

NET-ZERO ASSET OWNER ALLIANCE

Financing Transition – All Members Call

May 25th 2022



Agenda

1. Anthropocene Fixed Income Institute Collaboration
2. Scaling Blended Finance Workshop June 2nd - G7 context
3. FinTrack Working Groups and Consultation Groups - Updates
4. Miscellaneous
 - OECD Survey on Transition Finance
 - FinTrack Webinar Calendar

Anthropocene Fixed Income Institute Collaboration

1. **Quarterly briefings to NZAOA members on latest AFII research** either within the Financing Track meetings, in a separate session or in writing.
2. **Bilateral, bespoke engagements with NZAOA members** upon request on specific market related queries or support with portfolio technical tools and applications
3. **Regular check-in – AFII and NZAOA FinTrack Leading Team check in** every second month for half an hour sharing and discussing new developments, analysis or any other key information.
4. **Dedicated roundtable sessions/seminars/webinars** on AFII themes on request by NZAOA FinTrack or as aligned. For example:
 - Systemic portfolio decarbonization - ECOBAR
 - Trade opportunities and active risk management
 - Counterparty engagement and management
 - Labelled debt market – Sustainability-linked Bonds (SLBs), Green Bonds
 - Transparency and disclosure in fixed income value chain

What topics are of highest interest for you?

One hour webinar planned - June 21st 4-5pm CEST

Where can you find AFII?

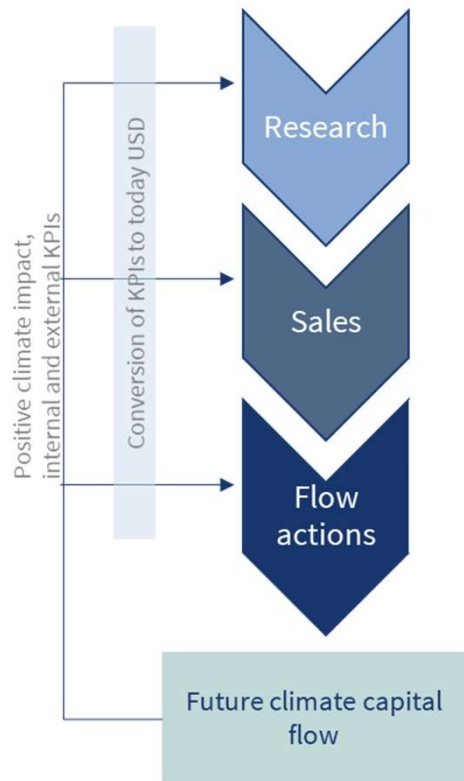
- Our website contains all published pieces, www.anthropocenefii.org, [summary overview document](#).
- Subscribe at the web-page (www.anthropocenefii.org) or through emailing info@anthropocenefii.org
- Research now available on Bloomberg, BRC <GO>, provider code ANF.
- Social media: LinkedIn and Twitter @FixedInstitute
- Office locations: Stockholm, London



Anthropocene Fixed Income Institute

A BROKERAGE MODEL MOVING FUTURE CLIMATE CAPITAL

Operational model



AFII activities

FUNDAMENTAL RESEARCH

Researching individual companies and bond issuers, finding end-investors in fossil funding chains and strong green bond/transition cases.



STRATEGY RESEARCH

General market topic research around investment trends, and basic climate research e.g. around pricing, quantitative methods, portfolio optimization in a climate context.



MARKETS LEVERAGE

Create a broad understanding of AFII research results and general green fixed income both for fixed income insiders and outsiders.

PORTFOLIO ENGAGEMENT

Direct work with portfolio managers, issuers and other stakeholders to re-structure fixed income trades and portfolio in a significantly greener way.

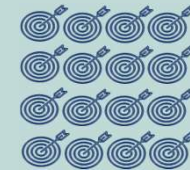


ADVOCACY

Actively breaking funding chains in specific high carbon project financings through using markets' own ways of operating and by engaging investors, NGOs, media and other parties.

TRANSACTION FLOW

Individual investor transactions on the back of AFII work.



SYSTEMIC FLOW

Capital moves on a systemic level based on precedents created through the AFII value chain.

Practical ways for AOs to amplify climate impact

The following sections highlight various practical ways asset-owners could achieve decarbonization/positive climate impact through various practical measures:

1. Systematic decarbonization minimizing alpha constraints

- › ECOBAR
- › Index selection
- › Long-short overlays

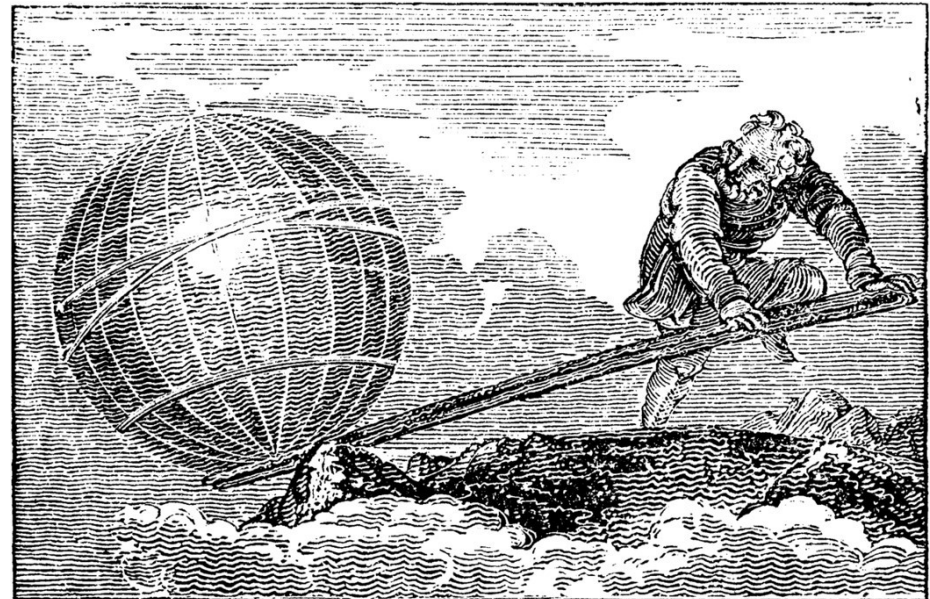
2. Active risk management

- › Sustainability Linked Bonds (SLBs)
- › General trading and tail-risk reduction
- › Green bond advances
- › Geographical/sectoral impact opportunities
- › Macro and duration hedging, beta exposure

3. Active counterparty management

- › General approach
- › The Box
- › Net green/fossil fee metrics

Give me a lever long enough and a fulcrum on which to place it, and I shall move the world. - Archimedes



What topics are of highest interest for you?

Scaling Blended Finance Workshop June 2nd

Agenda

- 10:30 am CET Arriving and coffee
- 11:00 am CET Welcome; Impulse – setting the scene [NZAOA]
- 11:15 am CET Two parallel break-out sessions (two groups each) – guided by key questions [All]
- 12:30 pm CET Getting back, summarizing [session moderators]
- 12:55 pm CET Discussion and aligning on next steps how to progress in collaboratively working on the prioritized solutions [All]
- 1:25 pm CET Closing remarks [NZAOA]
- 1:30 pm CET Lunch

Workshop Set-up – Break-out session I

Selected main barriers identified in NZAOA discussion paper	Selected potential solutions identified in NZAOA discussion paper	Sample associated questions for discussion	Potential key stakeholders to engage	Actionable next steps / definition of project
Break-out session I (focused on to donor-centred topics)				
<ul style="list-style-type: none">• What can be done to further improve the targeted deployment of donor and philanthropic capital towards effectively and efficiently mobilizing private capital at scale? <i>Potential solutions listed for discussion under A.1-3</i>• How can the design of blended finance structures be improved to reduce complexity and better accommodate for the goals and constraints of the different stakeholders? <i>Potential solution listed for discussion under B.1</i>				

Selected main barriers identified:

- A. Lack of scale and appropriate vehicles.
- B. Lack of capacity and experience of asset owners

Workshop Set-up – Break-out session II

Selected main barriers identified in NZAOA discussion paper	Selected potential solutions identified in NZAOA discussion paper	Sample associated questions for discussion	Potential key stakeholders to engage	Actionable next steps / definition of project
Break-out session II (focused on MDB/DFI-centred topics)				
<ul style="list-style-type: none"> • What are ways to allow for an increased supply of investable projects to achieve real-world impact at scale? <i>Potential solutions listed for discussion under C.1</i> • What are potential solutions to overcome private investors' elevated risk perception and to allow for more appropriate risk assessment? <i>Potential solutions listed for discussion under D.1 and E.1</i> • How can MDBs and DFIs be incentivized to significantly scale direct private capital mobilization and focus on assets of higher financial additionality (that are systemically under-supplied by the private sector)? <i>Potential solutions listed for discussion under F.1</i> 				

Selected main barriers identified:

- C. Lack of implementation capacities and well structured, investable project pipelines in the target markets
- D. Limited availability and access to data
- E. Lack of rating methodology
- F. Limited transfer of exposures by MDBs / DFIs to institutional investors

Scaling Blended Finance Workshop - Workshop Set-up

- Closed door workshop in Berlin – hybrid event
- Ca. 55 participants
- Various stakeholder groups invited – AOs, politics, DFIs/MDBs, foundation, experts
- **Target:**
 - **outcomes as actionable next steps for further engagement driving change**
 - document workshop outcomes with an internal summary report, journal article

Structure and roles in the Financing Transition Track

Definitions

Working Groups

Working Group lead

Working Group colleague

Groups consisting of members to tackle work on a project-level

Contact person and leads the group on organizational and content level, gets supported by the secretariat if needed

Meet regularly and draft content with peers

Consultation Groups

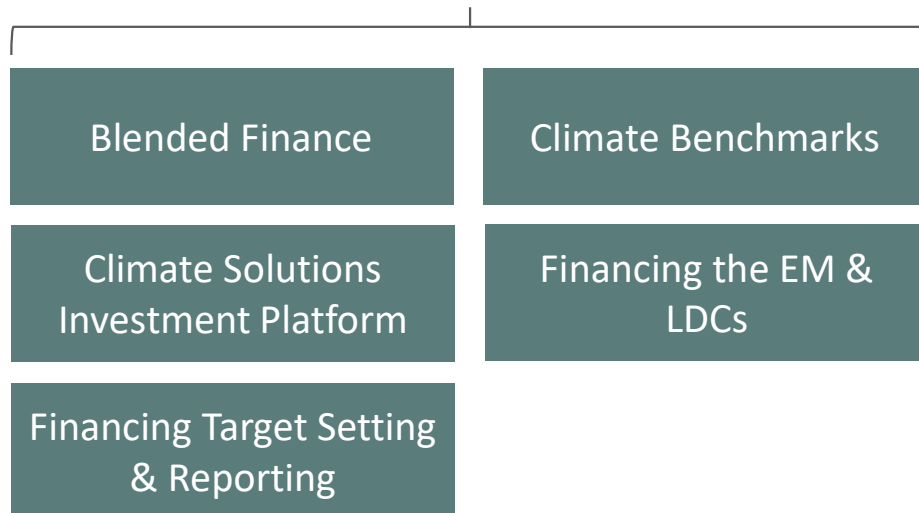
Consultation Group colleague

Groups consisting of members to review topic-relevant information on an ad-hoc basis

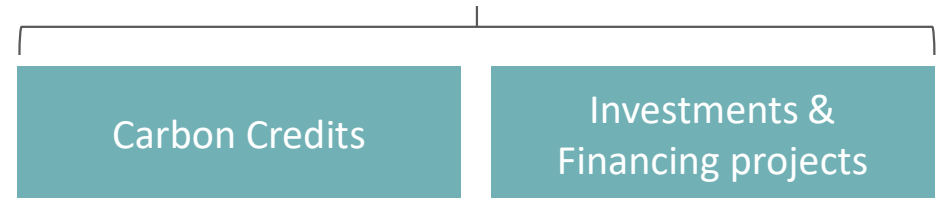
Will be contacted ad-hoc to review topic-relevant information

Structure

WORKING GROUPS



CONSULTATION GROUPS



FinTrack Working Groups

Active

Blended Finance –
Eva Zagode (Allianz)

- Call to Action
- Collaboration with Convergence
- G7 workshop preparation

On hold

Climate Benchmarks –
David Thompson (Zurich) &
Sindhu Krishna (Phoenix)

- Methodology, assessment of equity and fixed income
- Connection to EU Commission

Active

Climate Solutions Investment
Platform –
Lead Mohammed Khalil
(Phoenix)

- Create platform for climate solutions with Arabesque

Call for participation

Active

Financing the EM & LDCs –
Liza Jansen & Don Kanak
(Prudential)

- Connect with initiatives
- Identify challenges & elaborate possible solutions
- Responsible retirement of coal

Active

Financing Target Setting &
Reporting -
nn

- **Climate Impact KPIs**
- EU Taxonomy
- Green Bond Principles
- Climate solution reporting

Call for participation

Climate Impact KPI

We all know the power of the right KPI's and metrics. Unfortunately within ESG/Impact Investing our selection of metrics has not been so fortunate thus far. **Issues**

- i) **companies which are very impactful but are seen as less sustainable** since they have a more than average footprint/intensity
- ii) The **enormous nonlinearity with carbon pollution** where c20% of the companies pollute c90% and where c5% of the companies pollute c50% which suggests that we should much more focus on bringing emissions down from high polluting companies rather than investing in low polluting companies that are low polluting by design,
- iii) the **disturbance of valuation** where a company like Tesla seems to have a lower footprint than conventional car makers because of its higher EV whereas in reality their performance is not so convincing.

Working Group

- **highlight the truly impactful companies** more - aim to develop climate impact metric.
- **sharpen definitions and to stimulate using these KPI's**
- develop **more holistic impact measures** (also including the other SDGs) such that we can also compare an impact investment that creates a lot of jobs in poorer regions with a carbon reducing investments.

FinTrack Consultation Groups

Kick-off tba

Carbon Credits

- Challenges
- Approach
- Classification

Kick-off tba

Investments & Financing projects

- CEO Alliance
- Carbon Direct
- Potential collaboration with Anthropocene

Express of interest

Questions

1. What is your name? *

2. What is your mail address? *

3. What topics are you interested in?

Blended Finance

Climate Benchmarks

Climate Solutions Investment Platform

In the Forms below you can express your interest to participate in the following Working Groups and Consultation Groups:

<https://forms.office.com/r/Hm8zYA678u>

- **Please also fill it out, if you are already in a Working Group or Consultation Group, as we are establishing a database with up-to-date information.**

We will reach out to you soon after your inputs. Please forward to colleagues that possibly could be interested in these topics as well. In case of questions, you can reach out to eliya.devay@un.org.

OECD Survey on Transition Finance

The OECD's Green Finance and Investment Team is developing an OECD Guidance on Transition Finance, aimed at identifying key elements of credible corporate climate transition plans, in line with the Paris Agreement temperature goals. The team is collecting stakeholder input through this survey to inform the development of the guidance.

The **deadline** for responses is **June 3rd 2022** and one single response per organisation is preferred. The survey takes approx. 9 minutes to fill out and contributions will be duly acknowledged in the final text of the guidance.

[Link to Survey](#)

FinTrack Webinar calendar

Date	Time	Topic	Status
4/5/2022	5pm CET	PRI - Net-Zero investor targets & sector pathways: One Earth Climate Model	Recording available here
10/5/2022	4pm CET	Untangling carbon markets: How carbon allowances differ from offsets	Recording available here
24/05/22	1pm CET	Blended Finance: Call to Action - 3 Asset Managers present their vehicles	Recording available here
30/05/22	3pm CET	EU Climate Benchmarks with Andreas Hoepner	Invite sent 11/04
13/06/22	4pm CET	Carbon Dioxide Removals with Carbon Direct	Invite sent 09/05
21/06/22	4pm CET	Opportunities on the collaboration with Anthropocene Fixed Income Institute	Invite will be sent

APPENDIX

Information sharing

- **New file sharing tool:** <https://www.unepfi.org/climate-change/united-nations-convened-net-zero-asset-owner-alliance/alliance-extranet/>
- Password: AOAprivate
 - Strictly confidential – only for Alliance members
 - Only download possible, no uploading