

# Climate transition finance – new guidance for issuers

9 December 2020



# Welcome



**Nicholas Pfaff**  
Secretary to the GBP & SBP, Managing Director  
ICMA

# Climate Transition Finance – new guidance for issuers

## CET

### 14.00 Welcome

Nicholas Pfaff, Secretary to the GBP & SBP, Managing Director, ICMA

#### Introductory remarks

Martin Scheck, Chief Executive, ICMA

Denise Odaro, Chair of the GBP & SBP Executive Committee; Head, Investor Relations, International Finance Corporation (IFC)

### 14.10 Presentation of the Climate Transition Finance Handbook

Farnam Bidgoli, Head of Sustainable Bonds, EMEA, HSBC Bank

Paul O'Connor, Executive Director, Head of EMEA ESG Debt Capital Markets, J.P. Morgan

### 14.35 Dialogue with issuers and investors

Yo Takatsuki, Head of ESG Research and Active Ownership, AXA IM - **Moderator**

Robert White, Executive Director, Green & Sustainable Financing, Natixis - **Moderator**

Johannes Böhm, ESG analyst, Union Investment

Adam Matthews, Director Investment Team (Ethics & Engagement), The Church of England Pensions Board and Co-Chair, Transition Pathway Initiative (TPI)

Susana Meseguer, Director of Finance, Repsol

Sergio Molisani, Finance, Insurance & Tax Director, SNAM

### 15.20 Q&A

### 15.45 Event close

# Introductory remarks



**Martin Scheck**  
Chief Executive  
ICMA

# Introductory remarks



**Denise Odaro**

Chair of the GBP & SBP Executive Committee  
Head, Investor Relations  
International Finance Corporation (IFC)

# Presentation of the Climate Transition Finance Handbook

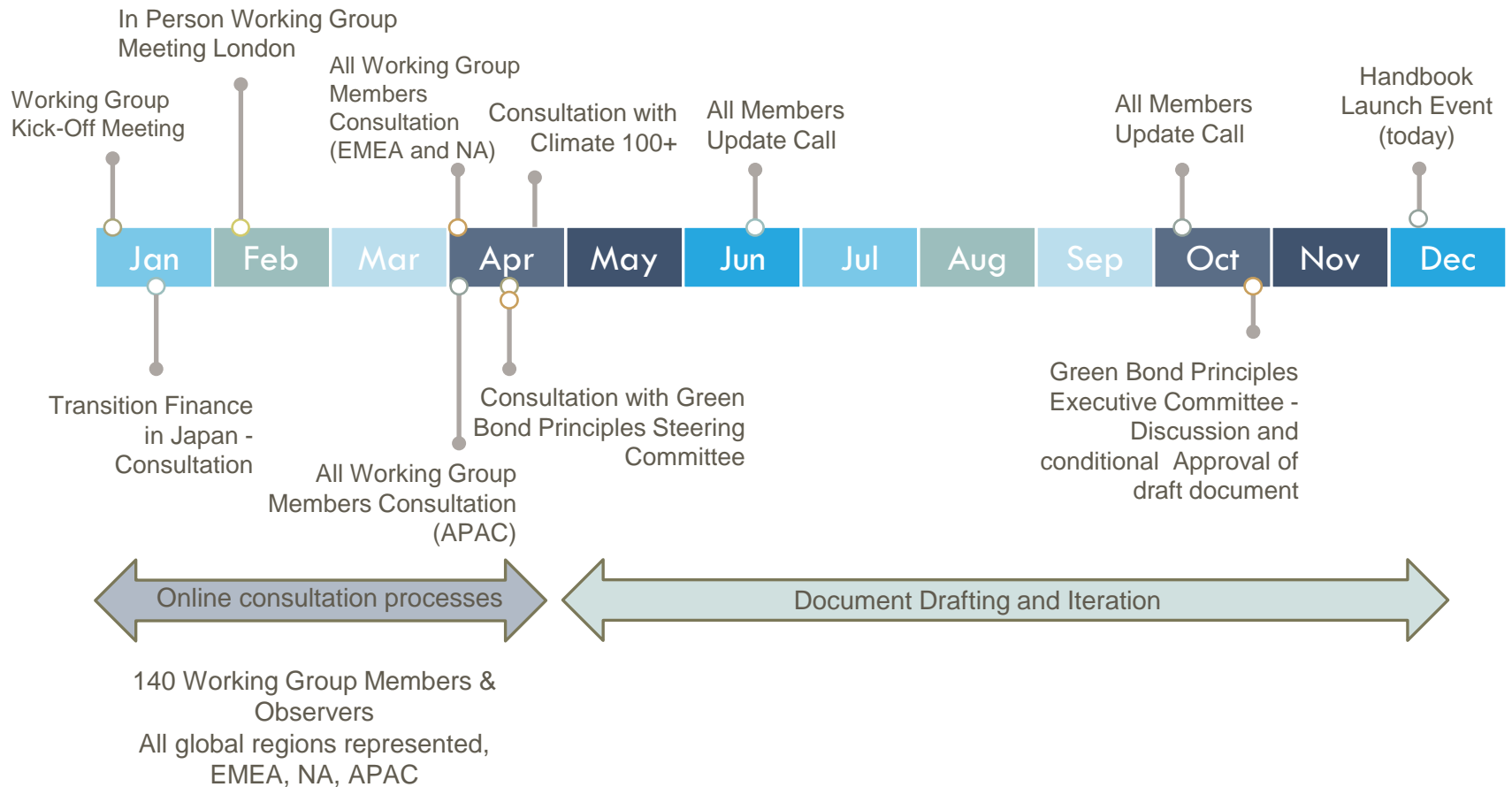


**Farnam Bidgoli**  
Head of Sustainable Bonds, EMEA  
HSBC Bank



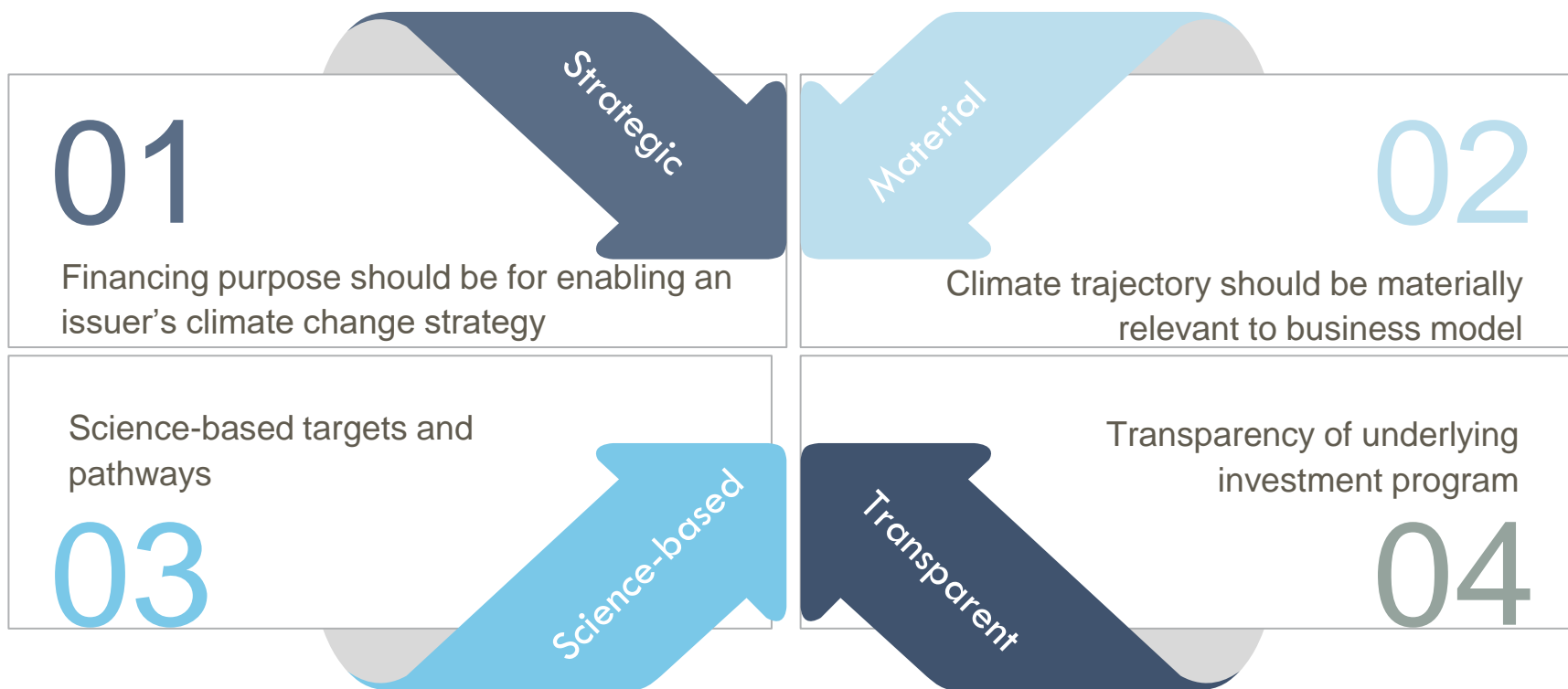
**Paul O'Connor**  
Executive Director, Head of EMEA ESG Debt  
Capital Markets  
J.P. Morgan

# Climate Transition Finance Working Group – Overview of Process and Milestones





# Climate Transition Finance Handbook – At a Glance



Handbook to be used when raising funds in debt markets for climate transition-related purposes, whether this be in Use of Proceeds format or Sustainability-Linked



# Climate Transition Finance Handbook – At a Glance

Issuer's climate transition strategy and governance	Business model environmental materiality	Climate transition strategy to be science-based target and pathways	Implementation transparency
<p>The financing purpose should be for enabling an issuer's climate change strategy.</p> <p>A 'transition' label applied to a debt financing instrument should serve to communicate the implementation of an issuer's corporate strategy to transform the business model in a way which effectively addresses climate-related risks and contributes to alignment with the goals of the Paris Agreement.</p>	<p>The planned climate transition trajectory should be relevant to the environmentally-material parts of the issuer's business model, taking into account potential future scenarios which may impact on current determinations concerning materiality.</p>	<p>Issuer's climate strategy should reference science-based targets and transition pathways.</p> <p>The planned transition trajectory should be quantitatively measurable; be aligned with, benchmarked or otherwise referenced to recognized, science-based trajectories where such trajectories exist; be publicly-disclosed; or be supported by independent assurance or verification.</p>	<p>Market communication in connection with the offer of a financing instrument which has the aim of funding the issuer's climate transition strategy should also provide transparency to the extent practicable, of the underlying investment program including capital and operational expenditure.</p>

# Issuer's climate transition strategy and governance

## Rationale

- Climate transition finance is the extent to which an issuer's financing program supports the implementation of its climate change strategy.
- This strategy should clearly communicate how the issuer intends to adapt its business model to make a positive contribution to the transition to a low carbon economy

## Disclosure

- In alignment with the recommendations of the TCFD or similar frameworks, including
  - Long term target aligned to the goals of the Paris Agreement
  - Relevant interim targets
- Disclosure on the issuer's levers towards decarbonisation, and strategic planning towards a long-term target to align with the goals of the Paris Agreement
  - Clear oversight and governance of transition strategy
  - Evidence of a broader sustainability strategy

## Verification

- Technical review of issuer strategy, including
  - Alignment of both long-term and short term targets with the overall scenario; and
  - Credibility of issuer's strategy to reach the targets

# Business model environmental materiality

## Rationale

- The climate transition trajectory as far as it relates to financing should be a material factor to the future success of the business model, as opposed to being an incidental aspect
- The trajectory should also consider the salience of an issuer's climate impacts on the environment and society, and seek to mitigate negative externalities

## Disclosure

- Discussions of issuer's transition trajectory should include consideration of materiality

# Climate transition strategy to be science-based target and pathways

## Rationale

- Issuer's climate strategy should reference science-based targets and transition pathways. The planned transition trajectory should:
  - be quantitatively measurable (based on a measurement methodology which is consistent over time);
  - be aligned with, benchmarked or otherwise referenced to recognized, science-based trajectories where such trajectories exist;
  - be publicly-disclosed (ideally in mainstream financing filings), include interim milestones, and;
  - be supported by independent assurance or verification

## Disclosure

- Suggested information and indicators (acknowledging that pre-existing disclosure frameworks exist)
  - Short, medium, and long-term greenhouse gas reduction targets aligned with Paris Agreement;
  - Baseline;
  - Scenario utilised, and methodology applied (e.g. ACT, SBTi, etc.);
  - Greenhouse gas objectives covering all scopes (Scope 1, 2 and 3); and,
  - Targets formulated both in intensity and absolute terms

## Verification

- Technical review of issuer trajectory and its alignment with science-based trajectories

# Implementation Transparency

## Rationale

- Market communication in connection with the offer of a financing instrument which has the aim of funding the issuer's climate transition strategy should also provide transparency to the extent practicable, of the underlying investment program including capital and operational expenditure.
- This may include R&D-related expenditure where relevant, and details of where any such operating expenditure is deemed 'non-Business as Usual', as well as other relevant information indicating how this program supports implementation of the transition strategy, including details of any divestments, governance and process changes.

## Disclosure

- Disclosure on the percentage of assets/revenues/ expenditures/divestments aligned to the various levers of the issuer's transition strategy
- Capex roll-out plan consistent with the overall strategy and climate science.

# Dialogue with issuers and investors



**Yo Takatsuki**  
Head of ESG Research  
and Active Ownership  
AXA IM - **Moderator**



**Robert White**  
Executive Director, Green  
& Sustainable Financing  
Natixis - **Moderator**



**Johannes Böhm**  
ESG Analyst  
Union Investment



**Adam Matthews**  
Director, Ethics &  
Engagement, Church of  
England Pensions Board, Co-  
Chair of the Transition  
Pathway Initiative



**Susana Meseguer**  
Director of Finance  
Repsol



**Sergio Molisani**  
Finance, Insurance &  
Tax Director  
SNAM

# Thank you for your participation

 We would like your feedback.

Please fill in the form which will appear shortly.