategic fundraising and effective fund management;
- roles and responsibilities are clearly delineated across the institution;
- staffing and organizational structure are optimized and adequately equipped; and
- internal cooperation, coordination and knowledge sharing are improved.

Moving forward, ADB will initiate the rollout of activities for the implementation of the CCOF2030. It will further implement institutional measures to deliver on its commitments and support DMC climate action more effectively to 2020 and beyond, when needs may be even greater and more varied. The CCOF2030 will be implemented through 2030, in two phases. Phase 1 (2017–2023) will serve as a testing and learning opportunity as ADB scales up climate finance to meet its climate finance target by 2020 and determines how it can further increase climate investment and the quantity and quality of its climate operations beyond 2020. Phase 1 will be based on: a stocktaking of output and achievements to date; the pipeline of operations; DMC needs and demand for ADB support; institutional mandates and structures; and available financial, technical, and human resources. Phase 2 (2024–2030) will allow ADB to apply the lessons from climate operations during phase 1 in providing support to DMCs as they embark on low emission and climate-resilient development. ADB is likely to need further adjustments in its priorities

and operational modalities as the decade progresses and as changes occur in climate change impact and vulnerabilities, access to climate finance, demand from the DMCs, and technology, and as experience is gained and lessons on good practice and successful approaches are learned.

Experience and Impact

To be an effective tool/resource to guide operational country engagement, the CCOF2030 requires the (i) clear articulation of the goal/vision; (ii) identification of the principles, actions and measures to achieve the goal; and (iii) establishment of a mechanism to assess performance/progress and redirect actions as necessary.

The design of the CCOF2030 greatly benefits from intensive internal and external consultations (with strong management guidance and support) and background analytical studies. They help better formulate and validate proposed measures and actions on climate change to enhance support to DMCs, aligned with their needs and priorities.



Climate Action in Financial Institutions

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CDG Capital sets up a Sustainable Development unit

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
June 2017	Reallocation of internal resources Required training and development of tools and procedures, some of which with the help of external consultants.	Senior management decision
Monitoring, reporting tools		How Implemented?
N/A		Implemented once opportunities in climate business became clearer.
Key Lessons		
<ul style="list-style-type: none"> • CDG Capital sustainable development unit was set up following the Bank's experience over a number of years of experience with climate-related activities and involving different partners and stakeholders. • Strong management support was key to successful implementation. • Joining networks and clubs to learn and share best practices was seen as an important part of the process leading to the establishment of the Sustainable Development Unit. 		

Introduction

CDG Capital acknowledges that climate change is a serious challenge in Morocco. Its main effects, including water scarcity, declining agricultural production, desertification, flooding and rising sea levels, may compromise the country's economic and social well-being as well as development efforts. As a financial institution serving the national economy, CDG Capital set up in June 2017 a sustainable development unit, aiming at integrating sustainability in business strategies, approaches and targets in line with national targets (NDCs).

Development and Design

The Sustainable Development Unit was developed internally building on CDG Capital previous experience, including:

- the launch of the first African Clean Development Mechanism (CDM) fund in African French speaking countries in 2008;
- the lessons learnt from the Green Climate Fund accreditation process;
- and CDG joining the International Development Finance Club (IDFC) since 2001.

On the one hand, the CDM experience raised CDG Capital awareness about international climate negotiations, created an opportunity to interact with Moroccan project developers involved in climate change activities and improved CDG Capital skills in terms of greenhouse emission measurement methodologies. On the other hand, the GCF accreditation process helped CDG Capital put together a climate strategy and create new procedures (ESS and gender). Eventually, CDG Capital involvement in IDFC was a great opportunity to acknowledge the role of development banks in supporting the climate resilient development pathways and to acquire knowledge and skills with regards to climate best practices.

The unit aims at (i) developing a climate track record (ii) building a CSR strategy with the consultation of stakeholders (iii) executing a climate capacity building plan and (iv) ensuring transparency and disclosure of sustainability information.

Implementation

Best practices leadership: CDG Capital played an active role in the COP22 scientific committee that led to the establishment of the climate roadmap for the Moroccan financial sector in 2016. CDG Capital took

part in workshops with the central banking authority (Bank Al Maghrib) and the banking association (GPBM) and other stakeholders in order to draft proposals for the banking sector, based on international climate mainstreaming best practices. The climate roadmap advocates the introduction of voluntary measures such as (i) environmental and social due diligence reviews in the project cycle process (ii) the setup of new tools/mechanisms to finance climate change projects (iii) financial inclusion including reducing gender disparity (iv) capacity building and (v) transparency and disclosure of sustainability information

International resource mobilization: CDG Capital became the first bank in the MENA region to receive accreditation from the Green Climate Fund (GCF) in July 2017. This accreditation approval took almost two years and involved all bank's units to provide the GCF with CDG Capital fiduciary, investment and environmental and social, and gender skills and capabilities. With this accreditation, CDG Capital is entitled to channel GCF funds using different financial instruments such as equity, loans and guarantees, in order to finance national adaptation and mitigation projects, which total cost could reach up to USD 250 million per project.

Environmental and social policy: CDG Capital is aware of the need to take into account environmental and social risks in its governance. The environmental and social policy was set up to ensure social and environmental fairness, through a rigorous process of evaluation, control and monitoring of the environmental and social impacts throughout the life-cycle of the project, using IFC performance standards and guidelines.

Gender policy: CDG Capital acknowledges the importance of integrating the gender approach in its processes and procedures throughout the life-cycle of the project, in order to maximize (i) access to climate funds for vulnerable populations and (ii) the socio-economic benefit of the project for vulnerable populations. CDG Capital also took the commitment of promoting an internal balance between men and women in key decision-making and advisory positions.

Physical climate risks assessment: As an asset management leader in the country, CDG Capital sponsored along with other European financial institutions the development of the CRIS (Climate Risk Impact Screening) methodology measuring the exposure of financial assets to the physical risks associated with the impacts of climate change.

Next steps

CDG Capital has been able to establish itself as a leading player in sustainable finance in Morocco. CDG Capital will keep building the foundations of a successful CSR strategy with the consultation of stakeholders and will ensure better transparency and disclosure of sustainability information.

In order to develop a climate track record in financing adaptation and climate projects, CDG Capital will leverage its accreditation to the GCF. In order to get there, it aims to (i) set up climate financing targets (ii) structure climate transactions, and (iii) upgrade skills of its staff in relation to climate processes and approaches.



Climate Action in Financial Institutions

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The European Investment Bank's Climate Strategy

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Implemented?
September 2015	In order to complete its Climate Strategy, the EIB hired a specialized consultant to facilitate stakeholder consultations and internal coordination. The EIB has now set aside a dedicated budget and is in the process of reinforcing its teams across different directorate/ departments to help implement the Strategy.	Based on inputs received through extensive internal and external stakeholder consultations, including the general public, as well as a detailed climate action review, the EIB drafted its own Climate Strategy. It is focused on three main strategic areas: 1) Reinforcing the impact of EIB climate financing; 2) Building resilience to climate change; 3) Further integrating climate change considerations across the EIB. After its approval, the EIB developed ten action plans to coordinate its implementation by defining specific actions to be taken forward by different EIB teams. This also required extensive inter-departmental consultations and coordination, to facilitate its implementation.
Monitoring, reporting tools		How Established?
A Climate Strategy Implementation Steering Committee was created to support and monitor the implementation of the Climate Strategy and its related action plans, which defined specific deliverables for different teams. An internal evaluation department is also monitoring the progress of EIB's Climate Strategy, with a view to finalise a mid-term review of the 5 year plan after 3 years of implementation.		Approved by the Bank's Board of Directors

Key Lessons

- Extensive, early and wide internal and external consultations are required to identify and build consensus on the climate action objectives, including targets, and to obtain strong buy-in and support for implementation from all the relevant stakeholders
- This has to be supported by extensive awareness raising, knowledge sharing and training programmes. These need to be tailored and take into consideration the different roles/responsibilities of different services in implementing the Strategy.
- Drafting the Climate Strategy and its related action plans in sequence has enabled the involvement of different stakeholders and has also helped to progressively involve parts of the Bank that had previously not been closely involved with climate action.
- Phasing of the implementation in the definition of Action Plan deliverables needs to be carefully thought through, also based on an assessment of existing resources and of the resources that can realistically be mobilized.
- Ensuring management buy-in for objectives and deliverables and involving management from all relevant departments in the monitoring process is essential to maintain awareness across the institution around the Strategy's relevance and to increase the likelihood of its implementation.

Introduction

In September 2015, the EIB's Board of Directors approved the Bank's Climate Strategy. It articulates the long-term vision for EIB's approach towards climate action, to support the Bank's mission, which is "to play a leading role, amongst financial institutions, in mobilising the finance needed to achieve the worldwide commitment to keep global warming below 2°C and to adapt to the impacts of climate change."

The EIB's Climate Strategy identifies the following three main strategic areas for action:

1. Reinforcing the impact of the EIB's climate financing;
2. Building resilience to climate change; and
3. Further integrating climate change considerations across all of the Bank's standards, methods and processes.

Development and Design

The Climate Strategy built on the climate action review carried out by a team involving multiple directorates and the input of members of the Bank's Climate Working Group. The drafting was supported by a specialized consultant, which facilitated external stakeholder consultations and internal input coordination. The action plans were initially drafted with consultation of the members of the Climate Working Group and finalized with the creation of the Climate Strategy Implementation Steering Committee, which included directors from key departments/directorates supported by an expert secretariat. The

SC members were tasked with consultation within the respective Directorates so as to ensure decisions could be made during SC meetings. To implement the action plans, the Bank has approved a dedicated consultancy budget and is in the process of reinforcing its teams across different directorate/departments.

Implementation

The Strategy is currently under implementation. In July 2017, ten action plans were approved by the Management Committee. Implementation of various actions in the plans started right after the approval of the Strategy. The Board has been and will continue to be periodically informed about progress.

The action plans are conceived as a planning tool to ensure progress in all areas, as they articulate the interpretation of the commitments and goals of the EIB Climate Strategy across the different EIB services involved and the activities needed to achieve those goals. They are an internal document as they spell out specific actions and deliverables by each relevant team. The plans cover areas that include enhanced project pipeline development, the development of a climate risk management system as well as financial innovation to mobilise private climate finance.

Most EIB Directorates are involved in the implementation and all services were made aware of the Strategy and Action Plans through awareness raising events and through the dissemination of the relevant Management Committee documents. Special events were designed to make the Strategy's objectives relevant for operational teams, bringing sector and geographical teams together to discuss the climate action investment opportunities in their

pipelines and ways to identify additional opportunities in the different areas of operation. Climate action experts are also involved in the periodic strategic pipeline discussions at director level.

Buy-in and active involvement in the development of specific elements of the strategy, e.g. the climate risk management system, were pursued by creating special cross-directorate focus groups, leading to the creation of a community of practice and champions throughout the Bank.

Experience and Impact

Moving from the development to the implementation of the EIB Climate Strategy is a challenging yet rewarding process. Overall, good progress was made on a very complex task that requires extensive dialogue across many EIB services. Internal coordination bodies were strengthened at both working- and decision-making levels so as to support the implementation of the Strategy. In particular, a Climate Strategy Implementation Steering Committee, composed of director-level representatives from all the relevant departments of the EIB (supported by a climate expert secretariat), was created to support and monitor the implementation of the action plans.

Inter-service dialogue and coordination has improved, new business opportunities have been actively identified, awareness raising and capacity building activities progressed and so did the outreach to client, peer institutions and other external stakeholders. In particular, coordination with the European Commission, other Multilateral Development Banks as well as other public and private financial institutions is crucial to maximise the impacts of Bank's Climate Strategy implementation, while ensuring efficiency in its delivery.



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Creation of IDC's Climate Change Response Strategy

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



SPREADING
A CLIMATE STRATEGY
INTO
A WHOLE
ORGANISATION

Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
2017: IDC Established a Climate Change Response Strategy	Integrating of the function to existing Small Business Unit responsibility; Creation of a Green Strategic Business Unit (SBU) and appointment of trained staff, building capacity, establishing communication platform and coordinating strategy for top- down approach and bottom- up feedbacks and support.	Green SBU and EHS Department have been prompted by the drive to transform the economy to become green, and tracking of the Bank's annual performance, reporting standard has been based on the Standard disclosure from the GRI Sustainability Reporting Guidelines. Climate information disclosure accuracy was based on the decision from the external audit assurance gap analysis report following the Bank's annual audit findings of its internal carbon management and reporting platform (formerly guided by existing Environmental & Sustainability Policy Framework established in 2016 as amended).
Monitoring, reporting tools		How Implemented?
N/A		Use of Climate Change Response Strategy, in which a phase approach was adopted building on past sustainability initiatives internally.

Key Lessons

- Developing and implementing strategy to ensure that climate change and environmental sustainability issues and opportunities are adequately mainstreamed and addressed in Bank operations, and in line with South African strategy program (CSP) and commitments to emission reduction.
- Establishing a centralized climate change department or unit within the corporation which will assist to streamline all climate change related business, coordinate, provide an oversight, work with government and other private sector clients to develop and finance energy and climate change resilient programmes.
- Development of guidelines and process to support implementation, including: Carbon Risk Management Guidelines; Internal Monitoring and reporting frameworks and guidelines.
- Where critical human resource gaps are identified, workshops be held either internally or externally to build skills capacity to ensure that the climate change information meet the requirements of the Bank's GRI indicators.

Introduction

The IDC, being the largest DFI by assets in South Africa (formed by Act of government), carries a mandate of leading Industrial Development. It has a controlling stake by shareholding in some of South Africa's key industrial sectors (acquired through debt funding and/or equity). It is a registered public corporation and a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA), No 1 of 1999, and the related Treasury regulations. Its strategy is focused on the need to maximise development impact through jobs-rich industrialisation and ensuring the long-term sustainability of the Corporation by addressing specific issues related to financial capital, human capital, social capital, stakeholders, the natural environment and increasing the efficient use of resources.

Following Cabinet approval of the White Paper Renewable Energy (2003), IDC set a target of 10,000GWh of energy to be produced from renewable energy sources (mainly from biomass, wind, solar and small-scale hydro) by 2013. This was confirmed to be economically viable with the use of subsidies and carbon financing. As a public DFI, the IDC supports the Paris Agreement, the broader sustainable development agenda and the new global emission reduction policy frameworks. The Bank has forged ahead with a green investments policy that embraces the transition towards a low carbon economy within its operational boundaries (South Africa and the rest of Africa) not only in support of the South African government's emission reduction commitments of 42% by 2025 made in Copenhagen, but also in support of the global emission reduction agenda. The government policy is reviewed every 4 years.

Implementation

To mainstream climate change investments into the IDC's core business activities, and drive transformation towards a green economy, IDC's funding activities are built on its internal policies. These policies are designed to support Government's regulatory policies on Green Investments and international emission reduction commitments. Furthermore, the IDC identifies the key climate risk factors inherent in the project finance value chain (from inception, commissioning, growth & closure).

IDC's progress in this area has been linked with advances in government policy on climate-related topics. Key policy milestones include:

2003: Introduction of a White Paper on Renewable Energy target.

2011: Government introduction of the IPP programme.

2014: Government Carbon Tax Bill.

2017: Government promulgated Air Quality Act, 2004 as amended (inclusion of GHG emissions management plan).

2017: IDC Established a Climate Change Response Strategy.

The IDC's policy implementation and strategy initiative & Implementation started in 2010 (as guided by the then Environmental & Sustainability Policy) and continued today on the basis of Climate Change Response Strategy, in which a phase approach was adopted. Reporting of climate change information and management has been legislated under the South African Air Quality Act of 2004 as amended (GHG Management Plan Disclosure), and the Carbon Tax Policy Bill yet to be legislated.

This initial steps were linked to concurrent policy advancements in South Africa. Through a process of extensive consultation with stakeholders, the South African government introduced the 2011 IPP (Independent Power Producers) programme with the objective to produce 47 25MW of renewable energy

through a bidding process, and a further determination to additional 3200 MW by 2012. In support of this program and the broader green economy agenda, the IDC created a Green Strategic Business Unit (SBU) (today known as Industrial Infrastructure Unit). Through extensive consultation with shareholders, public-private partnership participation, and a series of bidding processes, the IDC provided an equity funding and/or debt to create downstream and upstream development. The Government has strengthened international relationships in this area via partnerships established during the World Summit on Sustainable Development (WSSD) in 2002.

IDC has taken a number of steps over the last years to support the mainstreaming of climate-related issues internally:

- Developing and implementing strategy to ensure that climate change and environmental sustainability issues and opportunities are adequately mainstreamed and addressed in Bank operations, and in line with South African strategy program (CSP) and commitments to emission reduction.
- Establishing a centralized climate change department or unit within the corporation which will assist to streamline all climate change related business, coordinate, provide an oversight, work with government and other private sector clients to develop and finance energy and climate change resilient programmes.
- Carbon Risk Management Guidelines that stipulate clear cut reporting lines and provide structural information with respect to responsibilities & functions with respect to tools, strategy, and support to build climate business and oversight.
- Monitoring and reporting periodically on the implementation of the operational translation of the Bank's Climate Risk Management Policy and on the overall Bank's efforts in relation to energy, climate change in project finance.
- Clear communication and reporting guidelines to ensure consistency in carbon disclosure reporting across all IDCs subsidiary operations. The climate change information is to be built into the corporation performance targets as tied to its strategy will filter across its departmental structural units to ensure senior management buy-in to making climate issues part of the business-as-usual i.e. elevate climate issues accordingly. This will ensure that the climate change information is included in the corporate scorecards thereby creating an incentive for member staff to prioritize climate business opportunities.
- By providing capacity building, and incentives to embracing cleaner production to existing clients, the IDC assisted in mitigating the climate risk challenge, and the financial risk associated with

the looming impact of Carbon Tax from material business partners, which showed high probabilities of eroding their profit margins. Such move ensured that the dividend per share is not affected by carbon tax, thereby ensuring the IDC financial sustainable.

Experience and impact

IDC's green portfolio (by 2012) reached R10.4 billion (Fuel based energy 10%, energy efficiency 4%, Renewable energy 73%, Biofuels 1.3%) through public-private partnership and is expected to exceed this quantum once the biomass, waste stream energy projects are commissioned in the next few years thus addressing the 17 UN- based SDGs.

- The IDC investment commitment to renewable energy has increased to R7,7 billion through equity funding. On top of this, the IDC benefits from a R400 million credit line from the French Development Agency (AFD) Renewable Energy Fund to fund small-scale renewable energy (1 – 5MW). These include the four fuel-based energy cluster projects generating 277 164 MWh equivalent over 10 years, resulting in an estimated associated reduction of 385.1 tons CO₂e per year. One of the projects received a KARSLUHE Sustainability Finance award in 2016. IDC's biggest exposure is in the Concentrated Solar Power (CSP) project with expected CO₂ avoidance in the order of 31 million tons of CO₂e over 20 years. The total financial exposure in 2014 increased to R13.1 billion (from clean technologies: Photovoltaic, Concentrated Solar, Hydro and Wind).
- Furthermore, IDC has commitment to fund energy efficiency projects through the establishment of the Green Energy Efficiency Fund (GEEF) to a total commitment of 35% of the R500 million allocation.
- Recently the IDC partnered with private business and government to finance, through equity investment, a venture capital project associated with Carbon Capture and Utilization process. The project uses all the CO and CO₂ waste stream (from smelters and other chemical processes) as feedstock to form ethanol, resulting in a material reduction of carbon emissions (equivalent to 250,000 cars) thereby promoting clean air and mitigating climate change. It is anticipated that a huge reduction in the quantity of CO₂e from other biggest CO₂ emitters in South Africa and across the globe will be enjoyed once the project reaches commercial scale, and replicated across the globe. This project forms a strong platform to addressing all the UN-based 17 Sustainable Development Goals (SDGs).



Climate Action in Financial Institutions

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Mainstreaming Climate Change into the Interamerican Development Bank Group (IDBG)

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
2016: Adopted the goal of increasing the financing of climate change-related projects in LAC to 30 percent of the IDBG by December 31, 2020.	Required internal reallocation of climate staff, hiring of additional climate staff, and internal and external resources.	The IDB and IIC Boards of Governors endorsed the goal (subject to demand from borrowing countries and clients, and access to external sources of concessional financing).
Monitoring, reporting tools		How Implemented?
IDBG applies the MDB joint metrics on adaptation finance and mitigation finance. The MDB methodology has been integrated into the IDB's tracking of alignment to its institutional strategy. The IDB is also developing a set of indicators for its Climate Change Action Plan 2016-2020, including process and results indicators.		To deliver on the 30% target the IDBG enhanced existing structures and tools and created new ones. The IDBG has recently approved its Climate Change Action Plan 2016-2020 summarizing all the actions developed for achieving the goal.

Key Lessons

- Institutional targets are the starting point to spread a climate strategy into a whole organization.
- Upstreaming climate change in strategic documents and programming, even before the discussion of specific projects with Governments is key to mainstreaming and taking climate change into consideration throughout operations.
- Incorporating climate change across strategies and operations requires building a robust knowledge agenda on climate change and materials to build internal capacity within the institution and to permeate climate consideration across the operations of the different sectorial teams.
- Count on the support of "champions" at senior management level to help spread either climate-related priorities or the institutional target across the organization.
- Building a network of focal points across the sectorial divisions facilitates mainstreaming across the organization.
- Access to additional internal and external climate-tied resources is needed to make climate change considerations "more attractive" for the project teams.

Introduction

In April 2016, at the Annual Meeting in the Bahamas, the Inter-American Development Bank (IDB) and Inter-American Investment Corporation (IIC) Boards of Governors endorsed "the goal of increasing the financing of climate change related projects in LAC [Latin American and Caribbean countries] to 30 percent of the IDB's and IIC's combined total approvals of loans, guarantees, investment grants, technical cooperation (TC), and equity operations by December 31, 2020, subject to demand from borrowing countries and clients and access to external sources of concessional financing." Governors also welcomed "Management's objective to improve the evaluation of climate risk and to identify opportunities for resilience and adaptation measures at the project concept stage." The resolution also acknowledges that the IDB and the IIC have taken a leadership role in supporting climate change and that they plan to "accelerate efforts to mainstream climate change, as well as to give particular consideration to climate change and environmental sustainability, throughout their operations."

Development and Design

The 30% target represents double the average annual volume of IDBG's climate finance between 2012 and 2015. The data complies with the climate finance tracking methodology developed by the MDBs.

Implementation

The IDBG has recently approved its **Climate Change Action Plan 2016-2020**. While the goal is specific to 2020, the intention is to set the IDBG on a long-term trajectory to mainstream climate change across the

IDBG's portfolios. Furthermore, a series of efforts and tools to achieve the Bahamas Resolution mandate are also underway, namely:

- **Mainstreaming climate change** into all of IDBG's country strategies agreed with borrowing member countries.
- **Preparation of country profiles** that summarize each country's Nationally Determined Contributions (NDCs), relevant domestic legislation and regulatory frameworks, potential opportunities for IDBG in line with NDCs, etc.
- **Scanning IDBG's pipeline** of projects to identify, early in the process, opportunities to include climate considerations and assess climate risks. A methodology has been developed to identify climate-related opportunities as projects enter the IDB pipeline
- **Enhancing the existing tool for screening disaster and physical climate change risk of projects.** The IDBG also committed to screen all relevant projects for physical climate risks by 2018 to increase investments in resilience, particularly for countries that are most vulnerable to the impacts of climate change. Rooted in the existing Policy for Disaster Risk Management, the IDB is enhancing its existing tool for screening the disaster and climate risk of projects.

IDB is also building a robust knowledge agenda and materials to support project preparation as follows: i) the preparation of a technical note to support teams working on climate change-related projects on how to adequately capture the long-term benefits of combating climate change in their economic analysis; ii) the elaboration of a manual to promote green procurement of goods, services, and works.

In addition, the IDBG has been scaling up its support with external climate funds. Between 2012 and

2016, the IDBG financed more than US\$10 billion in climate change related activities and from this total US\$1.3 billion was granted from external sources. At the same time, the IDBG serves as an important partner to multilateral and bilateral providers of climate finance, particularly to ensure these resources have a transformative impact in support of countries' climate change agendas.

Finally, the IDBG launched in 2016 a platform called [NDC Invest](#) to support countries in the LAC region, as they engage in the alignment of their national portfolios to meet their international climate change and development commitments. This effort also contributes to fulfill the IDBG's strategic objectives.

The pursuit of a low-carbon, climate-resilient economy requires effective dialogue and collaboration among diverse stakeholders, as well as access to a wide range of expertise. By engaging with the Ministries of Finance and identifying synergies between NDCs and targets of the National Development Plan, NDC Invest seeks to translate their NDCs into investment plans.

NDC Invest is designed to bring together relevant IDBG services and activities under a single umbrella, enabling a better pooling of the IDBG's expertise and resource; as well as fostering collaboration across the public and private sectors to scale up finance flows and translate the NDCs commitments into pipelines of bankable projects that can effectively attract investors.

NDC Invest has four components specifically designed to address the range of obstacles and areas of work that countries need to tackle for implementation of their NDCs:

- **NDC Programmer:** focuses on the construction of investment plans and programs, as well as the creation of policy/regulatory enabling environments to reflect today's and tomorrow's climate needs and circumstances. It seeks to help countries identify and address the critical interventions required for the implementation of NDCs. In conjunction with the Ministry of Finance, the IDBG can support the Ministries responsible for advancing national efforts.
- **NDC Pipeline Accelerator:** finance priority studies and activities needed for the preparation of sustainable infrastructure projects or portfolios to meet NDCs goals, ensuring the technical and financial feasibility for bankable projects. The facility covers the additional costs associated with ensuring

that projects are planned, designed and executed with a climate change focus.

- **NDC Market Booster:** non-reimbursable and reimbursable grants to support governments efforts in the development of new financial instruments and other market development services - across a range of businesses, sectors and technologies - required to enable private sector investments and innovative business models for a low carbon and resilient economy.
- **NDC Finance Mobilizer:** focuses on leveraging private finance investments at scale by enhancing economic feasibility and assisting in investment risk management. NDC Finance Mobilizer offers support for countries to increase access to external concessional resources and blend with IDB and IIC capital to increase the attractiveness of public sector investments, offering profitable investment opportunities to foster low carbon and climate resilient development.

Experience and Impact

It is premature to evaluate the full impact of the IDBG's 30% target. However, there are some impacts already materialized: i) the CF reported the IDBG increased from 16% in 2015 to 22% in 2016; ii) all the IDBG country strategies approved in 2016 and 2017 so far mainstreamed climate change in its document; iii) the sector-specific operations (transport, water, urban, etc.) supported by the staff of the Climate Change Division increased from 44 in 2016 to 71 in 2017; iv) over 500 people were trained within the IDBG on how to incorporate climate change considerations in different sectorial projects and related tools and opportunities available.



Climate Action in Financial Institutions

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JICA's Internal Strategy for Climate Change and 2020 financial target

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
March, 2017	Established by Board approval.	Approved by board members in a board meeting.
Monitoring, reporting tools		How Implemented?
Reporting annually in a board meeting is under consideration.		This document is seen as a core strategy for JICA's operations, e.g. formulation or implementation of projects related to climate change measures.
Key Lessons		
<ul style="list-style-type: none"> • Robust decision and initiative from the board are essential to establish a more effective cross-cutting strategy and achieve concrete actions. • Deep analysis of international trends and other institutions' situations contribute to increase persuasiveness of necessity of climate change measures. 		

Introduction

JICA takes into consideration, for their operations, multiple strategies and international commitments, such as the SDGs adopted by the UN, the Development Cooperation Charter developed by the Government of Japan, JICA's 5-year Strategy and Annual Strategy. Furthermore, JICA recently published a position paper on the SDG Goal 13: Take urgent action to combat climate change and its impacts, which consists of comprehensive contents.

In addition, JICA's multiple departments have their own annual strategies. However, no cross-cutting strategy was in place to effectively connect these strategies in JICA to the objective of supporting operations for climate change measures. Furthermore, JICA has multiple departments in charge of specific sectors. Therefore, the efforts for cross-sectoral issues, such as climate change measures, can be blocked due to coordination problems between departments. Based on this situation, board members took initiatives to formulate common strategies across departments which clearly show tangible targets and actions. JICA thus launched efforts to formulate internal strategic papers for each important issue, including climate change measures.

Development and Design

Firstly, the Office for Climate Change drafted a strategy based on their experiences, in particular focusing on the Japan's advantages, the perspectives of SDGs, innovation, etc., and the results of analyses of international trends and needs or other institutions' situations. The Office for Climate Change gathered comments on the first draft from related departments, such as the Global Environment Department, the Infrastructure Department, and the Industrial Development Department. The Office for Climate Change explained the second draft revised referring to the comments from departments to the board member in charge of climate change issues. After his approval, lastly, this strategy, was discussed in a board meeting and approved. The approved strategy consists of background and analysis of international trend, situations in developing countries and donor agencies, results of JICA'S past operations, JICA's principles for future operations, tangible measures of JICA's cooperation including internal financial target aligning with the Japanese government's 'Actions for Cool Earth (ACE2.0)' initiative targeting to increase by 1.3 climate finance from the current level (2013-2014 average), among other objectives.

Implementation

After approval from board members, this strategy was shared with related departments and requested them to consider this strategy in their operations. The strategy covers a 5 year period and this is to be reviewed annually by JICA's board. Although this effort was initially started as a trial, this will be implemented as an official operational procedure from JFY 2017 and detailed processes are under consideration.

Experience and Impact

1. The relationships between climate change measures and the existing strategies within and around JICA became clear. This document contributed to more strategic operations.
2. JICA staff re-acknowledged the importance of integrating climate change concerns in JICA's operations and clearly understood the concrete actions to be taken.
3. This document is expected to trigger cross-sectoral activities, such as internal seminars (some have been already done).



Climate Action in Financial Institutions

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TSKB's Sustainability Management System (SMS): managing climate change-related risks and opportunities

Institution Principle Related Work Stream(s)



PRINCIPLE 1:
COMMIT
to Climate
strategies



Publication date: December 2015 – [Emerging Practice Document 2015](#)

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Implemented?
2005 (formalized as Environmental Management System)	Roles and responsibilities are distributed to the Sustainability Sub-Committee and various working groups by the Sustainability Committee, which are all three separate entities, to achieve the Committee's targets. This team attends climate related trainings regularly. Also, the Engineering team including three environmental engineers, play an active role for the system performance.	TSKB's top management and staff from different functional departments were involved to support the design, development and implementation of the SMS. To manage, maintain and continually improve the SMS, documents, records and procedures are used as the fundamental structure of the system.
2007 (ISO 14001 certified)		
2012 (evolved to become Sustainability Management System)		
Monitoring, reporting tools		How Established?
N/A		Established by Board approval.

Key Lessons

- Forming the SMS with TSKB top management and staff from different departments resulted in higher sense of ownership by the various employees having different perspectives – building on past initiatives, such as the 2005 ERET and the 2007 ISO 14001 Environmental Management System & 14064 GHG Emissions Inventories and Verification.
- Strong partnership with international finance institutions on topics such as environmental and social risk assessment and sustainable finance products was helpful.
- The SMS has helped support the development of new sustainable finance products, including: thematic loans for renewable energy, energy efficiency (EE) and resource efficiency (RE) finance, and green bonds..

Introduction

Within the last decade TSKB has covered substantial ground with regards to sustainability. Long before establishment of any environmental legislation in Turkey, TSKB started to include environmental due diligence as a part of its project appraisal activities. TSKB prepared its first Environmental Management System (EMS) in 2005, which has later evolved to become the Sustainability Management System (SMS). Holding the ISO 14001 Environmental Management System and ISO 14064-1 Verification of Greenhouse Gas Emissions certificates, TSKB is Turkey's first carbon-neutral bank.

TSKB integrated the sustainability concept in its internal operations through the Sustainability Policy and Supplementary Policies of which final versions were approved by the Board of Directors on February 26th, 2015. Fundamentally, the Sustainability Management System is designed to ensure that all of the internal and external impacts of TSKB including environmental and social risks & opportunities, greenhouse gas emissions, client risks, legal requirements and internal audit are managed via system's internal processes.

The highest level of direct responsibility for SMS is the Board Members of TSKB via Sustainability Committee, who coordinates all of TSKB's sustainability-related activities. The Committee's mission is to integrate sustainability into bank's business processes, to develop new products and business opportunities in sustainable banking area, and to increase the level of sustainability awareness. The Sustainability Committee consists of two members of the Board of Directors and two Executive Vice Presidents. The committee has a sub-committee consisting of 15 members from various departments. Under the sub-committee, various working groups are constituted to perform sustainability related activities.

Development and Design

TSKB's road map while designing SMS consisted in;

- Identifying sustainability-related risks and opportunities.
- Developing sustainability-related strategies.
- Identifying and reporting on sustainability-related performance criteria and targets.
- Setting up an integrated environment and sustainability management system.

SMS was set up to achieve the following six objectives, each of which includes specific climate-related components:

- Systematically assess and manage environmental risks arising from the bank's lending activities;
- Measure and systematically manage the internal environment Development and Design impact (electricity, water, natural gas, paper consumption; CO₂ emissions, etc) caused by TSKB's operational services;
- Develop the sustainable-banking aspects of TSKB's products and services and support their use in renewable energy, energy efficiency, resource efficiency and environmental protection Project finance;
- Increase all TSKB employees' and other stakeholders' awareness of sustainability issues through ongoing communication and by encouraging active involvement in sustainability processes;
- Prepare and publish internationally compliant sustainability reports or integrated reports and make them accessible to all bank stakeholders at regular intervals; support stakeholders in their own efforts to abide by good sustainability practices;
- Periodically calculate TSKB's carbon footprint as per the ISO 14064 standard and engage in efforts to neutralize the bank's carbon footprint and conduct its banking operations on a carbon-neutral basis.

Implementation

The implementation of the Sustainability Management System (SMS) began in 2012 with a kick-off meeting and went on with the documentation and improvement of all processes influencing the sustainability performance of the Bank. The sustainability documentation was developed together with the staff of the sustainability team that consists of staff from different departments to make sure that all relevant processes and their interactions were taken into consideration.

In the following years, TSKB internalized the environmental and social consciousness by integrating sustainability into its operations and developed its business strategies in line with the goals of supporting sustainable development. In addition to that, TSKB has started to take part in various sustainable platforms, including UNEP FI, UN Global Compact, Carbon Disclosure Project, etc. and expand the product line.

Meanwhile, TSKB has adopted the approach that the organization should be able to;

- continuously improve its sustainability performance;
- improve the internal and external information flow;
- better control environmental and social risks related to TSKB products;
- comply with all relevant laws, standards etc.;
- avoid negative consequences from public attention; and
- calculate and reduce the carbon footprint of the Bank periodically and conduct the banking operations on a carbon-neutral basis.

Experience and Impact

TSKB supports sustainable investments for a sustainable future. TSKB has integrated sustainability into all its business processes with the aim of creating value for all the stakeholders. TSKB plays a pioneer role in sustainable finance in Turkey. Being the first bank to take action in many different fields of sustainability, TSKB encouraged other banks to engage on sustainability and climate change.

TSKB's Achievements:

- The first financial services company in Turkey to publish sustainability and integrated reports.
- Turkey's first Carbon-Neutral Bank.
- The first Green/Sustainable Bond issuance in Turkey and CEEMEA.
- TSKB issued Basel III Compliant Sustainable Tier II Bond.

ERET also assesses environmental and social risks

Defined within a procedure of SMS, TSKB developed the ERET tool that includes a detailed query to determine the clients' and their projects' environmental and social risks. It classifies clients' and their projects' risks as A, B, B+ and C, where A is the highest. It is aligned with international environmental performance standards such as those used by the IFC, EBRD, etc. The risk category clarifies acceptable limits for risks involved and ensures that the project complies with general lending policies of TSKB. The risk score offers a proper action plan to minimize and manage environmental & social risks of projects.

New Sustainability Products:

TSKB has gained the skills needed to evaluate investments according to their sustainability performance during sustainability journey. The developed SMS enables TSKB to set and track sustainability related targets for financed investments. These targets and the realized performance data are publicly available on TSKB's web site as well. Overall, TSKB has succeeded to support its clients by offering sustainable products and services that provide low carbon and high efficient solutions. Renewable energy, energy efficiency (EE) and resource efficiency (RE) finance thematic loans are constituted as sustainability products. The share of sustainability-themed loans was 57% of the portfolio as of 2016 year-end. TSKB financed various renewable energy projects from hydro to solar, wind, biomass and geothermal with a 5,332 MW total installed capacity representing 15% of Turkey's total installed capacity.

Integrated Report:

TSKB's SMS "P13: Sustainability Reporting and Index Process" describes and supports its sustainability-based reporting. TSKB emerged as the first bank to issue an Integrated Report, also known as the next generation of reporting, in the Turkish finance industry. In its integrated report published based on 2016 results, TSKB offers its shareholders a holistic evaluation of its operations, funds and resources, products and services as well as the added value it has created and plans to create. The report especially focuses on the sustainable value TSKB created for the economy and the society through its business model.



Climate Action in Financial Institutions

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YES BANK's Natural Capital Initiative

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
YES BANK launched the Natural Capital Initiative in 2013	Knowledge and industry partners are on-boarded depending on project requirements. A dedicated team within the sustainability unit of the Bank works on project conceptualization and implementation.	Given YES BANK's proactive approach in the natural capital and climate change space, it was a conscious effort by top management to bundle initiatives.
Monitoring, reporting tools		How Implemented?
Separate monitoring mechanisms are put in place for specific projects. For example, in case of conservation projects, the CSR implementation partner and the participating State government is involved in periodic monitoring activity. The process and actual numbers for any project/ activity that comes under the Natural Capital Initiative is externally verified.		The Bank collaborates with relevant stakeholders (Governments, corporate, NGOs, academia, international agencies) and contribute through: <ul style="list-style-type: none"> • Policy advocacy as part of Natural Capital Finance Alliance (NCFA) • Natural capital conservation projects targeted towards biodiversity conservation • Natural Capital Awards as a unique recognition platform to reward the pioneering achievements of actors on natural capital in India.
Key Lessons		
<ul style="list-style-type: none"> • Having a proactive approach and being an early mover in sunrise sectors (like natural capital) creates opportunities for assuming knowledge leadership. • All stakeholders have a critical role to play when it comes to natural capital conservation and creating awareness is an important first step towards mobilizing action. • Over the last few years, natural capital has assumed profound significance and would be a propeller for green and sustainable growth in future. 		

Introduction

YES BANK has been at the forefront of mainstreaming natural capital, and launched its Natural Capital Initiative in 2013. The objective of the Natural Capital Initiative was to co-create an ecosystem that would help in developing enabling regulatory framework, disclosure mechanisms and reporting measures to integrate, value, and account for natural capital. Given its strong commitment, YES BANK became the first Indian signatory to the Natural Capital Declaration, now a part of Natural Capital Finance Alliance (NCFA).

Development and Design

The Natural Capital Initiative has been designed to engage with a diverse set of stakeholders across the Bank's value chain through policy advocacy, undertaking actual on-ground conservation projects and recognizing the proactive organizations and individuals in the natural capital space through awards platform.

Implementation

Participation through Steering Committee and Working Groups of Natural Capital Finance Alliance.

As the Chair of the Steering Committee of Natural Capital Finance Alliance (NCFA) since January 2016, YES BANK is providing strategic direction to NCFA and contributing towards two Working Groups on 'Accounting for Natural Capital' and 'Understanding impacts and dependencies on Natural Capital'.

Natural Capital Conservation: YES BANK has undertaken species conservation projects with State governments and relevant ministries. Examples include:

- **Say YES to SAVE THE GODAVAN:** In 2015-16 YES BANK, in partnership with the Government of Rajasthan, launched a unique initiative towards protecting the critically endangered Great Indian Bustard, where over 450 hectares of land was secured using barbed wire and local community was sensitized to conserve the habitat. These initiatives have borne results as the enclosures have now become a breeding place for GIB and there are increased number of sightings
- **Say YES to GREEN HIGHWAYS:** In 2016-17 YES BANK became the first private sector player to enter into a CSR commitment with the National Highway Authority of India under its 'Adopt a Green Highway' program and launched 'Say YES to Green Highways'. As part of its CSR mandate, the Bank has committed to develop a green corridor of 41 Km along the

Mumbai-Nashik-Pimpalgaon Highway in the Indian State of Maharashtra.

Natural Capital Awards: NCA is one of the flagship initiatives of the Bank to identify, reward and showcase the finest efforts of individuals, groups and corporations dedicated towards spearheading biodiversity growth, environmental stewardship and climate change. The Bank has successfully conducted 3 editions of the awards.

Experience and Impact

- YES BANK has incorporated a blue ocean strategy and hardwired a strong focus on natural capital to become a market creator. Being the first to enter new markets and, it has enabled Bank to create opportunities for others to follow.
- YES BANK's conservation projects have led to protection of critically endangered species including One-Horned Rhinoceros and Great Indian Bustard.
- YES BANK has assumed significant leadership in the natural capital space in India and is actively engaging internationally on several natural capital related aspects such as piloting the Drought Stress Testing Tool and Natural Capital Protocol Finance Sector Supplement .
- Given its knowledge leadership in the space, YES BANK released two knowledge reports on 'Natural Capital Mapping: Towards Achieving SDG's in India' and 'Valuing Natural Capital: Applying the Natural Capital Protocol'.
- The Bank has recently concluded the third edition of the Natural Capital Awards, where the event was graced by Dr Harsh Vardhan, Minister of Science & Technology, Earth Sciences and Environment, Forest & Climate Change. The awards witnessed tremendous participation from 522 corporate and 10,135 individuals for Corporate category (Eco-corporate) and photography category (Pixel Perfect & Trailblazer).



Climate Action in Financial Institutions

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ADB scales up the integration of physical climate risk management into its operations*

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
March 2014	Significant resources were required to develop technical tools, provide ongoing support to project teams in all operational departments.	A memo was issued to all Operations Departments that all ADB proposed projects have to be screened for physical climate risks and further detailed assessment is required for those projects deemed at medium or high risks.
Monitoring, reporting tools		How Implemented?
Physical climate risk management is included, as a linked document, in the description presented to the ADB Board for investment projects deemed at medium and high risks. The "project at a glance" sheet in paper for the Board includes, among others, information on the level of climate risks and use of ADB resources for adaptation/ climate risk management measures within the project. Further, project completion reports could contain relevant information on climate risk management.		Various physical climate risk screening, assessment and management activities have been incorporated into regular investment project cycle.

* Update to the case study "ADB Integrates Climate Risk Management Framework throughout Operations" in the 2015 edition of the Emerging Practices paper.

Key Lessons

- The alignment of physical climate risk management activities with the key milestones within the investment project cycle is key for climate risk management to be effective.
- With the awareness on climate risks increasing, and experiences for risk screening and assessment accumulate within the institution, the need for technical support to strengthen climate risk management shifts towards practical guidance and advice on structural and non-structural interventions that investment projects could integrate to address physical climate risks.
- As physical climate risks and associated risk management solutions are highly context specific, there is a growing need for more tailored, project-level technical support in designing and assessing climate risk management options.
- Efforts to strengthen climate resilience need to go beyond "climate proofing" existing development investment projects and to include investments that are predicated on the need to address physical climate change impacts as an emerging risk to sustainable and inclusive development.

Introduction

Recognizing the vital importance of strengthening resilience of communities, ecosystems and economies in its developing member countries (DMCs) in delivering sustainable and inclusive socio-economic development in a changing climate, ADB formalized a climate risk management framework in March 2014 to guide efforts in managing physical climate risks in its investment operations. The launch of the framework was accompanied by the provision of technical support through the provision of: climate data and information; guidance materials; ongoing technical stopping to project teams; and financial resources for climate risk assessments and targeted climate risk management interventions. In 2015, in a move to further demonstrate its determination to strengthening investment in building the Region's resilience to physical climate change and disaster risks, ADB committed to investing USD\$2 billion in climate change adaptation annually by 2020, as part of its commitment to double climate finance by 2020. Further, in July 2017, ADB adopted its Climate Change Operational Framework 2017-2030 (CCOF 2030),¹ to guide the institution's enhanced action for low-carbon and climate resilient development, including through the promotion of climate change adaptation, and the integration of climate change adaptation and disaster risk management. These developments represent supportive conditions to scale up the institution's efforts in integrating climate risk management into its operations.

Implementation

Since the report on this initiative in 2015, the implementation has gathered speed. This is evident from the following developments:

- In addition to mandatory initial project physical climate risk screening, the inclusion of details on climate risk management in board documents such as the Report and Recommendations of the President (as a linked document) of at risk projects has been formally introduced into project development process. This has been a reflection, as well as a further promotion, of detailed climate risk and risk management options analyses being carried out to support climate resilient investments in key sectors.
- To support more robust and project design relevant assessments of climate risks and risk management options, ADB allocated a further USD\$6 million from its 2016 income to support operations teams in implementing the climate risk management framework.
- Complementary to the strengthening of project-specific support, efforts have been scaled up to develop strategic knowledge products and conduct capacity building for projects across sectors and locations. This includes the recent investment in technical assistance projects aimed at assessing vulnerabilities of critical infrastructure to climate change and identifying policy, regulatory, engineering, ecological and financial options to reduce vulnerability and build resilience of critical infrastructure Asia and the Pacific, and at enhancing the provision of climate change and disaster risk information and project design relevant good practice guidance on how to use climate information for resilient infrastructure design.
- In addition to scaling up efforts in managing climate risks in existing investment projects, opportunities have been identified to investment in projects which are predicated on the need to address climate change and disaster risks and to broaden climate resilience benefits beyond the investments made through the projects by ADB and its DMCs.

¹ Please see case study presented under Principle 1.

Experience and Impact

Since the issuance of the memo mandating all investment projects to be screened for physical climate risks, there has been a marked increase in in-house awareness and understanding of climate risks, particularly amongst operations teams. As a direct result of strengthened implementation of the climate risk management framework, ADB's investment in climate adaptation reached \$1.187 billion in 2016, a notable increase from \$356 million in 2015.

Next Steps

Guided by ADB Climate Change Operational Framework 2017-2030, efforts to scale up investment in climate change and disaster resilience in ADB are in full swing, with the near-term goal to deliver USD2 billion of annual climate change adaptation finance in ADB's developing member countries by 2020. These will be supported by a review of the physical risk screening tool, an injection of additional financial resources, the provision of more practical and tailored technical assistance and internal capacity building.



Climate Action in Financial Institutions

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Crédit Agricole's PgXCA methodology to assess the materiality of climate risks

Institution Principle Related Work Stream(s)



PRINCIPLE 2:
MANAGE
Climate
Risks



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
Development: 2016 - 2017	No additional capacity required	Developed as part of the overarching CSR Program (FRéD) under the supervision of CERES committee
Monitoring, reporting tools		How Implemented?
Integrated into existing risk monitoring and reporting tools		Developed internally with the help of previous work by academics (Chaire Finance et Développement Durable)
Key Lessons		
<ul style="list-style-type: none"> • A sector and issue-based approach (PgXCA methodology) enables assessing materiality of the transition risk under a set of scenarios • This approach constitutes a first step for developing stress tests 		

Introduction

Use of PgXCA methodology is part of the CACIB primary approach decided in 2009 for assessing and managing the climate-change impacts of the Bank and the related risks.

As a first step, a methodology was developed with academics and used since 2011 to map the carbon footprint of the finance provided by the Bank by sector and country using an innovative issue-based approach named PgXCA (cf. "Use of a sectoral and issue-based cartography of global financed emissions for developing CSR sector policies" in 1st version of Emerging Practices Paper).

It was decided in 2015 to initiate an Action Plan (as part of the Group master CSR program FR&D) to assess the importance of the climate risks (physical, transition, legal) at different point in time (short term, medium term, long term) and work on a methodology for assessing at the client level the risk identified as most important.

Combined with the use of scenario, the PgXCA methodology has enabled assessing the materiality of transition risks.

Development and Design

An innovative aspect of the PgXCA methodology is to allocate emissions from an issue-based perspective, and not use the traditional scope-based perspective. This issue-based perspective is based on the allocation of GHG emissions to sectors according to their capacity for reduction, with no multiple accounting. It results in emission factors (tCO₂/EUR of financing) that can then be multiplied by the outstanding amount of finance provided and investments by sector and countries to estimate the carbon footprint of financial institutions providing finance and produce a breakdown by sectors and countries.

To estimate the emission factors, the methodology uses a breakdown of national GDP by sector equal to the sum of the added values of companies in this sector and country. It is then possible to compare the value of the emissions allocated to each "couple" (sector, country) for a given level of carbon price to the added value of the sector.

Implementation

The level of carbon price that companies could be subject to has been assessed for three time periods (before 2020, between 2020 and 2030 and after 2030) under a set of four scenarios.

These scenarios differ by the significance of measures taken to fight climate change and how gradually (or abruptly) these actions are implemented. A level of carbon price is estimated in relation to the ambition of mitigation measures taken in a given country. And the pace of the transition determines in what proportion the carbon price affects the added value of companies (from 0% in a smooth transition to 100% in a Break up scenario).

The same approach has been used for assessing the materiality of physical risk under the same set of scenarios.

Experience and impact

While virtually no impact has been found at short term for both transition and physical risks under the four scenarios developed, significant differences appear at medium term for transition risks. In particular, the average impact on the value added of clients has been found unimportant under two scenarios (Business As Usual and Gradual Transition), moderate under one (Accelerated Transition) and potentially significant under one (Break up Scenario).

Therefore, it has been decided to develop a methodology for assessing the transition risks at medium term at client level (please see Crédit Agricole's case study on the Development of a Medium-term Transition Risk Index).



Climate Action in Financial Institutions

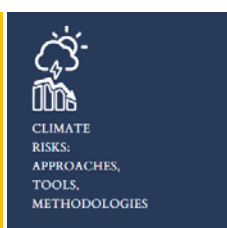
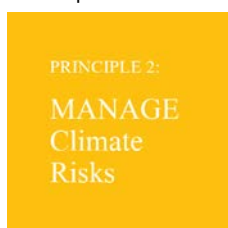
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Credit Agricole CIB's Development of a Medium-Term Transition Risk Index

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
Development: 2016 Operational since: 2017	Fully integrated in existing CSR processes.	Development as part of the overarching CSR Program (FRd) under the supervision of CERES committee.
Monitoring, reporting tools		How Implemented?
Integrated in the existing CSR scoring monitoring and reporting tools.		Developed internally with the help of: <ul style="list-style-type: none"> • in-house engineers • external extra-financial agency and • previous work by academics (Chaire Finance et Développement Durable)
Key Lessons		
<ul style="list-style-type: none"> • Connecting a customer-specific assessment to a macro sector and issue-based approach provides an easy readable transition risk index at the customer level • Using existing processes helps mainstreaming new due diligences. 		

Introduction

Development of the Medium-term Transition Risk Index is part of the CACIB principal approach decided in 2009 for assessing and managing the climate-change impacts of the Bank and related risks.

As a first step, a methodology was developed with academics and used, since 2011, to map the carbon footprint of the finance provided by the Bank by sector and country using an innovative climate-focused issue-based approach named PgXCA.¹

It was decided in 2015 to initiate an Action Plan (as part of the Group's overarching CSR program FReD) to assess the importance of the climate risks (physical, transition, legal) at different point in time (short term, medium term, long term) and develop a methodology for assessing these risks at client level - the risk identified as the most important.

The transition risks in the medium-term (2020 to 2030 period) was found to be the most important for CA CIB to take into consideration, based on two criteria: materiality; and the identification of actionable means of managing risks (please see Crédit Agricole's case study on the use of PgXCA methodology to assess materiality of climate risks)

Development and Design

Research indicates that the transition at a gradual pace may result in no negative impact on the economy globally (see the results of the survey "Investing in Climate, investing in Growth" OECD 2017²). However, a fundamental question is then to distinguish between those customers who could benefit from the transition and those who could lose. A key challenge for CACIB was to complement our sector and issue-based approach with a client-specific assessment.

The Medium-term Transition Risk Index was therefore defined for the Bank's corporate customer groups using a combination of three factors:

- The carbon intensity of finance provided to each corporate customer group (which indicates the extent to which the issues will affect financing in the sector), as calculated by the PgXCA methodology. This indicates the level of importance of the transition for a given sector

- The anticipated level of emission reductions by year and unit of GDP for a given country, derived from the Intended Nationally Determined Contributions (INDC). This indicates the importance a country places on the transition.
- The responsiveness of the customer when faced with climate challenges and its ability to adapt, as evaluated by a nonfinancial agency or estimated using a geographic average. A score is compared relative to the average of each sector; the index is thus positive when the counterparty demonstrates an above average preparedness - and is negative if it does not.

Implementation

The index was first calculated in the second semester 2016 and tested with a selection of customers in the oil and gas sector.

During the first semester of 2017, the index was fine-tuned and applied to the whole CIB customer base so that it can now be used as part of the annual CSR scoring process of clients.

It builds on the climate-related due diligence process that was introduced in 2015 for customers in selected sectors and countries.

Experience and Impact

The Medium-term Transition Risk Index is easy to use. The more the customer stands out from its peers, the more the sector is considered to be at risk, and the more the country has committed to a rapid energy transition - the higher the absolute value of the index is. For example, a player in the Energy or Transport sectors in a country committed to significantly lowering emissions will have more to gain or lose than a player in a sector less directly affected or in a country with lower greenhouse gas reduction ambitions. The extent to which this actor is affected will depend on its ability to adapt its strategy and economic model to the new situation.

An initial result of CA CIB's experience in using the index has been the decision to strengthen due diligence when the index indicates a low level of performance by customers.

¹ Please see "Use of a sectoral and issue-based cartography of global financed emissions for developing CSR sector policies" in the 2015 Edition of the Emerging Practices Paper.

² <http://www.oecd.org/env/investing-in-climate-investing-in-growth-9789264273528-en.htm>



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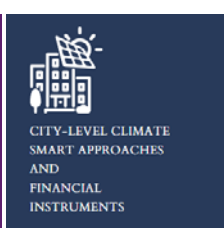
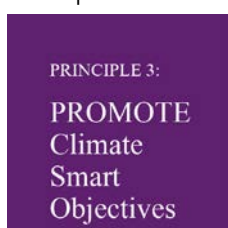
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AFD and the Government of Senegal (GoS) develop cutting-edge tools for smarter flood investment and improved urban planning

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
2017	Requires specific staff for Geographic Information Systems tools design and uses climate finance resources provided by the GCF to cover the incremental costs of providing resilient public services.	Willingness of the Government of Senegal to add value to its investments and attract impact funding from the Green Climate Fund (GCF)* with the support of the AFD.
Monitoring, reporting tools		How Implemented
Performance is monitored through a project Monitoring & Evaluation system		Implemented in stages based around the objectives of: (i) identifying risks, (ii) reducing risks (iii) preventing risks and (iv) governing risks.
Key lessons		
<ul style="list-style-type: none"> • Climate change increases the cost of upfront development investments but creates also opportunities for more sustainable approaches • Climate resilience requires a mix of soft and hard investments to ensure an impact, including sustainable risk mitigation once the initial investment is completed • Grant support from the GCF was essential as the service provided has mainly a public good dimension for vulnerable people: market instruments would have been too limited to allow for such investment. 		

* The Green Climate Fund is an operating entity of the financial mechanism of the United Nations Climate Change Convention, which finances adaptation and mitigation projects in developing countries.

Introduction

Confronted with increasingly frequent urban flooding due to a changing climate, the Government of Senegal (GoS) has put the reduction of flood disaster risk high on its development agenda. A top priority of its NDC, with an estimated investment budget around US\$ 2 billion, flood management is leading to a major shift in policy-making in Senegal with the support of AFD and the GCF.

The GoS considers that disaster risk reduction (DRR) should now be embedded within all its development policy, given that investments in hard infrastructure will never be able to cost-efficiently reduce all risks, combined with increasing flood risks due to climate change.

The DRR lens has thus been applied to the case of flood management in Sénégal to achieve a shift from an infrastructure-oriented policy to an integrated and transversal national policy of flood risk management. This is tackled using two guiding principles: (i) optimize investment for resilience in already urbanized areas and (ii) take preventive action to include flood-risk in urban planning. This is enabled by a combination of Geographic Information Systems (GIS) tools, risk preparedness trainings and guidance, and new risk-informed planning frameworks. It demonstrates the commitment of the Government of Senegal towards better climate performance through ensuring resilient public investments.

Development and Design

Derived from the priorities set by the Sendai Framework for Action, the specific objectives of the project are (i) to improve knowledge on floods and flood-prone zones, (ii) to optimize investment in risk mitigation measures, (iii) to upgrade monitoring and response for better risk prevention and (iv) to strengthen flood risk governance.

The project was thus subsequently framed into four components

KNOWING THE RISK

The objective is to map flood risks in Senegal, both at national scale and at local scale, in six priority urban areas – those most affected by the floods. The knowledge produced can be disseminated, both towards institutions involved in flood management policy-making as well as towards affected populations, to create a real risk management culture. A context-innovative flood risk mapping will be developed to gather information for adequate policy-making,

land planning and infrastructure design. Flood risk awareness is developed among the dwellers of the most vulnerable urban areas, as well as among institutions in charge of local planning, taking advantage of the data made available through the resulting flood risk GIS.

REDUCING THE RISK

This component aims at (i) making recommendations to improve the resilience of urban areas, (ii) optimizing the design of drainage infrastructure and (iii) developing “no regrets” infrastructure in the particularly vulnerable area of Pikine Irrégulier Sud (storm basins regulating the flow, gravity collectors, taking into account sea level rise, resettlement of people in the most flood-prone areas, etc.).

PREVENTING THE RISK

This component aims at enhancing risk detection and prevention with a focus on drainage infrastructure management, with the objective of maximizing its efficiency. A real-time hazard monitoring system in Greater Dakar will be installed to ensure real-time knowledge of local climatic phenomena and quick response capacity. It will be coupled with protocols for infrastructure management under extreme rain events.

GOVERNING THE RISK

Transversal governance is a distinctive characteristic of integrated flood management. This component aims at helping the Government of Senegal maintain an in-depth communication between all stakeholders of flood management policy-making and its implementation. The support provided to integrated flood risk management policy-making as well as the institutional consolidation and capacity building will enable the scaling-up of this approach and contribute to a transformative paradigm shift in governance approaches.

This component will also be in charge of the Monitoring and Evaluation system to enable performance monitoring of the implementation and then deliver a higher quality, more sustainable and smarter investment with a transformative content that enables a resilience development pathway for growing urban areas.

Implementation

This project will start in 2018 and is expected to be completed by 2022. The implementing partners for this integrated approach needs to be diverse and coordinated. The GoS and AFD will work closely with the Ministry of Urban planning and housing (MRUHCV),

the Senegal National Office for Sanitation (ONAS), the National Agency for Civil Aviation and Meteorology (ANACIM), the Ministry of Water and Sanitation (MHA), the Investment Promotion and Large Projects Agency (APIX) and the local stakeholders.

The substantive support received from GCF co-financing shows the unlocking potential of climate finance to roll-out long term performance-gearred investments.

Experience and Impact

- Climate change increases the cost of upfront development investments, but also creates opportunities for more sustainable approaches. The integrated approach developed by this project had enabled access to more than US\$ 15 million in additional climate finance from the GCF, supporting the commitment in improved climate relevance and performance of long term and sizing investments;
- Climate resilience needs a mix of soft and hard investments to make impact and allow for sustainability after the investment works and then attract public investor interest as well as co-financing agencies.
- Grant support from the GCF has been essential since the service provided has mainly a public good dimension for vulnerable people: market instruments would have been too limited to allow for such investment. To be scalable in practice, this project should not only need the strengthened policy framework targeted by the project, but also additional financial resources. This is a challenge since the demand will be high in a context of steady growth of cities in developing country and since the scalability of such approach will progressively need a more robust business model to cover a part of costs of providing early warning systems.



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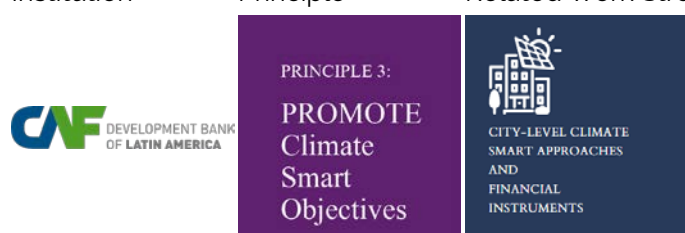
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The Development Bank of Latin-America (CAF) « *Cities with a Future* » initiative

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/ Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
CAF's initiative "Cities with a Future" began in 2013	To finance some of the actions carried out through the "Cities with a Future" initiative, CAF has received, among other resources: <ul style="list-style-type: none"> • a credit facility from the French Development Agency (AFD), whose purpose is to finance urban infrastructure projects with climate co-benefits (mitigation and adaptation), and • a grant from the Latin American Investment Facility (LAIF) requested by AFD from the European Commission. 	This multi-sectorial approach involves the different CAF's business areas with a rotating chair of responsibility for the initiative.
	Monitoring, reporting tools	How Implemented
N/A		CAF develops a climate approach with its partner cities, carrying out specific actions through financing, technical cooperation and public-private associations within the framework of its "Cities with a Future" initiative.

Key lessons

- Since 2013, the “*Cities with a Future*” program aims at promoting an integrated vision of urban development and a multi-sectorial approach to better answer the challenges local governments are facing.
- The program allows structuring a dialogue with the cities with four main dimensions: (i) inclusive urban development, (ii) productive transformation, (iii) environmental sustainability and (iv) institutional strengthening and security.
- The program promotes a long-term vision on sustainable urban policies and allowed to identify and finance projects with climate co-benefits.

Introduction

Latin America is one of the most urbanized area in the world: 80% of the Latin-American people live in urban areas, and the urban population in the continent should reach 83% of the total population by 2030 (650 million people).

The cities' sustainability is at stake as Latin-American cities are high energy consumers and therefore major contributors to the global greenhouse gas (GHG) emissions because of resource-intensive consumption and production patterns.¹ Simultaneously cities are vulnerable to the impacts of climate change because of their geographical location, demographic concentration and critical infrastructures. Urban dwellers, especially the poorest, are the first victims of climate change effects.

Faced with these challenges, local governments need to promote low-carbon and climate-resilient development paths, both through investments and public policies. Therefore, various Latin-American cities led ambitious and innovative policies for a sustainable urban development.

In 2013, the Development Bank of Latin-American (CAF) launched the initiative “*Cities with a Future*” to accompany these policies as well as to promote an integrated vision of urban development and a multi-sectorial approach to better answer the challenges faced by local governments.

Development and Design

“*Cities with a Future*” supports structuring a dialogue with cities on four main dimensions: (i) inclusive urban development, (ii) productive transformation, (iii) environmental sustainability and (iv) institutional strengthening and security. In the framework of the initiative, the first step of implementation includes technical assistance (diagnosis and priorities)

financed with a grant, which leads to the second step of investment.

This initiative represents CAF's enhanced effort to support local governments in their long-term planning efforts and to broaden its approach from a sector or project point of view to a territorial and multi-sectorial focus.

Implementation

Within the framework of its “*Cities with a Future*” initiative, CAF has developed a climate approach carrying out specific actions through financing, technical cooperation and public-private associations.

To implement some of the actions embedded by the “*Cities with a Future*” program, CAF has received the collaboration of the French Overseas Development Agency (Agence Française de Développement - AFD). In 2015, the two institutions entered into a credit facility agreement of 100 million euros with the purpose of financing urban infrastructure projects with climate co-benefits (mitigation or adaptation) in Latin American countries. The AFD also made available to CAF a grant of 500 thousand euros to finance studies linked to the Credit Facility.

Also within the framework of the “*Cities with a Future*” initiative, the AFD has requested the European Commission to finance a technical assistance program under the Latin America Investment Facility (LAIF) on the benefit of CAF to implement a sustainable cities and climate change project. This LAIF of 4.2 million euros aims at promoting a low-carbon and climate-resilient development in Latin America by:

- Strengthening CAF climate methodology to support thoroughly including climate issues in its financing of projects;
- Raising awareness about climate issues among Latin-American local governments and strengthening their capacities in defining and implementing low-carbon and climate-resilient development paths;

¹ Intergovernmental Panel on Climate Change (IPCC) estimates that urban areas account for 71–76% of energy-related CO₂ emissions.

- Identifying and financing (through the credit facility provided by the AFD) investment projects with climate co-benefits in these countries.

Moreover, through the framework of the program, CAF supports out knowledge-sharing conferences and platforms. For instance, CAF will hold the Conference "*Cities with a Future*" in November 2017 in Lima (Peru) to promote debate and share best practices on interventions in cities. This conference also aims to disseminate knowledge based on the successful experiences of different players involved in the process of planning, designing and locally implementing public policies. This proactive exchange will make it possible to challenge current paradigms on urban development, focusing on five pillars of action: Fairness and social inclusion, Comprehensive risk management and resilience, Productivity, Infrastructure and connectivity, Funding.

Experience and Impact

Promoting low-carbon and climate-resilient development pathways, both through investments and public policies, implies moving from a sectorial to an integrated and transversal urban vision. This approach poses a number of key challenges to both to cities and public entities supporting them, such as CAF, as it requires significant change in the institution's processes and the mobilization of additional expertise on urban or climate issues. The "*Cities with a Future*" has been designed to help overcome these challenges.

In the last five years, CAF has worked with many local governments in Latin America and has financed urban projects in more than 25 cities for a global amount of 7 billion dollars. CAF has thus managed to build strong relationships with many cities.

This initiative also helped to mobilize and catalyze dedicated funds and facilities, from the AFD and from the European Union.

Through conferences organized around the "*Cities with a Future*" initiative, CAF's goal is to promote knowledge sharing and extensive dialogue among multiple sectors, encouraging the creation of specific proposals while raising awareness regarding the benefits of regional integration across several different levels.



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DBSA's innovative blending financing mechanism to catalyze small scale renewable energy market in South Africa

Institution	Principle	Related Work Stream(s)		
	<p>PRINCIPLE 3: PROMOTE Climate Smart Objectives</p>	 <p>CITY-LEVEL CLIMATE SMART APPROACHES AND FINANCIAL INSTRUMENTS</p>	 <p>MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES</p>	 <p>CLIMATE RISKS: APPROACHES, TOOLS, METHODOLOGIES</p>

Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
<p>2014: DBSA established a Debt Facility to finance and catalyze the small scale renewable energy (RE) market under the South African (SA) government's Independent Power Producer Programme (IPP).</p>	<ul style="list-style-type: none"> Implementation of the funding mechanism is well aligned with DBSA's core mandate. Each transaction is processed in line with established internal procedures and utilizes existing DBSA staff resources. Following a recent organizational restructuring process, a newly established Climate Finance unit will provide more focused climate change expertise, work with the GEF and IIPSA to ensure deal processing and reporting requirements are met. 	<p>In line with DBSA mandate on financing energy infrastructure, a strategic decision was taken at board level to provide financing resources that would help catalyze the small scale renewable energy sector in South Africa.</p> <p>DBSA as an agency of the Global Environmental Facility (GEF), further mobilized equity funding for the small scale projects. Through the GEF, an equity fund was established. As the Secretariat of the Infrastructure Investment Programme for South Africa (IIPSA), the Bank also facilitated formulation of an interest rate subsidy accessible to all DFIs that will finance projects under the small IPP programme.</p>

Monitoring, reporting tools	How Established?
<p>Established DBSA processes will be followed including the environmental and social safeguards standards appraisal guidelines. These align with GEF monitoring and evaluation processes. DBSA's Operations and Evaluation unit will provide services in line with existing policies. DBSA continuously improves its evaluation tools such as the Development Results Templates (DRTs) to incorporate specific indicators aligned to global good practice such as the GEF global environment benefits (GEBs).</p>	<p>DBSA receives RE projects that have reached preferred bidder status from the South Africa IPP Office and assesses them through its already existing structures and procedures. The IIPSA steering committee approves the interest rate subsidy for projects. DBSA manages GEF capitalized equity fund and advances funding to projects.</p>

Key Lessons

- It is crucial for the DFIs to align their strategic priorities to national policies in this case, the SA National Development Plan 2030, the Integrated Resource Plan (IRP) 2030 and SA's Nationally Determined Contribution (NDC).
- It is essential for DFIs to support governments in implementation and realization of national policy and established targets in building a low carbon and resilient transition process thus creating an enabling environment that opens up new technologies particularly in both the small and large scale RE market, as is the case in South Africa.
- Initiatives that incorporate the climate change phenomenon into a country's strategic priorities such as an energy mix benefit from early senior leadership buy-in at all stakeholder levels.
- DBSA's partnerships with other climate financing mechanisms such as GEF and IIPSA funding were crucial in establishing innovative blended resources, particularly for risky markets.

Introduction

DBSA with its partners developed a financing mechanism aimed to address barriers to accessing financial resources by small and medium enterprises in the renewable energy sector. The mechanism aims to catalyze the small scale renewable energy market, creating jobs, improving the South African economy and averting the emission of greenhouse gases (GHGs).

DBSA provides sustainable infrastructure project preparation, finance and implementation support, working closely with selected African markets to improve the quality of life of people, accelerating the sustainable reduction of poverty and inequity and promoting broad-based economic growth and regional economic integration.

The DBSA together with other financial institutions (FIs) recently financed the successful large renewable energy projects under the Renewable Energy Independent Power Producer Procurement Programme (REIPPP). The large and small scale REIPPP projects are well aligned with the Government of South Africa's policies such as the Integrated Resource Plan (IRP) which is a blueprint for the energy mix in the period up to 2030. It targets 17,000 MW of renewable energy. The Small Projects Independent Power Producer Programme (SP-IPPP) was designed with the objective to contribute to at least 400MW of the total RE target. Renewable energy financing is also clearly defined in the country's NDC.

While the bidding rounds for the large REIPPP have been very successful, the small scale programme had not taken off. Even though financial markets have proven to be effective in the funding of the large projects on a limited-recourse basis, there has been a lack of financing for similar but small-scale projects. Small scale renewable energy project developers face a myriad of constraints and financial barriers to participation in the industry due to issues such as poor financial records and the nature of the size of projects being unattractive to financiers.

To address these challenges, the DBSA board made a decision to facilitate the participation of the small scale project developers in the REIPP programme, catalyzing the market. To implement the Board decision, the Bank allocated its own funding and mobilized additional resources from two strategic international partners, the GEF and European Union (EU). The DBSA is an accredited agency of the GEF and acts as the Secretariat of the EU funded Infrastructure Investment Programme for Southern Africa (IIPSA). The SP-IPPP is also well aligned to the objectives of both partners.

Development and Design

In line with its developmental mandate, DBSA established a balance sheet debt facility for its participation in the SP-IPPP. Working with its partners, the GEF and the EU through IIPSA, the Bank further established an equity fund and an interest rate subsidy capitalised by these institutions respectively to provide funding to the SP-IPPP. Each project will be

financed through the DBSA debt facility and the Bank will receive an allocated interest rate subsidy whilst the GEF fund will provide the proportional equity. This funding mechanism currently with a total value of over USD 160 million, of which 90% is DBSA's resources, will provide finance to an estimated twenty (20) small scale RE projects each with a capacity of 5MW.

The DBSA, following the GEF project funding eligibility criteria, developed an equity fund proposal which was approved by the GEF Council in 2017. It further engaged with its partners to agree on an interest rate subsidy from IIPSA that would be accessible to all DFIs that would participate in the SP-IPPP.

Without this finance mechanism, the renewable energy industry would be at increased risk of domination by large scale international companies, with the exclusion of local businesses, sustaining economic inequality and resulting in failure to meet climate mitigation targets both from the DBSA and national perspective.

Implementation

DBSA receives RE projects that have reached preferred bidder status from the South Africa IPP office calls for proposals and opens up preferred projects to FIs. The DBSA assesses projects through its already existing structures and procedures. The IIPSA steering committee approves the interest rate subsidy for projects. DBSA manages GEF capitalized equity fund and advances funding to projects. The DBSA utilizes its internal resources to appraise projects and its newly established Climate Finance unit provides specific climate expertise and ensures alignment with funding and reporting requirements of the partner funding institutions.

Experience and Impact

- The SP-IPPP facility will result in the installation of about 100MW reducing approx. 40 tCO₂e. (including both direct and indirect emissions) over the 20 year lifespan of each of the 5MW solar PV projects. Emissions reduction achieved through this funding mechanism will contribute towards South Africa's target of reducing its GHG emissions by 34% below Business as Usual (BAU) before 2020 and by 42% BAU by 2025.
- The facility will enhance skills transfer and capabilities. It will help build competence of small project developers and open opportunities for local businesses to participate in large scale projects in the future. The mechanism unlocks the participation

of commercial banks in the SP-IPP programme projects by developing a proven model for financing small scale RE projects. Participating SMEs will have a track record of project implementation and investment in the sector. This will help reduce risks and increase bankability of future projects, thus catalyzing the market.

- Renewable energy is an important sector fostering and sustaining the growth and competitiveness of the South African economy and the programme will contribute towards ensuring the security of supply of more affordable energy.

Next Steps

In mainstreaming climate in its day-to-day core business, DBSA is currently finalizing its Climate Finance Strategy and has reorganized itself and established two new sections, the Structured Products and Climate Finance Units dedicated towards managing its climate change financing activities and improving its products and services in this regard.

To mainstream climate change whilst playing its developmental role, DBSA seeks to continue taking strides towards creating and adopting new and innovative solutions for financing low carbon and climate resilient infrastructure. DBSA will further commit its own funds, maintain its partnerships and mobilise additional funding and contribute towards achievement of the full 17000 MW national RE target, in particular the 400MW demarcated for SP-IPPP. The goal is to play a role in improving the quality of life of people, reduction of poverty and inequity, growing the RE market including small scale initiatives and contribute towards carbon emissions reduction targets.

Knowledge Sharing

Several DFIs that participate in the REIPPP, particularly in the small projects are already taking and sharing lessons from this funding model. It is also an innovative approach that may be improved in the future, drawing the attention of commercial banks and adopted nationally.



Climate Action in Financial Institutions


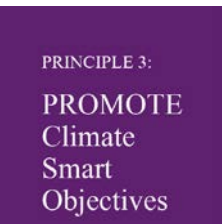

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EBRD's Green Economy Financing Facilities

Institution Principle Related Work Stream(s)

Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
<p>The tool was first piloted by the EBRD in 2004 when financial institutions were curious about the business potential arising from energy efficiency investment opportunities.</p>	<p>The overall capacity has remained in-line with business-as-usual scenarios. However, the inclusion of dedicated staff provides a more effective deployment of resources by removing the 'technical' origination and implementation burden from bankers, while facilitating consistent implementation expertise.</p>	<p>The tool was established at the working-level to address a market need and has since been included as a key delivery mechanism under the EBRD's Green economy Transition (GET) approach which was launched in 2015 and aims to raise the share of the Bank's green business volume from an average of 25 per cent over the last decade to 40 per cent by 2020.</p>
<p>Monitoring, reporting tools</p>		<p>How Implemented</p>
<p>As part of a broader initiative, the EBRD implemented a climate finance and climate impact tracking tool.</p>		<p>The tool was implemented through existing structures with additional technical expertise outsourced to consultants overseen by in-house expertise. Today a dedicated team is responsible for coordinating GEFF programmes with banking teams, partner financial institutions and consultants.</p>

Key Lessons

- Green finance has been firmly anchored in the Banking department of the EBRD since 1994 and is overseen by the head of Banking operations. It is supported by a Banking hierarchy that is equal in rank to the financial transactions and which sets the Banking mainstreaming targets. This has helped support the development and implementation of the GEF.
- To implement the GEF, the Banking department has allocated dedicated resources to assess market potential, originate deals and attract co-finance, as well as to implement robust procedures for managing, reporting and verifying the use of proceeds and the resulting impact. In-house expertise is essential for leveraging outsourced expertise effectively.
- Experience demonstrates that it is risky to implement a 'green' strategy without appropriate tools and guidance. Successful mainstreaming engages all levels of a financial institution: from management endorsement, institutional strategy approval and target setting to deal tracking systems, branch-level origination support and individual staff objectives. This has facilitated the roll-out and continuity of the GEF.

Introduction

The 'green' element of financing operations has been embedded in banking operations at EBRD since 1994, in cooperation with the Bank's environment and economist units. By 2004, the Bank had acknowledged that, outside of its direct finance influence barriers prevented the climate finance market from functioning on pure economic principles – particularly in the small and medium sized business sector and the residential sector. In addition to finance, support was required in the form of technical expertise to demonstrate the business case for efficiency investments.

Many businesses, service providers and households were not fully aware of the potential benefits of higher performance technologies and exhibited 'entrenched behaviour' whereby they gave preference to the smaller upfront technology costs typically associated with lower efficiency.

While higher performance technologies offered the opportunity to increase comfort or competitiveness - and at the same time reducing operating costs and utility bills, the EBRD recognised that the shift to environmentally sustainable economies required a transformation of markets and the large-scale deployment of new skills and technology finance.

Development and Design

The EBRD Green Economy Financing Facilities (GEFF) programme provides access to the finance needed to invest in higher performance technologies through lines of credit to local banks, microfinance institutions and leasing companies. Minimum performance criteria to make it easier to identify and select technologies with higher efficiency, helping to address entrenched behaviour.

These local financial institutions have highly efficient finance distribution networks, but are not accustomed to originating investment in climate technologies among their client base. The innovative focus and demanding technical performance standards of the EBRD Programme is a departure from the standard commercial financing practices of most local financial institutions. As such, mainstreaming climate finance is a significant undertaking that can carry relatively high implementation costs.

Implementation

The EBRD financing facilities go far beyond providing simple lines of finance. The true added-value of the GEF programme comes from technical expertise – delivered via competitively selected local and international experts – that provides direct support to financial institutions and their clients throughout the entire project cycle.

Project development support helps enhance the financial and environmental impact of prospective investments, helping demonstrate the business case for investing in higher performance technologies. This includes illustrating the business case for accessing commercial sources of finance to implement the longer-term solutions otherwise constrained by affordability.

Knowledge transfer, technical tools, on-the-job training, and the actual delivery of the climate investments, help local financial institutions to identify and prioritise the associated commercial opportunities. Outreach activities that raise awareness about 'green' benefits, help originate new investment opportunities and create demand for financing. 'Green' finance then becomes an integrated and permanent aspect of financial institutions' daily business practices, making them more resilient to climate-related financial risks.

By working with multiple local financial institutions, the EBRD programme instils competition in the market and helps influence a far greater number of investments than the EBRD could support directly.

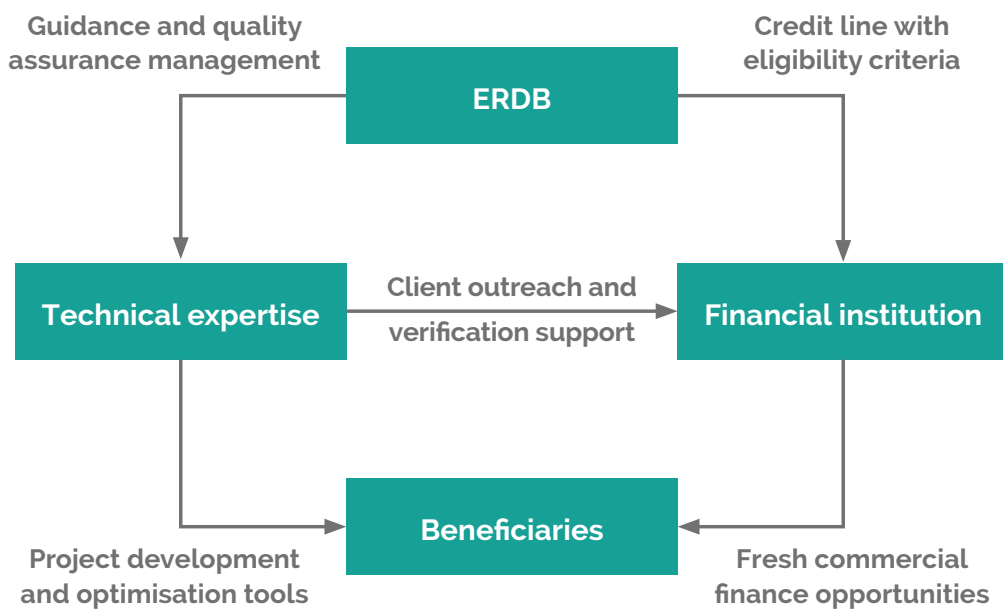
The increased uptake of climate technologies leads to better established climate technology supply chains and an increased market penetration of such technologies, ultimately leading to enhanced impact on climate mitigation and resilience.

Experience and Impact

The Bank's independent Evaluation Department carried out a [Special Study](#) in 2015 on the financing facilities run by EBRD – including the green and the

sustainable energy facilities. It found this tool to be very positive in terms of meeting its operational objectives. The study identified ways to build on and enhance this success, including formalising a programmatic approach to improve consistency and efficiency in design and implementation of the facilities.

From the time when the EBRD financing facilities were established over 10 years ago, more than 130 financial institutions have participated, reaching over 120,000 clients and avoiding more than 6 million tonnes of CO₂ equivalent emissions annually. Today, these efforts support more than €0.5 billion in EBRD finance per year and the tool is now being used to further scale-up financing in this area.





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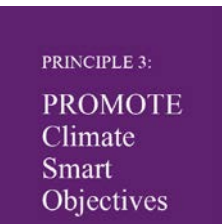

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EBRD's Green Cities Framework

Institution Principle Related Work Stream(s)

Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
The Green Cities Framework was approved by EBRD's board in November, 2016 with an initial pilot period focusing on the Caucasus and Western Balkans.	The overall capacity has remained in-line with business-as-usual scenarios. However, the inclusion of dedicated staff provides a more effective deployment of resources by providing oversight to all operations under the Framework, while facilitating consistent implementation expertise.	The Framework was established to provide a systematic approach to planning and identifying the investment needs of cities in the EBRD regions to address their most pressing environmental and climate change challenges.
Monitoring, reporting tools		How Implemented
As part of a broader initiative, the EBRD implemented a climate finance and climate impact tracking tool. Beneficiary cities also carry out monitoring and reporting activities to track their progress on implementing measures identified through their participation in the Framework.		The Framework is a € 250 million window of funding operated through the Bank's municipal and environmental infrastructure division. The Framework's Green Cities Action Plans (GCAP) and technical assistance components are covenanted in the projects financed through the window.

Key Lessons

- By tying cities' participation in the Framework to a 'trigger' investment, the Framework ensures that planning is linked to investment from day one.
- Stakeholder engagement throughout the GCAP process is necessary to develop a plan that meets a city's needs. Robust engagement also helps to ensure that plans are not solely linked to city administrations and continue to have political will to be implemented across political cycles.
- Experience has shown that the Framework and GCAPs need to ensure the beneficiary cities have a sense of ownership over the projects and plans to be successful both in their development and implementation.

Introduction

Cities are a major driver of climate change impact. Globally, cities account for up to 70 per cent of energy use and 80 per cent of greenhouse gas emissions, figures that are set to rise over time. Cities also host most of the infrastructure exposed to risk from climate change, requiring them to invest in resilience as well. Finally, energy and resource use in cities creates major environmental concerns ranging from the quality of air, to pressure on water resources and loss of green areas due to land use change. Cities, thus, are critical to delivering climate change mitigation and adaptation goals, but they face significant barriers to scaling up much needed 'green' climate investments.

Development and Design

Recognising these issues, the EBRD developed its Green Cities Framework ('GrCF') to deliver a comprehensive and systematic approach to address key climate and environmental challenges facing cities across all EBRD countries of operations. The Green Cities Framework is a € 250 million window of funding, approved by the EBRD's board in November 2016, which aims to support cities in the EBRD region to measure and benchmark their environmental performance and to prioritise response actions and investments to address their most pressing environmental challenges. The GrCF offers a systematic method for addressing these problems through targeted planning, capacity building and investment to improve cities' environmental performance in those areas that are most critical. The critical elements in the GrCF are i) linking the policy and strategic planning support and ii) technical assistance to encourage iii) green infrastructure investments. These elements compose the Framework's three components:

Component 1 – Green City Action Plans

A comprehensive approach to investment planning is needed to locate climate change mitigation and adaptation actions within the broader urban agenda.

Recognising this, the EBRD worked in collaboration with the Organisation for Economic Co-operation and Development (OECD) and the International Council for Local Environmental Initiatives (ICLEI) to develop a methodology to identify, prioritise and evaluate green city actions. The resulting GCAPs serve as both a guiding mechanism for the Framework, and a tool which municipalities can use to steer their own green urban planning initiatives. The GCAP is a year-long process that involves:

Months 1 – 3: Conducting a baseline assessment of urban environmental performance based on a comprehensive set of indicators measures urban environmental performance combined with local stakeholder input;

Months 4 - 6: Identification of priority environmental challenges to address a city's current and projected environmental, economic and social challenges;

Months 7 – 9: Establishment of long-term strategic objectives and medium-term targets; and

Months 10 – 12: Articulation of a five-year investment plan to target priority environmental challenges, including estimated costs and sources of finance, covering both CAPEX investments and policy initiatives.

Component 2 – Green City Infrastructure Investments

The Framework facilitates and stimulates sovereign and sub-sovereign finance for environmental, climate change mitigation and resilience investments in six priority sectors:

- Public Building Energy Efficiency
- Water & Wastewater
- Urban Transport
- Solid Waste Management
- District heating
- Urban Roads & Lighting

The Framework demonstrates the roll-out of scalable and replicable green city infrastructure investments linked to planning. Projects under the Framework following the development of a city's GCAP must be identified in the plan as a priority measure to address the local environmental and climate change challenges. Potential borrowers are central government, municipalities, utility companies, private companies and special purpose vehicles for public-private partnerships.

Component 3 – Technical support and targeted capacity building

Investment and planning are combined with technical assistance and capacity building to ensure effective preparation and implementation. Technical assistance includes appropriate project-level due diligence, capacity building for city management and relevant stakeholders including utilities, and project implementation and monitoring. Capacity building helps projects to be delivered on time and within budget, ensuring the delivery of anticipated outputs and outcomes.

Eligibility

To participate in the Framework, cities and municipal governing bodies must meet three criteria:

- 1) Have a population of at least 100,000;
- 2) Commit to implementing a 'trigger' investment project that initiates a city's participation in the Programme, meaningfully addresses climate change issues and meets the project eligibility criteria detailed above;
- 3) Commit to developing a Green City Action Plan in conjunction with the 'trigger' project.

Progress to date

The Framework has been enthusiastically received by municipalities and their stakeholders in the EBRD region. To date, two GCAPs have been approved by their local municipal authorities in Yerevan, Armenia and Tbilisi, Georgia. A third GCAP in Tirana, Albania launched in early 2017, is on track to be approved by early 2018.

With respect to infrastructure investment, the Framework has supported five projects in its pilot phase, helping to implement technologies such as energy efficiency in public buildings, new water networks to reduce critical water losses, electric bus fleets and biomass boilers for district heating. The Framework plans to significantly scale up its operations in the coming years both in terms of GCAPs developed and annual investment.



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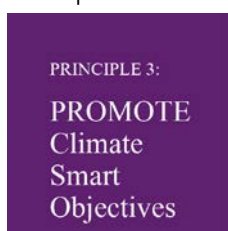
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JICA's Support for the establishment and implementation of the 'Bangkok Master Plan on Climate Change 2013-2023'

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
2015	JICA involved Yokohama City, one of the largest Japanese cities, to take advantages of their experiences on urban development planning.	JICA's supports are based on official requests from recipient countries: this case was requested by the Government of Thailand via diplomatic channel and approved by Japanese government.
Monitoring, reporting tools		How Implemented
<p>'Bangkok Master Plan on Climate Change 2013-2023' contains mitigation targets in 2020 in each sector, which are consistent with Thailand's Nationally Appropriate Mitigation Actions (NAMAs) submitted to the UNFCCC.</p> <p>To keep the track of implementing mitigation and adaptation measures, the Master Plan sets a common approach for Monitoring & Evaluation (M&E). For mitigation measures, GHG reduction will be quantitatively monitored, reported and verified (MRV).</p>		<ul style="list-style-type: none"> • Dispatching experts team to Thailand. • Inviting counterparts to Japan to join trainings. • Holding seminars as part of a public consultation process
Key Lessons		
<ul style="list-style-type: none"> • The experiences and know-how of Japanese local government was useful and applicable for developing the Master Plan and conducting capacity development. • This project provided Japanese private companies the business matching opportunities to expand their market to Thailand, mobilizing Japanese private actors to support low-carbon activities in Thailand. 		

Introduction

The Bangkok Metropolitan Administration (BMA) implemented the 'BMA Action Plan on Global Warming Mitigation 2007-2012' supported by JICA's technical cooperation. The plan aimed to reduce Bangkok's emissions by at least 15% by 2012 compared to the projected business as usual baseline. From their experience during this first action plan, BMA set out to formulate a more holistic climate change long-term plan, leading to the 'Bangkok Master Plan on Climate Change 2013-2023.' BMA aimed to develop the Master Plan in partnership with institutional and individual stakeholders within Thailand, as well as enhance capacities of institution and employees of the BMA for implementing the Master Plan. To assist in this process, the Government of Thailand officially requested the Japanese Government to provide technical cooperation in the development and needed capacity development around the Master Plan.

Development and Design

Once request was approved by the Japanese Government, JICA dispatched a detailed planning survey team to begin the detailed design of the project, engaging in a series of discussions with stakeholders.

The JICA expert team was dispatched to Thailand, made up of consultants and officials from Japanese local governments with needed specific expertise, such as those from the energy sector, transportation sector, waste and sewage management sector, urban greening, and climate change adaptation. They not only developed Master Plan, but also conducted capacity development to 'transfer' their expertise throughout the Master Plan development process. This was done with the aim of enabling Thai counterparts to establish future Master Plans independently and implement their Master Plan appropriately. In addition to these activities in Thailand, JICA invited a number of Thai counterparts to visit and exchange with officials from Yokohama City to learn from Japanese practice and experience.

In the formulation process of the Master Plan, BMA and the team of Japanese experts held seminars and workshops targeting internal and external stakeholders as part of the public engagement and consultation process. This aimed to learn from public input to improve the Master Plan and the commitments made.

Implementation

JICA's cooperation started in March 2013 and concluded in September 2015. Over this period, above-mentioned activities were systematically conducted. Also, after the completion of above-mentioned project, JICA assisted BMA in the implementation of the Master Plan through the provision of further technical cooperation targeting some outputs, such as enhancement of institutional capacity engaging in implementation of the Master Plan, capacity development for planning and implementation of specific prioritized projects under the Master Plan, and strengthening capacity for monitoring and evaluation (M&E) to assess the progress of the Master Plan.

Experience and Impact

This project demonstrated the added value that the involvement of a Japanese local government, Yokohama City, into a technical cooperation project can bring to support the development of master plans in developing countries:

1. The experiences and know-how of Japanese local governments was useful for the development of the BMA Master Plan and conducting capacity development; particularly the involvement of multiple departments that had participated in the development of 'Yokohama City Action Plan for Global Warming.' Yokohama City's experience in coordinating various stakeholders was applicable for Bangkok and played an important role in the project.

2. During the project period, Yokohama City and Bangkok concluded a Memorandum of Understanding (MOU) to promote mutual cooperation to support sustainable and environmentally- friendly cities. Based on this MOU, Yokohama City presented these activities to Japanese private companies mainly located in Yokohama City and provided them with the business matching opportunities to expand their market to Thailand. This has helped involved private actors from Japan to support the development of sustainable cities in Thailand.




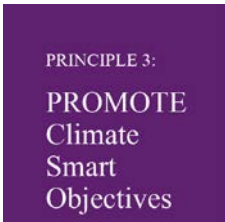

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YES BANK's Promotion of Energy Efficiency and Occupational Health & Safety in the Indian MSME sector

Institution	Principle	Related Work Stream(s)
		

Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
March 2015	Implementation partners, FMC (Foundation for MSME clusters) and EDII (Entrepreneurship Development Institute of India) were on-boarded for the project along with YES BANK's Responsible Banking team	There are over 51 million MSME units in India, which contribute to 38% of India's GDP and 70% of the industrial pollution. Given this, YES BANK decided to create world class sustainable MSME clusters with improved Environment, Health and safety (EHS) performance
Monitoring, reporting tools		How Implemented
<p>On-Ground Mechanisms: Submission of a detailed work action plan with monthly and quarterly deliverables by project implementation partners, quarterly on-ground visits, annual visit by CSR Committee Board members, regular internal audits</p> <p>External Mechanisms: External audit and third party assurance done by KPMG. The Bank also calculates Social Return on Investment (SROI) to quantify impact</p>		Identification and conducting a study on key energy intensive sectors keeping in mind economic significance and current awareness level of unit owners on Occupational Health & Safety (OHS) and Energy efficiency (EE). The findings were captured in the form of a knowledge report, followed by a Corporate Social Responsibility (CSR) project to improve EHS performance. Now the Bank is planning to provide financial assistance to MSMEs.

Key Lessons

- The MSME sector in India has a huge potential of contributing to the country's rapid industrial growth and realizing the 'Make in India' mission;
- The Indian MSME sector has been behind the curve in adopting best practices in OHS and EE due to lack of management resources, technical skill sets, proficient resource management, resilient infrastructure or financial access;
- The project has brought a positive change in MSME owners' attitudes towards workplace safety at their units, thereby improving employee morale, operational efficiency, and overall productivity of the MSMEs.

Introduction

YES BANK in line with its responsible banking ethos is committed to supporting the micro, small and medium enterprises (MSME) sector and providing it the much needed thrust to put it on a sustainable growth path. The Bank launched a first-of-its-kind CSR project to promote environmental sustainability through EE and OHS interventions including sensitization workshops, energy audits, capacity building on energy efficiency, health camps, first aid trainings, safety trainings, as well as providing drinking water facilities, first aid kits and personal protective equipment

This CSR initiative for the MSME sector was conceptualized to support MSMEs to adopt best practices to become globally competitive, both in terms of output and efficiency. This contributes in achieving the Indian Prime Minister's 'Make in India' and 'Zero Defect, Zero Effect' visions.¹ **The project was showcased at COP22 in Marrakech as role model case study from India for climate change mitigation.**

Development and Design

The initiative, adopting a shared value approach, demonstrates how the corporate sector and non-profit sector can come together to create a high impact CSR initiative in the MSME sector.

The project promotes the concept of creating sustainable MSMEs, where the Bank provides a one-stop solution to not only enhance MSME's economic performance, but to also help them manage their environmental footprint and address their social responsibilities. The initiative has been successful in making both MSME owners and workers recognize the importance of adopting EE and OHS for sustainable growth.

In the longer run, the project aims to create a pull effect, wherein the MSMEs will approach the Bank for support in helping them increase their productivity and reduce energy consumption.

Implementation

The pilot project in FY 4-15 was a part of European Union initiative 'Scaling Up Sustainable Development of MSME Clusters in India' with partners including UNIDO, GIZ, GRI, the Indian Institute of Corporate Affairs (IICA) and the Small Industries Development Bank of India (SIDBI) in the Indian state of Punjab. In its 4th phase, the project has scaled up to cover 17 sectors across 14 states in partnership with Foundation for MSME Clusters (FMC) and Entrepreneurship Development Institute of India (EDII).

Project implementation is carried out in four stages – MSME Cluster mapping, Collection of baseline information, pre-intervention audit, and final intervention.

Overall, the initiative's output and outcome is to reach out to 100,000 (1 lakh) MSMEs by 2020. Towards achieving this target, relevant partners for scaling up the program are being leveraged, including SIDBI, Quality Council of India, Ministry of MSME, National Safety Council of India.

Experience and Impact

To date, YES Bank estimates that the project has impacted 3,252 MSMEs, benefitted 23,112 workers and helped reduce an estimated 6,000 metric tons of CO₂ emissions.

To measure the social impact, the Bank has calculated each project's social return on investment (SROI) using the internationally recognized framework of Social Value, UK.

A thorough analysis of inputs from stakeholders, outputs and corresponding outcomes was carried out. The SROI for this project was 6.9. In other words, the social impact generated on the ground by the project is 6.9 times the value of inputs invested.

¹ Please see <https://www.zed.org.in/> for more information.



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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CAF upgrades its Environmental Corporate Program to a fully Integrated Management System for Environment and Social Responsibility

Institution	Principle	Related Work Stream(s)
		

Publication date: 2017

Date Policy/ Tool Established	Additional capacity required (eg: staff, resources, other)	How established?
CAF's Institutional Environmental Management Program (PIGA in Spanish) began in 2007	<ul style="list-style-type: none"> Between now and its creation in 2007, the Program has been operating with up to 3 staff members; With the upgrade to an integrated system, all responsibilities will be handled by the Institutional Unit for Environmental Management (15 executives) and the Logistics and Admin. Services Division (30+ staff members) CAF's Institutional Program for Environmental Management has been operating with an annual budget in the range of USD 200.000 	CAF's Institutional Environmental Management Program resulted from the implementation of CAF' Environmental Strategy.

Monitoring, reporting tools	How Implemented?
<ul style="list-style-type: none"> • Spreadsheet model to estimate the GHG inventory between 2009-2015, • As of year 2016, CAF has been using GreenCloud to track data and information related to estimation of its carbon footprint, • A digital Information Management System is being developed to fully integrate data, information and reporting related to Environment and Social Responsibility metrics. 	<p>2007 - CAF began the development of its Institutional Environmental Management Plan.</p> <p>2010 - Taking into account the significant increase of its duties, the Plan evolved and transitioned into an Institutional Environmental Management Program</p> <p>2016 – CAF undertook a new project to establish a fully Integrated Management System for Environment and Social Responsibility</p>
Key Lessons	
<ul style="list-style-type: none"> • Support from top management is essential for the success of any strategy or mechanism that is introduced to improve climate performance within the organization. • Showing results is of outmost importance for the continuation and growth of initiatives aimed at monitoring GHG emissions in day-to-day operations. 	

Introduction

The Brundtland Report - *Our Common Future* - was published by the United Nations World Commission on Environment and Development (WCED) in 1987. The Brundtland Commission Report recognised that human resource development in the form of poverty reduction, gender equity, and wealth redistribution was crucial to formulating strategies for environmental conservation. The publication of *Our Common Future* and the work of the WCED laid the groundwork for the convening of the 1992 Earth Summit, which in turn paved the way for the climate change, biodiversity and desertification agendas, as we know them today. Ever since, stakeholders across the world, from academics, to governments, technology developers and business players, have pursued different ways and mechanisms to introduce sustainability issues into their day-to-day operations.

CAF's environmental policy statement is clear, unequivocal and it is documented at the highest level within its Corporate Operations Manual. CAF's Policy-

Line on Environment and Climate Change specifies that all operations financed by CAF must conduct a risk assessment in respect to environmental, social and climate issues and comply with CAF's Environmental and Social Safeguards. At the internal level, CAF's upholds its commitment towards sustainability of its operations by means of implementing and maintaining an Environmental Management Program. This Program is currently undergoing a transition phase to become a fully integrated Management System for Environment and Social Responsibility.

Development and Design

CAF operations are regulated in accordance to its Corporate Operations Manual (i.e. CAF Management Policy), which, among others, highlights the importance of the principles of business eco-efficiency. In addition, CAF has a specific Policy-Line document that addresses Environmental and Climate Change issues, and specifies CAF's commitment in respect to sustainability of its operations.

ENVIRONMENTAL MANAGEMENT	AWARENESS AND COMMUNICATION	CERTIFICATION
Mitigation of its GHG emissions	Communication strategy	LEED
Energy efficiency	Capacity building and training	ISO 14001
Solid waste reduction	Voluntary community work	ISO 26000
Sustainable procurement	Corporate sustainability report	Carbon neutral events

In practice, these policy-mandates have been translated into action with the implementation of CAF's Institutional Environmental Management Program (PIGA), initiated as a Plan in 2007. As of the time of writing this case study, it is being upgraded to a fully integrated Management System.

In simple terms, the overall objective of the Program is to promote the sustainability of CAF operations and features the following three specific objectives:

1. Improve efficiency of resources,
2. Showcase CAF's commitment in respect to the environment, and
3. Improve environmental conditions of its premises.

The main strategic lines of action are described as follows:

Implementation

In 2007, CAF began the development of its Institutional Environmental Management Plan as part of its commitment towards environmental and social responsibility. At the beginning, this Plan started with a very limited scope, namely to address electricity consumption and to assess the conditions of waste handling at its headquarters in Caracas, Venezuela.

By 2009, the Institutional Environmental Management Plan has expanded its scope to handle seven areas of action: 1. Management of Internal Environmental Conditions, 2. Water Savings, 3. Energy Savings, 4. Responsible use of Office Supplies, 5. Comprehensive Waste Management, 6. Zero GHG Emissions and 7. Training, Awareness and Communication. It was around the end of this phase that CAF began monitoring its corporate carbon footprint, using an MS Excel spreadsheet model, developed by an external consultant.

In 2010 and taking into account the significance increase of its duties, the Plan evolved and transitioned into an Institutional Environmental Management Program. Having reached this level of stability and maturity the Program continued to focus on reducing CAF's environmental footprint by optimizing efficiency of both operational and administrative processes.

In October 2016, CAF initiated a process of certification under ISO 14001 (Environmental Management) & ISO 26000 (Guidance on Social Responsibility) with a view to establish a fully Integrated Management System by the end of 2018 (Sistema Institucional de Gestión Ambiental - SIGA).

Experience and Impact

The main results and impacts of this experience can be summarized as follows:

- Task force established in 2016 for the elaboration of CAF Sustainability Report 2015-2017. This report is currently under revision, following the guidance and methodology prescribed by the Global Reporting Initiative (i.e. GRI 101 and GRI 103) and it is to be published by the end of 2017.
- CAF has systematically monitored its carbon footprint since 2009. In the past few years, these greenhouse gases emissions have been in the order of 12 kilo tons CO₂e/year. Between 2015 and 2016 the carbon footprint showed a slight reduction from 12.556 to 11.442 tonCO₂e.
- GHG direct emissions from fuel consumption decreased between 2015 and 2016, with significant reductions of diesel consumption in the order of -68%. In respect to energy efficiency, CAF accomplished a slight reduction of energy consumption between 2015 and 2016, moving from 5,922.03 kwh/person to 5,674.11 kwh, respectively. Key Performance Indicators to track efficiency measures reveal that the aggregation of glass, plastic, aluminum and paper amounted 2,8 tons in 2015, compared to 7,6 tons in 2016.



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Yes Bank's Environment Management System (EMS) and Policy-Journey to become the first Bank achieving ISO 14001:2015 Certification

Institution	Principle	Related Work Stream(s)
	PRINCIPLE 4: IMPROVE Climate Performance	 MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES

Publication date: 2017

Date Policy/Tool Established	Additional capacity required (eg: staff, resources, other)	How established?
YES BANK's first Environment Management Policy (EMP) was released in 2012 and revised in 2016 as per ISO 14001:2015 standard.	Implementation of EMS was integrated as a part of the Bank's operational and service delivery framework with the support and expertise of internal teams.	Top Management's decision of greening Bank's internal operations by establishing an Environment Management System (EMS).
Monitoring, reporting tools		How Implemented?
As per the ISO standards, monthly and quarterly monitoring of environment performance for significant environmental aspects is carried out, followed by an annual external audit.		The EMS was implemented through support of internal teams: Responsible Banking, Branch Banking, Operation and Service Delivery, Technology Solutions Team, Infrastructure and Digital Network Management team
Key Lessons		
<ul style="list-style-type: none"> • Greater commitment and involvement from the top management was key to implementing EMS at various level of the organisation • Increased alignment with Bank's strategic direction was needed to achieve environment risk mitigation • Implementing EMS required consideration of environmental impact at each stage of operation 		

Introduction

In line with YES BANK's commitment to achieve internal natural resource consumption efficiencies and minimizing its carbon footprint, the Bank had implemented EMS policy in 12 of its locations certified in 2012. The Bank completed the next implementation phase the following year, covering 184 locations. **In 2014, YES BANK became the first bank in India to receive the ISO 14001:2004 certification** for bringing down resource consumption, waste generation & disposal costs, energy consumption, and implementing environment friendly practices.

The latest ISO 14001:2015 standard further expands the scope of the Bank's commitment to the environment through a greater emphasis by leaders to implement EMS, a better strategic fit to incorporate environmental risk mitigation, integrating environmental impacts in Life Cycle Thinking, and driving effective internal and external stakeholder communication.

French Certification Body Bureau Veritas certified YES BANK in January 2017 as the first bank worldwide **to migrate to the ISO 14001:2015 certification for its EMS** implemented in 447 of its office and branch locations, which is the largest coverage by any financial institutes. The Bank has developed robust process-driven approaches, created a comprehensive E-learning module for employees, and adopted a new EMS policy, among other initiatives aimed at integrating environmental sustainability into its operations.

Development and Design

The ISO implementation is guided by the EMP (shown below) drafted after internal consultations and industry benchmarks and endorsed by the Bank's MD & CEO.

The image shows the cover and content page of the Environment Management Policy document. The cover features the title "Environment Management Policy" in large green letters, the YES BANK logo, and a commitment statement. The content page lists 14 broad-level actions to fulfill environmental commitments, signed by Rana Kapoor, Managing Director & CEO, dated August 19, 2016. The document is printed on 100% recycled paper.

Environment Management Policy

YES BANK is committed to demonstrating leadership towards India's sustainable development and creating shared value by adopting Responsible Banking principles. The Bank's sustainability ethos entails achieving natural capital conservation efficiencies and introducing innovative financial solutions for stakeholders to mitigate its socio-environmental risks. YES BANK's sustainability mandate, which is governed by an 'integrated lifecycle impact thinking' of its operations, aims to create competitive advantage and global sustainability leadership, thus enhancing sustainability mindshare among all stakeholders.

YES BANK is committed to continuously benchmark and enhance its environmental performance through strategic reduction of its carbon footprint intensity in order to fulfill its environmental obligations and stakeholder expectations towards supporting sustainable growth.

We aim to fulfill our environmental commitments through the following broad-level actions:

- Improve key resource efficiency, such as usage of electricity, fossil fuel, paper and water
- Conserve natural resources by adopting the "3-R" (reduce, reuse and recycle) approach towards prevention of pollution and disposal of waste, especially electronic waste, in line with regulatory requirements or industry best practices
- Source renewable energy for greening the bank's operations
- Set, monitor and review the overall Environmental Management System (EMS) objectives and targets on an ongoing basis towards achieving continuous improvement in environmental performance on digital platforms
- Strive to reduce carbon emissions intensity by minimum 10% year on year
- Comply with all applicable environmental compliance obligations
- Continue reporting our environmental performance and our contribution to climate change-related issues through relevant national and international forums to all our stakeholders
- Communicate the EMS Policy to all employees, business associates and other stakeholders; ensure that the policy is available to the public
- Create maximum awareness on objectives, targets and programs derived from the EMS Policy across all internal stakeholders
- Review the EMS Policy and allied management systems periodically to ensure their continuing applicability and relevance to our operations and evolving stakeholder expectations
- Strive to support various voluntary, national and international protocols, conventions and agreements on environment protection. Also, proactively engage with governmental and other agencies to drive future environmental policy and regulation
- Promote 'green procurement' to influence sustainable sourcing of product and services
- Integrate energy and environmental considerations in the design of new infrastructural facilities
- Conduct periodic audits and self-assessments of YES BANK's compliance with this policy and measure progress of environmental performance

Rana Kapoor
Managing Director & CEO
Date: August 19, 2016

Printed on 100% recycled paper

Implementation

The implementation of ISO required aligning the processes of the Bank with the ISO standard's requirements; this required the involvement of and support from a large number of internal teams. The Bank has undertaken extensive awareness and training programs, as well as communication campaigns over a period of 3 years, which helped it to engage all employees to collaboratively work towards reaching higher environmental performance standards. The Bank trained all of its employees on the Environmental Management System through a comprehensive E-Learning module, leading to greater employee awareness and participation. The Bank also circulated resource conservation mailers, signage and posters widely, internally.

Experience and Impact

In 2016-17, the Bank experienced significant positive environmental impact in the form of-

- Reduction of Green House Gas emission intensity by 16.5% year over year against the target of 10% as per EMS policy;
- Reduction of diesel consumption by 14.19% at a pan-Bank level in Diesel Generator sets;
- Over 5 lakh A4 sheets of paper saved through digitizing loan processing, digital reimbursements and various operation and service delivery initiatives;
- Estimated 227 Mwh energy conservation annually due to LED installations in branches;
- 8985 Kg of E-waste disposed through authorised recyclers in compliance to E-waste Rule, 2016;
- 105 kilolitres of estimated water savings annually through efficient faucets design in corporate office buildings.



Climate Action in Financial Institutions

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Asian Development Bank's Public Climate Financing Database

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
10 April 2017	Existing resources and systems were used for this new initiative; with support from consultants who currently track and monitor climate finance at ADB. Development of the website was an additional task, enabled by ADB's Department of External Relations.	Directive of ADB President
Monitoring, reporting tools		How Implemented
With ADB's commitment of \$6 billion for climate finance by 2020, systematic internal monitoring and reporting is being implemented through various internal mechanisms.		The Climate Financing Database is linked to ADB's main website accessible for public use. https://www.adb.org/climate-change-financing
Key Lessons		
<ul style="list-style-type: none"> • Engagement with key departments in the conceptualization and development of the database and public website made delivery of the output prompt and effective. • Evaluation of the tool is helpful for determining future enhancements 		

Introduction

Since 2012, the Asian Development Bank has been reporting investments made to address climate change in projects, based on an agreed-on methodology and approach with other multilateral development banks (MDBs) on tracking climate finance. This group tracks and reports climate finance in a granular manner; adaptation finance is calculated using the joint MDB Methodology on Tracking Climate Adaptation Finance, which is context-based and location-specific, capturing investments associated with activities directly addressing a climate change vulnerability. Mitigation finance is calculated in accordance with the joint MDB Methodology for Tracking Climate Mitigation Finance, which is based on a list of activities that are compatible with low-carbon emissions development pathways.

The MDBs initiated this joint effort primarily to build trust and accountability in view of the climate finance commitments made under the Copenhagen Accord and the Cancun Agreements, to provide new and additional resources from developed to developing countries. The MDBs aimed to contribute to consistency in methods and approaches in counting climate finance.

In 2015, ADB committed to double its climate financing to \$6 billion by 2020. Following this commitment, the institution has been enhancing its efforts to mainstream climate action into ADB's operations and systematically tracking progress. In 2016, a guidance note on quantifying climate finance was prepared to support a consistent bank-wide approach to the measurement and reporting of ADB's climate finance. Sectoral notes were issued subsequently, covering energy, urban and water and agriculture (forthcoming) sectors. Staff training on climate finance tracking is also being conducted to enhance capacity in better integrating climate consideration and capturing climate finance in investments by ADB. Further, ADB is also committed to remain transparent and accountable, and a concrete step towards that is providing open access to information at the project level on investments. This level of detailed information provided on ADB's website is unique, and represents one of the first such effort amongst MDBs.

Development and Design

The existing database for recording climate investments served as the basis for the data that was uploaded on the website. The format was enhanced to provide details that would be useful for users. Graphic tools present summaries and key results. Links to all related project documents are also provided for further detailed information. The data is also provided in excel files to facilitate analysis and assessment by users. The website is also mobile-device friendly, for easier access.

Implementation

The timeframe to develop the website was limited, given senior management's enthusiasm for this initiative. Moving forward, ADB will incorporate additional features in the website design to enable filtering and onsite analysis. The supporting database will be updated annually.

Experience and Impact

ADB's Department of External Relations and the Office of Information Systems and Technology, with the Climate Change and Disaster Risk Management Division proved to be key to the successful launch and implementation of the website. After the launch, ADB has received various inquiries on the projects as well as the approach to counting climate finance. The website continues to receive attention and has resulted in a perceived increase in interest in ADB's climate financing.



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Société Générale's implementation of its commitments for the coal sector

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
In October 2016: development of a tool to monitor the achievement of a 2°C-aligned target in relation to coal mining and coal-fueled power financings	No additional capacity but a task force has been constituted involving RISQ, CSR, E&S departments and business lines. IEA was consulted on the methodology.	Société Générale's Executive Committee approved the evolution of the Group's practices in relation to the coal sector.
Monitoring, reporting tools		How Implemented
Results are presented annually to the Executive Committee and published in the CSR report. They are expected to be audited by an independent third party. The methodology and objectives will be adapted according to IEA scenarios updates.		<ul style="list-style-type: none"> • Definition of a 2°C scenario target related to financing of coal mining and coal-fueled power sectors • Definition of the scope (both dedicated transactions and general purpose corporate financings) • Adaptation of the Bank's sectoral policies to achieve targets • Development of a tool and calculation methodology
Key lessons		
<ul style="list-style-type: none"> • Societe Generale's methodology is a first within financial institutions that monitors a 2°C scenario target related to financing of the coal mining and coal-fueled power sectors. • The key challenge addressed is how to decline macro policies into micro objectives that make sense for banking business lines. The methodology developed is robust and auditable. 		

Introduction

A commitment aligned with the IEA 2°C scenario

In accordance with its climate strategy, Société Générale committed in 2015 to align its financing portfolio by 2020 with the global warming trajectory laid out by the International Energy Agency (IEA) in its 2°C scenario (2DS).

It also announced:

- The reduction of its activities in the coal sector to align with the IEA's 2 degrees scenario by 2020;
- The end of project finance for the development of coal mines;
- The end of project finance for coal-fired power plants in high income OECD countries.

This commitment entailed that the Bank committed to stop financing dedicated transactions for the purpose of either the development of new coal mines, or the extension of the existing ones – as well as for associated infrastructures. Moreover, the Bank decided to refrain from entering into new relationship with clients when more than 50% of their turnover is linked to coal sector activities.

The commitment on the coal sector to align with the IEA's 2Ds scenario has been translated into two main targets:

- For coal mining activities, the target is to reduce the drawn amounts (exposure) by 14% as of end 2020.
- For coal-fuelled power activities, the target is to limit the coal share of the financed energy mix to 19% by the end of 2020.

Development and Design

A robust and transparent methodology

In order to monitor its alignment with the IEA's 2 degrees scenario for coal mining and coal-fuelled power activities, Société Générale devised a methodology to monitor forward looking exposures for coal mining activities (USD) and coal-fuelled power activities (financed capacity in installed MW):

For coal mining activities, the exposure is defined as the weighted average of:

- Drawn amounts of the pre-financing and dedicated financing of related to coal mining; and
- Drawn amounts of the general corporate purposes financing of companies active in coal mining, weighted by the client group's turnover percentage stemming from coal mining activities.

For coal-fuelled power activities, the share of coal-fueled power is determined in the following way:

Drawn amounts of the general purposes short medium term financing are isolated from dedicated financing to avoid double counting and weighted by the percentage of turnover of power generation activities. The weighted drawn "power" amounts are then weighted by the percentage of coal in the total installed capacity to calculate each company's energy mix.

Drawn amounts of dedicated financing are converted into installed MW through the use of the IEA's conversion tables. The energy mix for dedicated transactions is determined by calculating, for each source of energy, the ratio between the MW associated with transactions financing this energy source and the total financed MW.

Sectoral policies have been updated accordingly and published on the Bank's public website. The portfolio is being monitored every six months and annual results will be published and reviewed by an independent third party.

A call to action

Société Générale intends to disclose its methodology and all the assumptions made as an opportunity to share and discuss with other financial institutions and experts, but also as a standard/ benchmark for other institutions willing to implement the IEA 2°C scenario for the coal sector.



Climate Action in Financial Institutions

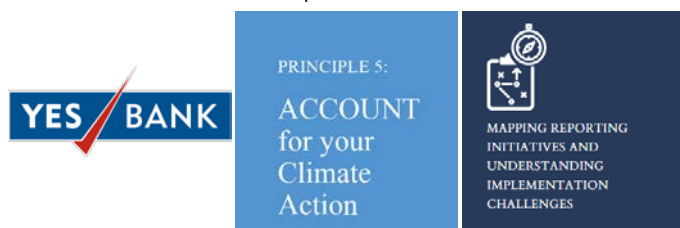
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Yes Bank's Sustainability Leadership reflected through ESG disclosures

Institution Principle Related Work Stream(s)



Publication date: 2017

Date Policy/Tool Established	Additional Capacity Required (e.g., staff, resources, other)	How Established?
Dow Jones Sustainability Index: 2014; MSCI ESG Ratings: 2014; FTSE4Good Emerging Index: 2017; CDP: 2010; SDG Compass: 2016	Dedicated internal team with expertise in ESG disclosures, climate risks and ESG ratings. Specific professional trainings on ESG are provided to certain employees and all of Bank has to undergo mandatory ESG modules.	Established through a series of management consultations and dialogues to participate in Environment, Social and Governance (ESG) Disclosures & Ratings
Monitoring, reporting tools		How Implemented
Internal reporting system and external reporting through respective questionnaires – DJSI, MSCI & FTSE4Good.		YES BANK's Responsible Banking unit leads the ESG disclosures and triple bottom line accounting. YES BANK responds to leading ESG disclosure frameworks & ratings such as DJSI, FTSE4Good and MSCI

Key Lessons

- Increased ESG disclosures and consistent performance in ESG Ratings (such as DJSI, FTSE4Good and MSCI), helps build trust and credibility for the Bank's ESG performance, and in turn leads to improved investor confidence, profitability for the Bank and substantiates the business case for adopting Environment and Social Policy (ESP).
- Strong focus on ESG leads to improved employee productivity and mitigation of risks and maximizing ESG-based opportunities.
- Improved ESG performance leads to enhanced reputation as these ratings are an endorsement of the Bank's 360 degree sustainability framework, and has helped the Bank attain a leadership position in sustainability domain in the Indian banking space.

Introduction

YES BANK, in its quest to achieving its vision of being the 'Finest Quality Big Bank' by 2020, has been constantly innovating to deliver on its responsibility as a financial institution and reporting its ESG performance since 2009. Right since inception, YES BANK has incorporated an inclusive approach to mainstreaming sustainable development and has aligned its core business strategies to maximize stakeholder value.

ESG disclosures & ratings are gaining momentum globally as an important metric tool for investors to make investment decisions, and for companies to enhance stakeholder confidence. The ESG disclosures practice, however in India, is still at a nascent stage with no Indian bank apart from YES BANK making it to the Dow Jones Sustainability Index family for the past three years.

Development and design

YES BANK believes that its success depends on its performance on triple bottom line, which includes its environmental and climate action performance, rather than only economic or financial performance. Given this, the Bank has worked relentlessly towards becoming the 'Benchmark Financial Institution for Inclusivity and Sustainability' in India.

Reporting on its ESG performance is a key element of its 360 degree sustainability strategy. ESG disclosures help the Bank's stakeholders to analyze the key environmental, social and governance aspects and the Bank's approach towards addressing them through an ESP Policy. Through ESG disclosure frameworks and sustainability indices, the Bank highlights its ESG performance, which in turn has helped strengthen investor confidence, especially for green or SRI investors. One of the important disclosures has been the CDP Climate Change disclosure, which has been encouraging the world's largest companies to publicly

share their carbon emissions data. The initiative is backed by 803 investors with US\$100 trillion in assets worldwide. YES BANK was the first Indian signatory to it, and has also been the first and the only Indian bank on CDP's Carbon Disclosure Leadership Index (India) for five consecutive years as a respondent.

Implementation

YES BANK's progress, where growth and sustainability are indivisible, entails creating shared value and embracing the triple-bottom-line approach. Transparency and reporting this progress is an integral part of the Bank's strategy.

The Bank has a dedicated team for triple bottom line reporting within the Responsible Banking unit, which has been working on ESG disclosures since 2009. The journey began with setting up internal processes to capture carbon emissions data, and improving the data accuracy with improved data collection each year. Gradually over the years, the Bank has improved its ESG disclosures and reported its ESG performance on latest available sustainability reporting guidelines. The Bank has also adopted ISO 14001:2015 Environmental Management System, which has enabled the bank to measure and monitor environmental KPIs and been a catalyst to behavioral change in employees towards supporting energy efficiency and low carbon initiatives. ESG disclosures through frameworks such as DJSI, MSCI, FTSE4Good and CDP, have improved through bespoke business unit action plans for reporting improvements. The Responsible Banking team engages with every business unit with opportunities for improvements in the respective unit's metrics reporting and disclosures. The internal credit risk team has specialized environment and social risk assessors, which integrate environmental and social factors in lending practices. This has led to the Bank consistently improving its score on CDP, DJSI, as well assigned an upgraded rating of AAA from AA, by MSCI ESG Research in 2016.

Additionally, the Bank welcomes the Sustainable Development Goals (SDGs) adopted at the historic UN Sustainable Development Summit in September, 2015. YES BANK believes that it has a clear alignment with the SDGs, and has focused on mapping its organizational activities with the pertinent Goals, and reports its performance within the SDG Compass. In a significant achievement, the Bank was featured as a case study in the [SDG Industry Matrix](#), a joint publication released in September 2015 by UN Global Compact & KPMG highlighting global financial sector action. The case study specifically looks at YES BANK's contribution to SDG 13 Climate Action, and SDGs 1, 5 and 10, additionally. The SDG Compass maps the Bank's GRI based reporting with the SDGs and is included in the Bank's Sustainability Report.

Experience and Impact

- YES BANK aims to be at the forefront of mainstreaming sustainability within the global financial sector. In the 13 years since its inception, YES BANK has become an industry leader for sustainable development in the Indian banking sector.
- The success of the ESG disclosure process at YES BANK has been achieved in spite of challenges like streamlining and consolidation of data across a pan-India presence of more than 1000 branches, in 29 states and 7 union territories. Limitations in disclosures in terms of Bank's confidential information and articulating value has also been a challenging parameter which the Bank is addressing to ensure a balanced report and present a holistic picture to its stakeholders.
- YES BANK has been the only and first Indian bank to be selected into the Dow Jones Sustainability Indices – Emerging Markets Index, for the three consecutive years – 2015, 2016 & 2017, among the DJSI family of 49 global banks. In 2016, YES BANK was assigned AAA rating by MSCI ESG Research, and placing the Bank in the top 3% of its industry group globally. ESG ratings include environmental and climate action KPIs, such as carbon emissions, integration of environmental factors into credit policies and renewable energy lending portfolio.
- These ratings are an endorsement of the Bank's 360 degree sustainability framework that integrates ESG factors into its overall business operations, and has helped the Bank attain a leadership position in sustainability domain in the Indian banking space by benchmarking its performance with respect to industry peers.

Annex C.

2015 Case Studies

When launching the Initiative in 2015, on the sidelines of COP21, Supporting Institutions launched the 2015 Emerging Practices report. This inaugural report gathered the following selection of case studies:

Principle 1

African Development Bank (AfDB): 5 Year Climate Change Action Plan (CCAP) Puts Climate Change at the Forefront of Development

Asia Development Bank (ADB) Makes Climate Change Core to Operations through Series of Strategy and Policy Changes

IFC Builds an Internal Infrastructure to Embed Climate into Its Core Business Operations

AFD Strives to Reconcile Development and the Fight Against Climate Change: Dedicated Climate Change and Development Strategy

YES BANK Has Incorporated the Ethos of Responsible Banking That Addresses Climate Change

Principle 2

World Bank's Climate and Disaster Risk Screening Tool Helps Identify Short- and Long-Term Climate and Disaster Risks for Better Risk Management in Development

ADB Integrates Climate Risk Management Framework throughout Operations

Nordic Development Fund Case Study: Pushing for Excellence through Climate Change Screening

YES BANK's Environment and Social Policy (ESP) Addresses Climate Risks through a Multi-Step Implementation Process with Identified Inter-Department Responsibilities

Principle 3

DBSA—The Development Bank of Southern Africa Implements Effective Partnerships through Designing and Developing Effective Partnership Models to Implement Strategic Plans and Programmes

Japan International Cooperation Agency (JICA) Promotes Climate Change-Related Projects through Program Loans

EIB's Experience Shows That Green Bonds Can Be a Market-based Process to Promote Accountability and Engagement in Climate Finance

YES BANK through Its Green Bonds, Has Shown It as an Accepted Instrument and Has Encouraged Responsible Investment in Debt Capital Markets in India

Societe General (SocGen) Positive Impact Bond

Principle 4

The EBRD's Measuring, Reporting and Verification (MRV) Approach Allows for Transparency and Accountability

Japan International Cooperation Agency (JICA) Develops a Tool to Improve the Design and Implementation of Climate Change-Related Projects

Lending Targets Lead to Performance Tracking at Inter-American Development Bank (IADB)

Credit Agricole CIB Uses Sectoral and Issue-Based Cartography of Global Financed Emissions for Developing CSR Sector Policies

Assessment of Projects' GHG Emissions at AFD: Implementation of a Comprehensive Carbon Footprint Tool

Internal Carbon Tax of Societe Generale

MDBs and IDFC establish Common Principles for Climate Finance Tracking

Principle 5

MDBs Harmonize Approaches for Tracking in Order to Improve Disclosure of Important Climate Data

Yes Bank's Triple Bottom Line Accounting and Reporting Key to Building Credibility and Trust

EIB Publication of Carbon Footprint Methodologies, Project Level Absolute & Relative GHG Data, Aggregate Annual Data, and Impact Reporting for Green Bonds

The IDFC Publicly Reports Green and Climate Finance Data

All case studies are available in the Climate Mainstreaming Practices Database (www.mainstreamingclimate.org/climate-mainstreaming-practices-database/)



www.mainstreamingclimate.org