

# Alliance Blended Finance Vehicles Workshop

UN-CONVENED **NET-ZERO**  
ASSET OWNER ALLIANCE

30<sup>th</sup> September 2021, 3 - 4.30 PM CET



By your side, for life



Dai-ichi Life Group



# AGENDA

## **Opening**

3:00 Welcome & Introduction, Net-Zero Asset Owner Alliance

## **Presentations of Asset Managers**

3:10 EverSource Green Growth Equity Fund Presentation

3:20 EverSource Green Growth Equity Fund Q&A

3:25 SunFunder Gigaton Empowerment Fund Presentation

3:35 SunFunder Gigaton Empowerment Fund Q&A

3:40 AllianzGI Climate Solutions Emerging Market Debt Vehicle Presentation

3:50 AllianzGI Climate Solutions Emerging Market Debt Vehicle Q&A

3:55 Finance in Motion Net Zero Pathways Fund Presentation

4:05 Finance in Motion Net Zero Pathways Fund Q&A

4:10 BlackRock Climate Finance Partnership Presentation

4:20 BlackRock Climate Finance Partnership Q&A

## **Closing**

4:25 Closing, Net-Zero Asset Owner Alliance

# BLENDING FINANCE VEHICLES – CALL TO ACTION TO ASSET MANAGERS

- 17 proposals received through the Call to Action and reviewed by the Financing Transition Sub Track review team: 7 shortlisted for intro calls; further 7 retained on the long list for potential future review;
- Of the 7 shortlisted proposals, 5 are considered to best meet the criteria of the Call to Action and focus on developing countries, reflecting various asset classes and sectors as well as different state of structuring / fundraising:

	EverSource Green Growth Equity Fund	SunFunder Gigaton Empowerment Fund	AllianzGI Allianz Climate Solutions Emerging Market Debt Vehicle	Finance in Motion Net Zero Pathways Fund	BlackRock Climate Finance Partnership
Overview of Strategy	<ul style="list-style-type: none"> <li>PE strategy focused on financing climate change mitigation projects in India (energy, e-mobility, resource conservation).</li> <li>Focus on greenfield.</li> <li>c. USD 740m+, of which c. USD 330m+ offshore sleeve funded from intl. institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>PD strategy focused on lending to distributed clean energy segments (including C&amp;I), e-mobility, energy efficiency, storage, smart meters and low-carbon cooling across EMs.</li> <li>USD 500m</li> </ul>	<ul style="list-style-type: none"> <li>PD strategy focused on Paris-aligned investments (incl. climate change mitigation and climate resilient projects &amp; corporates) in EMs. Deals mainly sourced via partner MDBs / DFIs and syndicated to the vehicle.</li> <li>USD 1bn, with Allianz as anchor investor in senior tranche</li> </ul>	<ul style="list-style-type: none"> <li>PD strategy focused on senior lending to projects in climate change mitigation/ adaptation, biodiv., and circular economy in EMs (primarily LatAm, Europe and selectively Asia) indirectly (via financial institutions) and directly (corporates, projects and forestry companies).</li> <li>USD 500m+</li> </ul>	<ul style="list-style-type: none"> <li>PE strategy focused on financing globally diversified renewable power assets in EMs</li> <li>Focus on greenfield.</li> <li>USD 500m+</li> </ul>
Structure	<ul style="list-style-type: none"> <li>Fund structured with junior and senior equity tranches.</li> <li>Adjusted PE waterfall with priority returns to senior investors until their hurdle is met (USD 8%).</li> </ul>	<ul style="list-style-type: none"> <li>TBD – likely a three-tiered fund with catalytic junior / first loss, senior and super senior tranche.</li> <li>Senior investors compensated at fixed or floating rate.</li> </ul>	<ul style="list-style-type: none"> <li>Fund structured with a junior and senior tranche.</li> <li>Private investors participate in senior tranche and achieve investment grade rating for their investments thanks to first loss piece (10-15% of fund size).</li> <li>Senior target return of USD 4.5% net</li> </ul>	<ul style="list-style-type: none"> <li>TBD – likely two capital layers with junior capital or guarantees and senior tranche.</li> <li>Junior tranche provides credit protection to and enhances the risk-return profile of the senior shares.</li> <li>Senior net return expectation of 2.50-3.25% above reference rate.</li> </ul>	<ul style="list-style-type: none"> <li>Fund structured with junior (USD 100m) and senior equity tranches (USD 400m).</li> <li>Adjusted PE waterfall with priority returns to senior investors until a preferred hurdle is met (USD 5%).</li> <li>Senior target return of USD 11-13% net</li> </ul>
Status	<ul style="list-style-type: none"> <li>Fully structured. Fundraising completed.</li> </ul>	<ul style="list-style-type: none"> <li>Manager wants to collaborate with investors in structuring the vehicle &amp; raising first loss.</li> </ul>	<ul style="list-style-type: none"> <li>Structuring. Fundraising for first loss.</li> </ul>	<ul style="list-style-type: none"> <li>Structuring. Fundraising for first loss.</li> </ul>	<ul style="list-style-type: none"> <li>Fully structured. Fundraising.</li> </ul>



An Everstone and Lightsource bp company

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# Green Growth Equity Fund

September 2021



# About the GP - EverSource Capital

Bringing together India's leading private equity investor, Europe's leading renewables developer and a world-leading energy major for a unique and complimentary partnership

**EVERSTONE**

## Leading player in Indian private equity

- 70+ private equity deals in India
- A pioneer in platform investment strategies
- Real asset experience with Indian context
- Indian land acquisition expertise including over 40 million sq ft of logistics parks
- Strong network across India including with government, corporates, financial investors, promoters and capital markets

lightsource bp  

## Leading global renewables strategic

- Over 3GW utility scale solar projects developed from 2011
- Business footprint in 14 countries
- Developed over 1.4GW of utility scale solar globally in 2020
- 50:50 JV with bp

# The Opportunity – Green Investing in India

<p><b>India is one of the world's fastest growing economies</b></p>	<ul style="list-style-type: none"> <li>India has a population of 1.4 billion and is expected to overtake China to become the world's most populous country in the next 10-20 years</li> <li>GDP growth for India, in the current pandemic / slowdown, is expected at sub 2%, vs. around -6% for the US and -9% for the Eurozone<sup>1</sup></li> </ul>
<p><b>Aggressive targets for renewables</b></p>	<ul style="list-style-type: none"> <li>India is the second largest renewables market globally, with over USD 20 billion invested annually</li> <li>The country is aiming to increase its renewable energy capacity to 175GW by 2022, creating ample opportunity for in-country developers</li> <li>Solar capacity grew c.40% in 2018 (to 25GW), and grew a further 30% in 2019 (to 32GW)</li> </ul>
<p><b>Renewables outperformed other infrastructure sectors in India</b></p>	<ul style="list-style-type: none"> <li>Strong track record of investments in the green infrastructure space in India that have generated a 15%+ IRR for investors, including companies such as Ostro, Greenko, Green Infra, AMP Solar, Cleantech and others</li> </ul>
<p><b>Strong Electric Vehicle (EV) fundamentals</b></p>	<ul style="list-style-type: none"> <li>India is largest 2 and 3 wheeler market and 2nd largest bus market globally</li> <li>The government is focused on electrifying transport with allocation of ~USD 1.5 billion under FAME II Scheme, favorable EV tariff, registration tax exemption and easier licensing regime in key states</li> <li>Attractive TCO for EVs than ICE vehicles in a number of use cases, battery costs further improving economics</li> <li>Market is currently dominated by OEMs or fragmented operators, there is a gap for a institutional player</li> </ul>
<p><b>Large market opportunity for waste management</b></p>	<ul style="list-style-type: none"> <li>65-68 MT MSW annually produced in India of which 1/3rd is processed while rest is either burnt or disposed on landfills</li> <li>Strong bid pipeline of INR 100+ billion for next 2 years</li> </ul>
<p><b>Strong regulatory and commercial impetus for investment in water management</b></p>	<ul style="list-style-type: none"> <li>India is a top 4 market globally for water treatment solutions</li> <li>National programs such as the USD 94 billion Jal Jeevan and the USD 3 billion NMCG</li> <li>Immature BOOT market with few players</li> </ul>
<p><b>Potent Energy Efficiency (EE) market</b></p>	<ul style="list-style-type: none"> <li>Potential for USD 7 billion annual investment for EE capex in the Commercial &amp; Industrial (C&amp;I) market alone</li> </ul>

# Why EverSource?

<b>Diversified across different segments of the green sector</b>	<ul style="list-style-type: none"><li>▪ Mix of mature segments, including wind, solar, waste to energy, water treatment, and high growth emerging technologies including storage and EV infrastructure</li></ul>
<b>Limited competition</b>	<ul style="list-style-type: none"><li>▪ There are few investors with allocation to the green space in India</li><li>▪ Mainly filled by DFIs and pension funds, neither of which focus on control deals</li></ul>
<b>Lightsource bp renewables expertise</b>	<ul style="list-style-type: none"><li>▪ Lightsource bp has a track record of developing c.300 solar projects amounting to 1.3GW capacity</li><li>▪ Lightsource bp is able to support the fund's investments through best-in-class expertise in procurement, technical, O&amp;M, asset management, project finance etc.</li></ul>
<b>Everstone has long track record of control investments in India</b>	<ul style="list-style-type: none"><li>▪ Everstone has 70+ private equity deals completed in India to date, with strong on-the-ground network / relationships, and significant expertise in the real assets space</li></ul>
<b>22 person team on the ground</b>	<ul style="list-style-type: none"><li>▪ High calibre investment team with previous experience at IDFC, CDC, GIP, Macquarie, JP Morgan</li></ul>
<b>Reduced Blind Pool Risk</b>	<ul style="list-style-type: none"><li>▪ First fund investment into utility scale renewables platform Ayana was announced in February 2019</li><li>▪ Subsequently, GGEF committed capital to C&amp;I distributed generation platform - Radiance, e-Mobility as a Service platform - GreenCell Mobility and water platform - Kathari</li><li>▪ Strong pipeline of 2-3 investments in late stage discussions</li></ul>
<b>High ESG and Governance Standards</b>	<ul style="list-style-type: none"><li>▪ Investment ESG standards to be measured and tracked against UN Sustainable Development Goals (SDGs) using a variety of stringent metrics</li><li>▪ Independent IC and governance structure</li></ul>



# Track Record

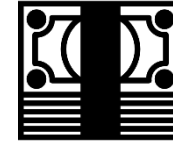
The EverSource team has an outstanding performance record

## Track Record – Private Equity & Infrastructure

- **Investments:** 100 transactions amounting to about USD2.8 billion
- **Exits:** Over 50 investments exited
- **Returns:** 80% of invested capital with the average MOIC of ~2.0x

## Relevant Experience

- **Lightsource bp** (“LSbp”) has developed over 3G of utility scale solar globally (including a 60MW project in Maharashtra, India)
- **Everstone** has created a number of scaled platforms across multiple sectors in Private Equity and Infrastructure including the largest logistics park infrastructure portfolio in India with a MOIC of 2.0x
- The **EverSource team** has successfully built businesses that became industry leaders in private equity, infrastructure and renewable energy in and outside of India, including the first private equity incubated renewable platform in India that was seeded with ~USD90 million and was exited at a MOIC of above 3x



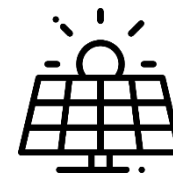
USD 2.8 billion  
invested



~ 100 investments



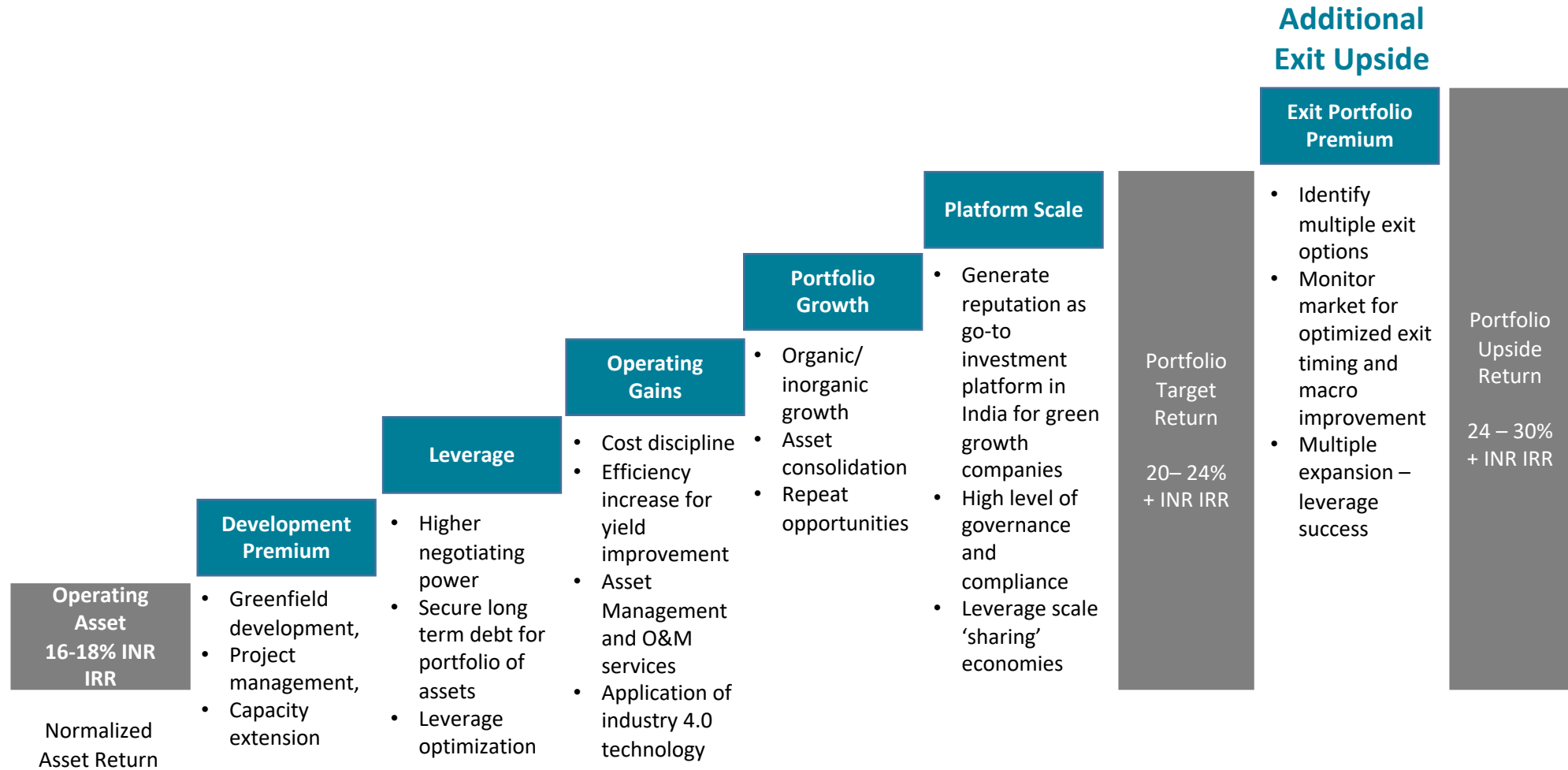
Over 50 exits  
MOIC of 2.0x



Renewable portfolio  
of 2.0GW

# Value Creation Proposition

Value creation across the deal lifecycle through active operational portfolio management



# Key Risks and Mitigants

## I. Development Cycle Risk

- Projects with shorter build-out cycle
- Lock in capital cost and hedge currency
- Key development risks to be tied up at the beginning of the contract - Land, Permits etc
- Leverage Everstone and LSbp relationships for business arrangements including JVs

## II. Capital Risk

- Leverage GGEF's sponsors and investors network to raise capital for investee companies
- GGEF to catalyze channeling of green capital from domestic and international investors

## III. Environmental, Social and Governance Risk

- Apply EverSource's ESG framework
- Align companies to impact assessment framework
- Training of employees to sustain strong ESG practices

## IV. Technology / Innovation Risk

- Use of Industry 4.0 technologies, agile organisations and adaptive technology based business construct
- Shorter payback models to de-risk future projects against any disruptive innovation
- Long term contracts

## V. Pricing / Market Risk

- Either secure long term contracted cashflows to cover life of the project or invest in large market opportunity to mitigate demand risk
- Invest in creating market leading solutions that are suitably priced

## VI. Exit Risk

- Rapid scale-up
- Multiple Exits business construct
- Control, pedigree of shareholders, appropriate leverage & exit readiness

## VII. Government Regulatory Risk

- Invest in businesses that are/ will be commercially viable without subsidies
- Align business construct to leverage robust regulatory support & sustainability

## VIII. Partner Risk

- Secure control / co-control across all investments
- Partner with credible entities with strong ESG standards

## IX. Climate Risk

- Portfolio companies need to make significant contribution to climate risk mitigation

Identify risks, perform risk assessment, prioritise, track, implement and monitor progress

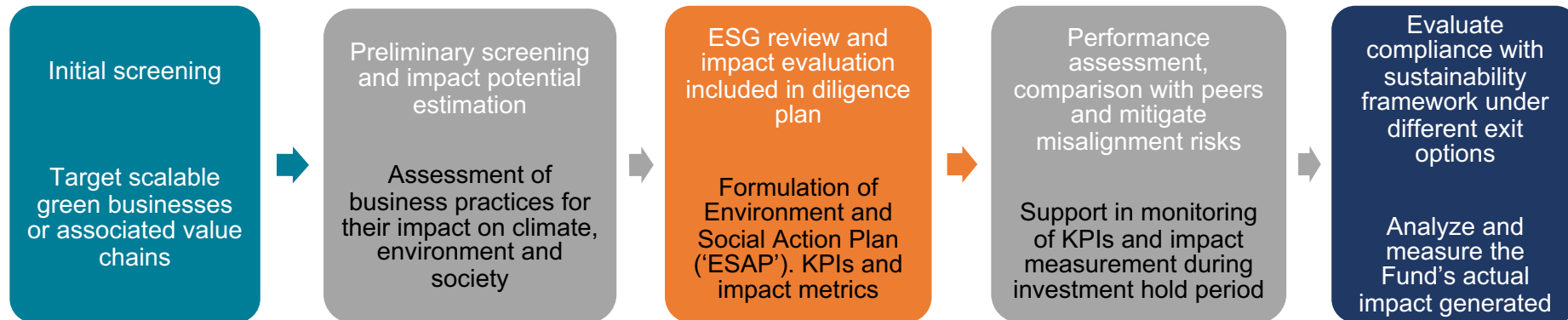
# Integrating Climate Impact & ESG into the Deal Life Cycle

Investment in green businesses with a vision to deliver positive climate action, promote resource efficiency, inclusive economic growth and favourable working conditions

## Deal Lifecycle



## Climate Impact and ESG Integration



## EverSource Differentiation



# GGEF – Portfolio Investments

USD 245 million committed to four platforms

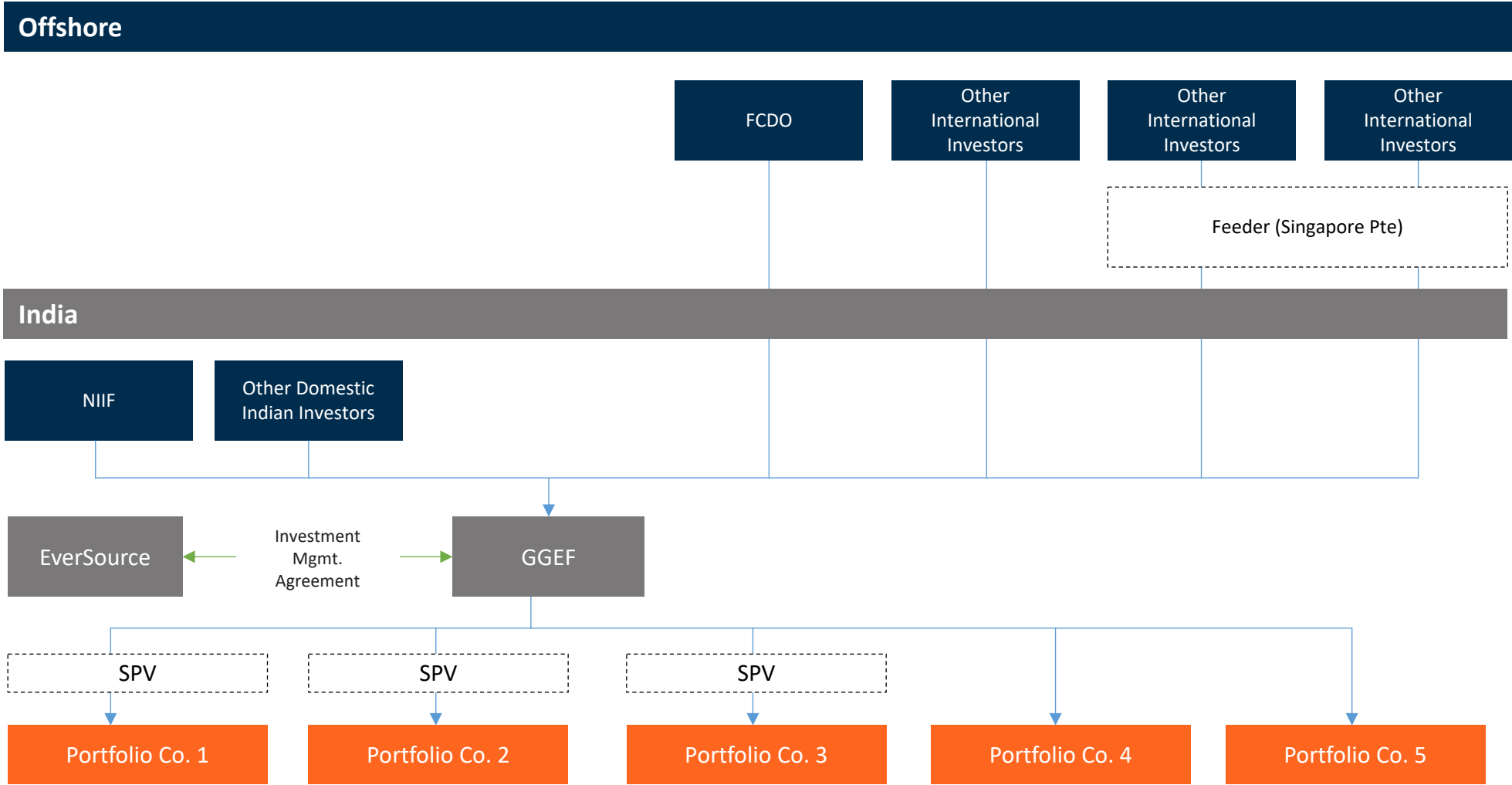
	Investment	Sector
1.		Renewable Energy – Utility Scale
2.		Renewable Energy – Distributed Generation
3.		e-Mobility – Mobility as a Service (MaaS)
4.	EverEnviro	Resource Efficiency – Waste Management
5.	Kathari Water	Water and Waste Water Management

# Deal Pipeline

Strong pipeline of investments across target sectors (USD 475+ million)

#	Sector	Description	Deal Size (USD mn)	Status
1	Waste Management	Acquisition of a hazardous waste management business	125	Diligence underway
2	e-Mobility	Battery as a Service platform for small format vehicles in India based on swapping technology	50	Diligence and documentation ongoing
3	Water Management	Acquisition of 187 MLD Sewage Treatment Plant (STP) project with Financial Closure from IFC and TATA Cleantech	75	Closed, first deal underwritten by Kathari Water
		Acquisition of 50 MLD STP and O&M contracts for 425 MLD STPs		Termsheet signed, diligence ongoing
		Acquisition of four Desalination Projects aggregating 270 MLD		Termsheet signed, diligence ongoing
		Other O&M, STP and water treatment deals under development		Commercials under discussion
4	Energy Efficiency	Energy efficient street lighting project	65	Term sheet under discussion
		Power quality and standard equipment solutions for multiple clients		Commercial terms under discussion
5	C&I Solar	Acquisition of an IPP with assets of 90 MWs operational and under-development pipeline of 155 MWs	160	Offer under negotiation
<b>Total</b>			<b>475</b>	

# Fund Structure



# Key Fund Terms

## Summary of the key terms of the Fund

Key Terms	
Fund Type	Alternative Investment Fund (AIF) in India; offshore feeder in Singapore
Target Geography	India only
Target Fund Size	USD 700 million
Base Currency	INR with USD denominated feeder
Fund Term	10 years from Final Close (with two, 1-year extensions)
Investment Period	4 years (with one, 1-year extension)
Management Fee	1.5% p.a.
Target IRR	20-24% INR gross IRR (18-20% USD)
Carried Interest	20% (with 50% catch-up)
Preferred Return	11% p.a. compounded annually (INR) / (8% USD)



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# Scaling climate investments: Gigaton Empowerment Fund

30 September 2021

# Summary

SunFunder is today the *#1 lender* for distributed solar energy in Africa.

Our core value addition is *filling the gap in originating & closing investable pipeline* in emerging markets.

We are now raising the *\$500m Gigaton Empowerment Fund* to scale up the clean energy transition and climate investments in underserved and emerging markets.

The fund will contribute to our *2030 vision* to:

Climate

Mitigating at least *1 gigaton* CO2e emissions

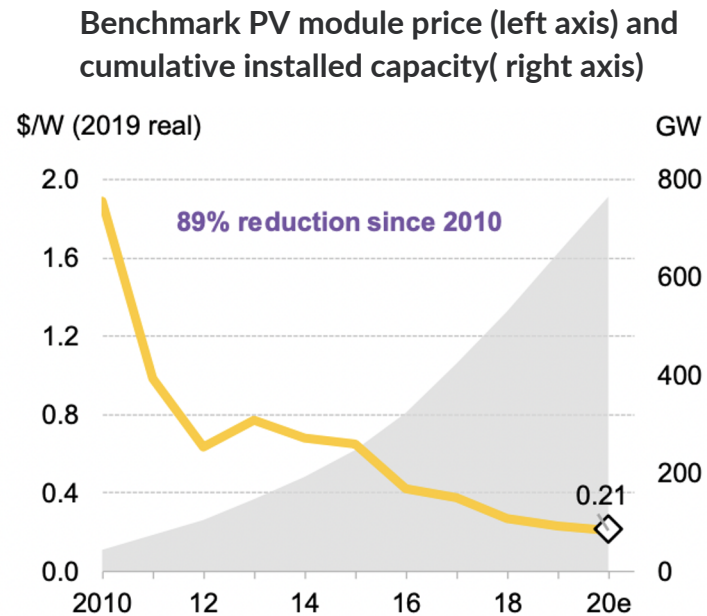
Energy Access & Inequality

Impacting over *100 million people* with access to affordable, clean energy

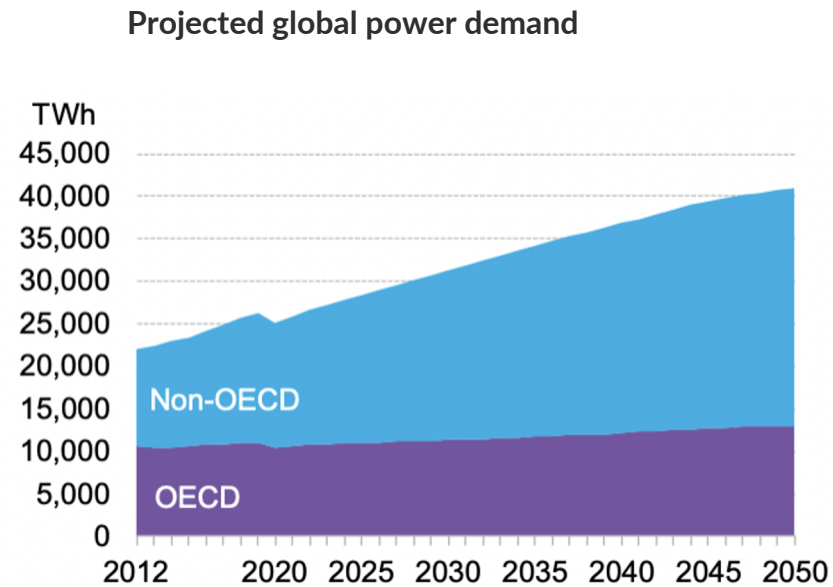
# Our climate future depends on clean energy in EMs

Solar + storage is emerging as the cheapest source of power generation that has ever existed.

By 2050, global power demand will rise by 60%, driven by expanding non-OECD economies, requiring a seven-fold increase in clean energy investment in emerging markets.



Source: BloombergNEF.

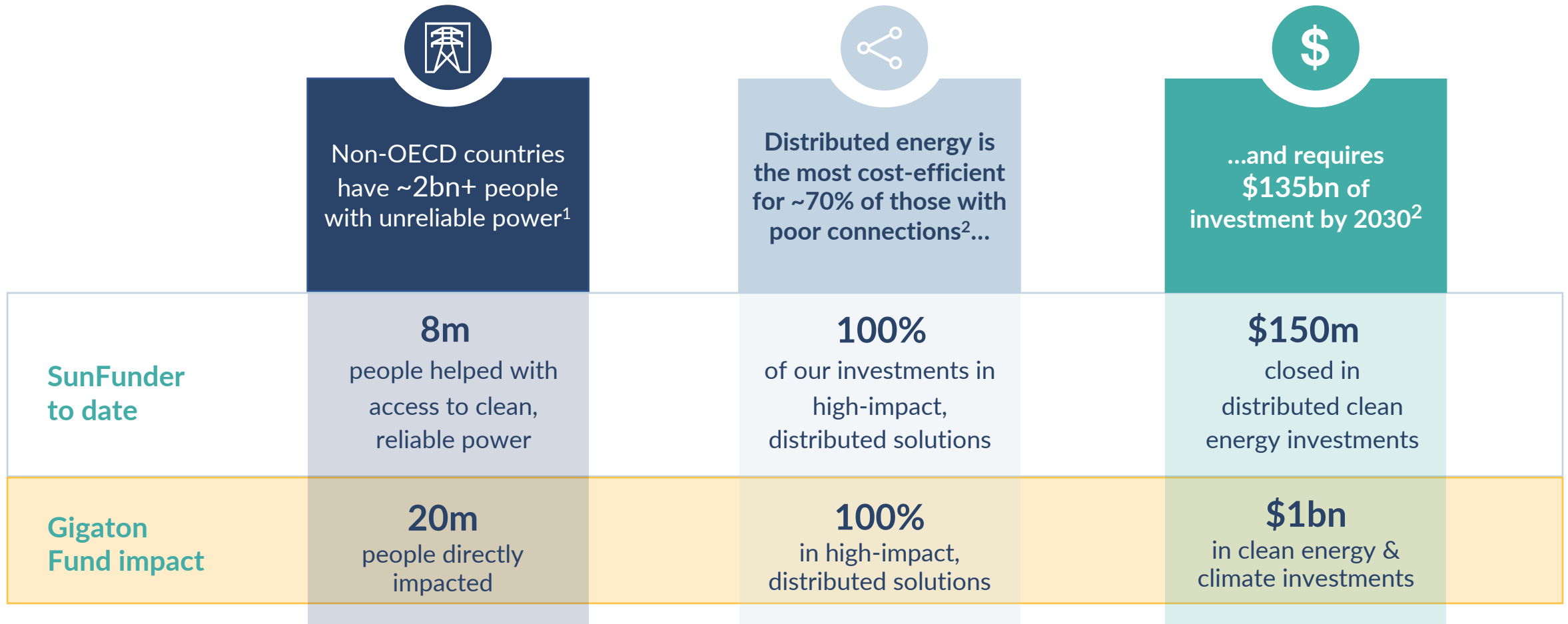


Source: BloombergNEF New Energy Outlook 2020.

*“Annual clean energy investment in emerging and developing economies needs to increase by more than seven times – from less than \$150 billion last year to over \$1 trillion by 2030 to put the world on track to reach net-zero emissions by 2050.”*

IEA, World Bank & WEF, Financing Clean Energy Transitions in Emerging and Developing Economies, 2021

# First movers with significant experience



# SunFunder at a glance

\$150m+  
closed for  
investees

57  
clean energy  
investees

23  
investment  
countries

8m  
people  
impacted

40  
team  
members

50%  
female  
team

We have designed and closed **\$142m of blended finance** from institutional, impact and individual investors.

**\$15m Solar  
Empowerment  
Fund  
2013-2016**



**\$47m Beyond  
The Grid (BTG)  
Fund  
2016-2017**



**\$70m Solar  
Energy  
Transformation  
(SET) Fund  
2019-2021**



# Diverse, mission driven team

Our team brings deep **market expertise, local presence, and innovative structuring**, providing a one-stop shop for clean energy investments, including in-house legal and technical expertise.

We represent **17 nationalities**, speak **13 languages**, and with **22 team members in Africa & Asia**.





# SunFunder's track record

With nearly 60 borrowers, we have built *an extensive track record* of distributed clean energy investments in emerging markets.

## Off-grid solar

Solar home systems for lighting & appliances

Active since 2012  
32 borrowers



## Mini-grids

Village-scale distributed rural electrification

Active since 2014  
5 borrowers



## C&I solar

Installations for businesses & institutions

Active since 2014  
12 borrowers



## Telco solarization

Energy service model for telecom tower portfolios

Active since 2017  
6 borrowers



## Agri-solar

Productive use solar equipment & installations

Active since 2017  
2 borrowers

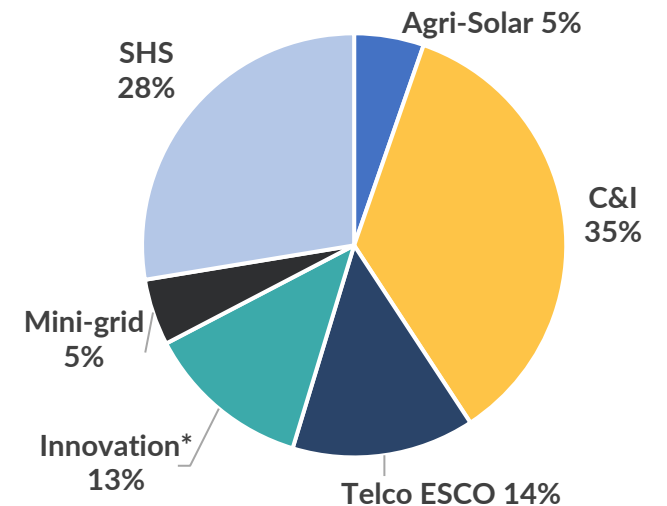


# Gigaton Empowerment Fund overview

SunFunder is uniquely positioned to launch the Gigaton Fund at a time where the sector is ready for scale. The Fund will directly invest **\$1bn across ~70 transactions in Africa, Asia & Latin America**

**\$400m pipeline ready to be disbursed in the first years : \$290m with existing clients and a further \$110m from new clients**

We plan to invest **\$50m prior to the closing of the fund** with existing borrowers through a warehousing facility to limit the ramp-up phase



\*Innovation includes e-mobility, agri, and other new clean energy and climate finance segments which will be seeded in Gigaton and represent larger long-term investment opportunities.

# Proposed fund terms and structure

## Fund key terms

- \$500m, closed-ended blended finance fund
- \$250m 1<sup>st</sup> close in Q2 2022
- 15-year tenor, 5-year investment period
- Quarterly capital calls
- Luxembourg<sup>1</sup> domicile
- RAIF (Reserved Alternative Fund Vehicle)<sup>1</sup>
- Average downstream interest rates: 7.2%

## Tranches & risk mitigation

Super senior  
(50%)

**Super senior tranche**  
Institutional investors

Senior  
(35%)

**Senior tranche**  
DFIs

Catalytic  
junior / first  
loss (15%)

**Catalytic junior tranche**  
Donors, HNWI and impact investors

**First loss capital / guarantee**  
Grants, “return of principal” investments,  
guarantee from development funders

- Political risk insurance
- Portfolio guarantee
- FX hedging facility



**Ryan Levinson**

**Co-Founder & CEO**

ryan@sunfunder.com

**Thank you**

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# Active is: Investing for real world change

Allianz Climate Solutions Emerging  
Market Debt Vehicle (“**ACSEM**”)

30 September 2021

Nadia Nikolova, Lead PM Development  
Finance

*Private debt investments are highly illiquid and designed for professional investors pursuing a long-term investment strategy only. This document is an incomplete draft. It does not contain sufficient information to allow potential investors to take an investment decision. It does not constitute an offer or an invitation to subscribe for interests, units or shares of an Alternative Investment Fund. The information presented herein should not be relied upon, since it is not final, incomplete and may be subject to change*

**Value. Shared.**



**Allianz**   
Global Investors

AllianzGI is an experienced development finance asset manager with more than \$2 billion in commitments



Commercial capital

**Infrastructure Focus**

~\$500m

Vintage: 2017

Fund manager & structurer

*Not disclosed*

Commercial capital

**SDG Aligned Debt vehicle ~\$1bn+**

In progress: 2021

Fund manager & structurer



Donor capital<sup>1</sup>

**Infrastructure in Africa**

~\$100m

Vintage: 2018

(Provided Fund Leverage)

*Not disclosed*

**Emerging Market Climate Action vehicle\***

In progress: 2021

Fund manager & structurer



**AfricaGrow**

~€200m

Vintage: 2019

Fund manager

**Allianz**  Large regional DFI<sup>2</sup>

(Anchor investors)

Commercial capital

**Allianz Climate Solutions Emerging Market Debt vehicle\***

In progress: 2021

Fund manager & structurer



Donor guarantee<sup>1</sup>

**EM Credit-enhanced loans**

~€250m







Vintage: 2020

Originator & manager

-  Vehicle focused on Debt
-  Vehicle focused on Equity
-  Proportion of public capital in vehicle
-  Focus of this presentation

(1) Donor refers public and philanthropic institutions (2) Development Financial Institution  
Source: Allianz Global Investors 2021. \* A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained

# Strong investment team supported by well-diversified investment committee in terms of background and expertise

Investment team	Investment Committee <sup>1</sup>	Risk Management
<p><b>Nadia Nikolova</b> <b>Development Finance Lead Portfolio Manager</b></p> <ul style="list-style-type: none"> <li>12 years of experience across development finance, infra financing and structure finance</li> <li>Since 2016, Nadia has focused on expanding AllianzGI's presence in EM including the IFC partnership (2017), Emerging Africa Infrastructure Fund Investment (2018) and the creation of Allianz Asia Private Credit strategy (2019), MIGA (2020), Allianz FMO SDG Loan Fund (2021)</li> <li>Nadia sits on all emerging markets investment committees at AllianzGI as a voting member</li> </ul> 	<p><b>Emmanuel Deblanc</b> <b>Head of Private Markets</b> • 21y of exp. Debt advisory and financing expert in the infra(-like) cross over/hybrid credit space</p> 	<p><b>Dr. Christian Stögbauer, CAIA</b> <b>Lead Risk Manager</b> • 20y of exp. Risk management experience, including 10 years in alternatives</p> 
<p><b>Leticia Ferreras</b> <b>Portfolio Manager</b></p> <ul style="list-style-type: none"> <li>9 years of experience across development finance, private equity and project finance</li> <li>Leticia joined AllianzGI Development Finance in 2020. Prior to that, she worked at Macquarie Capital focusing on equity investments in renewable energy in LatinAmerica. She also worked in Project Finance at MUFG, where she participated in multiple energy and transport deals in LatinAmerica and the US, and Export Finance at Citi focusing on US Exim guaranteed deals in Mexico.</li> </ul> 	<p><b>Claus Fintzen</b> <b>CIO of Infrastructure Debt</b> • 26y of exp. Expert in infra investing, real estate, structured finance and securitisation</p> 	<p><b>Pierre-Yves Péchon</b> <b>Risk Manager</b> • 10y of exp. Investment management experience in fixed income products</p> 
<p><b>Offers accepted by 2 investment professionals with additional FTE for 2022</b></p> 	<p><b>Nadia Nikolova</b> <b>Lead Portfolio Manager</b> • 12y of exp. Experience in development finance, infra investing and structured finance</p> 	
	<p><b>Jorge Camiña</b> <b>Senior Portfolio Manager</b> • 21y of exp. Debt advisory and financing expert in the Americas</p> 	
	<p><b>Sumit Bhandari</b> <b>Lead Portfolio Manager</b> • 18y of exp. Track record of establishing credit platforms in Asia and structuring transactions across the capital structure</p> 	

Permanent voting members

Guest members

(1) Investment Committee is subject to governance approvals and might change  
Source: Allianz Global Investors 2021.

## Allianz Climate Solutions Emerging Market Debt vehicle\* (“ACSEM”)

### A blended vehicle

- The \$1bn **vehicle will be risk tiered** and funded by private capital (taking a preference position) as well as public and philanthropic capital (taking a subordinated position and providing loss absorption)
- **Allianz** and a large regional Development Finance Institution are expected to be **anchor investors**

### Sustainable Impact

- Investments will be aligned with the Paris Agreement goals focusing on climate mitigation and adaptation
- ACSEM will focus on high impact investments and will meet Article 9 of SFDR<sup>1</sup>

### Attractive risk-adjusted returns

- The vehicle aims to provide an attractive risk-return profile for preference investors:
  - Risk profile of the preference shares will be akin to investment-grade given ACSEM's risk-tiered capital structure
  - Preference shares will have a [15]-year tenor with a target **all-in net return of 4.5% (USD)**

### Clear path to deployment

- Origination will be done mainly through partnerships with Development Finance Institutions (DFIs) to access their stable pipeline
- Initial \$[100]m of assets will be warehoused and available at fund close

### Experienced Asset Manager

- AllianzGI Development Finance has raised more than \$2bn in commitments across development finance strategies
- The team is very well established in the market with strong relationships with DFIs and other public and philanthropic entities globally

(1) Sustainable Finance Disclosure Regulation

Source: Allianz Global Investors 2021. \*A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained



# ACSEM's structure – a public private partnership providing preference investors with downside protection (*illustrative*)

Local impact by co-investing with DFIs in Paris Agreement aligned projects



**Allianz Climate Solutions Emerging Market Debt Vehicle (ACSEM)**

**\$850m preference shares**

**Allianz**   
and other institutional investors

**\$150m ordinary shares**

Large regional DFI and other development focused catalytic capital

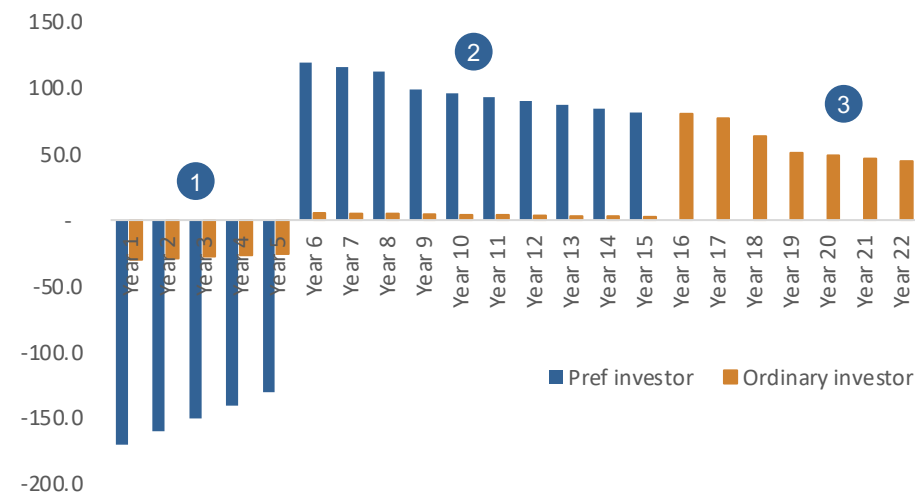
These investors absorb economic losses of the underlying assets up to a cap

Source AllianzGI, 2021. A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained. DFI: Development Finance Institution.

## Preference investors benefit from priority cash flows in earlier years and first loss absorption

**ACSEM will raise two share classes: preference (\$850m) and ordinary shares (\$150m). The preference shares will benefit from the majority of return in the early years while ordinary shareholders provide first loss absorption.**

### Investor cash flows



1

**Investment period:** investor cash flows drawn pro-rata to fund investments

2

**Y5-Y15:** preference investors receive priority cash flows from the vehicle

3

**Y15+:** ordinary shareholders receive the residual cash flows

**Loss absorption:** should there be losses on the underlying portfolio, those would reduce the cash flow to the ordinary investors at the back end of the vehicle.

Structure enables the vehicle to invest in critical longer term projects (18+ years) such as **renewable energy projects** in Emerging Markets whilst keeping the tenor of preference investors within 15 years.

Source: AllianzGI, 2021. Source AllianzGI, 2021. A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained.

## Key origination channels

**ACSEM will source most transactions through already established relationships with Development Finance Institutions (DFIs) as well as provide parallel (uncovered) financing along Export Credit Agencies (ECAs), thus supporting both development & trade.**

Development Finance Institutions



- ✓ ACSEM will act as B-loan lender to the DFI originated transactions
- ✓ ACSEM will have the mandate to also invest in sectors and jurisdictions (e.g. LDCs) which have historically had limited private capital mobilisation, therefore providing additionality
- ✓ ACSEM will reduce the need for DFI-to-DFI syndication by providing an alternative source of capital

Export Credit Agencies



- ✓ ACSEM will act as co-lender to traditional ECA financings in markets where such financing is constrained. Loans are sourced via commercial banks, local contractors and direct ECA relationships
- ✓ ECAs are a critical and cost effective way of financing infrastructure and energy in Emerging Markets
- ✓ Transactions involving ECAs require 15% of project costs to be financed without any type of guarantee or protection. Commercial banks struggle to provide such financing at longer tenor and in UMCs and LDCs. ACSEM will fill that gap

Source: Allianz Global Investors. The lists of DFIs and commercial banks and target investments are for illustrative purposes only and not exhaustive. SDG: United Nations Sustainable Development Goals. LDC: Least Developed Countries; UMC: Upper Middle Income. A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained

# Preference investor returns are **robust** and exposed to **low return volatility** given multiple layers of loss protection

**Underlying DFI Loans have a strong historically performance with lower losses than comparable EM infrastructure debt.**

**Avg. Y1 EM corporate default rate for B rated investments is 3.77%. With ~40% avg. recoveries, losses are approx. 2.3%<sup>1</sup>**

**DFI loans tend to have higher recoveries (75%+), leading to significantly lower losses<sup>2</sup>**

Reasons for High Recovery Rates

- Local presence
- Extensive due diligence
- Sector & country expertise
- Political cloud
- Conservative debt structuring
- Continuous debt monitoring
- Dedicated restructuring teams
- Preferred Creditor Status

Lower historic losses imply **lower volatility of returns** compared to equally-rated public market securities

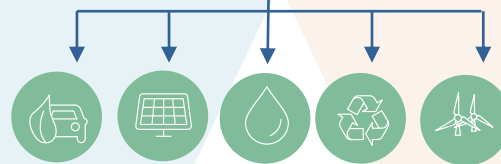


**Granular and diversified portfolio** with borrower, sector and industry concentration

**15% loss absorption via ordinary shares across the portfolio leads to investment-grade-like characteristics**

**Diversified portfolio** across geographies and sectors leads to uncorrelated returns

**>[50]% of ACSEM portfolio must be in default for preference investors to breakeven (assuming 75% recoveries)**



**Preference investors in ACSEM benefit from portfolio diversification and the first loss absorption provided by ordinary investors of the vehicle.**

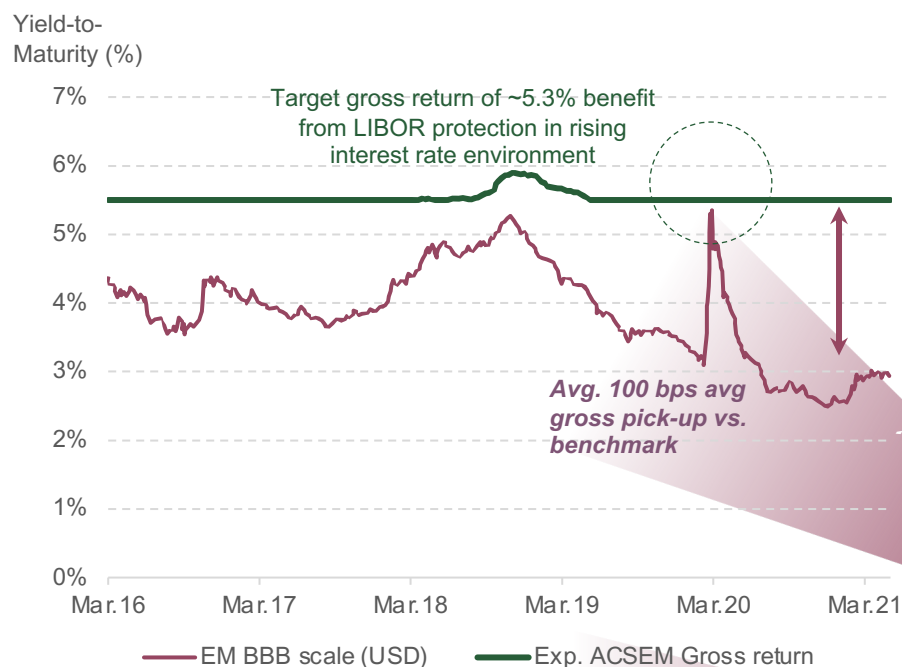
<sup>1</sup> Moody's Emerging market corporate default and recovery rates, 1995-2018.

<sup>2</sup> Long term recovery rate of DFIs (based on public statements).

Source AllianzGI, 2021. A fund is not yet in existence and any fund-related documents are far from being yet in final form and will be finalized following negotiations with investors. There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained

# ACSEM offers significant net return pick-up given first loss protection (*illustrative*)

## Moderate yield pick-up vs benchmark on gross basis...



**Note:** There can be no assurance the fund will be able to implement its investment strategy or achieve its investment objectives or that investors will receive a return on their capital. This is no guarantee that the strategy terms represented will be attained.

**Over 250 bps net pick up when considering expected losses**

1) Note that most underlying borrowers will not have a public credit rating  
 2) Bloomberg, as of June 14<sup>th</sup>, 2021.  
 3) Based on avg. Y10 PD of 2.41% (for BBB rated investments in EM) and 40% recovery rate as noted by Moody's in the Emerging market corporate default and recovery rates, 1995-2018 report

## ...significantly higher pick-up on a net basis

### Benchmark:

- Bloomberg Barclays EM with a BBB credit profile
- Index is exposed to volatility of losses: 1.44% annual losses as implied by Moody's PD and recoveries data <sup>3</sup>

### ACSEM Vehicle:

- Underlying borrowers often have a BB rating or lower<sup>1</sup>
- First Loss to the vehicle protects preference investors who are expected to incur zero losses (up to the ordinary shares' capacity), leading to:
  - preference investment has BBB-rating credit profile
  - Low expected volatility of preference return
  - Significant yield pick-up vs. index when considering losses

	ACSEM	EM Index benchmark
Avg. Life	8-10 yr	11.2 yr
Avg. Rating	BBB	BBB
<b>Avg. gross return</b>	<b>~5.3%</b> <sup>target</sup>	<b>~3.9%</b> <sup>2</sup>
Expected Losses	0% given first loss	(1.44%)
Fees and Expenses	(0.80%) <sup>5</sup>	(0.45%) <sup>4</sup>
<b>Total returns net of exp losses and fees/expenses</b>	<b>4.5%</b>	<b>2.0%</b>

4) AllianzGI assumed Emerging Markets fund fees and expenses  
 5) Based on [50-80]bps Management Fee and fund opex assumptions  
 Past performance is not a reliable indicator of future results.

# Appendix

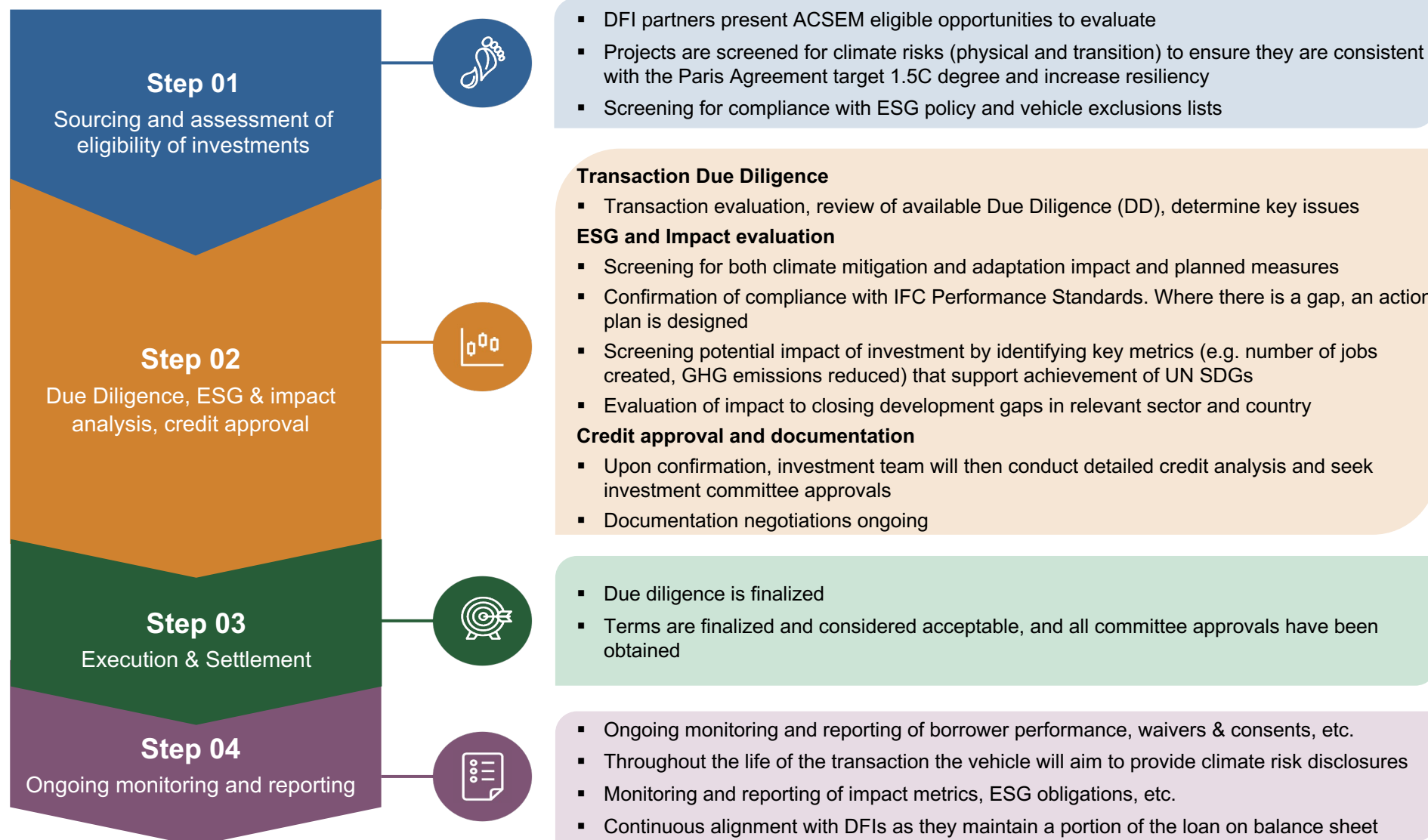
## Indicative terms & conditions (*Illustrative*)

Characteristics	
<b>Target Size</b>	USD [1,000] million
<b>Instruments</b>	Mainly senior debt, also subordinated debt or mezzanine capital   Loan or note format
<b>Currency</b>	USD
<b>Vehicle type</b>	Luxembourg SICAV-RAIF; subject to client profile, tax and financial considerations
<b>Investment Period</b>	5+1 years (deployment will take place over 5 years with the possibility to extend for an additional year)
<b>Term</b>	15-year preference share class 25-year share ordinary share class to accommodate for longer investments in infrastructure/energy, tail is born by ordinary shareholders
<b>Management Fees</b>	[80] bps p.a. on committed transaction amount
<b>Minimum Commitment</b>	USD [20] million
<b>Tenor of investments</b>	Average tenor of 7 – 12 years with certain investment ranging 18+ years (e.g. renewables, resilient infrastructure)
<b>Diversification (sectors)</b>	Paris aligned sectors, no single sub sector (e.g. solar energy) > 30% of overall portfolio
<b>Diversification (single name)</b>	Approx. 40-50 deals depending on total vehicle / allocation size, no single name > 5% of overall portfolio
<b>Target gross return</b>	Senior investor: All-in net return of 4.5% (USD); min annual cash yield of 2%
<b>Rating</b>	Unrated (Implicit investment grade on preference shares)
<b>Distribution</b>	Contemplated semi-annually
<b>Reporting</b>	<ul style="list-style-type: none"> <li>• Quarterly investor reporting, annual regulatory reporting</li> <li>• Consolidated income and cash-flow statements</li> <li>• SDG-related impact reporting, in the form of measurable indicators</li> <li>• SFDR<sup>1</sup> reporting</li> </ul>
<b>ESG &amp; Impact</b>	<ul style="list-style-type: none"> <li>• The vehicle is expected to be Article 9 compliant</li> <li>• The vehicle will aim to align with TCFD's recommendation on climate risk disclosures. Every investment will be subject to the IFC Performance Standards and AllianzGI Private Markets ESG Policy</li> </ul>

(1) SFDR is Sustainable Finance Disclosure Regulation

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## ESG & impact evaluation part of the investment process



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# Sample case studies of Paris-aligned financings



## Off-Grid Electricity, Tanzania

**Challenge:** 2.2 billion people still don't have access to reliable or affordable energy in Tanzania<sup>1</sup>. Increased energy access contributes to productivity of households and economic growth helping to power small businesses.

**FMO arranged a \$32.5m facility** to ZOLA Electric to provide clean and green first-time energy access to households in areas with unreliable or non-existent grid connection.

**Impact:** Growth of ZOLA Electric's service delivery in Tanzania, providing an additional 145,500 households with reliable energy access. It is also estimated to provide 2,100 new jobs<sup>1</sup>.



## Wind Farm, Egypt

**Challenge:** Egypt faces significant constraints in providing enough energy to its rapidly growing population, still relying largely on oil and gas.

**IFC provided \$84m** (\$26m via an A Loan and \$58m via syndication) to Lekela for the construction, operation and maintenance of a 252 MW wind farm in Egypt's Gulf of Suez area. Boosting the production of clean energy and diversify the country's energy mix<sup>2</sup>.

**Impact:** The project is expected to produce over 1,000 gigawatt hours per year, at a tariff well below the average cost of generation in Egypt, powering more than 350,000 homes and avoiding more than 550,000 tons of carbon dioxide emissions annually<sup>2</sup>.



## Railway Infrastructure, Kyrgyz Republic

**Challenge:** The Kyrgyz Republic has a high portion of the population living in rural areas who have very poor access to transport infrastructure. This is impeding trade, business and employment opportunities.

**EBRD arranged an €8m loan** to finance the renewal of Kyrgyz rolling stock and the rehabilitation of the critical railway infrastructure<sup>3</sup>.

**Impact:** Strengthening countrywide and regional cross-border connectivity by increasing climate resilience of the rail infrastructure and via facilitating corporate governance improvement and the integration of climate risks into the management approach of the company<sup>3</sup>.



## Financing Agriculture, Sri Lanka

**Challenge:** The Sri Lankan agriculture sector employs 26% of its work force, represents 24% of exports and accounted for a third of poverty reduction over the past 15 years. However, SMEs and individuals face challenges in accessing finance to expand their businesses<sup>4</sup>.

**IFC provided a \$20m loan** to the Central Finance Company PLC to support the expansion of a portfolio of small and medium businesses related to the agriculture sector.

**Impact:** This loan aims to provide a holistic solution to bridge an estimated agriculture financing gap of USD 2bn. The investments will focus on promoting Climate Smart Agri ('CSA') practices and Women owned SME financing in the agribusiness space<sup>4</sup>.



<sup>1</sup>Source: <https://www.fmo.nl/news-detail/457af272-7af4-4bf8-b730-b54b6105c2cd/fmo-arranges-usd-32-5-million-facility-to-enhance-access-to-energy-in-tanzania>

<sup>2</sup>Source: <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=18488>

<sup>3</sup>Source: <https://www.ebrd.com/work-with-us/projects/psd/50170.html>

<sup>4</sup>Source: <https://disclosures.ifc.org/project-detail/SII/41293/central-fin-agri>

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Target return assumptions may be based on the investment team's experience with predecessor funds, market participants and other stakeholders of the industry. Actual returns from an investment in the portfolio over any given time horizon may vary significantly from the target return assumptions.

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September 2021 - AdMaster 1827444

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# Net-Zero Pathways Fund

USD 1bn+ global fund scaling up climate solutions and enabling the transition to a Net-Zero economy

September 2021



# About Finance in Motion

Emerging market impact fund manager delivering climate action with lasting environmental benefits

## Pioneer of Blended Finance Structures

- Leader in Luxembourg based emerging market blended impact funds: USD 3.0 billion AuM in 9 funds
- Over a decade of experience in setting-up structured funds across multiple asset classes and environmental themes

## Full Service Fund Manager

- Deep origination experience across all asset classes and geographies of the Net-Zero Pathways Fund (NPF)
- Regulated fund manager (AIFM) supervised by the German regulator (BaFin) offering all relevant services in-house

## Track Record in Emerging Markets

- 800+ impact investments originated totalling USD 6.0 bn / USD 800+ million transactions originated annually
- USD 2.5+ bn blending capital raised cumulatively based on high impact and extraordinarily low losses

## Focus on Impact Management

Impact management in alignment with international standards providing quantifiable impact results:

- 998,000 tCO<sub>2</sub>/yr saved
- 3,900 GWh/yr saved
- 8,800,000 tCO<sub>2</sub> maintained
- 430,000 ha under sustainable management
- 4,500,000 m<sup>3</sup> irrigation water saved
- 1.200 TA projects delivered based on USD 100m raised

# We create additional assets in emerging markets with quantifiable impact

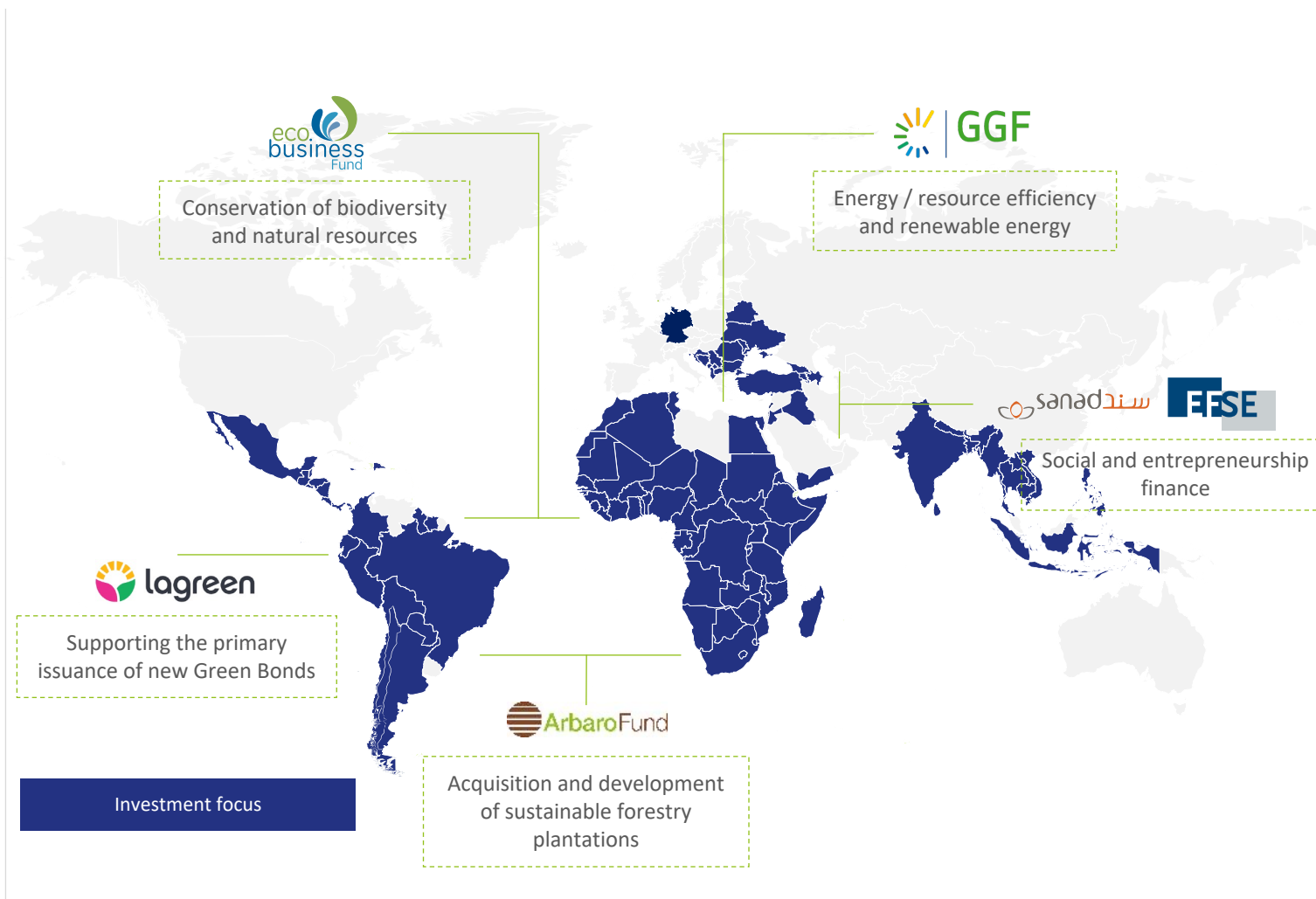
250 staff members with 60+ nationalities, operating 17 hubs & offices and additional in-country staff

## Origination capacity

- Client base of 150 borrowing institutions/ corporates/developers in 40+ countries
- Asset origination capabilities across all instruments & products
- Strong syndication capacity with leading DFI based on strong track record
- USD 800+ million impact transactions originated annually
- 100 + TA projects designed annually to enhance impact assets



Investable pipeline of USD 300m for NPF in place



## Hubs & Offices

### Latin America and the Caribbean

- Colombia
- El Salvador
- Mexico (in-country staff)

### Middle-East and Africa

- Kenya
- Egypt
- Lebanon

### Southeast Europe and Eastern Europe

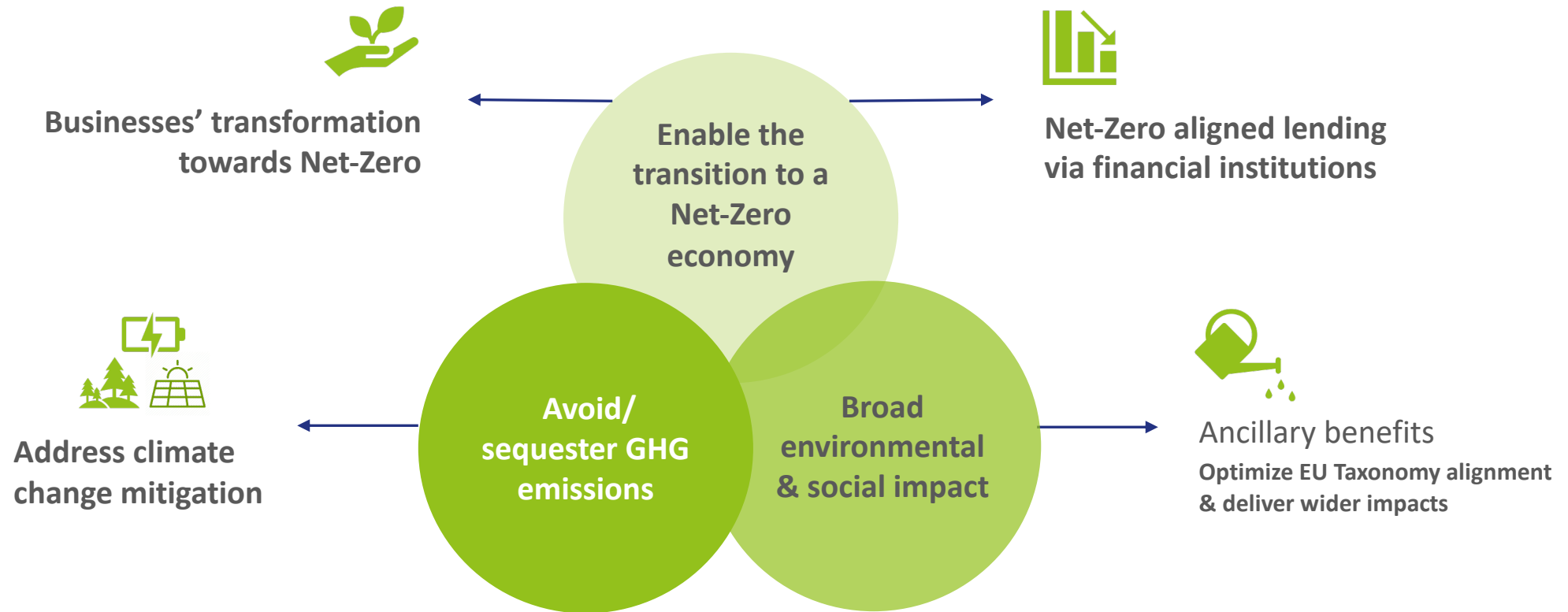
- Armenia
- Bosnia and Herzegovina
- Georgia
- Kosovo
- North Macedonia
- Moldova
- Montenegro
- Serbia
- Turkey
- Ukraine

### Europe

- Germany (head office)
- Luxembourg

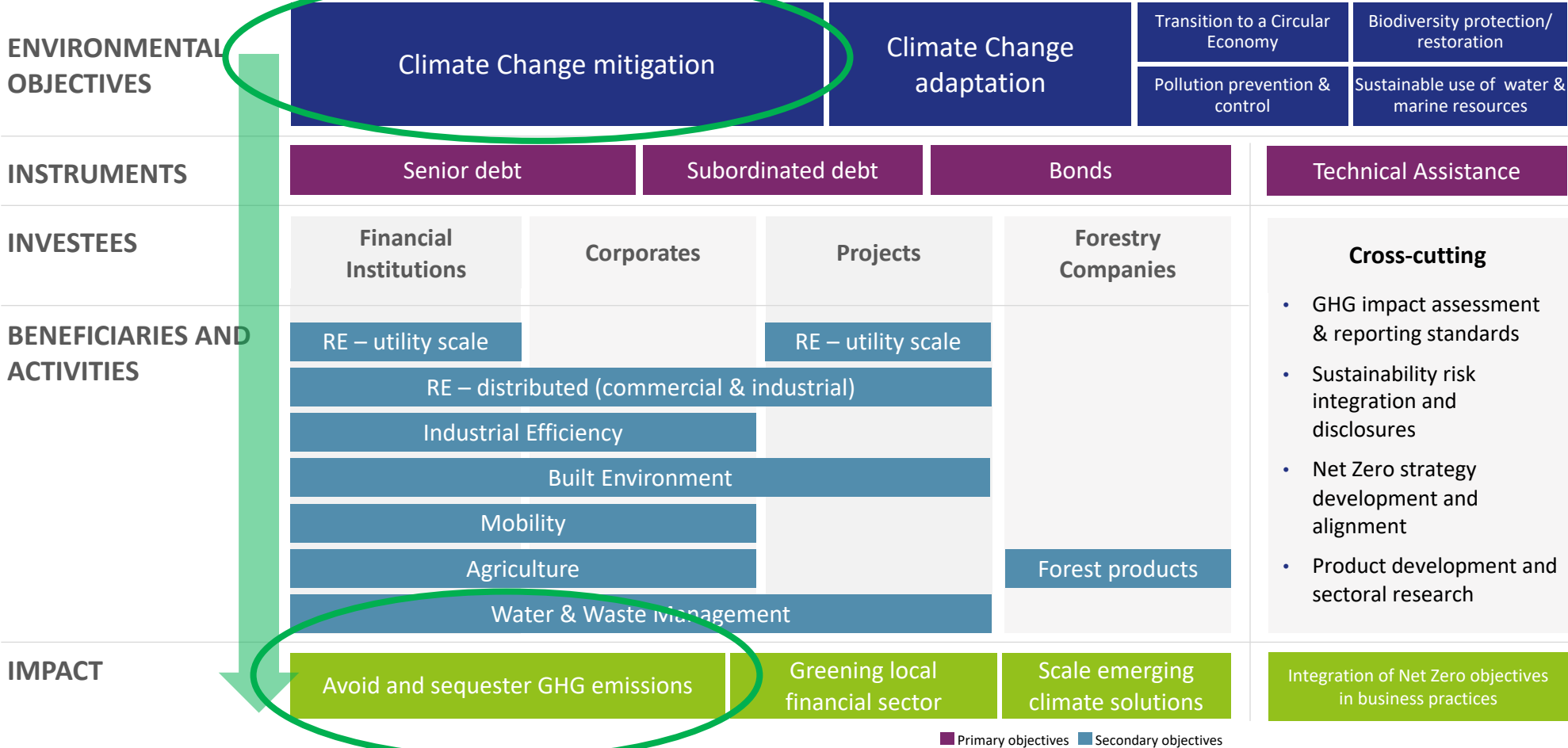
# Net-Zero Pathways Fund Mission

Scaling up climate solution investments in emerging markets in alignment with the Net-Zero AOA objectives



# Investment Strategy

Multiple investment pathways generate impact across sectors



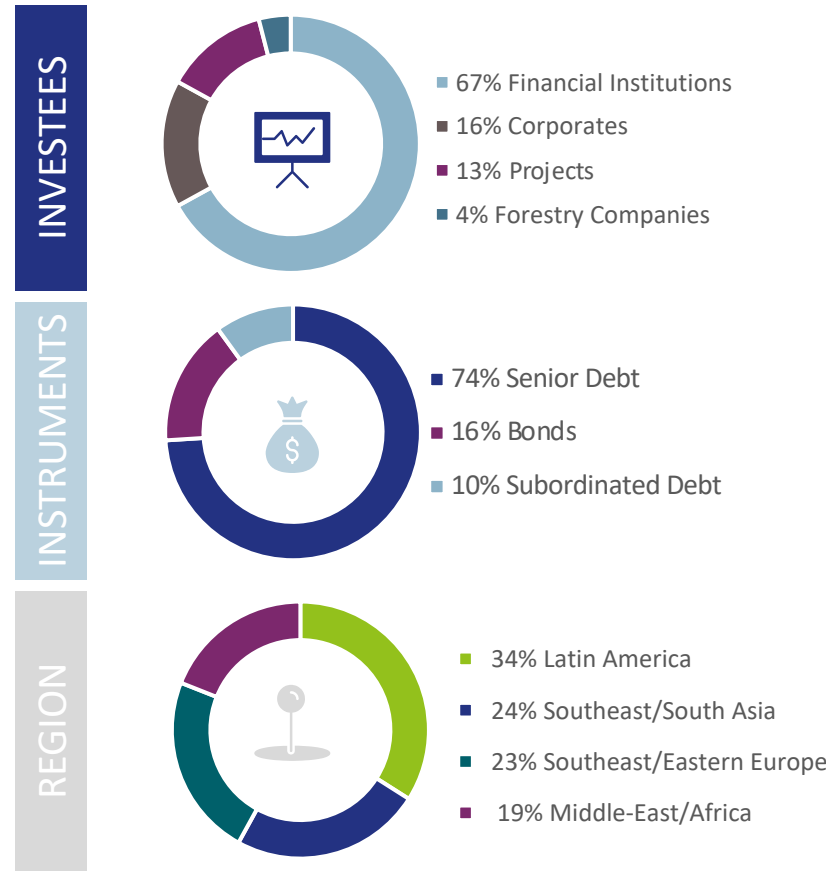
Finance in Motion has deep experience in the asset classes, instruments, investees and regions included in the Net-Zero Pathways Fund



# Indicative Portfolio Overview

Deep experience in planned investment areas ensures prudent selection and monitoring of quality assets

## MODELLED PORTFOLIO



## INDICATIVE INVESTMENT CASE

### SENIOR LOAN TO BANK

USD 40 million financing to regional certified agriculture exporters in Latin America.

#### Impact Focus:

- Biodiversity conservation
- Sustainable use of natural resources



## TARGETS & IMPACTS



### CLIMATE ACTION

**30 million tons CO<sub>2</sub>**  
avoided emissions supported\*



### SUSTAINABLE LAND-USE

**500,000 ha**  
under sustainable management\*



### WATER SCARCITY

**7 million m<sup>3</sup> water**  
saved or treated\*



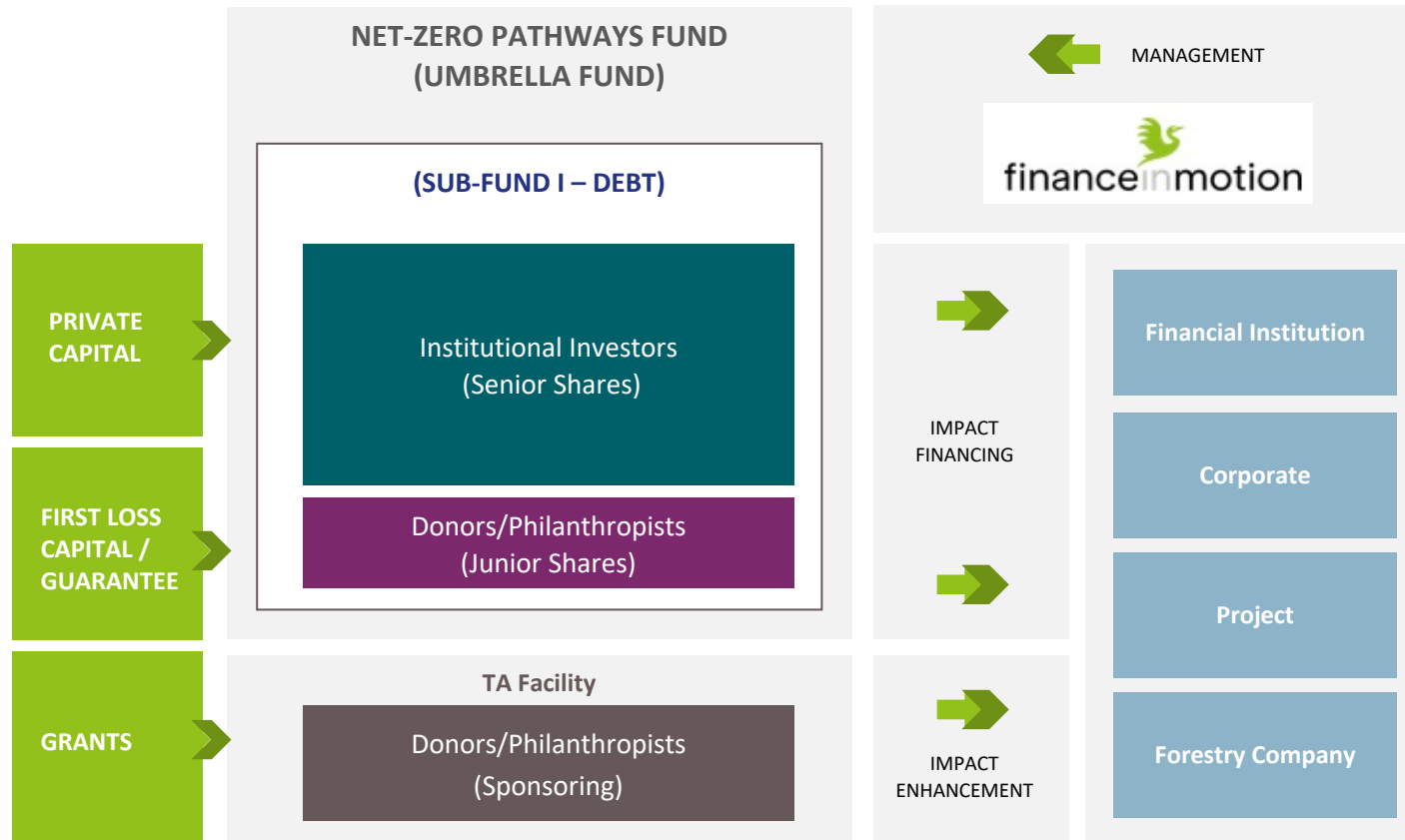
### CIRCULAR ECONOMY

**10 million tons waste**  
Avoided, recycled or treated\*

\*Estimate based on 10 years of fund operations and historic performance of FIM advised/managed funds.

# Structure of the Net-Zero Pathways Fund

Blended finance umbrella structure providing flexibility and scalability



# Finance in Motion brings existing infrastructure of dedicated team for the NPF

We stand ready: strong origination capacity, investment pipeline and initial investor base, with over a decade of impact investment experience



Tailored vehicle



Time to Market



Powerful Theory-of-Change



Diversification



Market-based



Transparent Impact

Please contact us to schedule an investor workshop or to receive access to the data room.



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# **BlackRock** **Climate** **Finance** **Partnership** **(CFP)**

## **Road to Net Zero in** **Emerging Markets**

September 2021



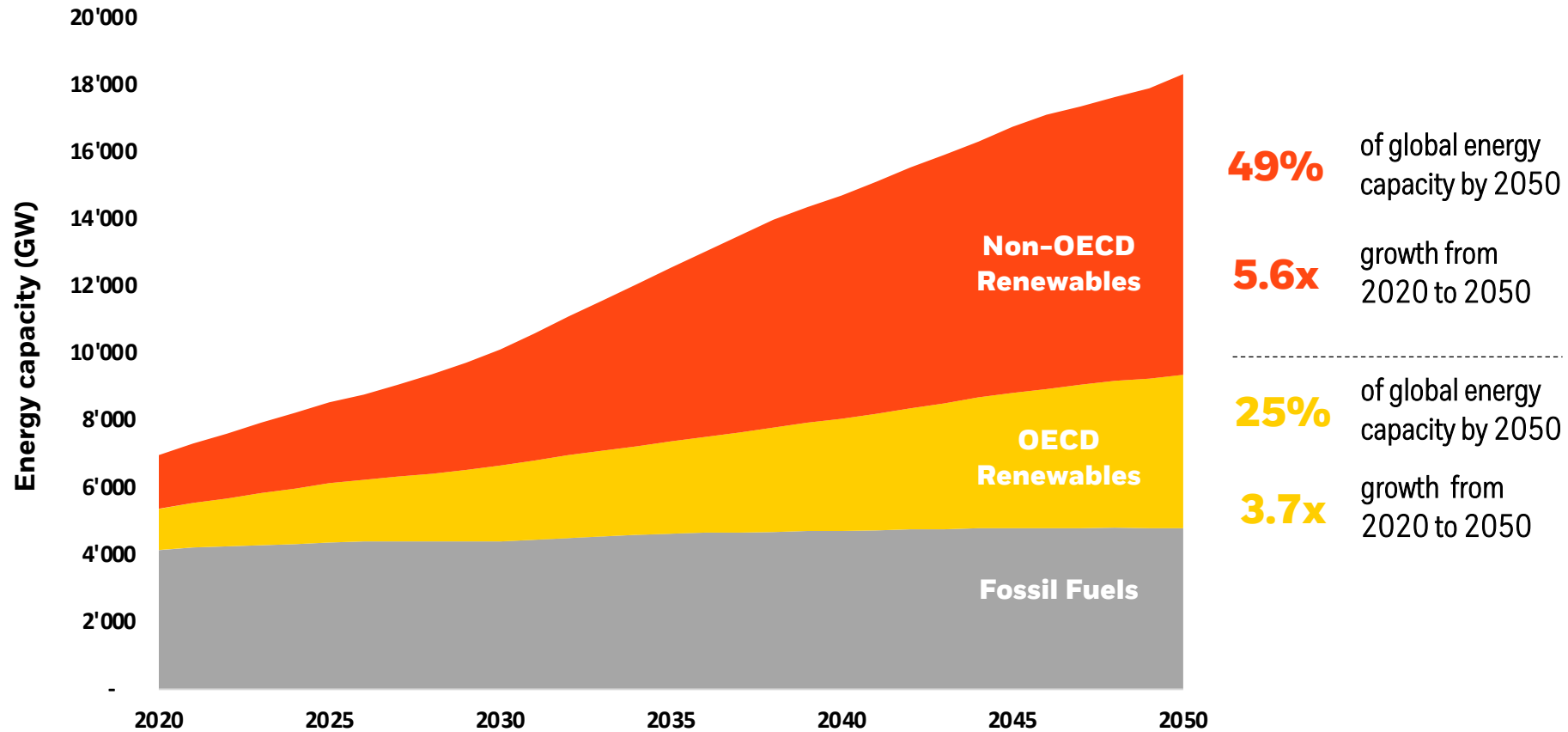
# Emerging markets is one of the largest infrastructure growth opportunities...

**5.6x** growth from 2020 to 2050<sup>1</sup>

**US\$13tn+** future investment requirement<sup>2</sup>

**49%** of global energy capacity by 2050<sup>3</sup>

**2/3** of CO2 emissions predicted to account by 2050<sup>4</sup>

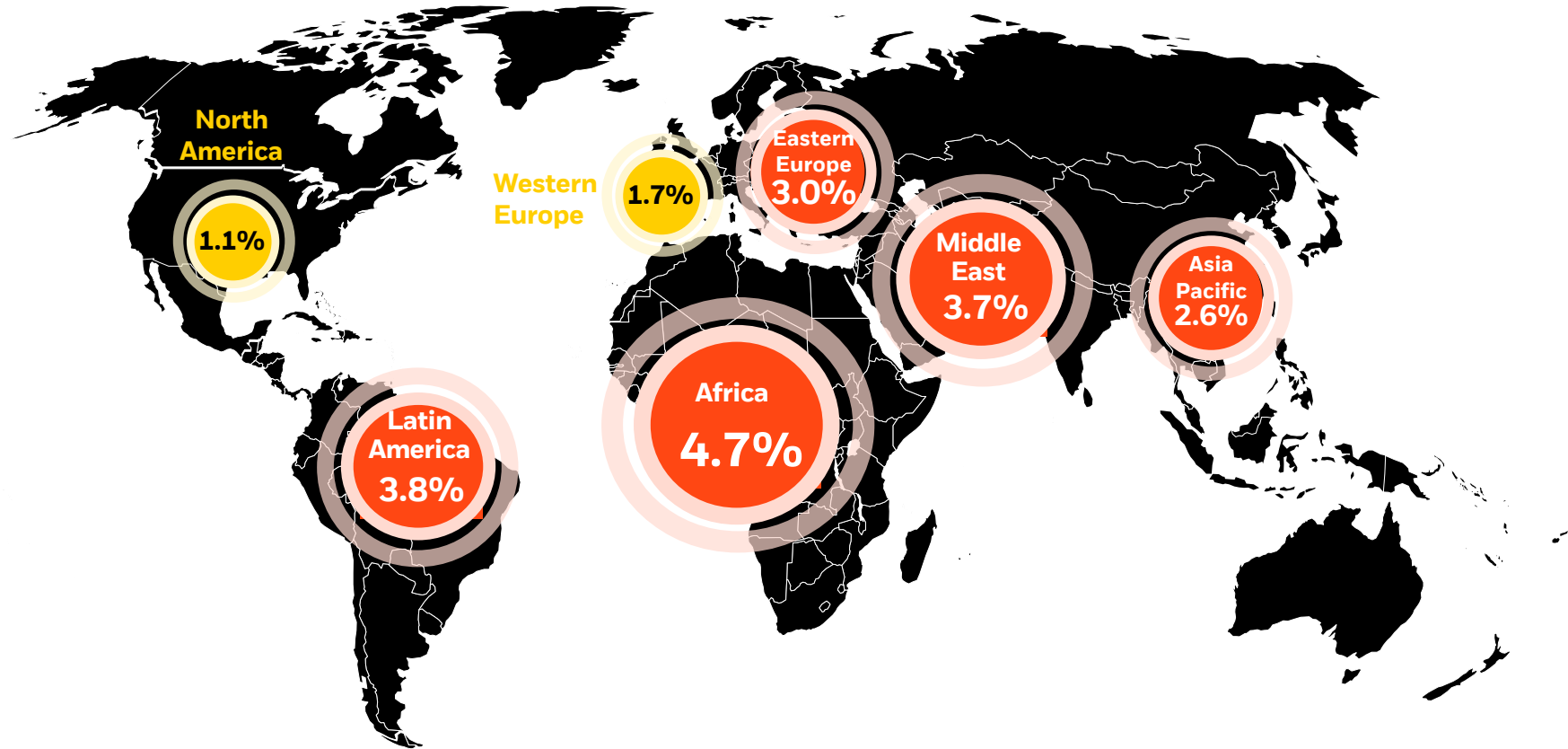


Source: 1) 2) 3) 4) BlackRock using data from Bloomberg NEF, New Energy Outlook 2020: Cumulative installed capacity. Data as of February 2021. All figures represent projected growth. There is no guarantee that any forecasts and forward-looking expectations made will come to pass.



# ...addressing the economic & social impact of climate change in emerging markets...

## Estimated economic impact of climate change by 2050 in terms of real GDP loss



Source: Economist Intelligence Unit. Figures represent average real GDP loss by 2050. Data as at November, 2019  
There is no guarantee that any forecasts and forward-looking expectations made will come to pass.

# ...through an innovative structure that de-risks the emerging markets opportunity

**Blended-finance vehicle that provides a risk buffer and is designed to “crowd in” institutional-quality private capital**

## December 2020

First announced CFP at the **One Planet Summit** in New York, hosted by President Macron.

**Unprecedented partnership** between BlackRock, the French, German and Japanese Governments and 3 US impact foundations

New standard of investing in emerging markets providing investors access to **one of the largest growth opportunities in infrastructure** and helping to accelerate the **global net-zero commitment**

## Today

Reached first close securing **\$250mn+** in total commitments.



of CFP's total target raised at first close

Shortlisted by **NZAOA** for their Blended Finance Vehicle Call to Action

## Innovative structure

**Senior Institutional Capital**

**\$400m**

**Subordinated Catalytic Capital**

**\$100m**

### Distribution Waterfall:

1. All distributions to institutional until 100% of capital returned
2. All distributions to institutional until 5% net return achieved
3. Catalytic investors start to participate, and receive capital & 5% return
4. Institutional and catalytic participate in lock-step until 14% return
5. Catalytic receives 2.5x their share of upside above 14%

Source: BlackRock, March 2021.

There is no guarantee that any forecasts and forward-looking expectations made will come to pass.

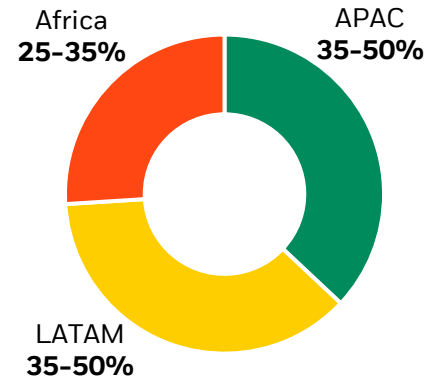
# Climate Finance Partnership (CFP)

## Fund Highlights

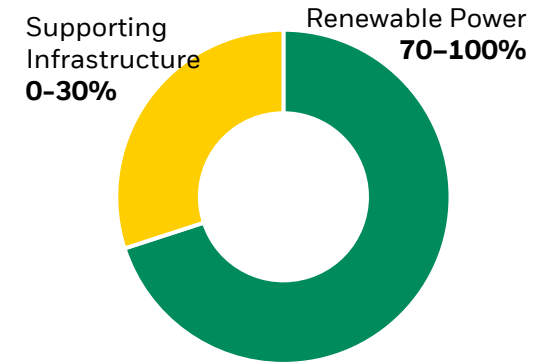
<b>Current size</b>	US\$250m+
<b>Target size</b>	US\$500m
<b>Final close</b>	December 2021
<b>Target return</b>	11-13% net
<b>Investment period</b>	5 years
<b>Term</b>	12-year

**CFP** will seek to provide investors access to a **globally diversified portfolio** of renewable power assets in **developing countries** seeking to deliver **positive environmental and social impact** and **attractive total returns**

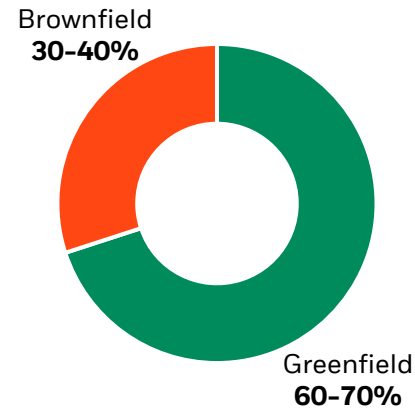
### Geography



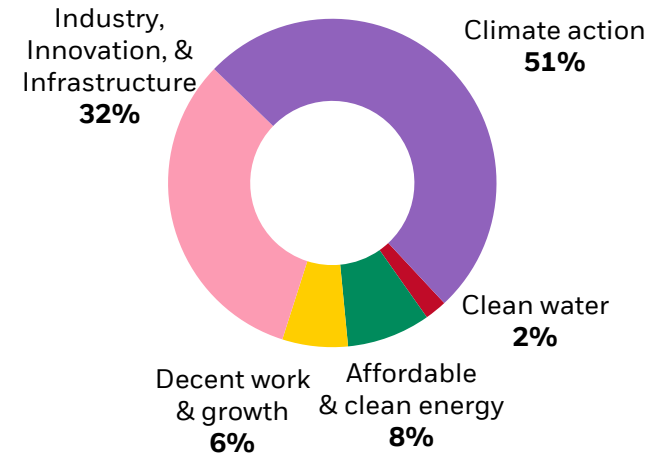
### Sectors



### Project Stage



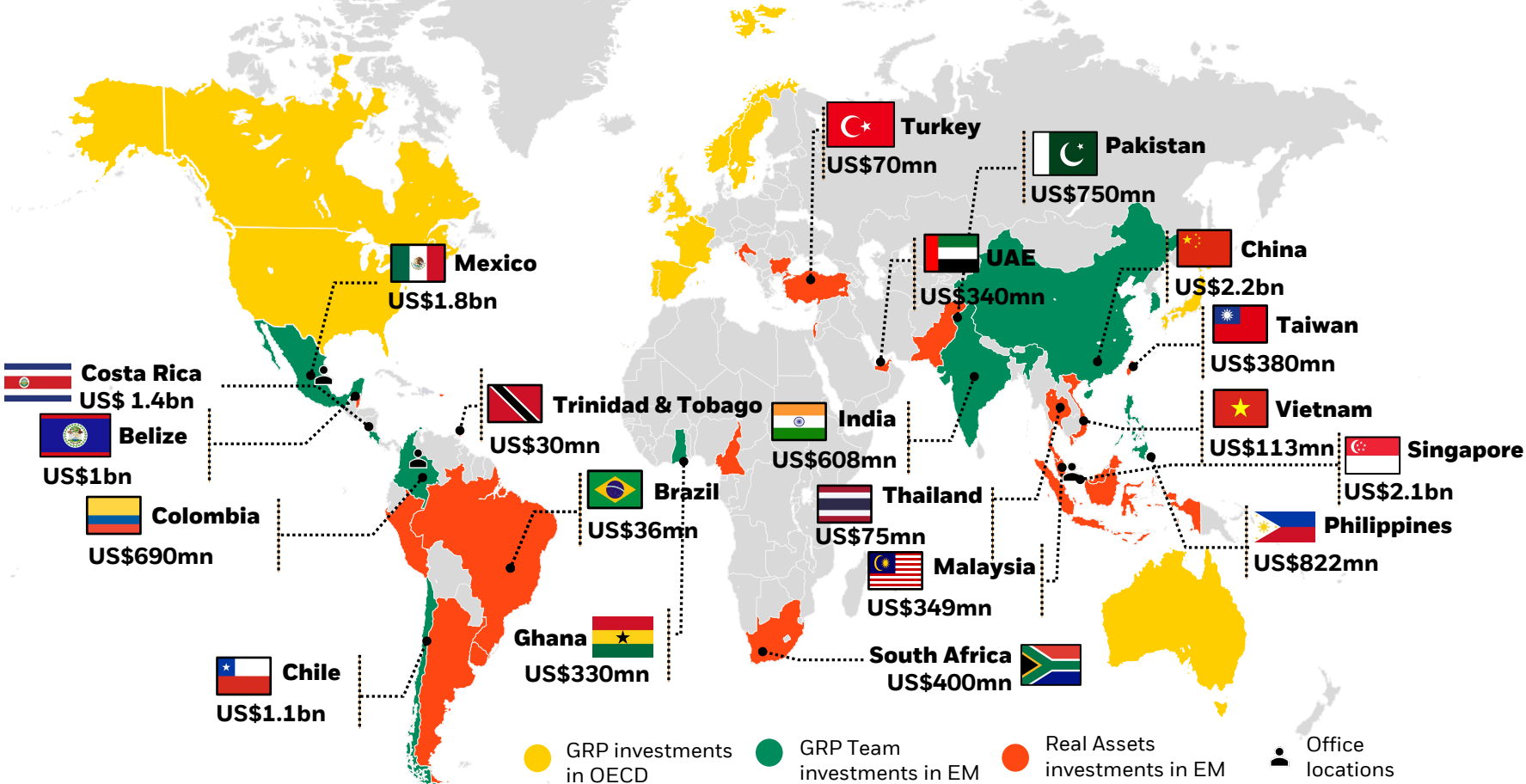
### Impact (UN SDGs)<sup>1</sup>



BlackRock, May 2021. Sample calculations are based on hypothetical CFP portfolio and are for illustrative purposes only. Please refer to the methodology and metrics in appendix B. Metrics represent hypothetical impact created over fund life.

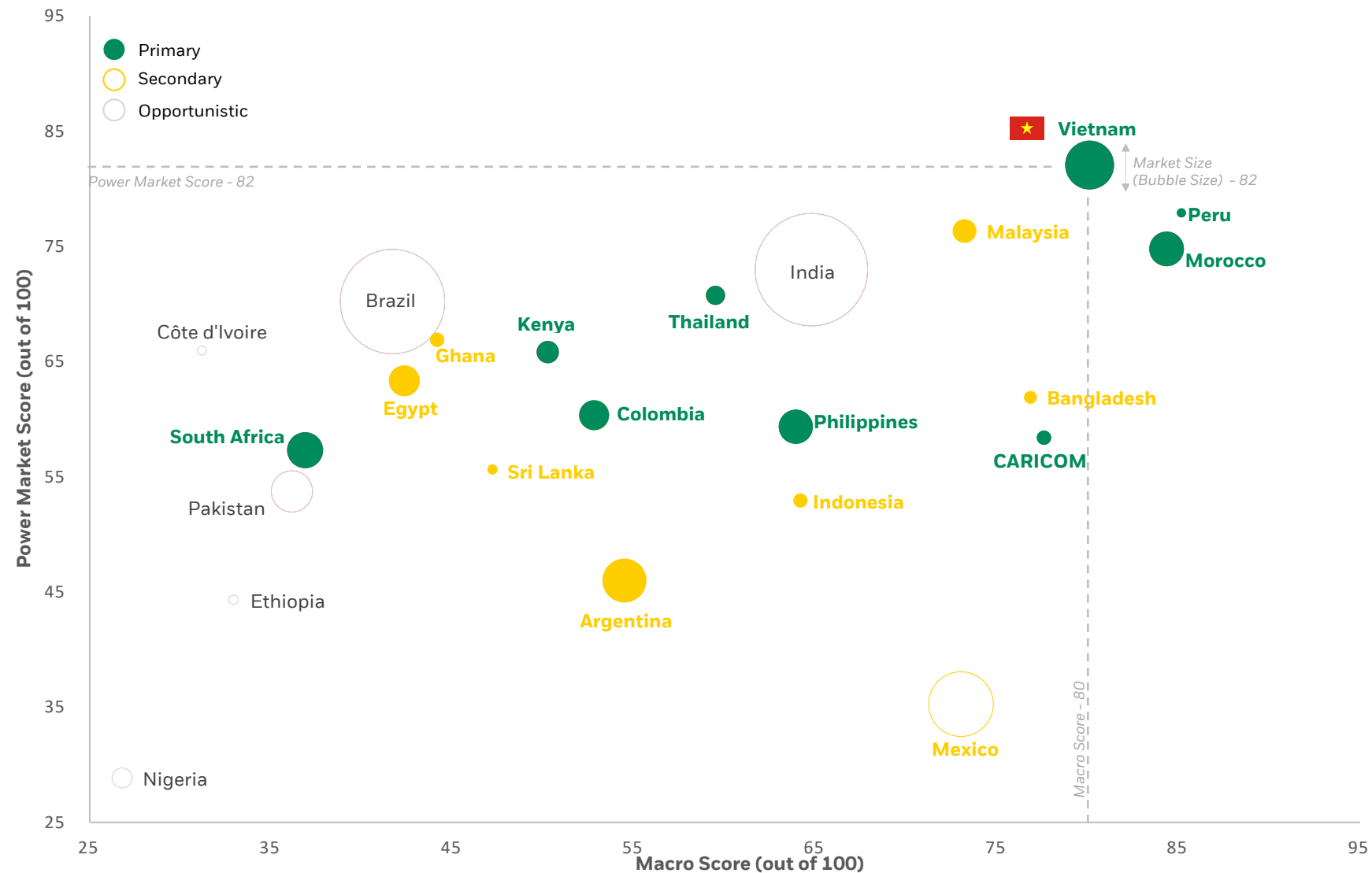
# Established renewables platform with global and local reach

**US\$9bn+ AuM** and **300+** wind & solar projects invested      **200+** investors across **6 funds**      **US\$14.6bn** invested in EM across GRP Team & Real Assets      Investments across **34 global emerging countries**



Source: BlackRock, August 2021. The Emerging Market experience shown illustrates all prior experience of the CFP Investment team in non-OECD countries, including roles prior to BlackRock and previous investments, realized and unrealized, executed by the Real Assets strategies, including Renewable Power, Infrastructure Debt, Infrastructure Solutions, Infrastructure LATAM, Global Energy and Power Infrastructure Funds, and Real Estate APAC – Equity. Some countries may not be highlighted and figures included. It should not be assumed that these teams will invest in comparable investments in the future, or that any future Investments made will be successful. To the extent that these Investments prove to be profitable, it should not be assumed that future investments will be profitable or will be as profitable.

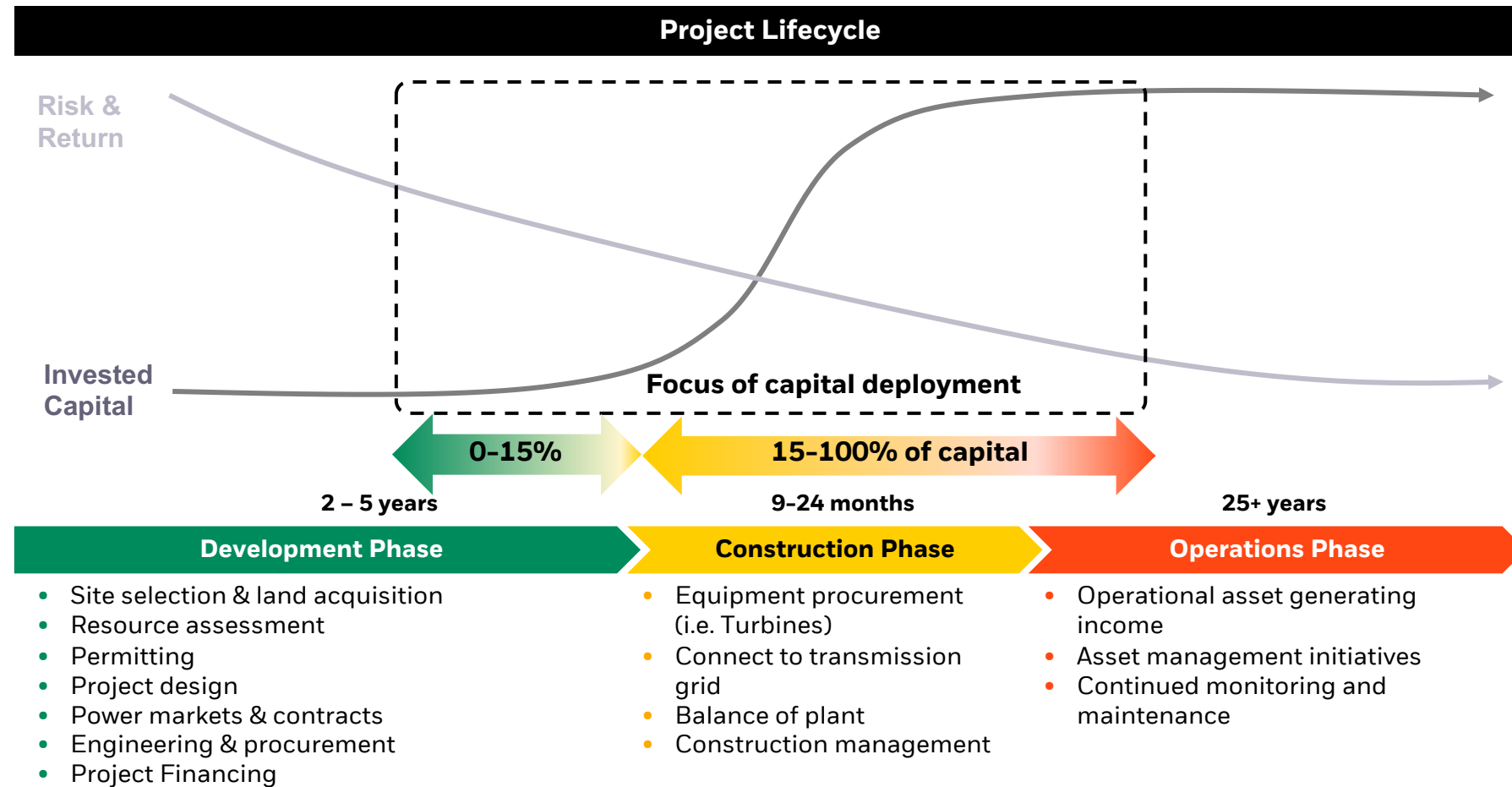
# 1. Find best relative value across emerging markets



Source: BlackRock, proprietary analysis performed by the Climate Fund Partnership Team, as of May 2021. This material is not intended to be relied upon as forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any financial instrument or product or to adopt any investment strategy. Highest ranking countries per region according to the CFP Score, not the full list of eligible countries CFP can invest in.

## 2. Take risks you can manage

With the experience of the investment team across the project lifecycle, the investment team is able to source transactions early on, structure investments the way we like and create value by bringing projects through construction








Source: BlackRock, May 2021. Investment process is subject to change and provided here for illustrative purposes only.

### 3. Growth, hand in hand with impact

#### CFP can help integrate net zero commitments in your portfolio

UN Sustainable Development Goals (“SDGs”) outcomes

Every **US\$1** invested provides ~**US\$2.8 of impact**

		Dollarized Impact (US\$)	Impact Multiple	
6	Clean water and sanitation 	Water savings from renewable power generation <b>44,250,919 m<sup>3</sup> water reduced</b>	<b>\$ 33m</b>	<b>0.07x</b>
7	Affordable and clean energy 	Number of people with improved access to electricity <b>228,773 people with access to clean energy</b>	<b>\$ 94m</b>	<b>0.19x</b>
8	Decent work and economic growth 	New jobs created <b>2,542 jobs created</b>	<b>\$ 80m</b>	<b>0.16x</b>
9	Industry, Innovation and infrastructure 	Total private capital mobilized <b>\$400m</b>	<b>\$400m</b>	<b>0.80x</b>
13	Climate action 	Greenhouse gas emissions avoided <b>15,636,154 tons of CO<sub>2</sub> emissions avoided</b>	<b>\$ 781m</b>	<b>1.56x</b>
		<b>Portfolio Total</b>	<b>1,388</b>	<b>2.78x</b>

Source: BlackRock, May 2021. Sample calculations are based on hypothetical CFP portfolio and are for illustrative purposes only. Please refer to the methodology and metrics in appendix B. Metrics represent hypothetical impact created over fund life.

## Building on a successful first close

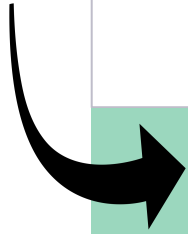
**50%**

of CFP's total target raised at first close

**\$500M+**

of total catalytic and institutional capital

We are here now



**100%**

10 December



**75%**

30 September



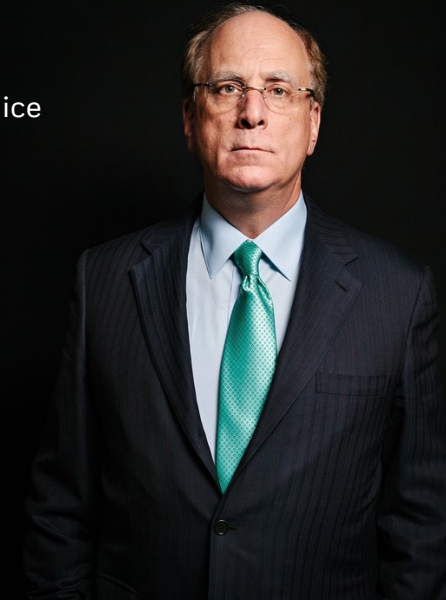
**50%**

1 July



If we don't have international institutions providing that kind of **first-loss position at a greater scale** than they do today, we're just not going to be able to attract the private capital necessary for the **energy transition in the emerging markets.**

**Larry Fink**  
at the G20 in Venice







# Alliance Blended Finance Vehicles Workshop

UN-CONVENED **NET-ZERO**  
ASSET OWNER ALLIANCE