



MAINSTREAMING Climate Action within Financial Institutions

Emerging Practices



The following Organizations are Supporting Institutions and have contributed to the production of this Emerging Practice Paper:



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This report was written by a group of financial institutions, including Agence Française de Développement (AFD), the Africa Development Bank (AfDB), Asian Development Bank (ADB), CAF Latin American Development Bank (CAF), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Japan International Cooperation Agency (JICA), KfW Bankengruppe (KfW), and the Multilateral Investment Guarantee Agency (MIGA). The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of these institutions, their Board of Executive Directors, or the governments they represent.

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BACKGROUND

This *Emerging Practices Paper* accompanies the five voluntary **Principles for Mainstreaming Climate Action Within Financial Institutions** (“Principles”), which are reproduced in Box 2. The objective of this paper is to illustrate some of the many ways financial institutions currently integrate climate change considerations into their operations, lending and advisory services. This paper is a “snapshot” of existing practices from **Supporting Institutions**; those showcased here are by no means exhaustive, nor are they meant to be prescriptive.

The Principles aim to support and guide financial institutions moving forward in the process of adapting to and promoting climate smart development. These Principles 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, resilient economy.

This *Emerging Practices Paper* complements the Principles with examples of existing practices from financial institutions. The paper illustrates some of the

BOX 1 What Is a Supporting Institution?

A “**Supporting Institution**” is a financial institution whose management has publically confirmed their support for the five voluntary **Principles for Mainstreaming Climate Action within Financial Institutions**, and is interested in participating (on a voluntary basis) in the ongoing knowledge sharing and development of emerging operational approaches and practices linked to the Principles.

many ways public and private financial institutions—many with different clients and business models that drive the demand for financial services—are working to progressively integrate climate change considerations across policies, approaches, tools and operations. It aims to facilitate learning and knowledge exchange on practical approaches, and is not intended to be prescriptive in any way.

As more financial institutions progressively mainstream climate change into their operations, approaches and tools are likely to evolve and improve. This paper includes examples from a range of financial institutions—both public and private. The practices presented here are often the result of multiple attempts, refinements and lessons from implementation. Some reflect many years of experience and common methodologies or approaches that are applied by many institutions today. Others touch on emerging approaches that are just beginning to be tested and considered, with implementation still in the early days. In many cases, efforts to develop tools or internal

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 2 Five Voluntary Principles for Mainstreaming Climate Change within Financial Institutions

“Mainstreaming” climate change considerations throughout financial institutions’ operations, and in their investing and lending activities, will enable financial institutions to deliver better, more sustainable, short-term and long-term results—both developmentally and financially. “Mainstreaming” by definition implies a shift from financing climate activities in incremental ways, to making climate change—both in terms of opportunities and risk—a core consideration and “lens” through which institutions deploy capital. Based on practices implemented by many types of financial institutions worldwide over the last two decades, we offer the following Five Voluntary Principles for Mainstreaming Climate Change to support and guide financial institutions moving forward in the process of adapting to and promoting climate smart 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 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 investments.

3: PROMOTE climate smart objectives

Promote approaches to generating 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.

Organizations supporting the development and ongoing work on these Voluntary Principles



capacity have come with important budget implications. Nonetheless, the emerging practices illustrated in this paper highlight considerable endeavors undertaken by financial institutions to operationalize approaches to mainstream climate considerations.

As a way to both capture evolving experience, and facilitate learning and knowledge sharing, regular updates of these Emerging Practices are envisioned. A

web platform will be developed to facilitate knowledge sharing, and this platform will link to illustrative case studies from Supporting Institutions.

We hope the financial community finds these *Emerging Practices* useful and inspiring for those considering or working to implement practical approaches to mainstream climate change within financial institutions.

INTRODUCTION

Countries around the world face the challenge of equipping their economies and societies with low carbon, 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 play a key role in addressing these challenges, internally and through relationships with their clients, and have started to respond.

The five voluntary **Principles for Mainstreaming Climate Action Within Financial Institutions** provide a statement of leadership and a framework for collaboration and exchange of lessons as financial institutions develop and mainstream approaches to address climate change.

“Mainstreaming” approaches means making climate change considerations a core component of how an institution conducts business. It implies a shift from incremental financing of climate activities to ensuring that climate change is a core consideration and “lens” through which institutions deploy capital, new opportunities, and managing risk. It can take months and sometimes several years 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 for climate change and its impacts and opportunities.

By supporting 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—developmentally and financially.

PURPOSE AND APPROACH

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.

These *Emerging Practices* 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 being developed.

COMPLEMENTARY INITIATIVES

Many existing initiatives give a voice and platform for a range of financial institutions to show leadership on climate change. Many 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 3.

BOX 3 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 2014, 767 institutional investors representing over \$92 trillion of assets disclosed climate data to CDP.

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.

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 370 investors representing more than \$24 trillion in assets.

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. In signing the Principles, the 1,380 investors publicly committed to adopting and implementing them where they are consistent with their fiduciary responsibilities.

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 2014, the Equator Principles totaled 80 signatories.

The Portfolio De-Carbonization Initiative (PDC) is a multi-stakeholder 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.

PRINCIPLE 1

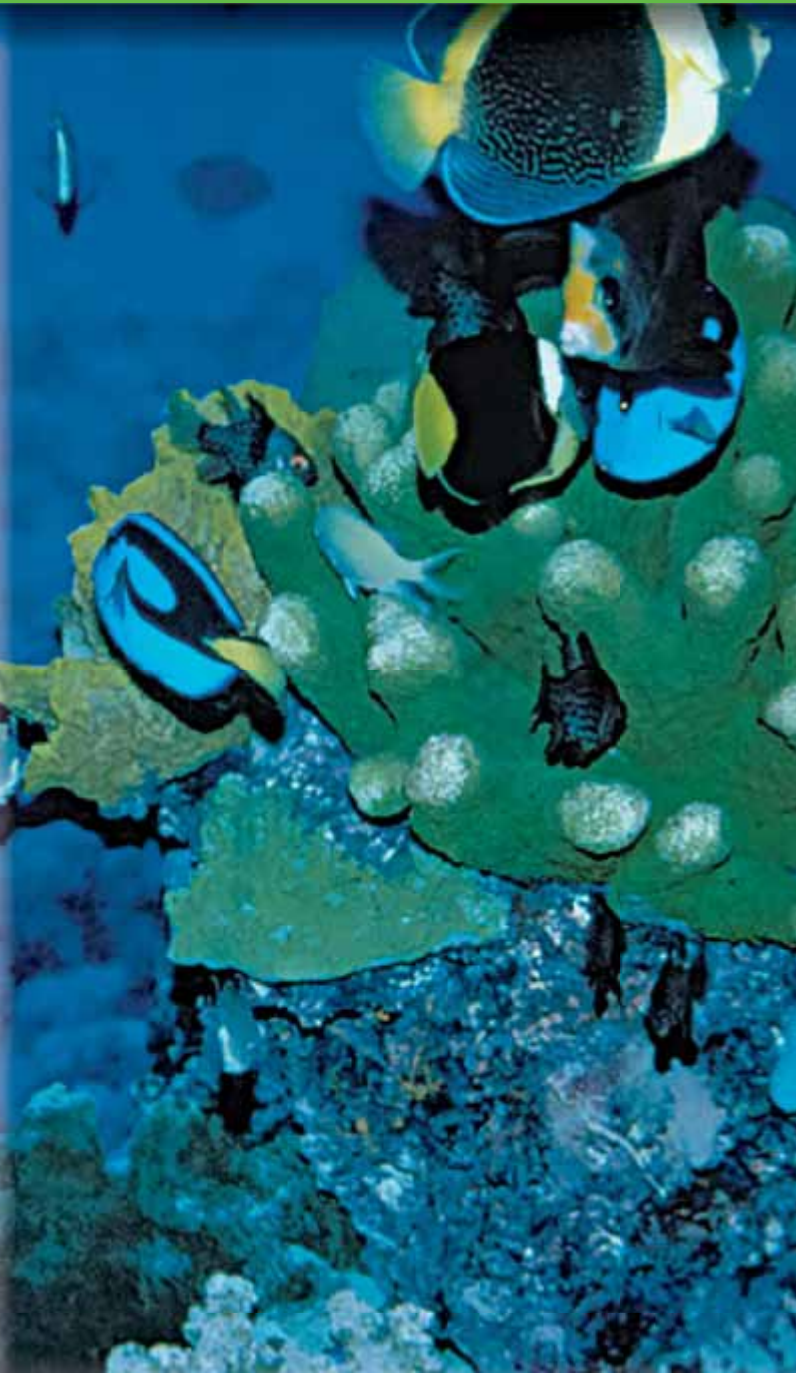
COMMIT to Climate Strategies

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 for 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, and many have made public commitments. For example, many development finance institutions as well as private financial institutions have made commitments to allocate capital and steer financial flows toward more low carbon, resilient activities (Box 4). Many also collect data and employ tools that help embed climate change considerations into their institutions.

Principle 1—COMMIT to Climate Action—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 Action—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. Communicating a strategy from senior management and disseminating it through the management structure across an institution allows for an integrated, organizational approach.

Explicit Strategic Priorities, Policy Commitments and Targets

Robust climate strategies can be promoted through a combination of strategic priorities, policy commitments, plans and/or targets. 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.

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

BOX 4 Financial Commitments from Private Financial Institutions (2014-15)

During the United Nations Climate Summit in September 2014, the private sector announced plans to mobilize more than \$200 billion in financial assets for low carbon and climate-resilient development. This includes the insurance industry's commitment to double its green investments to \$84 billion by the end of 2015 and to reach a tenfold increase by 2020. Three major pension funds pledged to allocate more than \$31 billion to 'low-carbon' investments by 2020, while a coalition of institutional investors pledged to decarbonize \$100 billion. During the Summit, commercial banks pledged \$30 billion in new climate finance by the end of 2015 through issuing green bonds and other innovative financing initiatives.

In the year following the Climate Summit, the finance sector has made important announcements relating to climate finance. This includes Citibank's goal to lend, invest and facilitate \$100 billion over 10 years to environmental and climate change solutions, Barclay's intent to invest £1 billion in green bond market, AXA's pledge to triple its green investment footprint to reach €3 billion by 2020, and many other major pledges by the financial sector.

plan that integrates climate change or a systematic mainstreaming of climate into business/strategic plans.

- Senior management is accountable—e.g. vice president/managing director—for promoting climate change objectives. Positions are built into the institutional structure that 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 business lines, products or special financing vehicles or terms are designed to increase financing for climate-smart investments.

Some Lessons from Emerging Practice in Action

Annex A includes several case studies on emerging practices,² which illustrate some ways financial institutions are operationalizing this Principle. Some lessons emerging from this experience includes:

“A specific Action Plan on climate change provided the impetus necessary for the [African Development] Bank to proactively engage with regional member countries on climate change. It also enabled the strategic restructuring, creation of new structures and hiring of staff to support the climate change agenda.”

Africa Development Bank (AfDB)

“Mainstreaming climate change into operations is a process that requires establishing policies and implementing actions on climate change early on. Strong management support is key to successful mainstreaming.”

Asia Development Bank (ADB)

“[Both] Embedding climate staff throughout the organization is crucial making climate business a part of “business as usual”, [and having] a centralized climate staff is key to provide the tools, strategy and support to build climate business.”

International Finance Corporation (IFC)

“Strong managerial support over the long run and at all levels is required for a successful implementation of such a strategy. AFD’s Climate Change and Development Strategy is ambitious in that it implies that AFD’s investment practices across all sectors will increasingly take account of climate change, and it is expected that new practices will emerge.”

Agence Française de Développement (AFD)

“To establish Responsible Banking as one of the key pillars of growth for YES BANK, it was definitely necessary to have strong leadership to percolate the strategy throughout the organization.”

YES BANK

² 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 Supporting Institutions. Examples are the sole responsibility and product of those institutions.

PRINCIPLE 2

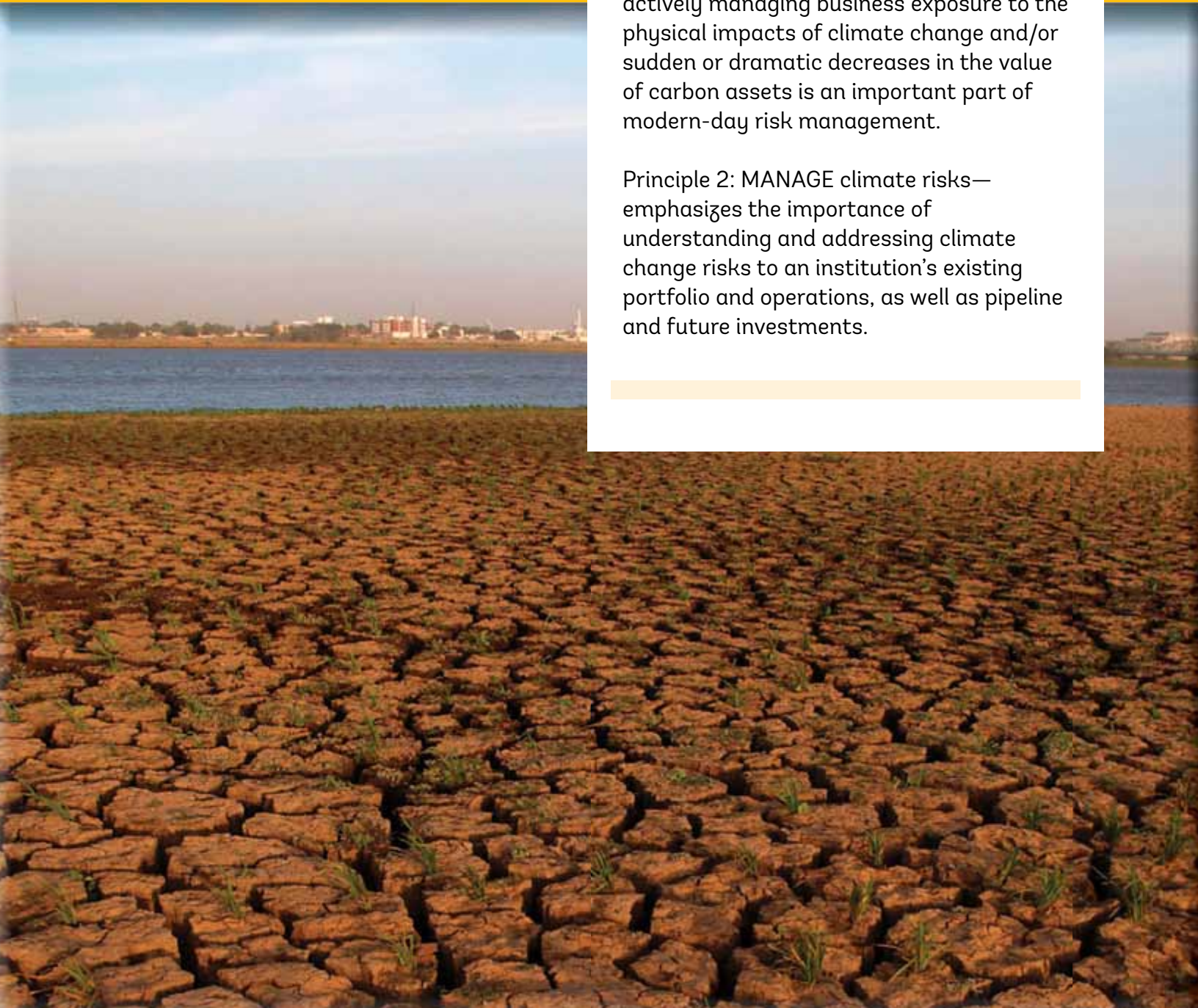
MANAGE Climate Risks

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 investments.

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: MANAGE climate risks—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 (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 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 in more quantifiable ways. The following examples show emerging practices by some development 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.

BOX 5 Financial Policy and Climate Risk

Mainstreaming climate risk considerations within financial policy has emerged as a relatively new area of research in the past two years. Three separate "initiatives" which explore ways to enhance financial policy and regulation are worth noting:

UN Inquiry for Sustainable Financial System: In January 2014, UNEP established the "UN Inquiry: Design of a Sustainable Financial System" (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): Bank of England's 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'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.

Work with Clients, Stakeholders to Assess and Manage Climate Risk

Linked with approaches to screening new investments, many financial institutions proactively work with clients and other stakeholders to ensure resilience measures are incorporated into project and investment design.

For example, the Equator Principles (Box 6) require financial institutions providing project finance, advisory and project-related corporate loans to apply environmental standards that address and improve a project's resilience to climate impact. Such requirements help improve the resilience of the investment to physical impacts resulting from climate change, and as a result help manage that investment's climate risk. More than 30 countries and 81 financial institutions

BOX 6 The Equator Principles

The Equator Principles (EPs) consist of ten Principles that apply to four financial products across all industry sectors, globally: Project Finance Advisory Services, Project Finance, Project-Related Corporate Loans, and Bridge Loans. The EPs are intended to serve as a common baseline and framework for social and environmental policies, procedures and standards.

The original EPs were launched in 2003 with 10 signatories. As of 2015, 81 Equator Principles Financial Institutions (EPFIs) in 36 countries have officially adopted the EPs, covering over 70 percent of international Project Finance debt in emerging markets. The EPs have helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry (for example, Carbon Principles in the US, Climate Principles worldwide) and have provided a platform for engagement with a broad range of interested stakeholders, including NGOs, clients and industry bodies.

have adopted the Equator Principles, accounting for the majority of international project finance debt in developing member countries.

Illustrative Elements

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

- Assessing climate risk to new investments, pipeline and/or an existing portfolio. This could include for example impacts on physical assets, investments where the impairment of physical assets would have a significant financial impact, and potential impacts from climate related extreme weather events on financial or economic health, or development objectives.
- Developing approaches to assess and manage climate risks, together with clients and other stakeholders, to better manage direct impacts on an institution's investments, balance sheet and assets.

Some Lessons from Emerging Practice in Action

Annex A includes several case studies on emerging practices,³ which illustrate some ways financial institutions are working to assess and manage 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 *Emerging 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 includes:

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.

“ . . . Quick access to climate information at the national and subnational level is helpful for initial assessments. . . . the option to use the Climate Risk Screening Tool . . . provides a better basis for managing [project] risks from climate change. ”

World Bank—IBRD

“Risks need to be identified at the early phase of project preparation. Adaptation is not cost neutral but may not necessarily be expensive and a large menu of adaptation options are available [including both] engineering and non-engineering. ”

Asian Development Bank (ADB)

“The institution-wide applicability of the Project Identification and Screening methodology secures not only a clear commitment to climate change strategies both globally and within the organization, but also allows NDF to push forward the climate agenda towards mainstreaming in its partner organization and partner countries through early involvement and through innovative solutions beyond the obvious. ”

Nordic Development Fund (NDF)

“Climate risks are also [to be] identified prior to project implementation, to advise appropriate mitigation measures, despite uncertainty attached to them Educating [the] clients on the significance of non-financial risk mitigation is equally important, as this needs to be a collaborative action. ”

YES BANK

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: Promote Climate Smart Objectives—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 for that purpose.



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 part of business development efforts to promote the use of specialized climate funds, the issuance of green bonds, or even through the knowledge gained through climate-risk screening of projects.

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 about the availability of products that can help mobilize financing for 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.

Illustrative Elements

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

- Promotion and underwriting of green bonds, new financial structures or other instruments 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 which crowd in new investors into funds and dedicated climate facilities.
- Impact funds, blended finance or other dedicated mechanisms that provide financing for projects that might not otherwise happen 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 standards, or other approaches that promote cross-dissemination of climate change learning.

Some Lessons from Emerging Practice in Action

Annex A includes several case studies on emerging practices,⁴ which illustrate some ways financial institutions are working to engage their clients and stakeholders. Some lessons emerging from this experience include:

“Creative and smart partnership arrangements between departments, private sector and the NGO sector is needed for successful mainstreaming and implementation at scale. Investment packages for small scale as well as large scale projects are key to overall success of programs.”

Development Bank of South Africa (DBSA)

“[Special lending programs, such as] Climate Change Program Loans (CCPL) [are] effective in avoiding duplications among donor’s assistance, and brings concerted supports by donors.”

JICA

“Product innovation [through EIB’s Climate Awareness Bonds] has enhanced market interest and enabled investors to engage more effectively in the area of climate. [and] Large volumes of Green Bond issuances have kick-started a spiral process gradually improving issuers’ accountability.”

European Investment Bank (EIB)

“Green Bonds have been able to address a number of challenges in the existing financing mechanisms including sector limits, high interest rates and Asset-Liability mismatch to finance projects in the renewable energy and energy efficiency space.”

YES BANK

“Societe Generale’s First Positive Impact Bond demonstrates its ability to draw on its financial structuring and distribution expertise in order to help build a sustainable bond market, thus deepening capital markets funding sources for sustainable growth projects alongside bank lending backed by a robust Positive Impact Assessment Framework.”

Societe Generale (SocGen)

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.

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: IMPROVE climate performance—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 7.

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

BOX 7 Some Existing Resources, Tools and Methodologies for Tracking Climate Indicators

The Portfolio Carbon Initiative—led by the GHG Protocol, the UNEP Finance Initiative, and the 2 Degrees Investing Initiative—is developing resources “to guide financial institutions towards greater climate performance and away from the risks attached to carbon-intensive assets.” This includes tools to define and manage carbon asset risk and GHG Protocol accounting and disclosure guidance for asset owners

MDB/IDFC Common Principles for Tracking Mitigation and Adaptation Finance: In 2015, the multilateral development banks (MDBs) and the International Development Finance Club (IDFC, a network of 22 national and sub-regional development finance institutions) harmonized existing methodologies, and agreed common principles for tracking financing for mitigation and adaptation investments.

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).

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.⁵ Build carbon pricing/social cost of carbon into economic analysis of investments.

Some Lessons from Emerging Practice in Action

Annex A includes several case studies on emerging practices,⁶ 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:

“Having an IT system that supports the Measuring Reporting and Verification (MRV) activities and integrates it into the rest of the banking system is essential.”

European Bank for Reconstruction and Development (EBRD)

“Systems to track lending targets are useful for establishing internal incentives; The climate change lending target has contributed to the strengthening of vulnerability assessments [and tools] as well.”

Inter-American Development Bank (IADB)

“Achieving a comprehensive measuring of emissions has helped create a consensus [around] priorities [for the institution], and the development of [climate related] policies.”

Credit Agricole CIB

“A practical reference [tool] is helpful to promote mainstreaming climate change considerations within an institution.”

JICA

“The implementation of the Carbon Footprint Tool has been a key element to mainstream climate change considerations not only within AFD but also when engaging with clients and stakeholders, as it helps identify opportunities and risks, and evaluate alternative options when relevant.”

Agence Française de Développement (AFD)

⁵ 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.

⁶ 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.

“The internal carbon tax is a strong incentive tool that promotes integration of environmental impacts in the business model and innovation.”

Societe Generale (SocGen)

“The Common Principles for mitigation finance tracking help improve data transparency, collection processes, and begin to address comparability of reporting across different institutions. Common Principles for Adaptation tracking have established key principles and also important next steps to start to address more harmonized approaches.”

International Development Finance Club (IDFC)
and Multilateral Development Banks (MDBs)

PRINCIPLE 5

ACCOUNT for Your Climate Action

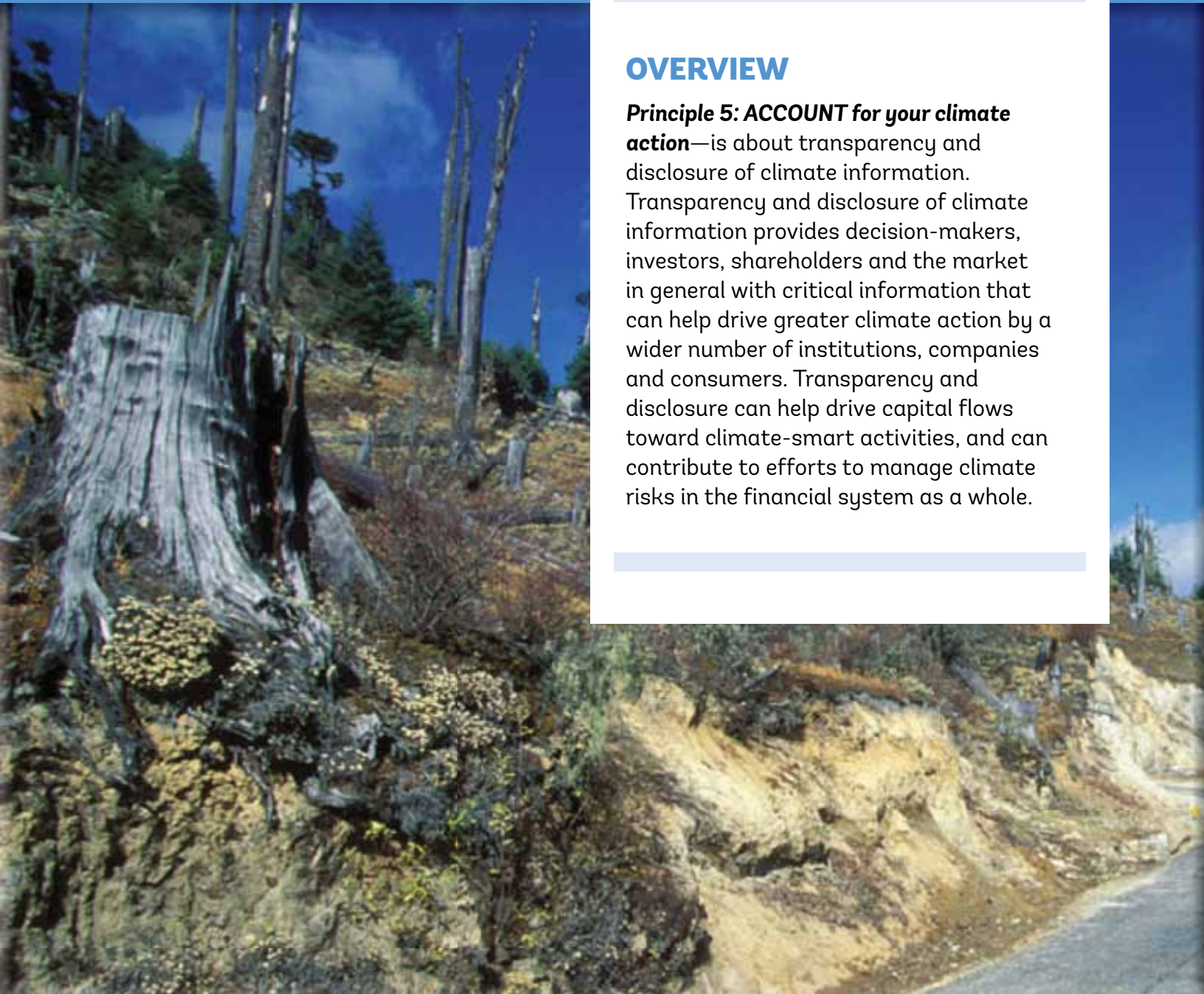
Be transparent and report, wherever possible, on the climate performance of your institution, including increases in financing of clean energy, energy efficiency, climate resilience or other climate-related activities and investments. Be transparent and report, wherever possible, the climate footprint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

OVERVIEW

Principle 5: ACCOUNT for your climate

action—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.



Climate and Carbon Disclosure: GHG and Portfolio Footprint, Climate, Water and Forest Risks

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 guidelines for regulated financial institutions to report and disclose information on carbon investments and risks, while many public sector financial institutions are required to report similar information to governments and citizens.

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 to measuring or assessing them. In areas such as GHG accounting, a significant amount of work has been

BOX 8 The Carbon Disclosure Project

The Carbon Disclosure Project (CDP), was established in 2000 and holds the largest, most comprehensive collection globally of self-reported climate change, water and forest-risk data from companies, investors and cities. **CDP works with 822 institutional investors holding \$95 trillion in assets and is a platform for comprehensive reporting on climate change by business and investors.** This includes evidence and insight into companies' GHG emissions, water usage and strategies for managing climate change, water and deforestation risks. CDP also established the **Climate Disclosure Standards Board (CDSB)**, which is committed to the integration of climate change-related information into corporation's mainstream financial reporting, enabling institutions to link financial and climate change-related reporting to provide policy-makers and investors with clear, reliable information for robust decision making.

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 Reporting

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. Trends in overall financing flows are important for markets, as these reports can highlight issues or trends 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.

For several years, many development finance institutions (DFIs) have been publically reporting their climate finance for mitigation and (more recently) adaptation investments. 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. These reporting efforts provide critical information for policy makers, other financiers and investors.

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 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.

- 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 addressing climate-related physical risks.
- Disclosing investment support for climate-smart actions, and potentially reporting on additional funds leveraged or mobilized.

Some Lessons from Emerging Practice in Action

Annex A 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:

“We believe our increased transparency has helped us build trust, credibility and visibility among communities and investors, and profitability for the Bank. The Bank’s success in integrating its sustainability objectives into its core business operations clearly demonstrates that achieving profitability and meeting one’s developmental priorities can be mutually inclusive.”

YES BANK, India

“At EIB, management of funds for our Climate Awareness Bonds (CAB) and the project impact reporting framework we have developed draws heavily from our climate finance tracking definitions and from our GHG analysis and reporting—increasing transparency and clarity for CAB investors and other external stakeholders, who thus have the opportunity to engage more effectively in the area of climate finance.”

European Investment Bank (EIB)

“Transparent reporting is essential to understand the scale and scope of climate finance and the actors involved. IDFC mapping reports highlight the important role of national and regional development banks in the mobilization and channeling of climate finance.”

International Development Finance Club (IDFC)—Joint Reporting on Climate Finance

“Harmonization can help ensure publically reported data is consistent in most areas, which is useful for policy makers.”

MDB Group—Joint Reporting on Climate Finance

⁷ 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.

ANNEX

A

Methodology for Collecting Case Studies

Financial institutions supporting the Principles—initially comprising the multi-lateral development banks and members of the International Development Finance Club—were invited to 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:

- Indicate if possible when the internal policy, approach or tool was put into effect; whether it was instituted through a policy change, board decision or management directive; and when it was implemented.
- How was the internal policy/approach/tool developed? How long did it take to put it together? Were outside consultants employed? Were special committees/groups employed to gain internal and/or external consultations/consensus?
- Once the management decision was made, how was the internal policy/approach/tool implemented? Did it affect one group/department, multiple groups/departments, or the entire institution? Was it rolled out to specific departments (e.g., industries, regions) first, or across the institutions? How long (e.g., months, financial or fiscal years?) did it take for the policy/approach/tool to become effective?
- How long has the policy/approach/tool been in place? Does it require specialized staff or teams to implement? What has been the operational/lending volume impact of the policy/approach/tool (if applicable)?



- What has been the response from clients, external entities (e.g., NGOs, civil society) regarding the policy/approach/tool?
- Have there been independent and/or external evaluations of the policy/approach/tool?
- Are there mechanisms to monitor progress made and/or impacts related to the implementation of the policy/approach/tool?
- Which were the main challenges encountered regarding the design and roll out of the policy/approach or tool? How were they addressed/are you addressing them?
- Has the policy/approach/tool been revised since its original implementation? Have lessons of experience been incorporated into revisions of the policy/approach/tool?
- What has been the overall impact of the policy/approach/tool in terms of the overall performance of the Institution?
- Are there existing exchange platforms/networks where the accumulated experience regarding the design and implementation policy/approach/tool is being discussed? If so, which ones?
- If applicable, provide links to public documents referencing the mainstreaming example.

Disclaimer: All case studied 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 Emerging Practice imply that the content of the case studies have been endorsed by other Supporting Institutions.

ANNEX

B

Collection of Emerging Practices Case Studies

This Emerging Practices Paper is meant to be a living document. The cases studies included in this inaugural version are not exhaustive, and include those submissions received at the time of printing. Many financial institutions across the globe are implementing practices which help to mainstream climate action, and additional emerging practice case studies are expected to be published in the future.



PRINCIPLE 1 CASE STUDIES

Disclaimer: All case studies submitted by a Supporting Institution and included in the following Annex are the sole responsibility and product of that institution and shall in no way be deemed endorsed by any other Supporting Institution.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
September 7th 2012	Established by Board approval.	Implementation of the Plan evolved dynamically in the spirit of a policy change.	Required hiring of new staff, retaining of existing staff, restructuring and creation of new structures to support the climate change agenda.
Key Lessons			
• A specific Action Plan on climate change provided the impetus necessary for the Bank to proactively engage with regional member countries on climate change. It also enabled the strategic restructuring, creation of new structures and hiring of staff to support the climate change agenda; • The principle of 'learning by doing' has guided implementation of Bank's first Action Plan on climate change. Today, the Bank is more aware of the areas in which it has comparative advantage; has developed relationships with new partners; continues to draw on the knowledge and expertise developed by the wider development community but also proactively shares its experience and contributes to joint initiatives in this area; and • Overall, the first Bank's CCAP was useful to position climate change as an integral part of Bank's development investments in Africa, while providing an opportunity for relevant Bank's departments to work together and improve delivery on the implementation of the CCAP.			

Introduction

The African Development Bank's Climate Change Action Plan (CCAP 2011–2015) was approved by the Board in September 2012 after 2 years of intensive dialogue and consultation. The Plan articulates 3 pillars: low carbon development; adaptation (climate-resilient development and building adaptive capacity); and the establishment of a financing platform. The CCAP has signaled, both internally and externally, AfDB's commitment to support Regional Member Countries (RMCs) to adapt to climate change and to mitigate emissions, aligned with the Bank's focus on infrastructure development and regional operations. The Action Plan gives priority to key sectors, including: renewable energy and energy efficiency; sustainable transport; sustainable land and forestry management; sustainable water resources management, and

climate resilience in infrastructure and urban systems. The CCAP also articulates commitment to provide advisory services, support policy reform, generate knowledge and enhance capacity/competency across the three pillars. A cumulative target to invest \$9.7 billion US over the 5 years was set. A Monitoring and Evaluation (M&E) Framework was designed to track achievement of the objectives and targets defined. The use of the M&E Framework helps improve the reporting and tracking of CCAP implementation while aligning the CCAP indicators with the Bank's overall Results Measurement Framework.

Development and Design

The CCAP was developed internally by AfDB staff; a cross departmental task force was established. The task force facilitated intensive consultation across

all levels of the Bank including Board members, senior management, and sector specialists. The Monitoring and Evaluation Framework for the Action Plan was designed with the support of external consultants.

It took over 2 years from conceptualization to Board Approval. The length of time can be attributed to two main factors. The first, the relative novelty of having a specific 'strategy' on climate change; and second, acute awareness of the sensitivity the majority of the African constituency associated with the climate change agenda at the time. More importantly, delays were also attributed to the need to learn lessons from climate change negotiations (COP 15 in Copenhagen in particular) and the establishment of new financing instruments such as the Climate Investment Funds, the Green Climate Fund and the Africa Climate Change Fund, among others.

A second phase of the CCAP will be prepared in 2016 to align with the Bank's long term strategy (2013–2022) and the Post-2015 development agenda currently evolving. Less resistance is anticipated as stakeholders have gained better understanding of climate change. This Action Plan will also include the Bank's Climate Finance targets.

Implementation

To facilitate effective implementation of climate change related commitments, AfDB has an organizational approach which allows for integration of climate change in Bank business structured as follows:

- **A Climate Change Coordination Committee (CCCC).** Established in 2010, the CCCC provides a platform for senior management from the relevant sector departments to share information and to coordinate cross-sectorial climate change related activities. The committee meets once a month, on average, with regular meetings called as required, and discusses corporate level matters such as internal policies and strategies; external partnerships; representation to high level international meetings and events; advocacy; and reporting. The committee reports to the Bank President. The committee does not approve projects.

- **An Energy Environment and Climate Change Department and Division.** Established in 2010, this department is responsible for coordinating the implementation of internal and external climate change Funds and initiatives (CIF, GEF, SEFA, and SE4ALL) and supports the mainstreaming of climate change and green growth at strategic level (Country Strategy Papers (CSPs), Regional Integration Strategy Papers (RISPs), and country development plans);
- **The Compliance and Safeguards Division under the Quality Assurance and Results Department** has the mandate to implement climate safeguards—specifically the screening of relevant operations to assess their vulnerability to climate change related risks.

Sector specialists across relevant departments including—energy, transport, agriculture, private sector and policy departments received training to enhance their capacity to address the challenges as well as to take advantage of the opportunities in this specific area.

Experience and Impact

Through implementation of the CCAP, the Bank has been able to leverage resources from the private sector to finance investments in a range of clean-energy infrastructure and agriculture projects that mitigate the risks related to climate change. The Bank also helps governments determine and implement actions necessary to catalyze private investment in these areas, encourage institutional and policy reforms and incubate innovative approaches.

The CCAP has also provided the framework to mainstream climate change in country and regional plans, and has provided impetus for the design of a climate screening tool and the integration of climate change in the Bank's Safeguards Policy (the Integrated Safeguards System).

The Bank's Green Bonds Programme initiated in 2013 has been aligned with the objectives of both the CCAP and the Bank's 10 year strategy (2013–2022). Its purpose is to finance projects that contribute to adaptation to climate change and mitigation of GHG

emissions. At the time of reporting, the Bank has mobilized approximately USD 6.9 billion to implement over 150 adaptation and mitigation projects over the period 2011–2014. The Bank also hosts a number of Trust Funds, aligned with the third pillar on facilitating

financing to meet climate change objectives, they include: African Climate Change Fund, Congo Basin Forest Fund, ClimDev-Africa Special Fund and the Sustainable Energy Fund for Africa.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Results Framework 2013–2016 (April 2013)	Established through ADB Board approval.	Implementation done through regional departments and through various sectors currently covering 2013–2016.	Gradual increase in staff with relevant expertise; renaming and upgrading of divisions and departments and the creation of a thematic group on climate change and disaster risk management.
Key Lessons			
1. Mainstreaming climate change into operations is a lengthy process that requires establishing policies and implementing actions on climate change early on. 2. Strong management support is key to successful mainstreaming. 3. Cooperation and support from various departments is needed for successful mainstreaming.			

Introduction

The Asian Development Bank (ADB) acknowledges that Asia is to become a major driver of GHG emissions worldwide, while increasingly exposed to the risks of climate change. The successful mainstreaming of climate change into ADB's operations was a culmination of decades long initiatives that started around 1989 when a directive from ADB Management on "Global Environmental Concerns: Possible Implications to Bank Operations" was given and a regional study on Environmental Considerations in Energy Development was implemented. From the early 1990s until 2005, ADB provided fundamental preparatory support to its DMCs to improve understanding of climate change threats and response options. Early initiatives included the 1992 technical assistance (TA) study *Climate Change in Asia*,⁸ the *Asia Least-Cost Greenhouse Gas Abatement Strategy*⁹ implemented from 1995 to 2001, the 2003 clean development mechanism facility, and the 2001 Technical Assistance on *Promotion of Renewable Energy, Energy Efficiency, and Greenhouse Gas Abatement (PREGA)*, which helped enhance understanding of the region's greenhouse gas (GHG) emissions and the capacity of the DMCs

to cost-effectively meet their mitigation objectives under the United Nations Framework Convention on Climate Change (UNFCCC).

Development and Design

In response to increasing global attention and call to action to address climate change ADB embarked on major new initiatives, including: (i) Energy Efficiency Initiative (EEI) in 2005 to expand ADB clean energy investments to \$1 billion a year starting 2008; elevated to \$2 billion by 2013 through the Energy Policy approved in 2009; (ii) Clean Energy Financing Partnership Facility (CEFPF) in 2007 to support EEI; (iii) Carbon Market Initiative (CMI) in 2006, now a Program (CMP) to provide DMCs additional financing incentives for GHG mitigation projects eligible under the clean development mechanism (CDM); (iv) co-founded the Cities Development Initiative for Asia (CDIA) with the Government of Germany in 2007 to enhance sustainable development and poverty reduction in cities through environmental sustainability, pro-poor development, good governance, and climate change; and (v) implemented the *Climate Change Adaptation Project for the Pacific (CLIMAP)* in 2005 that prepared risk profiles and demonstrated the importance of mainstreaming climate adaptation into development and planning in selected Pacific DMCs. ADB started working with other MDBs in designing a new funding facility that would help

8 ADB. 1992. TA 5463-REG: *Regional Global Environmental Issues*, Manila.

9 ADB. 2001. TA 5592-REG: *Asia Least-Cost Greenhouse Gas Abatement Strategy*, Manila.

scale up climate finance for developing countries, i.e., the Climate Investment Funds (CIF) in 2008.

Understanding of climate change challenges and the international context affecting responses evolved significantly, especially with the release of critical studies such as the 2006 *Stern Review on the Economics of Climate Change* and the 2007 4th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). It has become clear that continued poverty reduction will not be possible without proactive efforts to address environmental sustainability, including the causes and consequences of climate change. In 2008, ADB made climate change a part of the broader agenda of environmentally sustainable growth under its long-term strategic framework, Strategy 2020.¹⁰ In parallel, ADB initiated an institution-wide exercise to prepare, on a sub-regional basis, climate change implementation plans (CCIPs) to identify high priority areas for climate change assistance to the DMCs and provide the foundation for more systematic attention to such programming through regular updates of regional and country partnership strategies.

Implementation

To support the implementation of the climate change agenda, ADB, in 2009, began operating a Climate Change Program Coordination Unit in the Regional and Sustainable Development Department (RSDD) to promote internal and external awareness of and coherence in ADB's climate-related responses. A network of climate change focal points was also formed to facilitate effective knowledge and operational management on climate change. By 2014, the Unit was joined by the Disaster Risk Management (DRM) Team and renamed as the Climate Change and Disaster Risk Management Unit.

Drawing from the CCIP exercise (completed in 2009), ADB, in 2010, realigned and redefined its strategic priorities in addressing climate change—consistent

with Strategy 2020—to provide guidance for all operations. These priorities are laid out in the 2010 paper *Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific*.¹¹ ADB's climate change program adopts an integrated approach to address climate change mitigation and adaptation across priority areas like clean energy, sustainable transport, climate resilience, among others.

Experience and Impact

In 2013/2014, ADB conducted a Mid-Term Review of the Strategy 2020,¹² which identifies environment and climate change as one of its ten priorities. The following priorities of action related to climate change include (i) continue to invest \$2 billion annually in clean energy; (ii) increase the share of low-carbon modes of transport, (iii) scale up support for climate change adaptation; (iv) strengthen integrated disaster risk management; (v) promote natural resource management; (vi) strengthen policies and capacity to promote greater resource efficiency; and (vii) facilitate DMCs' access to global and regional funds. In helping achieve these priorities, an assessment of the results framework was made to analyze the achievements and challenges in the use of the long-term strategy framework, to examine good practices, and to consult with stakeholders in determining which areas needed to be strengthened. As a result, a new framework¹³ (2013–2015) included changes to its structure, indicators, and targets, where ADB has set a target of 45% of its operations supporting climate change by 2016, which effectively mainstreamed climate change into the Bank's operations. In 2014, 44% of ADB projects supported climate change. In conjunction, ADB has renamed RSDD into the Sustainable Development and Climate Change Department, upgraded the Climate Change and Disaster Risk Management Unit into a Division and established a thematic group on climate change and DRM.

¹¹ ADB. 2010. *Focused Action: Priorities for Addressing Climate Change in Asia and the Pacific*. Manila.

¹² <http://www.adb.org/about/strategy-2020-mid-term-review>.

¹³ The ADB corporate results framework, introduced in 2008, is a management tool that helps ADB monitor and improve its performance to achieve the goals set out in Strategy 2020. (<http://www.adb.org/sites/default/files/institutional-document/33861/files/results-framework.pdf>) and (<http://www.adb.org/sites/default/files/institutional-document/154037/adb-results-framework-interim-update.pdf>).

¹⁰ <http://www.adb.org/documents/strategy-2020-working-asia-and-pacific-free-poverty>.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2010: Established centralized climate business department.	Senior Management Decision to create a Climate Business Department, which in turn established the network and tools.	Implemented in stages, as opportunities in climate business became clearer.	Required allocating dedicated climate staff across IFC, in addition to a centralized climate office that coordinates top-down strategy and tools, as well as bottom-up support.

Key Lessons

- Buy-in from operational departments is crucial to making climate part of “business-as-usual”. Embedding climate staff throughout the organization has been an effective way to build capacity and bench-strength across departments to identify and place climate deals.
- Clear operational targets tied to staff performance and incentives are important in getting investment staff to seek out climate smart opportunities. Investment staff must prioritize among competing demands and from a wide range of development objectives and prospective business. Incorporating climate on departmental scorecards created an incentive for staff to find climate business opportunities.
- Clear and easily definable guidelines on what qualifies as a climate project help build momentum for climate business. IFC’s most successful climate business is in areas where we have clearly defined metrics and definitions for climate business. This reduces transaction costs and time to complete an investment and get it formally recognized.
- A centralized climate staff is key to provide the tools, strategy and support to build climate business.

Introduction

IFC began tracking climate investments in 2005. Since then, IFC has built an internal infrastructure to embed climate activities throughout the organization with a goal to make climate investments part of IFC’s core business.

Key Elements

To mainstream climate into IFC’s core business, IFC has developed an internal infrastructure based on three key elements:

1. Generate buy-in from IFC’s operational departments, through dedicated staff resources. IFC has established an extended network of **climate managers and anchors embedded in its industry and regional departments**. This network is responsible for coordinating the climate business program in their respective group. The network holds regular video conferences to

coordinate strategy across industry and regions and to share tools and knowledge developed across the network.

2. IFC has regional and industry **climate targets that are part of departmental scorecards, which are tied to monetary incentives**. Prior to 2013, IFC’s climate financing had plateaued. In 2013, IFC added climate indicators onto the scorecard—beginning with a corporate target of 15% of IFC’s own account investments and ramping up to 20% in FY15.
3. A **centralized Climate Business Department** that helps provide strategic and analytic support, as well as guidance in defining and measuring climate investments. These resources allow us to track and analyze performance and make sure we are meeting our targets using definitions that are similar across other MDBs. The Climate Business Department also supports operational departments through technical/market assistance, innovative financing mechanisms and blended finance.

Results

A key indicator tracked by IFC is the penetration rate of climate business as a percentage of overall business. IFC has grown its climate business penetration from 13% in FY09 (the year before IFC established its internal climate infrastructure) to 22% of total long-term finance in FY15. In absolute numbers, this represents a growth from \$1 billion to \$2.3 billion.¹⁴ Key climate business lines are now mainstream within IFC, including green buildings which was over \$390 million in FY15, and renewable energy, which is now consistently two-thirds of IFC's power business.

Next Steps

IFC continues to grow its business through its existing framework. As part of the World Bank Group goals announced at the Annual Meeting in Lima, IFC will increase its climate target to 28% by 2020. To get there, IFC will expand and develop new business lines, create new innovative financing tools, expand its roster of climate industry specialists, and improve and mainstream metrics for more sectors.

¹⁴ If core mobilization is included (i.e., outside money that IFC actively brings to investments), IFC's FY15 climate business jumps to \$4.5 billion, which is 26% of IFC's total portfolio.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2012 (date it was formalized)	By Board approval.	Rolled out throughout AFD's activities over 4 years, building on previous activities and accumulated experience.	Required training and development of tools and procedures, some of which with the help of external consultants.

Key Lessons

- AFD climate strategy was developed and eventually formalized after several years of development of climate activities (sector strategies, tools, allocation of human and financial resources . . .).
- The strategy represents a step in a broader climate change mainstreaming process and is meant to be regularly updated based on accumulated learning and experience.
- Strong managerial support over the long run and at all levels is required for a successful implementation of such a strategy.

Introduction

In 2012, the French Development Agency (AFD) formalized a dedicated strategy aiming at reconciling development and the fight against climate change. The AFD Group **Climate Change and Development Strategy for 2012–2016**,¹⁵ adopted by AFD's Board, structures and raises the level of ambition of the climate related activities of AFD.

This strategy is comprised of three pillars:

- **Pillar 1—Climate finance objectives:** Targets include committing at least 50% of its financial allocations to developing countries, as well as 30% of the allocations of Proparco, its private sector financing arm, to climate-related development programs. For AFD, these targets are broken down by geographical area: 70% in the Asian and Latin American regions, 50% in the Mediterranean region and 30% in Sub-Saharan Africa.
- **Pillar 2—Assessing climate change impacts in a systematic manner:** AFD will consistently quantify GHG emissions, and emissions reductions from projects it finances.

- **Pillar 3—Project selection according to Climate Impacts.** AFD pledges to consider the impacts that projects have on climate change in its funding appraisal and evaluation criteria.

This strategy also sets the overall objective of maintaining and further developing AFD's ambitious position as a financier of the international fight against climate change. AFD sees this positioning as part of a renewed climate-oriented identity that integrates *climate change* and *development* in an operational manner—thereby “greening” its operations over time, building on the many synergies between these two imperatives, without sacrificing either objective for the sake of the other.

Development and Design

AFD's Climate Change and Development Strategy was developed tacking stock of its previous experience, including the progressive structuring of a portfolio of climate-smart development programs since the early 2000s and the development of a tool and procedures to quantify climate impacts.

For instance, AFD was one of the first few international financial institutions and development banks to begin quantifying (as early as 2007) the expected

¹⁵ Available at http://www.afd.fr/webdav/site/afd/shared/PORTAILS/SECTEURS/CLIMAT/pdf/Climat_GB_HD.pdf.

greenhouse gas emissions and emission reductions of the projects it contributes to finance. Consultants helped establish the carbon footprint tool. AFD regularly receives requests for cooperation in this area from other financial institutions in both developed and developing countries. Discussions with its partners and inputs from research of the scientific community have gradually made this tool more reliable.

The Strategy was elaborated mostly internally, on the basis of external consultations (civil society, peers and key partners). Adding to strong managerial support, this approach proved key to build consensus around the strategy. The internal maturation process took a couple of years for the Strategy to be elaborated and finalized, before it was presented to AFD's Board in 2012.

Implementation

The implementation of AFD's climate change strategy throughout the Agency is facilitated and monitored by AFD's Climate Change Division. AFD implements each of the pillars in different ways. For example:

- Since 2012, all projects financed directly by AFD and Proparco in developing countries (excl. budget support, financial intermediation and capacity building) with a significant and quantifiable

impact in terms of greenhouse gas emissions (increase or decrease) are required to undergo an ex ante analysis of their carbon footprint. AFD's operational procedure manual includes this provision and provides for a carbon footprint estimate as early as possible during the identification of the financing. The assessment is then gradually refined during the appraisal process.

- AFD employs a selectivity grid to determine project eligibility. Project impacts in terms of greenhouse gas emissions are taken into account, and projects are considered in light of AFD's mandate, the level of development of countries, its climate change strategy and the project's carbon footprint. AFD's selectivity grid is shown in Figure 1 on the following page.

Experience and Impact

Since 2005, AFD Group has allocated nearly EUR 18 billion for activities that have a positive co-benefit for climate change issues, representing these past few years between 5 and 10 percent of international public climate finance. AFD's commitment is also ambitious in that it implies that AFD's investment practices for energy, transportation and other sectors will increasingly take account of the benefits for the fight against

FIGURE 1 AFD's Selectivity Grid

	Least Developed or Crisis Countries	Middle-Income Countries	Emerging Countries
Mitigation project (< -10ktCO ₂ e p.a.) Or project with low impact (between -10ktCO ₂ e p.a. and 10ktCO ₂ e p.a.)	AFD Group funding possible	AFD Group funding possible	AFD Group funding possible
Emissive project (between 10ktCO ₂ e p.a. and 1MtCO ₂ e p.a.)	AFD Group funding possible	AFD Group funding possible	Possible if not concessional funding. Concessional funding possible if, and only if, the country has a climate policy.
Strongly emissive project (>1MtCO ₂ e p.a.)	Funding possible. If the funding is concessional the country must have a climate policy.	No funding unless the country has a climate policy.	No AFD Group funding

climate change, and that new practices will emerge in sectors such as agriculture or urban development and city policies. The commitment was also designed to be fully aligned with AFD's development assistance objectives and not to compete with its poverty reduction or social development efforts. Finally, these objectives require AFD to consider climate-related operations in a multi-year horizon, aligning them with the progressive construction of countries' "climate" policies and the international climate architecture.

AFD is cognizant of the scale of the technical challenges that still need to be met in the context of the strategy. As such, the strategy is to be considered

as an evolutionary stage, intended to thoroughly examine complex issues and integrate major challenges related to climate change. These include the harmonization and enhancement of climate impact measurement and monitoring methods, finding practices and innovations that can transform development methods, or a greater involvement of the private sector and of countries' financial actors in the international climate finance architecture. In this respect, AFD intends to pursue and strengthen its partnership-based approach for exchanges and dialogue with all the stakeholders who contribute to efforts to the fight against climate change.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
February, 2004: Since Inception of YES BANK	Top management's innovative approach to mainstream sustainable development and align it with core business strategies.	The long term strategy revolves around an integrated approach that YES BANK follows, which cuts across the core business practices in line with an ethos of mainstreaming sustainability through four key parameters: 1. Sharp Focus on Sustainable Finance—that is Integrating ESG parameters into lending decisions and financing clean technology and renewable energy projects. 2. Developing innovative products/services that directly address environmental and social concerns. 3. Proactively directing investments towards projects that have positive societal and environmental impacts. 4. Green Procurement and Operationalizing sustainable solutions in the value chain.	Dedicated team with expertise required to develop strategies and tools to address climate change, environmental, social and climate risk management; Gradual increase in staff with relevant expertise; Establishment of processes to measure, manage and report resource consumption; Stakeholder engagement mechanism to receive and act on feedback.

Key Lessons

- To establish Responsible Banking as one of the key pillars of growth for YES BANK, it was definitely necessary to have strong leadership to percolate the strategy throughout the organization.
- Implementation is possible and would turn beneficial, only when achieved through a multi-stakeholder approach. Strengthening the current base of actions before moving to parallel strategies is key to having a sustained strategy.

Introduction to the Policy/ Approach/Tool

YES BANK is India's fifth largest private sector Bank catering to the future businesses of India. As one of India's youngest and fastest growing banks, YES BANK has striven to be a part of India's growth story and has adapted a strategic approach to sustainability to serve as its' differentiator. It is the outcome of the professional & entrepreneurial commitment of its founder Rana Kapoor and its top management team, to establish a high quality, customer centric and service driven bank.

YES BANK aims to be at the forefront of mainstreaming sustainability within the global financial sector and the broader stakeholder spectrum. Since inception, YES BANK has incorporated the ethos of Responsible Banking, through which it has integrated sustainability with the core business strategy of the Bank. The Responsible Banking unit is a core plank that cuts across all functions at the Bank and works towards creating positive impact and mobilizing teams for creating a business case for sustainability.

YES BANK has constantly worked towards catalyzing the financial sector to adopt sustainable practices which has helped in the field of sustainable finance and climate action. The initiatives driven by the practice include overall sustainability management, research, triple Bottom-line measurement and accounting, sustainable and socially responsible finance/investing and strategic Corporate Social Responsibility (CSR).

Development and Design

The Bank's Responsible Banking strategy is driven at the highest level by the Board, including the Managing Director & CEO, who review and approve the Bank's policies and programs in CSR and sustainable development. The aim is to integrate sustainability imperatives in business strategies, approaches and targets.

Implementation

The Bank recognizes climate change as a material aspect to its functionality and proactively addresses it through various initiatives:

- **Environment and Social Policy (ESP):** In order to have a 360 degree risk mitigation framework, YES BANK has instituted this policy in 2006, drawn from the Equator Principles, IFC guidelines and other international best practices. YES BANK has therefore adopted a Environment and Social Policy which goes beyond the realm of financial risk mitigation.
- **Environmental Management Policy (EMP):** In line with its commitment to achieving natural resource consumption efficiencies and minimizing its carbon footprint, YES BANK has become the first bank in India to achieve the ISO 14001:2004 certification through instituting an Environmental management Policy with an intended reduction of at least 5% in resource consumption year on year.
- YES BANK was the first Indian bank to launch a Green Infrastructure Bond issue for INR 500 Crores, which was oversubscribed for INR 1000 crores (about USD 160 mn).
- YES BANK has committed funding of 5,000 MW renewable energy in the next five years with the recently launched green bonds in February 2015.
- YES BANK also is part of the drafting committee of the **National Voluntary Guidelines on Responsible Finance** along with Infrastructure Development Finance Company (IDFC) and GIZ.
- With the intent to **mainstream sustainable finance** in Indian financial institutions, the 'YES BANK—GIZ—UNEP FI Sustainability Series' was launched by the Deputy Governor of India's central bank, The Reserve Bank of India in 2013, which brought out the critical need to include Environmental and Social (E&S) risks in corporate evaluations, bringing stakeholders like media and corporates on board with the second workshop.
- Taking a lead in mainstreaming natural capital in India, YES BANK launched its Natural Capital Initiative by signing the Natural Capital Declaration thus making it the first financial institution in India endorse this finance led, CEO initiative underscoring its' commitment to integrating natural capital considerations in its' products and services.

- Mr. Rana Kapoor, MD and CEO, YES Bank is the board chair of The Climate Group (TCG) India, an award-winning, international non-profit organization, which helps it work with corporate and government partners to develop climate finance mechanisms, business models which promote innovation, and supportive policy frameworks.
- Ms. Namita Vikas, Group President and Country Head (RB), as a climate action specialist, is elected to the Global Steering Committee of United Nations Environment Program-Finance Initiative (UNEP FI) and is Chair of the steering Committee of Natural Capital Declaration (NCD) effective January 2016. She is also elected as the UNEP FI Chairperson for A-PAC underscoring the leading role the bank is playing in policy advocacy towards sustainable development.

- YES BANK partnered with Global Reporting Initiative (GRI) and KPMG to conduct the Global Reporting Initiative **Business Transparency Program** (GRI BTP) for its Small and Medium Enterprise (SME) clients.

Experience and Impact

YES BANK has been able to establish itself as the upcoming leader in sustainable finance in India. The Responsible Banking ethos has given way to many path-breaking financial innovations in this market such as Green Bonds, renewable energy portfolio and specialized products and services to the Bottom of the Pyramid consumers. This strategy has distinguished YES BANK at many national and international fora and continues to demonstrate success for the bank.

PRINCIPLE 2 CASE STUDIES

Disclaimer: All case studies submitted by a Supporting Institution and included in the following Annex are the sole responsibility and product of that institution and shall in no way be deemed endorsed by any other Supporting Institution.

CASE STUDY A 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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
The 17th replenishment of International Development Association (IDA-17) has policy commitments which require climate and disaster risk considerations to be integrated into strategies, plans and operations for IDA from July 2014.	To support this policy commitments, a suite of online Climate and Disaster Risk Screening Tools was developed at the national/policy and project (sector) levels. The tools are hyperlinked to the Climate Change Knowledge Portal providing distilled climate information through country dashboards.	- The Project Portal system has this requirement flagged into the system. - Training for online screening tools offered biweekly to staff at HQ/ Country offices/Global Practices. - An internal system of compliance tracking for screening in place; Qrtly mgt reports on projects screened.	Significant budget and staff resources were required to develop the tool, provide ongoing training to task teams and investment officers in all WBG offices. The screening tools have a help desk which provides support, advice as requested

Key Lessons

- The tools are a useful framework to consider climate and disaster risks at early stages of project development; and the dedicated sector tools provide a good basis to assess risks to key aspects of project design.
- The quick access to climate information at the national and subnational level is very helpful for the initial assessment of impacts.
- The option to work on the CRST as a team provides a collaborative, participatory way to bring subject matter expertise while screening and provides a better basis for managing risks from climate change.
- The tools inform further consultations and dialogue, and may help determine the need for further studies in the course of project design or planning at the national/sector level.

Introduction

In July 2014, climate change policy commitments made under the 17th replenishment of IDA (IDA17) became mandatory. These commitments required all IDA operations and Country Partnership Frameworks to consider short- and long-term climate and disaster risks in the early stages of planning processes.

To ensure timely and full compliance of the IDA commitments, the management set in place a focal point system within each client department to

monitor, track and report on the progress. Clear roles, responsibilities, timelines was key to implementation. Institutional engagement across the WBG was necessary for this mainstreaming effort, and commitment by management and ownership by task teams was key. Critical to this process was the provision of regular training session of the online Climate and Disaster Risks Screening tools which were launched in time to kick start compliance to the IDA commitments.

Climate and Disaster Risk Screening Tools were developed by the World Bank to provide a systematic,

consistent and transparent way of doing this. The tools include a national/policy level tool and seven project-level tools. The National tool supports key planning processes (e.g., country and sector-wide strategies). The Project level tools cover 7 key sectors (agriculture, water, health, roads, energy, coastal) and a general tool which has a menu driven option covering a host of other sectors (education, social development, community based development). The tools are designed to walk users through a series of steps to understand the level of risk posed by climate change and other natural hazards at an early stage of planning and design and make data on climate change (historic, projected) available in an accessible manner. At the national/sector level, the tool includes an Institutional Readiness Scorecard (IRS), which provides a rapid assessment framework to assess client institutional and adaptive capacity. At the project level, the tools help users connect climate and development information to the project. Outputs from the climate and disaster risk screening process include risk ratings that can help inform dialogue, determine the need for further studies during project design or planning at the national/sector level.

Development and Design

The development of the Climate and Disaster Risk Screening tool integrated an Exposure–Sensitivity–Adaptive-Capacity framework that incorporates elements of the risk analysis framework, and adapted from the work of the Intergovernmental Panel on Climate Change (IPCC) and the framework for vulnerability assessment used by the U.S. Agency for International Development (USAID), with some modifications.

The tools are linked to the World Bank’s Climate Change Knowledge Portal (CCKP) and the CCKP’s Country Adaptation Profiles.¹⁶ The risk profiles provide accessible climate data and projections and highlight key climate trends (historic, projected) and risks at the

project location as well as regional, national and sector levels.

The climate and disaster risk tools are aligned with, and provide contributions to, the new operations risk management approach being introduced at the Bank. The tools took over a year to develop in consultation with sector specialists and experts who also helped in the design, evaluation and testing of tools. Consultation was also held with external stakeholders such as regional development banks and development partners that are developing or deploying similar tools and resources. The World Bank Group organized and cohosted two workshops with development banks and bilateral donor organization to facilitate sharing and learning on all available screening tools and methods.

Implementation

Online tools were made available to World Bank Group staff on July 1, 2014 and released to the public in April 2015. Since the tools were designed for use by staff working on IDA operations, internal outreach has been critical to their successful implementation. As of September of 2015, more than 500 staff have been trained through in-person and web-based training sessions has helped build internal capacity to effectively use the tools to screen projects and development strategies for climate risk. They are also helping to raise awareness of the importance of considering climate risks and resilience in operations. While the use of the tools is mainstreamed across the Bank, a core team of climate experts is available for on-demand support and quality review.

Experience and Impact

Fiscal Year 2015 was the first year of full implementation. During this period several monitoring and evaluation and quality assurance processes were put in place. There was also strong engagement with teams applying the tools. The latest reporting to management (as of Sept. 2015) shows that the progress is very positive in the screening at the project level. All IDA operations have either been screened or are in the process of being screened. No IDA investments have

¹⁶ <http://climateknowledgeportal.worldbank.org>

gone to the Board without screening during this initial period, suggesting a 100% compliance from all sectors.

Overall, the tools have generated substantial interest internally and externally including from client countries and other multi-development banks. Since its launch, the tools have been used by 120 external users. Tailored training of client countries have included diverse ministries in Mozambique, Philippines,

Nicaragua, Colombia, and Vietnam. The Caribbean Development Bank (CDB) also expressed interest in utilize the tools for their own portfolio screening. Hence, a focused training to CDB staff was offered in May 2015. In addition, a training session was offered to a range of US Government agencies to support their national efforts in response to latest executive orders on climate change.

CASE STUDY B ADB Integrates Climate Risk Management Framework throughout Operations

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
3 March 2014	A memo was issued to all Operations Departments that all ADB proposed projects have to be screened for climate risks and further assessment is required for those projects at risk.	All project teams has to be guided by the memo on how to undertake climate risk management in projects.	Consultants with expertise on climate science, climate modeling and research, and economic analysis of climate change adaptation were hired to support the climate change adaptation team.

Key Lessons

- Risks need to be identified at the early phase of project preparation.
- Capacity building to interpret and use climate information for decision-making is needed.
- Financial resources to meet the incremental cost of adaptation are important. Vulnerability assessment can be undertaken within a reasonable timeframe and limited resources.
- Adaptation is not cost neutral but may not necessarily be expensive and a large menu of adaptation options are available—engineering and non-engineering.

Introduction

Climate Risk Management: Building on the experience accumulated over the last decade, ADB formalized a climate risk management framework in March 2014 to address climate risks to project performance. All ADB projects are now screened for climate risks. This approach is seamlessly integrated in the project development cycle. All ADB projects are now screened for climate risks at early stages of project concept development and a climate risk and vulnerability assessment is carried out during the preparation of projects at risk. ADB's climate risk management approach comprises the following steps:

- context-sensitive climate risk screening at the concept development stage to identify projects that may be at medium or high risk;
- climate change risk and vulnerability assessment during preparation of projects at risk;
- technical and economic evaluation of adaptation options;
- identification of adaptation options in project design; and

- monitoring and reporting of the level of risk, climate resilient measures and associated adaptation finance.

Development and Design

ADB has made available resources to support the implementation of the framework:

- a one-stop shop housed in the Climate Change and Disaster Risk Management Division to provide technical support and financial resources for screening and assessment of projects;
- an online tool—AWARE for Projects, which allows for consistent and systematic screening of climate risks. The tool was rolled out in early 2014 to help ADB operations screen projects for climate risks. As of end of May 2015, 105 projects were screened for climate risks;
- swift technical guidance materials for climate risk management at sector and project levels, including climate-proofing guidance for the transport, agriculture and energy sector. These are all available to help project teams and ADB

developing member countries manage climate-related risks throughout the project cycle, and are accessible through the ADB website (<http://www.adb.org/publications/climate-risk-management-adb-projects>), (See Figure 2);

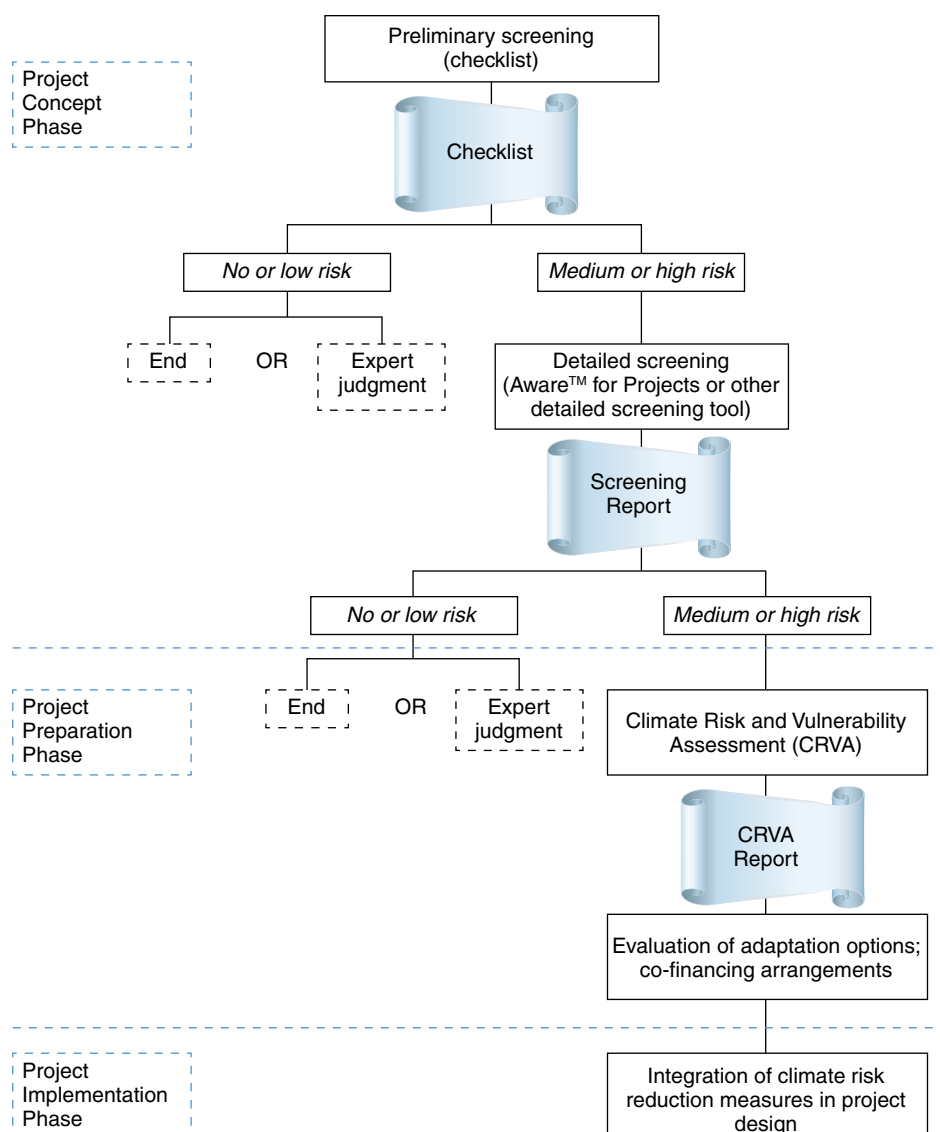
- financial resources to meet the cost of carrying out climate risk assessment in projects at risk, and the incremental cost of adaptation through dedicated trust funds, such as the Urban Climate Change Resilience Trust Fund;
- support to access external sources such as the Green Climate Fund, the Global Environmental Facility administered adaptation funds and the Pilot Program for Climate Resilience of the Climate Investment Funds.

Implementation

The figure below outlines how these tools are used from project concept stage through implementation.

ADB recognizes that reliable climate data, including climate change projections and scenarios, are indispensable to inform climate risks and vulnerability assessments and design of adaptation interventions. Through the establishment of the Regional Climate Consortium and Data Facility, ADB is promoting a public goods approach to the provision of climate data and services. The Consortium will serve as a regional mechanism for developing and applying climate information in support of climate risk assessment and management in development and adaptation work. ADB is also a founding partner of the

FIGURE 2 Flow Chart for Climate Risk Management of Investment Projects



recently launched global public-private initiative on Climate Services for Resilient Development, which aims to harness the best climate data resources available and help developing countries manage climate change.

ADB is committed to promote the integration of climate change adaptation with disaster risk management (DRM) and is accordingly developing joint tools and materials on disaster and climate risk screening. For instance, ADB is working on enhancing the climate risk project screening tool to include screening of

projects for geological hazards and incorporating climate and disaster risks consideration during project preparation. Guidance materials are also being developed to guide operations in integrating climate and disaster risk management in the design of projects. Focused studies are also being undertaken to improve the understanding of DMCs' perspectives on adaptation and DRM, and to synthesize lessons from selected DMCs in identifying challenges and opportunities in integrating these two closely-related areas.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
First introduced in 2010. Updated from time to time, latest version in 2013. The new draft NDF strategy will trigger amendments that will enable tracking of new thematic focal areas.	The first version introduced in 2010 was a collaborative effort consisting of NDF management, staff and external consultants. It has been approved by the NDF Board of Directors.	The Project Identification and Screening methodology is applied by all operational staff involved in project identification and preparation. A screening template is used for all new projects.	The screening is carried out by NDF operational staff together with consultants as applicable.

Key Lessons

- The Project Identification and Screening Methodology was originally designed for NDF as a tool to secure a rigorous and systematic analysis of the climate change and development relevance of projects suggested for NDF's financing. It has succeeded well in fulfilling that objective. The policy contains explicit criteria for both climate change mitigation and adaptation projects, respectively. This ensures that climate financing through NDF is not re-labeling of any other development projects to, but that the climate content is real and proved. In addition, the value of the screening methodology, and the working practices it has triggered at NDF in its collaboration with partner institutions and countries, go well beyond the originally intended objectives.
- The institution-wide applicability of the Project Identification and Screening methodology secures not only a clear commitment to climate change strategies both globally and within the organization, but also allows NDF to push forward the climate agenda towards mainstreaming in its partner organization and partner countries through early involvement and through innovative solutions beyond the obvious.
- NDF's new draft strategy focuses on elements such as catalytic role and leverage, support for innovation, preparatory financing, development of innovative financing mechanisms, collaboration between the public and the private sectors as well as identification of areas where climate change issues are evolving, but where fewer initiatives have been launched. NDF will now align the already institutionalized screening methodology with the new strategic focal areas. This will enable NDF to bring these key themes to the table already at the project planning phase. This, in turn, is likely to improve the climate content and relevance of projects and programmes from a further sharpened angle. Aligning the screening methodology with the new strategy will also enable NDF to monitor and promote climate smart objectives in an effective way in the context of each project proposal, and on the institutional level.

Introduction to the Policy/ Approach/Tool

The Nordic Development Fund (NDF) is a development finance organisation owned by the five Nordic countries. Since 2009 NDF has a mandate to provide financing for projects contributing to climate change and development objectives in selected, mostly low-income, developing countries.

For NDF, the introduction of the climate mandate implied that all future financing would have to support nationally appropriate and economically justified

projects that have a significant and positive climate change impacts. Given the specific mandate focused on development and climate change, it became relevant to ask how NDF could secure that NDF support goes towards managing climate risks, promoting climate objectives and improving resilience as well as build capacity in climate change questions. The mandate gave rise to a number of difficulties in defining projects that indeed merit NDF support. There are incentives for potential stakeholders to claim that projects are climate-related when in fact they are primarily—perhaps exclusively—designed for other

objectives. Such relabeling is still likely to be an issue constantly faced by NDF in its role as provider of climate financing.

The need to be able to select the projects with most opportunities for climate change adaptation and mitigation, was the basis for developing a methodology for project selection. In order to be able to select from a large mass of proposed project concepts the ones which have most climate relevance, NDF created its own methodology for Project Identification and Screening. The tool has been used to strengthen the climate content of the projects that NDF co-finances with other international financial institutions. It sets minimum criteria for climate change adaptation and mitigation, as well as assesses projects in relation to their development related impact. The methodology has a set of criteria for adaptation and mitigation. The criteria relate to economic justification, climate change relevance and multiple criteria relating to developmental aspects. The methodology can be found in its full form on NDF's web site www.ndf.fi.

Implementation

The methodology is used by all NDF operational staff active with project identification and preparation. In order to apply the monitoring of new strategic elements in practice, a number of amendments to the screening methodology are being made. Some of the key revisions will relate for instance to the tracking of targeted vs realized leverage and follow-up funding.

Experience and Impact

The Project Identification and Screening Methodology was originally designed for NDF as a tool to secure a rigorous and systematic analysis of the climate change and development relevance of projects suggested for NDF's financing. It has succeeded well in fulfilling that objective. In addition, the value of the screening methodology, and the working practices it has triggered at NDF in its collaboration with partner institutions and countries, go well beyond the originally intended objectives.

Through a systematic application of the screening methodology, NDF contributes to the five principles. The foundation is laid with a clearly climate change focused institutional strategy and internal processes aligned to measure the fulfillment of the strategy. The institution-wide applicability of the screening methodology secures not only a clear commitment to climate change strategies both globally and within the organization, but also allows NDF to push forward the climate agenda towards mainstreaming in its partner organization and partner countries through early involvement and through innovative solutions beyond the obvious.

Early involvement makes a difference. The application of the screening criteria brings NDF onboard early in the project planning cycle. At project level, this is the critical time when it comes to assessing the climate risk and creating strategies for managing the risks. Equally important, this is also the right time to assess the upside. What kind of opportunities can there be as a result of the changing climate? Several examples documented through external NDF-specific evaluations and project reviews document enhanced climate relevance and in increased focus on resilience building measures, as well as realization of climate change related opportunities as a result of NDF's early involvement in project design. Recent case studies from the road transport sector show, for example, that NDF's screening has revealed inadequate institutional and technical capacities regarding climate change relevant aspects. Additional designs enabled through NDF's involvement have contributed significantly towards mainstreaming of climate change adaptation in the transport sector in several countries. Some of these results are presented in the context of the COP21.

Pushing for climate excellence. NDF's new draft strategy focuses on elements such as catalytic role and leverage, support for innovation, preparatory financing, development of innovative financing mechanisms, collaboration between the public and the private sectors as well as identification of areas where climate change issues are evolving, but where fewer initiatives have been launched. NDF will now align the already institutionalized screening methodology

with the new strategic focal areas. This will enable NDF to bring these key themes to the table already at the project planning phase. This, in turn, is likely to improve the climate content and relevance from a further sharpened angle. Aligning the screening methodology with the new strategy will also enable NDF to monitor and promote climate smart objectives in an effective way in the context of each project proposal, and on the institutional level. By following the

set of key indicators on institutional and project level, the knowledge base and lessons learned from functional approaches, and approaches needing more fine-tuning, will grow steadily and help improving the performance at NDF, in its partner institutions and most importantly, in the low income countries facing severe systemic and multi-sectoral climate change challenges that need solutions requiring a leap forward.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
January, 2006	Instituted by Board approval to be appended to the credit policy as a guiding document for credit decisions.	The ESP is structured under two major categories and follows a multi-step process mentioned below: a) Mainstreaming environmental and social considerations b) Safeguarding the environment and society and managing risks. Process followed in ESP: • Identification of risks and categorization • Appropriate mitigation mechanisms • Pre-investment process—Desk assessment and if needed E&S due diligence • Frequent Monitoring • Reporting • Training	Resources with relevant experience in environmental, social and climate risk assessment and management; Regular training and capacity building for relationship managers who are the face of the bank to customers; Additional due-diligence activity which is cost intensive; Awareness sessions for stakeholders like media, customers, other financial institutions on the importance of integrating environmental and social issues into lending practices.

Key Lessons

- Climate risks are also to be identified prior to project implementation, to advise appropriate mitigative measures, despite uncertainty attached to them.
- Educating the clients on the significance of non-financial risk mitigation is equally important, as this needs to be a collaborative action.
- Relevant expertise is non-debatable to translate policy into action, which is highly region-specific (difficult in the Indian subcontinent, due to its diverse geography). YES BANK follows a knowledge based approach, with domain experts on payroll who help make better credit decisions.

Introduction to the Policy/ Approach/Tool

Environmental and Social considerations are increasingly becoming a measure of a company's performance. These issues are impacting financial bottom lines, long term brand value, risk profiles, competitiveness and business sustainability. Given this scenario, it is necessary to evolve appropriate standards that provide a benchmark for company assessment and performance. Due to the increased incidence of

threats from climate-change, the financial sector is moving towards developing measures to monitor and mitigate these newly identifiable risks. YES BANK believes that it is important for the financial sector to stay ahead of the curve and check all boxes, i.e. meet short term profitability expectations through traditional lending and investing and also nurture sustainable finance business verticals that will deliver triple bottom line results in the long term. In order to have a 360 degree risk mitigation framework, YES BANK has instituted this policy in 2006, drawn from the Equator

Principles, IFC guidelines and other international best practices and is integrated with the overall credit risk analysis framework at the Bank, ensuring the Bank lends responsibly.

Development and Design

The establishment of the process is driven by a designated team under the aegis of Responsible Banking & Risk Management teams under the guidance of MD & CEO. The Responsible Banking team is responsible for the administration and oversight of the ESP of the Bank and the Risk team is responsible for implementing it along with assistance from the project finance team demonstrating a seamless cross functional collaboration.

Implementation

In detail, the ESP follows a multi-step process and is structured under two major categories: a) mainstreaming environmental and social considerations and b) safeguarding the environment and society and managing risks:

- **Identification and Mitigation of risks:** The appraisal includes consideration of three key elements: (i) the environmental and social impacts and issues associated with the proposed project; (ii) the capacity and commitment of the client to address these impacts and issues in accordance with this Policy; and (iii) the role of third parties in achieving compliance with this Policy. YES BANK has dedicated resource in the risk management team, in addition to the relationship management team, to assess projects/credit decisions from an E&S perspective, including due diligence and reporting among other things.
- **Pre-investment process:** The policy includes pre-investment procedures to assess adverse impacts, to check compliance to the requirements, along with templates for due diligence reports, requirement checklist, corrective action plan, if and when applicable.
- **Monitoring:** The Bank monitors compliance as relevant through annual reports on projects and site visits. In cases where considered necessary,

the Bank may undertake a due diligence process. The framework for the monitoring of social and environmental impacts and risks of large sized projects includes clearly defined indicators, monitoring schedules, responsibilities and costs.

- **Reporting:** YES BANK captures the engagement with clients on ESP compliance in the client file, and the progress is documented and maintained.
- **Training:** The Bank conducts ESP related training for the relevant risk management and relationship management teams. So far, YES BANK has conducted a half-day E&S risk awareness training for top management (over 60 executives), followed by a one and half day training for the on-ground relationship teams (over 35 executives). YES BANK is set to conduct vertical-focused trainings on E&S due diligence and risk assessment. In addition, a comprehensive module on the ESP is included in the structured induction programme for new employees, run every quarter.
- **Sustainability Series:** YES BANK partnered with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United Nations Environment Programme Finance Initiative (UNEP FI) and Responsible Investment Research Association (RIRA) to launch the 'Sustainability Series', and increase awareness on Environmental, Social and Governance (ESG) risks in debt, equity and insurance sectors. The 'Sustainability Series' was the first initiative in India to create a knowledge platform that trained finance professionals in expanding their risk management skills to incorporate environmental and social risks. Through this initiative, the bank has sensitized media, customers and other financial institutions on this pressing need.

Experience and Impact

The ESP has served as the main channel to imbibe sustainability in the organization. Though it has taken a few years to translate the policy into action, it has proven as a base to build inter-departmental relations that paved the way for Green Bonds, consideration of the Green Climate Fund among many other initiatives.

PRINCIPLE 3 CASE STUDIES

Disclaimer: All case studies submitted by a Supporting Institution and included in the following Annex are the sole responsibility and product of that institution and shall in no way be deemed endorsed by any other Supporting Institution.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
DBSA as a DFI identifies its role in respect of expectations of its stakeholders and continuously analyses and addresses market failure and public investment weaknesses. It embeds these roles into its Strategy. It translates the strategy into actions. Examples of Strategic Investment Partnership models designed and initiated are: • <i>The Renewable Energy Independent Power Producer Programme (REIPP) which was initiated in 2011.</i> • <i>The Green Fund which was initiated in 2012. The Green Fund: is a national financial mechanism that aims to fund initiatives which are meant to transition South Africa to a green economy.</i>	DBSA operates as a DFI in terms of the DBSA Act (1997) as amended. As such strategic decisions concerning engagement of the Green Fund and REIPP were made at board level.	DBSA together with its strategic partners formulated a value proposition. Planning and Implementation was done through partnership approaches including national departments and key private and public sectors involved in pursuit of a green economy. REIPP was implemented in line with the IPP policies and using existing DBSA structures and systems. The Green Fund was implemented using a newly established, dedicated Unit comprising of a multidisciplinary team.	• Identified target priority areas for action such as renewable energy infrastructure. • Identified partners and designed partnership arrangements such that efficient and effective delivery of sustainable development pathways and infrastructure value chains would be achieved. • Adoption of safeguards and guidelines for operational investments which mainstream climate change and social and environmental risk management into investment decisions. • Reviewing reporting systems to increase transparency and accountability. • Capacity building of staff members in the green economy. • The Green Fund has a full staff complement of twelve and draws additional expertise from a panel of consultants on a need be basis.

Key Lessons

1. **Visionary leadership** at key levels in the organization speeds up appropriateness of responses to the challenges faced. Strategic Planning at institutional level is key. The value proposition needs to be developed, followed by business models, operational plans that clearly spell out and report against upfront agreed targets.
2. **DFI's play a key role in influencing the supply chain**, creating and ensuring an enabling environment to reduce risks and open opportunities for other financial institutions and partners to engage in the green economy. Creative and smart partnership arrangements between government, private sector and the Civil Society is needed for successful mainstreaming and implementation at scale.
3. **Private sector project developers need a clear framework** within which to invest, whilst the procurement programs need consistent, timely, and expert implementation. The REIPP programme is an example of a well-designed and transparent procurement process.

Introduction

The Development Bank of Southern Africa acknowledges its responsibilities to further the objectives of the government of South Africa to reduce its Green House Gas emissions. South Africa is one of the countries in the world most vulnerable to the impacts of climate change, especially concerning land productivity and water scarcity. Climate Change increases the financial risk exposure of bank investments. DBSA therefore continues to significantly invest in mitigating climate change as well as mainstreaming adaptation strategies into infrastructure decisions. This includes investing directly in the integrity of ecosystems in order to achieve a healthier, fair, equitable and resilient society.

The DBSA pathway to addressing the climate change has been characterized by debate, shared learning and incrementalism.

Development and Design

DBSA has identified and engaged in key strategic partnerships to address climate change challenges. DBSA identifies stakeholders, engages them to develop key drivers of sustainability and to formulate and implement, monitor and review responsive strategies.

Climate change partnership initiatives in DBSA are driven by the office of the CEO. The CEO implements initiatives through various units in the DBSA. The Green Fund Unit was originally created to

implement a national financial mechanism intended to transition South Africa to a green economy. The unit has subsequently been restructured to champion climate change operations. The DBSA has recently refined its safeguard policies and guidelines for mainstreaming climate change in all investment due diligence procedures to ensure benchmarking with international standards and best practice. These standards are applied in due diligence on all investment decisions.

DBSA supports the South African Governments National Development Plan to achieve outcomes such as:

- transforming society and uniting the country and
- creating an environmentally sustainable and resilient transition to a low carbon economy

Key initiatives that have been supported by DBSA including the Principles for Climate Reporting include:

- i) The Climate Change Atlas which was developed by the Department of Science and Technology and the Centre for Scientific and Industrial Research
- ii) Climate Change Response Strategies Capacity Building Support for Local Government
- iii) Mobilization of climate finance; including accreditation to the Global Environment Facility and recommendation for accreditation to the Green Climate Fund
- iv) The Green Fund of South Africa

- v) South Africa's Renewable Energy Independent Power Producer Programme (REIPPP).
- vi) Technical and capacity building support for investments in the green economy throughout Africa for example cross border and African partnership fund such as the Regional Water Infrastructure and Basic Sanitation Fund and the Pan African Capacity Building Programme (PACBP).

Implementation

DBSA has implemented climate change several initiatives responding to national strategies and programmes across South Africa. Key initiatives to highlight include implementation of the Green Fund and investments in the large scale Renewable Energy Independent Power Producer (REIPP) programme.

In the financial year 2014/15, DBSA exceeded expectations in extending debt finance to the REIPP programme. The objectives of REIPP include creating an enabling environment for private sector investment in biomass, solar, wind, hydro and small scale energy generation facilities. The DBSA and other financiers assisted in designing and procuring at least 3 625 MW of renewable energy from independent power producers. Additional to debt, the DBSA has financed the equity portion required by Broad Based Black Economic Empowerment (BBBEE) entities as well as providing administrative support to community trusts involved in the projects.

Experience and Impact

DBSA has achieved executive management support to address climate change in all fields of investment and has mainstreamed climate change mitigation and adaptation due diligence measures into all initiatives. Going forward it is focusing on detailing out its safeguards and guidelines and sharing best practices.

The Green Fund has provided support to initiatives contributing to South Africa's transition to a low carbon resource efficient and climate resilient development path, delivering high impact economic and environmental social benefits. The Fund has responded

to market weaknesses currently hampering the transition to a green economy by:

- Promoting innovative and high impact green programmes and projects
- Reinforcing sustainable development objectives through green interventions
- Building evidence base for the expansion of the green economy and attracting additional resources to support South Africa's green economy development. The Green Fund has approved several projects, including the Climate Innovation Centre which provides technical support in the form of business incubation to green small and medium micro industries.

Lessons Learnt

1. Visionary leadership at key levels in the organization speeds up appropriateness of responses to the challenges faced. Strategic Planning at institutional level is key. The value proposition needs to be developed, followed by business models, operational and plans that clearly spell out and report against upfront agreed targets;
2. Climate change initiatives are integral to all development plans and projects. All initiatives require climate analysis and responses appropriate to responsibilities and opportunities;
3. DFI's play a key role in influencing the supply chain, creating and ensuring an enabling environment to reduce risks and open opportunities for other financial institutions and partners to engage in the green economy;
4. Contributing towards a green economy requires a reinvention of existing financial tools and approaches and an increased level of risk sharing to new technology developments and partnership arrangements;
5. Creative and smart partnership arrangements between government, private sector and the Civil Society is needed for successful mainstreaming and implementation at scale;

6. National Strategic planning support is essential to streamline effective decision making;
7. Investment packages should not only target large projects but also the small and medium sized projects; and
8. Private sector project developers need a clear framework within which to invest, whilst

the procurement programs need consistent, timely, and expert implementation. The REIPP programme is an example of a well-designed and transparent procurement process.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2008	JICA organized a special team to develop the CCPL project in Indonesia.	It was initiated first in Indonesia and then in Vietnam under collaboration with other development partners.	N/A

Key Lessons

- CCPL offers a framework for high-level political dialogue among the relevant authorities of partner countries and the donors.
- CCPL is effective in avoiding duplications among donor's assistance, and brings concerted supports by donors.
- Despite these advantages, CCPL has some challenges to overcome. It has not been easy to secure commitments from sectorial ministries especially at the initial stage, due to insufficient awareness of CCPL and a lack of incentives for these ministries.

Introduction

In 2008, JICA introduced the Climate Change Program Loans (CCPL), a scheme to facilitate the implementation of climate change policies through financial and technical assistance for developing countries in alignment with their national development policies and strategies. The CCPL came on the heels of the Japanese government's 2007 announcement of "Cool Earth 50," an initiative that called for action to cut global greenhouse gas emissions in half by 2050. JICA established CCPL as one tool for achieving this target. The first project of this new instrument was in Indonesia, a country that showed a strong commitment to lead climate actions by hosting COP 13 in Bali in 2007.

CCPL is based on a policy matrix of multi-year pillars identified in policy dialogues between JICA and its beneficiary country with participation of other development partners. JICA and other donor agency partners coordinate to provide developing countries with concessional loans and grants as un-earmarked budget support, and annual contributions are released for the achievement of actions and outcomes outlined in the policy matrix (See Figure 3). The developing country government then allocates this as part of their overall budget expenditure system. In addition, donors also provide technical assistance to support implementation of the policy matrix.

Development and Design

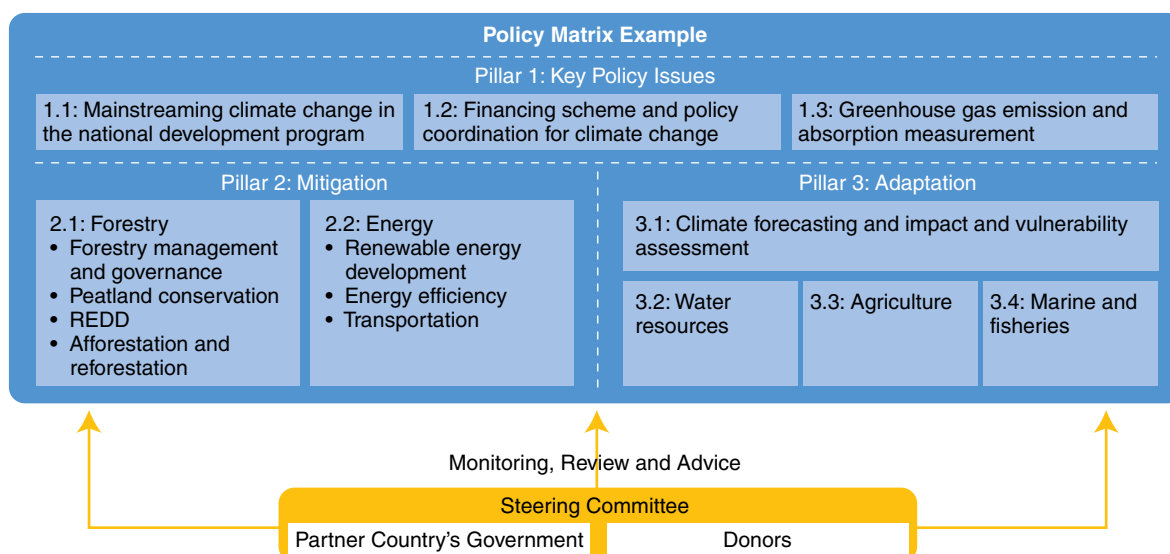
JICA developed the CCPL instrument based on its existing Development Policy Loan (DPL) instrument, which aims to motivate developing countries to carry out reforms by providing necessary funds. CCPL, however, has a distinct difference from a traditional DPL. In a CCPL project, the realization of policy matrix is not a conditionality of disbursement of the concessional loans. Instead, JICA designed the CCPL so that it first provides the concessional loans to a developing country so that the country can carry out, with those funds, necessary measures according to the agreed policy matrix. Then, in the course of the project, JICA holds dialogues with the country as well as other donors to discuss what has been done and what has not, as well as how to overcome the challenges.

Implementation

A special team was organized inside JICA, inviting staff from different departments, to develop CCPL projects. Experts on country operations, international trends on climate change, and environment analysis worked together, especially to assist beneficiary countries to establish an effective policy matrix.

The process of developing a policy matrix, which is a basis for CCPL, took about a year in the case of

FIGURE 3 Climate Change Program Loan Policy Matrix



Indonesia. During this process, policy dialogues were held between the Japanese (including JICA) and Indonesian parties.

Experience and Impact

CCPL has several potential advantages.¹⁷ First, it offers a framework for high-level political dialogue among relevant authorities of partner countries and donors. This strengthens ownership and commitments for climate change measures. In addition, priorities and projects are well identified through dialogues among stakeholders. Second, CCPL brings concerted support by donors. In the case of Indonesia, three donors¹⁸ jointly provided \$500 million in 2008, \$600 million in 2009, and \$800 million in 2010 (see Box 9). Third, indirect finance for climate action in the form of budget support will ensure that the budget authority is involved in allocation to climate change related actions.

Despite these advantages, there are challenges associated with CCPL. For instance, it has not been easy to secure commitments from sectorial ministries, especially at the initial stage, due to insufficient

awareness of CCPL and a lack of incentives for these ministries. In the case of Support Program to Respond to Climate Change (SP-RCC) in Vietnam, there has been limited monitoring of climate change related policy actions and their integration with other existing sectorial plans and policies.

BOX 9 CCPL Experience in Indonesia

JICA signed its first CCPL Agreement with Indonesia in September 2008. Indonesia had established its National Action Plan for Climate Change in December 2007. Under the agreement, JICA conducted monitoring and provided advisory services to support Indonesia's efforts to successfully implement its National Action Plan. JICA and Indonesia signed two subsequent CCPL agreements in 2009 and 2010 after modifying the policy matrix to improve effective, feasible and tangible policy actions based on year-round monitoring.

Note: JICA and AFD (Agence Française de Développement) completed a joint evaluation on the Indonesia CCPL and published the report in June 2014; available at: <http://www.afd.fr/webdav/site/afd/shared/PUBLICATIONS/RECHERCHE/Evaluations/Evaluations-conjointes/Evaluation-conjointe-indonesia-climate-change-iccpl>

¹⁷ JICA is currently conducting an internal review on the effectiveness of CCPLs.

¹⁸ JICA, Agence Française de Développement (AFD), the World Bank (*WB joined only the CCPL in 2010. The CCPLs in 2008 and 2009 were financed only by JICA and AFD.)

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
07/2007: EIB's Climate Awareness Bond (CAB) is the first Green Bond,* establishing a transparent and accountable link between bond proceeds and disbursements to projects with environmental benefits.	Initiative of EIB's Capital Markets Department in concomitance with the adoption of the European Union's Energy Action Plan.	1. Allocation of CAB-proceeds to a dedicated Treasury portfolio. 2. Transparent reduction of the dedicated Treasury portfolio by amounts matching eligible disbursements following CAB-issuance date (current CAB-focus on Renewable Energy and Energy Efficiency—RE & EE, in line with art. 194 c) of the Lisbon Treaty and the EU's Energy Action Plan). 3. Issuer's accountability vs. external stakeholders on eligible disbursements and expected impact of recipient projects via systematic reporting in financial report, sustainability report and dedicated newsletters. The dedicated Treasury portfolio is a relevant performance indicator, whose credibility is linked to the establishment of a reliable Green Bond administration: a) Definition of project eligibility criteria (use of proceeds), b) Process for project evaluation and selection (environmental due diligence), c) Management of proceeds (separate record of eligible funding/disbursement flows, allocation of proceeds and monitoring of unallocated proceeds), d) Reporting. An extensive due diligence in 2013/2014 has led to a CAB-administration upgrade in 2015, as described in EIB's 2014 CAB-Newsletter: http://www.eib.org/investor_relations/documents/eib-cab-newsletter-2014.htm	The CAB-program has placed <i>additional demands</i> on staff resources. <i>Ongoing basis</i> Projects Directorate separately in charge of: a) Definition of project eligibility criteria, b) Ex-ante identification of eligible projects, c) Ex-post verification of disbursement eligibility. Finance Directorate separately in charge of: d) Management of proceeds (back-office), e) Reporting (back-office), f) Discussions on the definition of GB minimum requirements within the Executive Committee of the GBPs (capital markets department). Projects and Finance Directorates jointly in charge of: g) Discussions on GB Impact Reporting Harmonisation within an <i>ad hoc</i> working group of International Financial Institutions (IFIs) created in response to an explicit request in the 2015 GBPs. (AfDB/EIB/IBRD/IFC initially advanced a joint proposal in the areas of RE & EE for broader market discussion, see: http://www.eib.org/investor_relations/documents/informationonimpactreporting.htm) 7 additional IFIs have subsequently joined the discussions, with the intention of improving the initial proposal and extending it to other areas of climate/social action in due course.)

(continued)

CASE STUDY C Continued

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
		Key deliverables of the CAB-program: i) First report on the expected impact of recipient projects in March 2015, as described in EIB's 2014 CAB-Newsletter; ii) First report on individual CAB-allocations to individual CAB-projects in October 2015, as described in EIB's H1 2015 CAB-Newsletter: http://www.eib.org/attachments/fi/eib-cab-newsletter-h1-2015.pdf	One-off basis Automation of d) and e) above has required <i>ad hoc</i> involvement of staff from other functional areas, notably IT. All Green Bond-related work has been added to the workload of existing staff.

Key Lessons

- **CABs have increased interdepartmental cooperation in the area of climate finance, boosting organizational knowledge and improving communication on EIB's climate action.** Synergies have developed between Projects and Finance Directorates, favouring knowledge sharing and building new expertise. Product success in the capital markets has created an additional and very important channel of communication/interaction with external stakeholders.
- **Product innovation has enhanced market interest and enabled investors to engage more effectively in the area of climate finance.** The direct link between CAB-proceeds and CAB-projects coupled with EIB-exposure rather than project-exposure has proven palatable to all kinds of investors, boosting demand and new issuance. The growth of the GB market has required investors' involvement in the definition of minimum requirements, enhancing the credibility of the segment.
- **Larger volumes of Green Bond issuance have kick-started a spiral process gradually improving issuers' accountability.** Closer and deeper market scrutiny has triggered administration improvements by market leaders. Peer pressure has promoted a more open and cooperative debate on impact assessment methodologies (e.g., for the estimate of GHG-emissions) and reporting (common indicators to permit data comparison), revealing that no uniform standards yet exist. Investors' request of external assurance has extended the debate to ESG-rating agencies, auditors and academic research institutes, stimulating a collective clarification exercise that is still ongoing.
- **Higher transparency and accountability have increased capital market awareness and started to mobilize new dedicated financial resources.** SRI-investors, in particular, have been enabled to develop *ad hoc* investment guidelines, leading to more direct and effective involvement in the discussion of standards. This has proven a powerful source of progress in these areas.
- **Lack of commonly accepted project assessment standards still limits comparability of data from different issuers.** While standards are being developed, transparency and accountability of tracking, allocation and reporting for the delivery of relevant and reliable information on the *status quo* are the key priority. At the same time, policy makers ought to clarify the link between official policy goals and different areas of climate finance ("what is green" in policy perspective) based on a shared standard set of climate tracking definitions.

Further development of the Green Bond market relies on four pillars: extension to new issuers via sufficient flexibility of minimum requirements; best practice development by market leaders; development of shared impact assessment, green bond administration and reporting standards via inclusive and open debate among all market participants; and, on this basis, forms of public support.

*"GB", definition according to the 2015 Green Bond Principles ("GBPs"), voluntary guidelines that are direct expression of a broad market debate and consensus among issuers, investors and intermediaries on the minimum requirements of a green bond: http://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GBP_2015_27-March.pdf.

TABLE 1 EIB's Green Bond Practice and Its Alignment with the 2015 GBPs

Use of Proceeds	Process for Project Evaluation and Selection	Management of Proceeds	Reporting
Loan Eligibility - Renewable Energy and Energy Efficiency (RE & EE) - Within RE & EE—conservative approach to eligibility Disbursement Eligibility - Allocations are only once and to disbursements that take place after bond issuance date See p. 3 of 2014 CAB Newsletter: http://www.eib.org/investor_relations/documents/eib-cab-newsletter-2014.htm	Competence of Projects Directorate - Institutional and legal framework of the EU reflected in EIB Environmental and Social Principles and Standards (ESPS) - Operationalisation of ESPS via Environmental and Social Practices Handbook, ruling EIB's due diligence - Selection of eligible financings, assignment of eligibility percentages and their input into IT systems upon Board approval See p. 4 of 2014 CAB Newsletter: http://www.eib.org/investor_relations/documents/eib-cab-newsletter-2014.htm	Competence of Finance Directorate - Daily retrieval of CAB-eligible disbursements (automated) - Daily allocation of CAB proceeds on a first-in first-out basis (automated) - Daily booking of unallocated balance of CAB proceeds in dedicated Treasury portfolios (under automation) See p. 5 of 2014 CAB Newsletter: http://www.eib.org/investor_relations/documents/eib-cab-newsletter-2014.htm	In Aggregate - Annual report of issuance and allocation volumes in the Financial Report Project by Project - Annual report of projects and allocations in the Sustainability Report - Annual report on expected impact of projects in yearly CAB Newsletter Bond by Bond - Semi-annual reports on individual bond allocations in yearly and half-yearly CAB Newsletters See pp. 8–9 of 2014 CAB Newsletter: http://www.eib.org/investor_relations/documents/eib-cab-newsletter-2014.htm

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
February 16, 2015	Established by Board Approval	The Reserve Bank of India (RBI) gave directive guidelines to ensure long term viability of infrastructure industry, which YES BANK has innovated on and launched green infrastructure bonds that leveraged the RBI's new policy to promote renewable energy. The amount raised will be used by YES BANK to finance Green Infrastructure Projects in Renewable Energy including Solar Power, Wind Power, Biomass, and Small Hydel Projects. KPMG, India will be providing the Assurance Services annually, on the use of proceeds in accordance with the Green Bond principles.	Establishing processes to track use of proceeds, and communication channels to directly contact bond holders as per Green Bond Principles; Mobilizing the investors for uptake of the new offering.
Key Lesson Green Bonds have been able to address a number of challenges in the existing financing mechanisms including sector limits, high interest rates and Asset-Liability mismatch to finance projects in the renewable energy and energy efficiency space.			

Introduction to the Policy/ Approach/Tool

Green Bonds are any type of bond instruments where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green Projects and which follows the 4 Green Bond Principles (GBP). Though globally, Green Bonds issues amounted to almost \$80 billion so far, the market in India is still at nascent stage.

Given the Government of India's focus on India's Renewable Energy Potential and target of 175 GW of additional capacity installation by 2022, it is estimated that the renewable energy sector will require significant structured financing. Green Infrastructure

Bonds are one such avenue to allow for financing to flow to vital green energy projects.

The first such green (infrastructure) bonds were issued by YES BANK in India to catalyze the market for green infrastructure bonds in India and allow responsible investors to facilitate funding towards Renewable and Clean Energy projects in February 2015.

Development and Design

In a major boost towards its commitment to RE sector in India, YES BANK made a major announcement for funding 500 MW of clean energy every year, with a periodic upward revision, at the UN Climate Summit held in September 2014, which was revised at

RE-Invest in February 2015, to funding 5000 MW renewable energy in the next five years. The bonds were launched in the backdrop of YES BANK's commitment to fund 5000 MW of RE projects, making it the first private bank to make such a commitment at the Summit. The funds from the Bond's subscription would be utilized towards meeting this commitment.

Implementation

YES BANK's Sustainable Investment Banking and Debt Capital Markets team acted as arranger to the transaction. The issue launched on February 16, 2015 for INR 500 crores plus green shoe option witnessed strong demand from leading investors including Insurance companies, Pension & Provident Funds, Foreign Portfolio Investors, New Pension Schemes and Mutual Funds, resulting in a total subscription of INR 1000 crores and was closed on February 24, 2015.

International Finance Corp. (IFC) in August 2015 has issued Green Bonds on the London Stock Exchange as a private placement towards YES BANK's renewable energy portfolio. This INR 315 crore (about \$50 million) issue is through a rupee denominated bond in the offshore markets. The bond is a part of IFC's \$3 billion masala bond programme, out of which \$1.66 billion has been sold in a range of tenors for the offshore rupee bond market. JP Morgan Chase & Co. was the underwriter to this issue.

YES BANK recently signed a memorandum of understanding (MoU) with The London Stock Exchange

Group (LSEG) to collaborate on bond and equity issuance, with focus on developing green infrastructure. As part of the agreement, YES BANK plans to list a Green Bond of up to \$500 million on the London Stock Exchange (LSE) by December 2016.

Experience and Impact

Being a prominent bank in India, YES BANK has brought the Green Bond concept into the forefront and other banks and corporates are now talking about it. The National thermal Power Corporation, India, which owns and operates 50 GW of coal fired power plants is talking about a Green Bond to finance a 15 GW Renewable Energy project. EXIM Bank recently launched Dollar Denominated Bonds.

Indian Investors are now aware of what a Green Bond is and are enthusiastically supporting it. More out of the perceived low risk and faster implementation than pure Green instincts but at least we have positive forward movement.

While historically Bonds are re-financing instruments, YES BANK has tried to integrate its Green Energy risk assessment expertise to make Bonds a source of initial debt.

Lastly but very importantly this has signaled to the market that YES BANK continues to be a strong supporter of Green Energy. It has financed over 3000 MW of Renewable Energy already and has committed to doing at least 5000 MW over the next five years.

CASE STUDY E Societe General (SocGen) Positive Impact Bond

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
In November 2015, Societe Generale issued its first Positive Impact Bond contributing to the financing of a low-carbon economy (EUR 500m 5 years Fixed-rate senior note).	Positive Impact Bond issuance decision followed the classical process of Societe Generale EMTN program and is part of the group Climate policy approved by the executive board.	The issue is backed by an in-house methodology and combines the best E&S loans standards (Equator principles), Socially Responsible Investment (SRI) and Green Bonds Principles Standards, with a high level of independent assurance provided both by Vigeo and EY.	No additional capacity but a task force has been constituted as numerous teams have been involved from the business lines which originate the projects financing to the treasury department. Green structuring of the Bond has been performed by the positive Impact Finance team.
Key Lesson			
Societe Generale First Positive Impact Bond demonstrates its ability to draw on its financial structuring and distribution expertise in order to help build a sustainable bond market, thus deepening capital markets funding sources for sustainable growth projects alongside bank lending backed by a robust Positive Impact Assessment Framework.			

Societe Generale First Positive Impact Bond: A Logic Outcome of Our Long-standing CSR Policy

The first Positive Impact Bond issued by Societe Generale in November 2015, is a demonstration of its commitment to find innovative financial solutions to fund the transition towards a low-carbon economy.

Back in the early 2000s, the group started to address the environmental and social (E&S) impacts of its financing activities. That initiative was then scaled up with the publication of a directive by the group CEO Frederic Oudéa setting the rules to address E&S impacts throughout the entire group activities. In 2012, when the new CSR strategy was defined, the Executive Committee of the Bank decided that one of the main objectives of the “Responsible finance” strategic priority was to promote and develop the Positive Impact Finance.



Positive Impact is defined as an activity having: a positive impact on a least one of the 3 pillars of sustainable development (Environment, Social and Economic development) provided an appropriate management of the potential negative impacts.

A specific team dedicated to green structuring has been put in place to promote Positive Impact Finance. For illustration purpose, in 2014, 958 MEUR of new Positive Impact production (an increase of 37% compared to 2013) was reported within the Investment Banking division.

Through this first Positive Impact Bond, Société Générale is proposing to investors to contribute to the financing of Positive Impact projects which have been selected for their demonstrated Climate Benefits.

An Issue Backed by a Robust Methodology

This first Positive Impact Bond creates a new standard within the Green Bond market as it relies on a robust and transparent framework which is consistent with the Green Bond Principles and aligned with the Positive Impact Manifesto launched by UNEP-FI.

A three step approach for the evaluation and the selection of the investments:

- An Environmental Social and Governance (ESG) framework based on main E&S international standards and aligned with Equator Principles.
- A Positive Impact Assessment Framework which evaluates E&S positive and negative impacts on at least 17 impact categories including social, environmental and economic convergence.
- A selection of Positive Impact Assets which contribute to the fight against Climate Change resulting in an eligible Positive Impact Finance Assets portfolio.

Since the origination of the loan, Société Générale applies a robust ESG framework ensuring the appropriate management of the E&S risks of these investments and their monitoring along the life of the Bond.

High standards in terms of transparency and traceability:

- The use of the Positive Impact Assessment Framework ensures a strong selection and follow-up of the Positive Impact characteristics of the assets which are independently reviewed.
- On one hand, an external ESG (Vigeo) confirmed the sustainable credentials of the Positive Impact Assessment Framework and its alignment with the Green Bond Principles; on the other hand, an external auditor (EY) has been appointed to audit at the time of issuance and annually on the use of proceeds and the compliance of eligible assets with the Positive Impact Assessment Framework; in addition, the Positive Impact Assessment Framework contains a continuous follow-up of Positive Impact qualification through monitoring of E&S risks along the loan maturity.
- At the time of issuance Société Générale provide a detailed reporting on the investments selected includes:
 - Description of the underlying financed investments and comments on their E&S risks management and benefits;

- Climate benefits indicator such as tCO₂e avoided (estimated with European Investment Bank's methodology) and amounts of MW installed
- Similar reporting will be issued yearly until the maturity of the bond

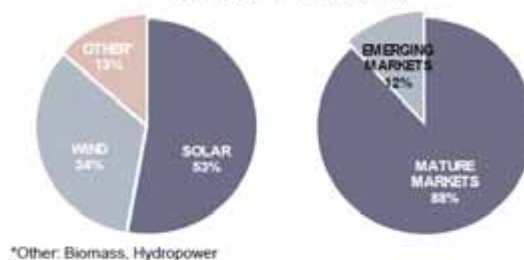
Societe Generale First Positive Impact Bond: A Best in Class Green Bond with a Demonstrated Climate Benefits

The 18th of November 2015, Societe Generale successfully issued this first ever Positive Impact Bond a EUR 500 5-year fixed-rate senior note demonstrating its commitment to finding innovative financial solution to a low carbon economy in compliance with the best available E&S standards.

The proceeds of this bond will be used to finance exclusively investments with Climate Benefits. At issuance Societe Generale selected 27 investments in the renewable energy sector, which development will allow avoiding more than 6 MtCO₂e emission/year.

Indicative Outstanding Breakdown of Underlying Positive Impact Finance Assets as of 31 Oct 2015

(EUR 554m equivalent)



CLIMATE BENEFITS

Ex-ante estimated annual GHG* emissions reduced or avoided in tCO ₂ e	6,056,269
Total Capacity of Renewable energy plant(s) in MW	3,393

(*) GHG: Greenhouse gas

A Successful Green Issue That Unlock Opportunities for More Innovative Financial Solutions

- An innovative transaction very well received by the investor community:
 - An issue six time oversubscribed from more than 171 accounts
 - A robust assessment framework backed by a double assurance
 - A Consolidated Climate benefits performance indicator

- A clear reporting of E&S impacts
- A replicable framework for other innovative financial solutions with the emergence of a “green structuring team” in Societe Generale
- A combined level of expertise involving the CSR department, Green and financial structuring teams and the Treasury division of the Bank.

The Positive Impact Bond is part of a broader ambition to enlarge the market to social and economic development in order to meet the Sustainable Development Goals as defined by the UN and to bring new solutions to the huge investment gap.

PRINCIPLE 4 CASE STUDIES

Disclaimer: All case studies submitted by a Supporting Institution and included in the following Annex are the sole responsibility and product of that institution and shall in no way be deemed endorsed by any other Supporting Institution.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2006	The Board approved the Sustainable Energy Initiative (SEI), which resulted in the implementation of the SEI strategy throughout the EBRD. The Energy Efficiency and Climate Change (E2C2) department has been the driver behind the development of the MRV approach with the support of the banking sector teams and other departments in gathering and managing data.	Implementing the MRV approach has been an evolutionary process that began in 2006 with screening a number of selected climate projects out of the annual activities portfolio. Today it has evolved into a day-to-day activity managed by the E2C2 team and others within the banking sector teams and other departments.	With the implementation of MRV, the E2C2 team has allocated dedicated resources to support the MRV activities, including hiring a full-time MRV manager and having sector engineers support in providing the climate investment-related data. The E2C2 team is comprised of approximately 40 people. Beyond the E2C2 team, there are additional resources and staff members allocated in other sector teams to help in providing the relevant data. There are also IT staff members dedicated to MRV data management and integration of information to the rest of the existing banking system.
Key Lessons			
• MRV should be integrated into the rest of the financing operations, and not be an isolated activity. • Having an IT system that supports the MRV activities and integrates it into the rest of the banking system is essential. • Setting specific targets or objectives for climate investment is an important driver of getting the relevant MRV data.*			

*The EBRD became the first MDB to set itself a carbon emissions target in 2009.

Introduction to the Policy/ Approach/Tool

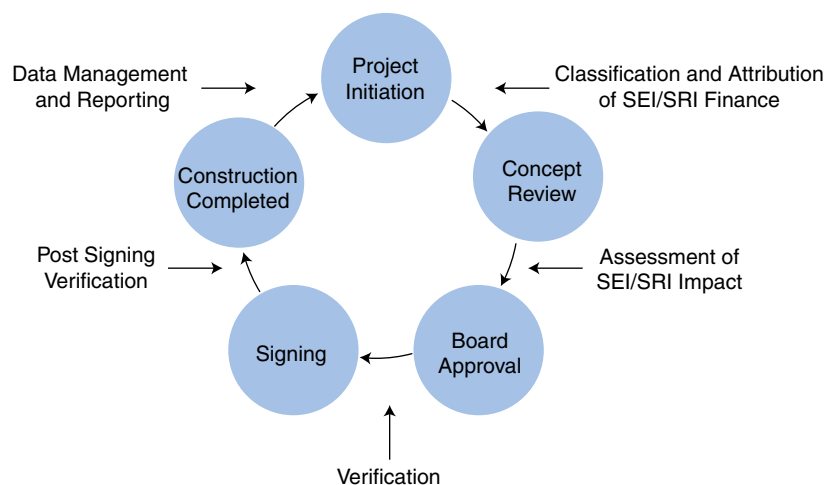
In 2006, the EBRD launched its Sustainable Energy Initiative (SEI) to address the twin challenges of energy efficiency and climate change by mainstreaming in their financial activities. To assess the impact of its investments in sustainable energy and resources, the EBRD developed a specific Measuring, Reporting and Verification (MRV) approach that ensures accountability of its climate investment throughout a project cycle. It also launched the Sustainable Resource

Initiate (SRI) in 2013, an umbrella initiative that broadens the scope of the resource efficiency agenda from energy to water and materials efficiency.

Development and Design

The launch of SEI naturally kick-started the MRV process for the EBRD, which started collecting and verifying data from its project portfolios. It initially began as an annual exercise, and over the next few years evolved into a daily operational activity, closely integrated with the banking activities. Being the first multilateral

FIGURE 4 The EBRD's Project Cycle and MRV Approach



development bank (MDB) with a dedicated pool of in-house technical experts, an internal team developed and implemented the MRV approach. Known as the Energy Efficiency and Climate Change (E2C2) team, it comprises engineers, financial experts and policy and carbon market experts, as well as a dedicated MRV manager. No external consultants were hired, making it critical for people who understand the internal system to steer the process. Outside consultants were hired only for specific tasks of gathering climate data on certain project. The UNFCCC standards were initially used to account for greenhouse gases.

Implementation

At project initiation, the EBRD's MRV approach provides guidance as to what projects can be classified as climate investments and how to attribute climate finance to these investments. Once the project passes its concept review stage, the climate impact is assessed. Climate impact is defined as climate mitigation and/or adaptation, and for their assessment, projects are disaggregated into different savings components and translated into financial terms. The process also includes calculating forecasts for annual GHG reductions and energy, water and materials savings. After Board approval, the in-house MRV expert conducts a final verification of the project impact assessment before the investment is made with the client. Throughout the project cycle, key climate-related data are captured, revised and reported as part of the EBRD's ongoing portfolio management, as well as its data management and reporting system.

Information gathered is used for both internal and external reporting, including to donors.

Experience and Impact

The EBRD's MRV approach has been in place since 2006, and has proven to significantly contribute toward increasing climate investment, both in number of project and business volume, allowing the banking teams to put greater focus on climate projects. The EBRD also conducts post-signing verification of its climate projects, and in 2013, it undertook a review of the 80 largest sustainable energy projects from 2006 to 2009, which represented more than 80 percent of the climate finance portfolio in terms of emissions reductions. The results showed that the actual emission reductions turned out to be about 2 percent more than initially estimated.

The EBRD's environmental and social policy mandates greenhouse gas (GHG) assessment for all its projects with over 25 kilotons of expected CO₂e emissions per year. The results of the GHG assessment are published in the EBRD's annual Sustainability Report. The assessment combines projects that result in significant GHG savings, Greenfield projects and capacity expansions in sectors like energy generation that typically lead to net emission increases.

The EBRD has been working with other MDBs on harmonizing the tracking of its climate investments, including approaches to GHG accounting. As part of this initiative, the EBRD publishes a joint annual MDB Climate Finance Report, including both climate mitigation and adaptation finances.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
June 2011	In an effort to mainstream climate change mitigation and adaptation measures in development projects, the Office for Climate Change perceived the necessity of a guidance tool and decided to develop one to serve as an internal resource for staff.	The tool was developed with support from an external consultant. The Office for Climate Change disseminates it to operations staff and offers guidance on its use. The take-up of the tool has been progressing over time.	Support from consulting firm was needed to establish this tool.
Key Lesson			
A practical reference is helpful to promote mainstreaming climate change considerations within an institution.			

Introduction

In June 2011, JICA published the “JICA Climate Finance Impact Tool” (JICA Climate-FIT), an internal reference document that facilitates the design and implementation of climate change mitigation and adaptation projects. The tool draws on lessons learnt by JICA as well as other institutions like the World Bank Group and the Asian Development Bank. It presents methodologies to help JICA staff formulate and implement climate change-related projects.

JICA Climate-FIT consists of two volumes (see Figure 5):

- Mitigation: methodologies for quantitative estimation of emission reduction or sequestration of greenhouse gases (GHG) by implementation of projects.¹⁹
- Adaptation: concepts and guidelines for planning climate adaptation focused projects as well as mainstreaming adaptation considerations into development projects that contribute to reduction of vulnerability to climate variability and

change, and increasing adaptive capacity and resilience.²⁰

Development and Design

This initiative arose from practical needs for a guidance tool to help staff—particularly those in operations departments with few climate specialists—integrate considerations of climate change mitigation and adaptation into the standard project-planning process. Consequently, the Office for Climate Change in the Global Environmental Department commissioned a consultant to conduct a study on mainstreaming climate change considerations into JICA operations and that resulted in the development of JICA Climate-FIT.

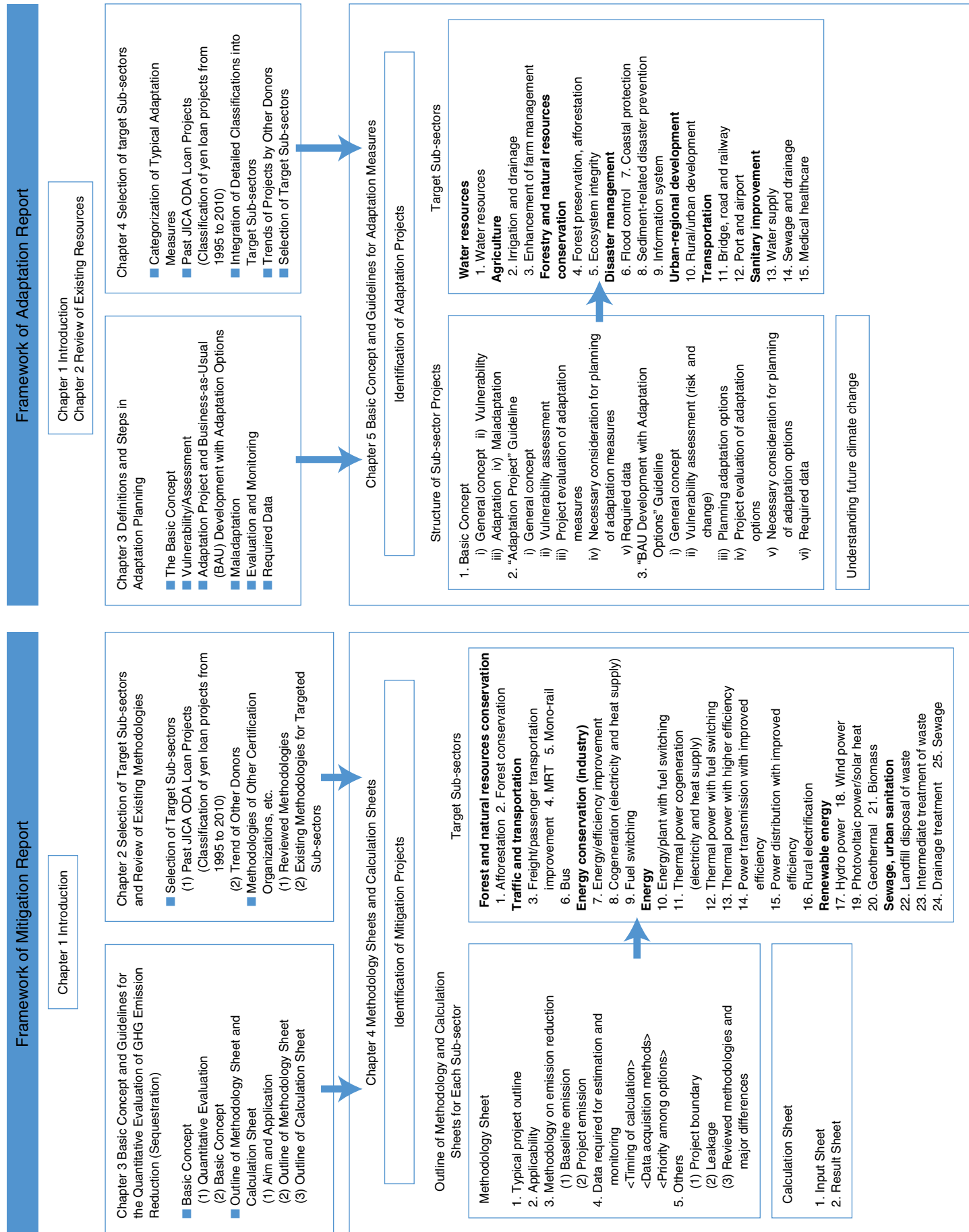
Implementation

This tool is mainly utilized internally during the project planning process. The internal reference document was published in June 2011 and made available to all JICA staff through the internal network. The Office for Climate Change also organizes internal seminars to

¹⁹ (Download) http://www.jica.go.jp/english/our_work/climate_change/mitigation.html.

²⁰ (Download) http://www.jica.go.jp/english/our_work/climate_change/adaptation.html.

FIGURE 5 JICA Climate-FIT Reports



demonstrate to JICA staff how to use this tool in their operations.

When a project related to climate change mitigation or adaptation is proposed, the Office for Climate Change in the Global Environmental Department advises the project operation departments to use this tool. In addition, when JICA entrusts a study for project formulation to a private consultant company, JICA may require the consultant company to refer to this tool so that the consultant company will be able to use appropriate methodologies for analysis.

Experience and Impact

A practical reference tool like JICA's Climate-FIT can be helpful to promote mainstreaming climate change considerations within an institution. JICA's main challenge to date is that it cannot gauge if and how the tool is being used because the use of the tool is voluntary and there is no system in place for monitoring the application and impact of the tool; however, JICA is focusing on ensuring that the tool is well-disseminated internally.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2010	Included in the Ninth General Capital Increase, approved by the Board of Governors in 2010	Guidelines published in 2012; implemented over the period of 2012 to 2015	New data systems, and new functions in several departments were required.
Key Lessons			
• Lending targets are useful for establishing internal incentives. • The climate change lending target has contributed to strengthening vulnerability assessments and tools. • Climate finance is subject to strong inter-annual variations.			

Introduction

As part of its *Ninth General Capital Increase* (IDB-9) in 2010, the IDB introduced a set of lending priorities with quantitative targets.²¹ The third lending target established that, in 2015, 25 percent of loan approvals should address climate change, sustainable energy and environmental sustainability.

Development and Design

The introduction of the lending targets required several changes in the institution. First, a special Committee was set up by the Bank's management to prepare a document aimed at providing technical and operational guidance for the classification of operations under one or more of the lending priorities. The guidelines, published in January 2012, divide the third lending target into 4 sub-categories: climate change mitigation, climate change adaptation, sustainable energy, and environmental sustainability. They establish a set of sectors and sub-sectors, with descriptions, and determine what subsectors contribute to the different lending targets (or sub-categories)

²¹ Applicable to all lending from Ordinary Capital and Funds for special Operations, as well as operations approved through the Grant Facility for Haiti.

automatically or conditionally. They further clarify that if a large share of the operation complies with the criteria of a lending target, the *total lending amount* of the operation is counted as contributing to that lending target. The classification included in the development effectiveness matrix (DEM) of the internal approval document is used for the purpose of reporting alignment with the lending targets.

Implementation

The IDB had to modify its internal data systems to accommodate the new sector and sub-sector typology, as well as to capture alignment to the lending targets. New templates were prepared for project documents and for the DEM. Finally, responsibilities were defined for ensuring quality control.

Since 2011, project teams have captured in the project documents and in the Bank's data systems the alignment of their operations with the lending priorities, and project alignment is commented on by participants to the eligibility and quality and risk review meetings. The development effectiveness offices provides final validation.

Results have been published in the Bank's Development Effectiveness Overview (DEO). Results on the third lending priority have also been published in the Sustainability Report.

Experience and Impact

During this period the following results have been observed:

- Lending priorities have led to increases in lending volumes, both by raising awareness within the bank on new areas of work, and by facilitating the approval of projects that are aligned with the priorities.
- Having a climate change lending target in place has contributed to strengthen the capacity of the bank to include vulnerability assessments and adaptation activities in its operations.
- The third lending target indicator (lending in climate change, sustainable energy, and

environmental sustainability) is subject to considerable volatility: It reached 33% in 2012, fell to 20% in 2013, and then recovered the 33% level in 2014.

- After the GCI-9 was approved, the IDB developed with other MDBs the Joint MDB Approach for Climate Finance Tracking, which differs in some aspects from the criteria used to assess lending target compliance. This has led to two parallel reporting systems.

The Bank is currently exploring a revised approach to tracking alignment of financial flows to institutional priorities, to be included in the Corporate Results Framework 2016–2019 (currently under development).

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2011 for the tool 2013 for completion of policies	Initiative decided by the senior management of the Bank. Tool developed in cooperation with academics at Paris Dauphine Finance and Sustainable Development Chair	Policies developed through a collaborative process (CSR, Risk department, business lines) and implemented as part of the ESMS of the Bank.	Funding of an academic program for the development of the tool Training of commercial staff for implementation of the policies

Key Lessons

- Collaboration with academics has helped develop the tool while ensuring that a sufficient level of understanding was internalized.
- Achieving a comprehensive measuring of emissions has helped creating a consensus on priorities for the development of policies.
- Collaboration with business lines in developing the policies has streamlined implementation of the policies.

Introduction to the Policy/ Approach/Tool

The Bank decided in 2009 to base the development of its CSR sector policies on an assessment of the relevance to climate change issue. This implied to quantify the materiality of climate change considerations according to sectors and involvement of the Bank. As no available methodology was deemed appropriate for measuring and mapping financed emissions of a Corporate and Investment Bank, a specific macro-economic approach was developed with the help of academics. An innovative aspect of the methodology developed was to allocate emissions from an issue-based perspective and not use the traditional scope-based perspective.

This issue-based perspective is based on the rule of allocating GHG emissions to sectors according to their capacity for reduction. The 'issue' of an economic agent is then the quantity of GHG emissions that this agent is liable to reduce in an economy where heavy restrictions on GHG emissions are introduced (carbon prices, taxes, standards). In this context the internalization of any additional cost would lead to a reduced demand for high-carbon, in favor of lower carbon, goods. The producer of the high carbon goods should then respond to the change in demand through

'innovation in processes' (efficiency savings throughout the product life). The GHG emissions targeted by these innovative approaches are the producer's 'issue'.

In addition to enabling, since 2011, the conventional carbon footprint calculations of the Bank to be complemented by an estimate of the carbon footprint related to the Bank's financing and investments, the tool developed has permitted to produce a mapping of issue-based financed emissions by sectors and countries. Based on this comprehensive assessment of the most significant sectors for the Bank with respect to climate change, it was decided to develop CSR sector policies for sectors representing together 80% of this issue-based carbon footprint.

The CSR sector policies then developed include analysis criteria that help investment decisions at a project/client level. They are completed with exclusion criteria intended to avoid investments in situations deemed unacceptable.

Development and Design

The methodology (P9XCA) was perfected by researchers at the Paris Dauphine Finance and Sustainable Development Chair that was created in 2006 through a partnership between the Bank, the University of

Paris Dauphine, Ecole Polytechnique and EdF. A second version of this methodology was developed in 2014 as part of a sector-based approach initiated by the Finance Club of the Corporate Societal Responsibility Observatory with the financial and technical support of ADEME and the Carbon Footprint Association and the technical support of the consultant Carbone4. This version offers a more traditional allocation by scope of greenhouse gas emissions to the various economic activities, in contrast to the allocation “by environmental challenge” proposed by the Finance and Sustainable Development Chair researchers.

Implementation

A first calculation was produced in 2011 that was improved in 2012. The cartography of financed emissions by sectors and countries, based on an issue-based perspective, indicated that two macro-sectors Energy and Transportation were concentrating together over 80% of Crédit Agricole CIB financed emissions, based on this issue-based approach.

As a consequence, two series of CSR sector policies were developed in 2012 for the Energy sector and in 2013 for the Transportation sector. Each policy contains analysis criteria that explicit how climate change considerations are taken into consideration by the Bank when reviewing transactions and support to clients in

the said sector. Exclusion criteria have also been decided based on an analysis of the various sources defining the reference framework for each policy.

Each policy results from a collaborative work among CSR specialists, the credit risk department and the business lines who appear as the most concerned. Once a policy is validated and published, the implementation become compulsory for all transactions considered by the Bank as per its general environmental and social assessment and management system.

Experience and Impact

It is possible to quantify and map financed emissions even for a very large and diversified institution such as an international Corporate and Investment Bank.

The use of a macro-economic issue-based approach enables financial institutions to assess the materiality of climate change related issues by sector and countries, in absolute or relative terms.

It is then possible to prioritize action and develop specific guidance for sectors and/or geographies that appear the most relevant for each financial institution. This has been the case at Crédit Agricole CIB for developing CSR sector policies. This has also been used for defining the list of sectors and countries where specific enhanced due diligence relating to climate risks are being introduced.

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2007, re-designed in 2011	First by internal procedure; later integrated as a pillar of AFD's Climate Change and Development Strategy	Carbon footprint measurement is systematized in AFD's operating procedures and is an integral part of appraisal process and documentation.	Required development of a specific tool and procedures and an important training program. The Carbon Footprint Tool was designed with the help of external consultants.

Key Lessons

- The Carbon Footprint Tool is a powerful vector to disseminate knowledge about climate change issues and related opportunities and risks both internally and with clients and partners.
- As a result, the early implementation of the tool within AFD tremendously facilitated further climate change mainstreaming actions the following years.
- The integration of carbon footprinting within operational procedures and the elaboration of a significant training program were also key.
- Next steps relate to the elaboration of harmonized frameworks for GHG accounting across financial institutions, and further analysis of the potential strategic implications of carbon footprint assessments.

Introduction

The assessment of the climate impacts of projects has become overtime an important element of the systematic assessment of the overall impacts of the projects AFD appraises for financing. This exercise is complementary to the accounting exercise of the amount of climate finance AFD deploys, and constitutes a key piece of the technical assessment of projects.

AFD assesses in particular *ex-ante* projects greenhouse gas (GHG) effects in view of:

- quantifying projects impacts on GHG emissions,
- guiding the project teams and clients, throughout the appraisal process of projects, in identifying optimization opportunities and evaluating alternative technological options,
- evaluating projects' fossil fuel dependency and associated operational risks,
- obtaining input data for project eligibility against a selectivity matrix designed to avoid very emissive projects,
- contributing to AFD Group's accountability efforts by communicating on the anticipated benefits of its mitigation climate financings.

Development and Design of a Project-Level Carbon Footprint Measurement Tool

As early as 2007, AFD developed its own tool to quantify the estimated emissions and emissions reductions of projects under appraisal. A comprehensive Carbon Footprint Tool was re-designed with the help of a consultancy in 2011. The tool is in line with best international practice and with international standards.

It covers GHG emissions, reduced or avoided, by projects throughout their lifecycle. This includes both the construction phase (materials used for construction, energy consumed during construction) and the operating phase (burning of fossil fuels, emissions generated by the project, grid electricity consumed, materials used, fertilizers used, emissions from waste, freight, passenger transport, land use, use of utilities/factories and emissions associated with the end of project life).

The AFD's carbon footprint methodology is calibrated to produce conservative estimates: in case of doubt, an underestimation of avoided emissions or an overestimation of GHG emissions generated is preferred. The estimation takes into account direct and

indirect emissions and thus includes upstream and downstream emissions of projects (“Scope 3”). The tool is dove-tailed to different types of projects and it calculates the carbon footprint based on the latest data available on GHG emissions by sector.

The net carbon footprint is obtained by comparing the project’s emissions to a reference or baseline scenario. Emissions generated by a project are compared to a scenario without the project where no alternative action or technology is deployed—except for renewable energy projects, where a baseline based on the existing mix is considered. Choosing such a reference scenario is in line with AFD’s conservative approach and ambition to account for net emissions reductions (while emissive low-carbon projects are also supported). For example, if a factory-refurbishing project improves energy efficiency while at the same time increasing production, overall GHG gross emissions can increase and the AFD carbon footprint calculation will in such case show an

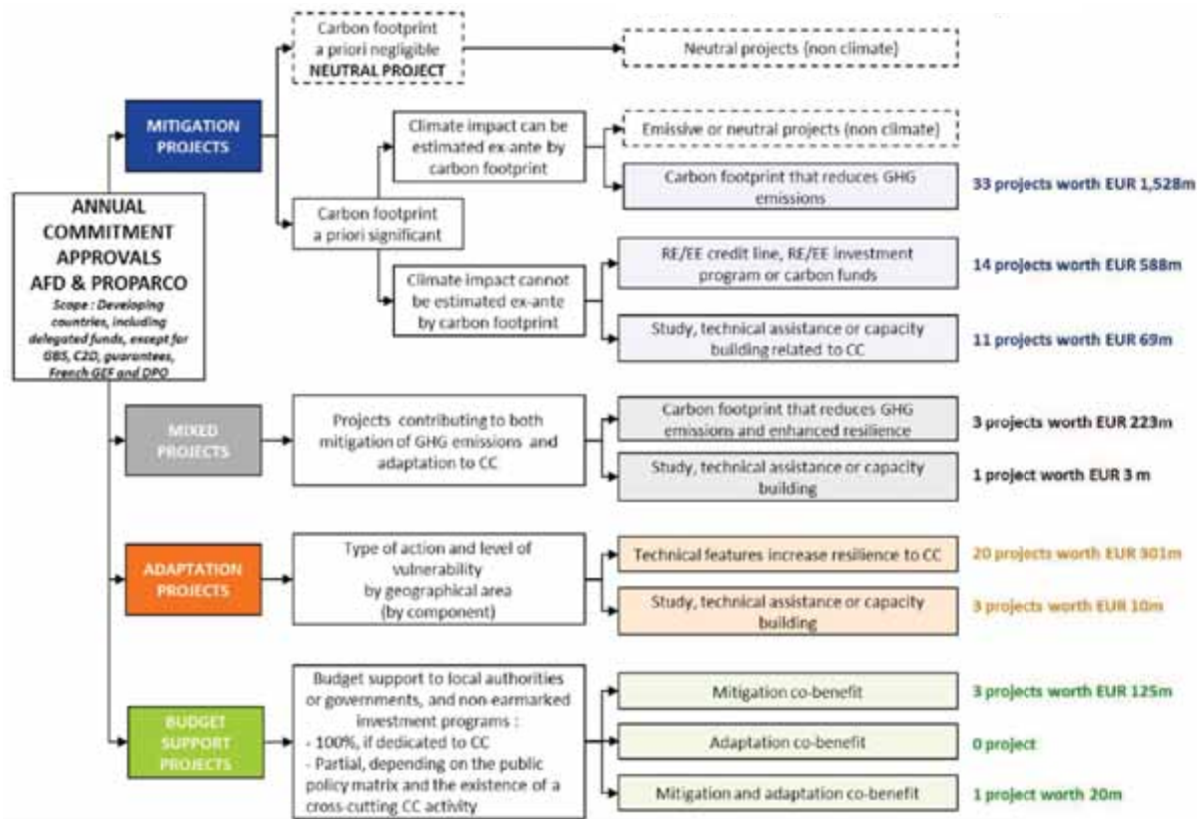
increase in emissions, even though GHG emissions per unit produced have decreased.

Implementation

The carbon footprint measurement is systematized in AFD’s operating procedures and is an integral part of the project appraisal documents. This includes the carbon footprint estimation, data on the main sources of emissions and a list of potential actions to further limit emissions.

Based on a rough carbon footprint measurement conducted during the upstream project identification, a more detailed and refined carbon footprint calculation is conducted during the project appraisal process. The aim of the ex-ante carbon footprint is to provide an order of magnitude for GHG emissions that a future project will create or abate, as opposed to achieving extremely precise figures, which would often imply

Mapping of “Climate” Projects in 2014



For more information about AFD Group’s commitments, “climate” activities, tracking and impact measurement methodologies, consult the “climate” section of AFD’s website: <http://climat.afd.fr>

narrowing the analysis. An overall scheme of the process as applied to the 2014 AFD portfolio is presented in the Figure.

Experience and Impact

AFD publishes information yearly regarding the volume²² and nature of its climate finance portfolio, including data disaggregated by geography, sector and types of financing instrument, which is based *inter alia* on the systematic assessment of projects as described above. Moreover, this approach has enabled AFD to disclose since 2011 an overall figure²³ regarding

emissions reductions for the portfolio of mitigation projects it supports (excluding credit lines or budgetary support).

In parallel AFD is involved in the efforts of IFIs (notably through the IFI working group on GHG accounting) to develop joint approaches toward GHG accounting applied to various sectors.

The implementation of the Carbon Footprint Tool has been a key element to mainstream climate change considerations not only within AFD but also when engaging with clients and stakeholders, as it helps identify opportunities and risks, and evaluate alternative options when relevant.

22 In 2014, AFD has committed the equivalent of EUR 2.9 billion for development projects and programs with climate co-benefits on mitigation and adaptation.

23 Mitigation projects and programs (excluding credit line or budget support) supported by AFD in 2014 will lead to an estimated reduction of emissions of 4.3 MteqCO₂/year.

CASE STUDY F Internal Carbon Tax of Societe Generale

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2012	As part of the environment policy, it's a Board management decision.	The internal carbon tax was implemented through existing structures, without consultants.	The tax revenues provide the resources.
Key Lesson			
The internal carbon tax is a strong incentive tool that promotes integration of environmental impacts in the business model and innovation.			

Introduction to the Policy/ Approach/Tool

Since the launch of its carbon neutral programme in 2007, Societe Generale has consistently improved its environmental footprint. As part of this work, it was one of the first banks to establish an internal carbon tax, applied to all business lines and support functions, to finance the purchase of “carbon credits.”

In 2012, the management wanted to go further and accelerate the process of transformation. It was therefore decided that the amount gathered would be entirely dedicated to initiatives improving the environmental impact of our entities and business lines, thereby creating an innovative and incentivizing programme.

Development and Design

The Societe Generale Group's environmental policy for 2014–2020 focuses on “carbon reduction,” and has set a target: reducing carbon emissions per occupant by 20%, in 2020 compared to 2014.

This policy is supported by an internal carbon tax, paid by each Core Business and Functional Division, based on their carbon footprint (10€/tCO₂). The revenues of this tax are then reallocated, through the Environmental Efficiency Awards, rewarding initiatives reducing the Group's environmental footprint.

The Environmental Efficiency Awards

The Group invites all of its entities (including branch offices, subsidiaries and Functional Divisions) to

submit applications for the Environmental Efficiency Awards, regardless of the amount of the internal carbon tax paid by them or their Core Business.

To be eligible, an initiative must:

- Reduce the Group's environmental footprint in one of the following fields: IT, Paper, Real Estate, Transportation, Waste management. This reduction must be quantified (know or estimated figure) and backed up by proof and/or explanations.
- Be realized, deployed, and paid, between January 1st of the previous year and May 31st of the year of the Awards Ceremony. Initiatives for which deployment extends further than these dates can only submit an application for the portion of the action realized during these dates.

Some criteria taken into account for application evaluation are:

- Initiative's impact of the Group's environmental footprint
- Environmental intention: importance of the environmental parameters in conduction of the project
- Voluntarism: going further than the respect of a regulation, or a Business As Usual approach
- Innovation and benefits for the Group's image
- Economic balance of the initiative (possible over-cost and savings induced)
- Environmental return on investment (cost of initiative/CO₂ reduction)

Quality and clarity of the provided information, and of the documents backing this information, as well

as the availability of the initiative manager to provide more precise explanations when asked, are key elements to the evaluation of the application. Indeed, the involvement of people is important, because the success of the system also depends on how information is disseminated. The application period is from April 1st to the end of May.

The initiatives selection is a two-step process: a **Pre-selection Committee** is composed of the CSR manager of each Core Business, as well as thematic experts (Real Estate, IT, Paper, Transportation, Waste Management), and it approves the technical aspects of each application and the **Selection Committee**, taking into account the experts' recommendations, selects the rewarded initiatives and decides the amount granted per initiative.

Awards can cover up to 100% of the environmental part of the initiative costs. The maximum amount of each award is 200 000 €. Awards are paid at the beginning of the civil year following the Awards Ceremony, on the bank account provided by the awarded entities after winners have been announced.

Rewarded initiatives are announced on October, during the Environmental Efficiency Awards Ceremony, organized by the Group's General Direction.

Implementation

An internal Working Group, composed of tax department, real estate department, financial department, management control and CSR department, has

developed the carbon tax system and the rules for the Environmental Efficiency Awards.

Experience and Impact

Key figures since the Awards were created (3 years): 19 countries in 4 continents; 119 initiatives awarded; €3.1 m allocated on average per year to the winning internal initiatives; €13m of annual savings in average; 4,700 tons de CO2 avoided in average per year (1.4% of the Group emissions); 30 GWh of energy saved on average per year (3.4% of the total energy consumption of the Group).

The internal carbon tax is:

- an incentive tool to reduce its environmental impacts, empowering internal actors in defining their carbon action plans.
- a mobilizing tool, raising awareness that the greenhouse effect is a subject that is both ecological, economic and financial, the effects can be mitigated through practical and useful operations
- a ludic tool because this competition allows the fun and games, creating a true emulation, which stimulates creativity

It also stimulates innovation thanks to the amount of rewards that allows the creation of innovation units dedicated to research and development of environment friendly products and services which are then offered to customers and employees.

CASE STUDY G Principle 4: MDBs and IDFC establish Common Principles for Climate Finance Tracking

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Common MDB-IDFC principles for climate finance tracking established in 2015, with program of next steps to continue into 2016.	The MDBs and IDFC have worked together over the past couple of years to bring their approaches and methodologies on climate finance tracking closer, with the objective of further increasing transparency and credibility of climate finance reporting. For mitigation, a common list of activities drawn from MDBs and IDFC's lists was established. For adaptation the key points of commonality between the two groups were articulated, plus identification of key issues that need to be further addressed.	Harmonized guidelines published in 2012 by MDBs. IDFC also published its joint methodology in 2012. Both implemented independently over the period 2012-2015. Common principles for mitigation and adaptation finance tracking agreed between MDBs and IDFC in 2015 and made publicly available. Other institutions invited to adopt the Common principles and therewith further increase transparency of climate finance data disclosure.	Varies by institution, but many incorporate the work within the teams responsible for other climate finance and/or tracking initiatives within those institutions. Quality assurance remains the role of each institution, but the systematic identification of climate finance does require additional support from internal or external experts.

Key Lessons

- Transparent reporting on climate finance is essential for policy makers and others to understand the scale and scope of climate finance. The Common Principles for mitigation finance tracking help improve data transparency, collection processes, and begin to address comparability of reporting across different institutions. Common Principles for Adaptation tracking have established key principles and also important next steps to start to address more harmonized approaches.
- The cooperative work on the Common Principles for Climate Finance Tracking is allowing for collaboration and cross-capitalization across a greater number of financial institutions.
- Establishing Common Principles is an important step that must be followed by further engagement to continue to address comparability of reporting.
- Ongoing work within groups using Common Principles is required to identify issues and challenges in climate finance tracking and to use these exchanges to improve and clarify the Principles and their use for tracking.

Introduction

It is increasingly important to transparently track and report climate finance flows, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment and impacts on the ground.

In 2012, following 1.5 years work, the 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. The Mitigation tracking is based on a hierarchy of activities, and the Adaptation tracking is a case and location specific process-based approach. Both require a granular approach.

Similarly, the International Development Finance Club (IDFC)—a group of 22 leading national, regional

and international development finance institutions from across the world, 19 of which are from developing countries and regions—have also been tracking and disclosing global climate adaptation and mitigation finance commitments on the basis on a joint methodology and data collection process. In this regard, IDFC has been producing yearly reports mapping the club's green and climate finance activities since 2012.

Development and Design

MDBs and IDFC established in 2015 *Common Principles for Climate Mitigation Finance Tracking* and for *Adaptation Finance Tracking*.

Adaptation finance tracking: the Common MDBs-IDFC Principles are a set of initial principles and next steps that relate to tracking the finance for activities that address current and expected effects of climate change, where such effects are material for the context of those activities. Adaptation finance tracking may relate to activities consisting of stand-alone projects, multiple projects under larger programs, or project components, sub-components or elements, including those financed through financial intermediaries.

Adaptation finance tracking process consists of the following key steps:

- Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change;
- Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation;
- Demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the financed activities.

Adaptation finance tracking requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible. If disaggregation is not possible using project specific data, a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate change adaptation activities. In consistency with the principle of conservativeness, climate finance is underreported rather than over-reported in this case.

Mitigation finance tracking: the common MDBs-IDFC Principles follow an activity typology and include a list of mitigations activities that promote “efforts to reduce or limit GHG emissions or enhance GHG sequestration”. Mitigation activities or projects can consist of a stand-alone project, multiple stand-alone projects under a larger program, a component of a stand-alone project, or a program financed through a financial intermediary. The list of activities eligible under these principles is publicly available.

The common principles also require mitigation or adaptation activities to be disaggregated from non-mitigation or non-adaptation activities as far as reasonably possible. If such disaggregation is needed and not possible using project specific data, a more qualitative/experience based assessment can be used to identify the proportion of the project that covers climate mitigation or adaptation activities, consistent with the conservativeness principle. Where data is unavailable, any uncertainty is to be overcome following the principle of conservativeness where climate finance is preferred to be under-reported rather than over-reported.

Implementation

In 2015, both MDBs and IDFC have started to align their separate reporting with the two sets of *Common Principles* and invite other institutions to adopt the Principles for tracking climate finance.

Experience and Impact

The recent MDBs-IDFC collaboration on Common Principles for Climate Finance Tracking, have enabled greater collaboration across the groups, and further sharing of knowledge and experience is planned. Notwithstanding the establishment of Common Principles, differences in reporting are to be expected due to the varying business models across financial institutions. Both groups (MDBs and IDFC) will continue their collaborative effort to constantly improve the quality, robustness and consistency of mitigation finance accounting. In particular, more work is needed to further align adaptation tracking processes currently being used by both groups, as well as terms of ensuring coherent implementation of commonly agreed definitions and methodologies.

PRINCIPLE 5 CASE STUDIES

Disclaimer: All case studies submitted by a Supporting Institution and included in the following Annex are the sole responsibility and product of that institution and shall in no way be deemed endorsed by any other Supporting Institution.

CASE STUDY A MDBs Harmonize Approaches for Tracking in Order to Improve Disclosure of Important Climate Data*

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
MDBs started joint climate finance reporting for 2011 finance flows	Evolved over time, and required harmonization efforts between different approaches and methodologies by each institution.	Harmonized guidelines published in 2012; implemented over the period of 2012 to 2015. Common principles for mitigation and adaptation finance tracking agreed between the MDBs and IDFC in 2015.	Varies by institution, but many incorporate the work within the teams responsible for other climate finance and/or tracking initiatives within those institutions.
Key Lessons			
- Harmonization can help ensure publically reported data is consistent. - Notwithstanding harmonization of the approach to tracking, some differences in reporting are to be expected due to the varying businesses models across these financial institutions.			

*See Common Principles for Climate Mitigation Finance Tracking <http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf>, Common Principles for Climate Adaptation Finance Tracking <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/7/22277436376720470/010-gcc-mdb-idfc-adaptation-common-principles.pdf> and the MDB Joint Report on Climate Finance: <http://www.worldbank.org/content/dam/Worldbank/document/Climate/mdb-climate-finance-2014-joint-report-061615.pdf>.

Introduction

Financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources is needed to support scaled up mitigation and adaptation action in developing countries. What finance is flowing, from where and to what activities are among the questions increasingly being asked by stakeholders, in particular donors. This makes it increasingly important to transparently track and report climate finance flows, to build trust and accountability with regard to climate finance commitments and monitor trends and progress in climate-related investment and impacts on the ground.

The MDBs, and other public development finance institutions, are an important channel of climate finance. In 2012, the MDBs created a joint approach for climate finance tracking and reporting that responds to the context in which the MDBs invest in developing and emerging economies. It is built on the premise

that development finance is being provided in a world shaped by climate change.

Development and Design

Climate finance data is tracked and reported in a granular manner for the financing of components (and/or subcomponents) or elements/proportions of projects that directly contribute to (or promote) mitigation and/or adaptation. The joint MDB approach differs in how it treats mitigation and adaptation.

For adaptation, the methodology uses a context- and location-specific, conservative and granular approach that is intended to reflect the specific focus of adaptation activities, and reduce the scope for over-reporting of adaptation finance against projects. The approach includes the following key steps:

1. Setting out the climate vulnerability context of the project;

2. Making an explicit statement of intent to address climate vulnerability as part of the project;
3. Articulating a clear and direct link between the climate vulnerability context and the specific project activities.

For mitigation, the methodology follows an activity typology and includes a list of mitigations activities that promote “efforts to reduce or limit GHG emissions or enhance GHG sequestration.”²⁴

MDBs recognize that some components and/or subcomponents, or elements within projects, contribute to both mitigation and adaptation. Because this financing is important, albeit currently a small volume of climate finance, it is reported separately where MDB systems allow.

Implementation

The MDBs have reported jointly on climate finance since 2011 and have collectively financed over USD 100 billion in climate actions over the four years from

2011-14, equivalent to an average of USD 26.5 billion per year. While the group does not have a secretariat, its members share responsibility for annual joint-reporting, and each year a different member takes the lead in coordinating and producing the report.

Experience and Impact

The MDB joint report on climate finance has enabled greater collaboration among the MDBs, particularly with regard to sharing knowledge and lessons of experience. It has facilitated greater coordination in the use of special climate funds, such as the Climate Investment Funds, and has allowed for cooperation between many MDBs in the context of Country Investment Plans within the Clean Technology Fund, the Pilot Program for Climate Resilience, the Forest Investment Program and the Scaling Up Renewable Energy Program. From 2015 the MDBs have aligned approaches with the International Development Finance Club through common principles for mitigation and adaptation tracking.

²⁴ OECD/DAC Climate Markers (September 2011).

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2009—UN Global Compact 2009—Carbon Disclosure Project 2012—Sustainability Disclosure through Annual Report	Established through a series of management decisions	YES BANK'S Responsible Banking unit drives its sustainability and development priorities and spearheads the Bank's triple bottom line reporting and accounting processes.	Dedicated team with expertise required to develop strategies and tools to address climate change, environmental, social and climate risk management; Gradual increase in staff with relevant expertise; Establishment of processes to measure, manage and report resource consumption; Stakeholder engagement mechanism to receive and act on feedback.
Key Lesson			
We believe our increased transparency has helped us build trust, credibility and visibility among communities and investors, and profitability for the Bank. The Bank's success in integrating its sustainability objectives into its core business operations clearly demonstrates that achieving profitability and meeting one's developmental priorities can be mutually inclusive.			

Introduction: Triple Bottom Line Reporting

At YES BANK, sustainability is a sound business decision, which, along with an ethical imperative, helps us mitigate risks and identify new business opportunities that impact society. We take considerable pride in voluntarily adopting sustainability principles within our operations and pioneering innovative sustainable finance practices in India.

We believe our increased transparency has helped us build trust, credibility and visibility among communities and investors, and profitability for the Bank. The Bank's success in integrating its sustainability objectives into its core business operations clearly demonstrates that achieving profitability and meeting one's developmental priorities can be mutually inclusive.

The Bank's Responsible Banking unit drives its sustainability and development priorities and spearheads the Bank's triple bottom line reporting and accounting processes. By working closely with business units that are active in areas of microfinance, affordable housing, clean technology and banking at the bottom of the pyramid, the RB unit brings the

entire organization together towards achieving its overall sustainability priorities.

Implementation

YES BANK is one of the first Indian private sector Banks to report on its environmental and social performance and has been reporting on its Sustainability Disclosures which are a part of its Annual Report since 2012.

YES BANK is one of the first signatories to the Carbon Disclosure Project (CDP) and has been reporting on its GHG performance and management to external stakeholders since 2006. The Bank has been on the CDP's Carbon Disclosure Leadership Index for India in 2011 and 2012 demonstrating its success in building sustainability practices into its core operations.

YES BANK has been a signatory to the United Nations Global Compact since 2009 and has been reporting on its performance on the 10 principles of the Global Compact annually through its Communication On Progress (COP).

YES BANK is the first Indian Bank to release its Sustainability Report with an 'A' level Check Certificate

from the GRI, endorsing its strength in sustainability disclosures. This is the first year that YES BANK is releasing its standalone Sustainability Report as per the GRI G3.1 Guidelines.

A disclosure level of 'A' indicates the highest level of disclosures within a sustainability report, thus placing the BANK in a leadership position in sustainability reporting within the Indian banking sector. YES BANK has effectively used sustainability reporting to enhance transparency and accountability and used it as a report card to measure its sustainability targets and objectives.

Building Sustainable Practices Within

YES BANK launched its Environmental Management Policy in 2012 as the guiding document towards achieving internal natural resource consumption efficiencies and managing its carbon footprint.

The Bank's War on Waste initiative is a nation-wide initiative to eliminate waste resulting from over-processing, overproduction, inventory and rework. The initiative has helped the Bank bring down its branch premises expenses, human capital expenses and other expenses.

The Bank has implemented initiatives that target its pertinent resource consumption sources such

as paper consumption, electricity consumption and electronic waste management.

Experience and Impact: External Recognitions

YES BANK has been recognized for its sustainability initiatives, practices and products at national and international forums.

Some of its most recent accolades are:

- Karlsruhe Sustainable Finance Awards 2013, Germany
- FT-ITC Sustainable Finance Awards: Sustainable Bank of the Year—Asia Pacific, 2012 (previously won in 2011, 2008)
- Golden Peacock Award for Sustainability 2012
- OKOVISION Sustainability Leadership Award 2012
- CFBP Jamnalal Bajaj Uchit Vyavhar Puraskar 2012 (Fair Business Practices Award)
- Golden Peacock Innovative Product/Service Award 2012 (YES MONEY)
- CII-ITC Sustainability Awards—Commendation Certificate (4th year in a row)
- Connected World Forum Awards 2012 (YES SAHAJ)

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

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Work began in 2008. Systematic pilot across all sectors started in 2009. Pilot completed in 2011. External consultant review of pilot and Methodologies 2012–2013. Methodologies publically available since 2014—http://www.eib.org/about/documents/footprint-methodologies.htm. Reporting of annual aggregate Absolute and Relative numbers in EIB Annual Reports began in 2011. Project level data reporting (Absolute and Relative) began in 2012 and is now systematically published on Project Environment and Social Data Sheets EIB's Public Register on our website—http://www.eib.org/infocentre/register/index.htm. External auditing of the annual GHG figures started for the 2013 Annual Report.	Proposal to start the pilot was authorized by Management Committee (MC). Methodologies were developed using a cross-sector group of experts and supported by external consultants. Results after a year were presented to the MC again, authorizing the application of the thresholds for inclusion and for limiting the work to Investment Projects and not intermediated lending. After 2 years the pilot and results were presented to the Board. Decisions on methodologies what numbers to present publically were largely made at technical level and the management of the Bank were informed accordingly and agreed. Technical decisions were not raised to the management.	Completely new methodologies and systems—but building on the in-house expertise of EIB's sector experts—and on the inclusion of economic costs of carbon in our economic analysis—ad hoc work had been going on in Transport and Energy projects prior to the Footprinting pilot commencing.	Additional resources external and internal and training are significant—it requires external consultants to start the work, plus external review mid-term. Although now mainstreamed into our project appraisal, resources to handle the data verification and the auditing system are significant. Long term resources continue to be needed.

Key Lessons

- Involve sector experts—and go slow as needed at the start to ensure buy in from—since they are the ones that eventually you want to carry out this work.
- Once it is mainstreamed into appraisal a strong system of training and helpdesk function is needed—it is essential to develop key experts in each sector and to bring them together to review any overall changes.
- Once GHG figures are produced, they will ultimately fall under the organization's audit systems. It is essential to be well prepared for this, with good records and a rigorous checking system for consistent application of the Methodologies. At EIB, for our Climate Awareness Bonds (CAB), the project impact reporting framework we have developed draws heavily from our GHG analysis and reporting—increasing transparency and clarity for CAB investors.

Introduction to the Policy/ Approach/Tool

Six years in development—starting with the original proposals in 2008, EIB Carbon Footprinting Methodologies are mainstreamed into EIB project appraisal since 2012 and further improvements are permanently ongoing—widening to more challenging sectors such as Forests and considering challenges such as footprinting intermediated lending, construction emissions etc. Methodologies themselves are updated annually to include updated emissions factors—and as needed other technical updates, approved by the Carbon Footprint Task Force—CFTF.

Development and Design

The footprinting covers all sectors and is used for Climate projects and non-climate projects. It was developed to assess and report the overall footprint of EIB lending—both in absolute and relative terms. In all cases Absolute and Relative are published—both at project level on our Environmental and Social Datasheets (ESDS) for the Project, and later in aggregate in the Annual Report for the year's finance—where the GHG figures are prorated to EIB's finance volume to avoid double counting of savings with other financiers. As well as the published Methodologies, there are also exchanges with CSOs and with other technical organizations such as IFI Carbon Footprint working group and CDM team at UNFCCC.

Implementation

After the second full year, a presentation was made to the Board and the cross-sectoral Carbon Footprint Task Force was created, chaired by the Environment Climate and Social Office, to take the work forward as we rolled out the mainstreaming. Increasingly work was done by the sector experts with ECSO providing back up. However the backup checking training and methodological improvement tasks continue throughout.

Templates for calculating and presenting Project level data were developed and standard specific phrases and explanations for baselines were developed by sectors.

Ongoing improvements required by auditors (external audit with project sampling) include more systematic recording of the 4-eyes checks.

Experience and Impact

- Involve sector experts—and go slow as needed at the start to ensure buy in from—since they are the ones that eventually you want to carry out this work. The project team leader should also be a technical expert.
- Once it is mainstreamed into appraisal a strong system of training and helpdesk function is needed—it is essential to develop key experts in each sector and to bring them together to review any overall changes (we call them the Carbon Footprint Task Force—CFTF).
- 0.5 to 1x full-time post is needed to follow this up on a long term basis, manage data, queries, quotes in external reports and managing audit trails.
- Once GHG figures are produced, every part of the organization is keen to use them and report them—and they will ultimately fall under the organization's audit systems. It is essential to be well prepared for this, with good records and archives for GHG information such as: data sources, assumptions and calculations, as well as a rigorous checking system for consistent application of the Methodologies. At EIB, management of funds for our Climate Awareness Bonds (CAB) and the project impact reporting framework we have developed draws heavily from our climate finance tracking definitions and from our GHG analysis and reporting—increasing transparency and clarity for CAB investors.

CASE STUDY D The IDFC Publicly Reports Green and Climate Finance Data

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
Since 2012, IDFC publishes yearly <i>IDFC Green Finance Mapping Reports</i> , on the basis of a joint methodology.	The elaboration and publication of a yearly mapping report of green and climate finance provided by IDFC members was decided shortly after the creation of the club in 2011, as a key element of IDFC's work program on sustainable development and green and climate finance.	Through the elaboration of a joint methodology for IDFC green and climate finance reporting, and the establishment of a data collection process.	IDFC mapping reports have been elaborated with the support of well-known international think tanks/consultants (WRI, Ecofys). At the level of IDFC members, work often involves teams responsible for climate change issues and/or tracking.

Key Lessons

- Transparent reporting is essential to understand the scale and scope of climate finance and the actors involved. IDFC mapping reports highlight the important role of national and regional development banks in the mobilization and channeling of climate finance.
- Mapping reports also contribute to ongoing efforts of the international community to transparently track and disclose global climate adaptation and mitigation finance commitments.
- Mapping methodology and related data tracking processes need to be continuously improved over time to enhance transparency, comparability, consistency and flexibility to allow for a practical, adaptable, and coordinated universal reporting system to track climate finance.
- The progressive alignment of approaches for disclosure of climate finance data also allows for collaboration and cross-capitalization across IDFC members and beyond (e.g., IDFC-MDBs collaboration on establishing Common principles for tracking climate finance).
- Long-term commitment to constantly improve mapping methodology and implementation of comparable tracking and reporting processes is key.

Introduction

The International Development Finance Club (IDFC), formed in 2011, is a group of 23 international, national, and regional development banks distributed across Europe, Asia, Latin America and Africa. IDFC members share a similar vision of the potential for development finance to promote and support a low-carbon and climate-resilient future, alongside continuously pursuing poverty reduction, economic and social development, and a fair and equitable design of the globalized economy.

With their medium and long-term vision, their field experience in financing development, and their capacity to leverage private investment, development banks are indeed uniquely positioned to provide

supportive signals and contribute to the convergence of expectations for sustainable development within and across economic systems.

IDFC members got together in 2011 to pool their global expertise, best practices and in-depth local know-how on strategic topics of mutual interest. IDFC members represent important financial capacities—members commit around USD 630 billion/year to finance a wide range of projects and programs in all sectors. The primary objective of the club is to address the major obstacles facing long-term finance today by joining forces on the issues currently defining the global development agenda. IDFC's work program aims among others to mobilize green growth potential, support climate change mitigation and adaptation

activities and accelerate green policies for an energy and ecological transition.

Development and Design

The international community recognizes the need to join forces to avert dangerous climate change. This requires mobilizing financial resources from a wide range of sources, public and private, bilateral and multilateral, including alternative sources. Tracking and reporting financial flows that support climate change mitigation and adaptation is therefore becoming increasingly important, not only to build trust and accountability with regard to climate finance commitments, but also to monitor trends and progress in climate-related investment.

The *IDFC Green Finance Mapping Reports*, which are among the most notable and substantial reports of IDFC published annually since 2012,²⁵ support this vision by disclosing information regarding IDFC's contribution to green and climate finance.

The *IDFC Green Finance Mapping Reports* are established on the basis of a joint and transparent reporting methodology and data collection process, with the support of internationally renowned think tanks and consultants (World Resources Institute and Ecofys). With the aim of identifying and categorizing financial flows of IDFC members to projects in the fields of green energy, adaptation and mitigation of climate change and the reduction of greenhouse gas emissions (GHG), the *IDFC Green Finance Mapping Reports* offer a transparent view on the activities of IDFC members. The reports provide consistent information on green finance flows from this major group of national, sub-regional and international development banks based in OECD and non-OECD countries, including domestic flows.

Implementation

IDFC has been publically reporting on its green and climate finance flows since the creation of the club in 2011. IDFC benefits from a light governance structure including a Secretariat. Each year, a different IDFC

member coordinates the elaboration of the yearly mapping report with the assistance of the Secretariat of the club and the support of external consultancy and think tanks.

Over the years, IDFC has constantly improved its methodology and reporting process among members to reinforce data transparency and credibility of reporting. This on-going work and the continuous exchange with other climate finance reporting initiatives contribute to a better harmonization of green finance tracking and reporting standards, improving global climate finance tracking and steering towards a low-carbon climate-resilient society.

In particular, and in the context of the growing importance of climate finance tracking, IDFC has worked with the group of Multilateral Development Banks (MDBs) to harmonize respective approaches on climate finance tracking in 2015. Both groups jointly published Common Principles for Climate Finance Tracking, both for mitigation and adaptation. The *IDFC Green Finance Mapping Report* of 2015 (covering 2014 flows) and related methodologies follows these Common Principles. IDFC, along with the MDBs, also agreed to continuously work on improving data transparency, collection processes and comparability of reporting to further improve credibility of climate finance reporting based on their experience of the topic.

Experience and Impact

Since the initial *IDFC Green Finance Mapping Report* in 2011, total green contributions have increased by more than 10% to reach 98 billion USD in 2014. These flows are comprised of climate finance (mitigation and adaptation related projects) and 'other' environmental finance, which includes environmental protection and remediation related projects e.g. water, air, biodiversity.

Climate finance flows in developed and developing countries amounted to USD 85 billion in 2014. The contribution of IDFC to global climate finance flows is thus significant, highlighting the capacity and commitment of its members to channel large volumes of finance into climate mitigation and adaptation projects. During the UN Climate Summit 2014, the IDFC announced that it is on track to increase its direct

²⁵ All IDFC Green Finance Mapping Reports are available at www.IDFC.org

green/climate financing to USD 100 billion a year for new green finance activities by the end of 2015.

Transparent, credible and comparable climate finance data is essential for policy makers and other parties in the development community to understand the scale and scope of climate finance and the role of the different actors involved. In this respect, the collaboration on climate finance between IDFC members and public disclosure of green and climate finance commitments has enabled a better understanding of the role and importance of national and regional development banks in the mobilization, channeling, implementation and intermediation of both local and international resources, public and private, for climate-smart development projects programs and policies.

Based on IDFC's long-term commitment to constantly improve mapping methodology and implementation of comparable tracking and reporting processes, IDFC's mapping exercises also contribute to enhance four key aspects of defining, tracking and reporting climate finance:

- *Transparency*: to adopt a standardized and publicly available financial reporting format with

common definitions and methodologies to quantify climate finance. The methodology is publicly available on the IDFC website.

- *Comparability*: to encourage a universal methodology/approach by which institutions can assess and compare mobilized climate finance.
- *Consistency*: to promote a yearly accounting requirement for financial institutions on climate finance.
- *Flexibility*: to allow for a practical, adaptable, and coordinated universal reporting system to track climate finance.

Last but not least, by facilitating progressive alignment of approaches for disclosure of key green and climate finance data, the elaboration and publication of the *IDFC Green Finance Mapping Reports* also promote collaboration and cross-capitalization among IDFC members, and more generally between a wide range of stakeholders involved in climate finance.

