International Finance Corporation

&

Amundi

Partnership

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Q&A - Press Kit

Project Summary

Climate change efforts have progressively evolved from top-down policy initiatives to bottom-up civil society participation and private sector implementation. Public and private institutional investors have both the capacity and appetite to deploy massive amounts of capital to finance the green transition in emerging countries, but are hindered by a lack of scalable investment vehicles which meet those objectives.

The IFC/Amundi partnership tackles these issues through an innovative platform and a pragmatic approach to unlocking private capital flows for climate finance in developing countries. The new platform combines deep expertise in both asset management and private sector development in emerging markets to help developing countries achieve long-term sustainable growth. The first fund on the platform will seek to channel capital through emerging market financial institutions to expand finance in ways that are adapted to the endowments and intentions of the individual country climate transition goals.

The $2bn project is designed to simultaneously stimulate demand (through the Fund) and supply (through targeted technical assistance to financial institutions) of green finance to "complete the circuit" and propel climate finance in emerging markets. The synchronized development of the supply and demand forces for climate investment creates an ecosystem in which markets can be nurtured and sustainably developed.

Specifically, the first fund on the platform will address the needs of four key stakeholders:

- For developing countries it facilitates the implementation of *nationally determined contributions ("NDCs")* arising from the Paris Agreement. By channeling capital from developed to developing countries, the strategy contributes to the critical contributions of the emerging markets to global climate finance objectives, and helps investors efficiently direct capital toward climate finance. By acting on both the demand and supply side of the finance equation, it builds a base for sustainable green bond markets.

- For investors seeking adequate returns in the current low yield environment, the fund secures higher bond yields from a diversified range of emerging markets with the added benefit of the first-loss protection offered by IFC, while ultimately achieving climate alignment through green bond investments.

- For IFC, partnering with an asset manager enables them to leverage their core skills as a catalyst for the development of the private sector across the world, with the positive benefit of financing green assets, thereby also supporting Sustainable Development Goals (SDGs). The project also underscores IFC's commitment to sustainable finance through its own investment in the fund and the deployment of a technical assistance.

- For Amundi, the development of this innovative emerging market green bond fund is a new green finance initiative that has set Amundi as a frontrunner in this field. Indeed, following the *avant-garde* development of low-carbon indices, Amundi created a unique joint-venture with EDF, a leading European electricity provider, to finance renewable energy and energy efficient real assets. Co-founder of the Portfolio Decarbonization Coalition, Amundi has been actively participating in green finance academic research in an ongoing effort to contribute to the public good. The new initiative expands Amundi's climate finance investment offerings for institutional clients across the three main assets classes of equities, illiquid assets and fixed income. This illustrates Amundi's asset management capabilities of over 1tn euros, its strong track record in emerging market debt management and its core commitment to responsible investing.

The IFC and Amundi venture is designed to transform aspiration to implementation. While the first fund targets developing markets financial institutions, the fund platform will subsequently add other green bond fund strategies addressing sustainable growth in the developing world. Over time, the emerging market green bond platform will offer a variety of climate-friendly funds that create new markets and deepen existing ones.

1. What is the International Finance Corporation?

International Finance Corporation (IFC) is the private sector arm of the World Bank Group and, as such, is the largest global development institution focused exclusively on the private sector in developing countries. IFC has over 3700 staff members from over 140 countries located in 104 offices around the world.

As a responsible investor, IFC has raised $1.4bn through the issuance of green bonds as of the end of the 2016 fiscal year and has a $1.3bn advisory portfolio including more than 700 projects in about 100 countries.

This joint-venture with Amundi is evidence of IFC's commitment to sustainable growth in emerging markets and builds upon both institutions' areas of excellence.

The project pursues the straightforward goal of developing the private sector in emerging markets while achieving the added benefits of encouraging the development of emerging countries' financial markets and facilitating the financing of green projects in emerging markets.

2. What is Amundi?

Amundi Asset Management is the leading European asset manager[1] with over €1,054[2] billion of assets under management worldwide and investment centers in over 30

1. No.1 European asset manager based on global assets under management (AUM) and the main headquarters being based in Continental Europe– Source IPE " Top 400 asset managers" published in June 2016 and based on AUM as at December 2015.

[2] Amundi figures as of September 30th 2016

countries. Amundi has more than 1,000 institutional clients and over 1,000 distribution agreements with a leading platform in Europe and Asia.

Amundi has oriented its responsible investing commitment toward the financing of the clean energy transition, and has developed innovative green finance approaches across all major asset classes:

- Co-developed the Low-Carbon Leaders Indices and the subsequent launch of ETF and indexed funds in 2015 ($7bn under management in low carbon equity products)
- Formed a joint venture with EDF to finance renewable infrastructure
- Created two fixed income green bond funds dedicated to financing the clean energy transition
- Co-founding the Portfolio Decarbonization Coalition, a coalition of institutional investors who have collectively pledged to decarbonize $600bn assets (out of $3.5tn of assets under management)
- Active contributions to academic research in the field of green finance.

3. What is the definition of a green bond?

Green bonds are standard fixed income instruments with the specific aim of financing climate assets.

The proceeds are earmarked for green projects but backed by the issuer's entire balance sheet.

Given that green bonds are self-labelled, it has become standard market practice for green bonds to follow the voluntary guidelines published by the International Capital Market Association (ICMA) Green Bond Principles (GBP), last updated as of June 2016. The GBP comprise four principles: Use of Proceeds; Process for Project Evaluation and Selection; Management of Proceeds; and Reporting. Taken together, the GBP enhance transparency and disclosure and promote integrity in the development of the green bond market by providing guidance on green bond issuance.

4. What is the size of the green bond market now? What are the countries issuing the most green bonds in the world? What is the scale of green bond issuance by emerging market financial institutions? In what way will this initiative create a new market? How do you see this market developing?

The size of the labelled green bond market was estimated at $118bn at the end of 2016, with and additional $27bn issued during the first quarter of 2017[3], demonstrating rapid

[3] Data according to the Climate Bonds Initiative (CBI), as of March 31, 2017.

growth over the past few years. The top three largest issuing countries as of August 30, 2016 were the United States (19%), France (12%) and China (10%).[4] Within emerging markets, the launch of green bond national guidelines in China and India has tremendously accelerated issuance, with China having issued over $6bn to date (2007-2016) and India over $1bn.[5]

The objective of the project is to expand the emerging market green bond issuance base by encouraging green bond issuance by financial institutions across all emerging markets. To that end, the support provided by IFC serves to embed best practices and foster issuance by covering incremental costs associated with green bond issuance.

5. Why the IFC and Amundi partnership?

The partnership is a joint-venture between IFC and Amundi, holding 20% and 80% respectively.

The venture will establish the First Emerging Markets Green Bond Platform for creating fixed income funds targeting emerging markets. IFC will commit $325mn to seed the initial strategy, with its investment constituting a first-loss guarantee and a positive signal for other investors.

In addition to managing the green bond strategy, Amundi will have the responsibility for raising the remaining $1.675bn from institutional investors worldwide and participating to the spreading of green bond best practices in emerging markets.

Following a competitive process, the IFC selected Amundi as the project's fund manager. This partnership builds on the respective strengths of each party: for the IFC, its privileged access to emerging markets; for Amundi, its excellence in asset management with specific knowledge on fixed income management, as well as its leadership in climate finance. This ambitious and innovative partnership provides an unprecedented access for investors to emerging markets with the added benefit of responsible investing.

6. What are the main objectives of the project?

The project meets two essential goals:

- The development of financial markets and green bonds in emerging countries, in accordance with IFC's mandate, through the financing of bonds issued by financial institutions.
- The mobilization of institutional investors to finance the energy transition in emerging countries and to support the 2 degrees Celsius goal adopted in the Paris Agreement.

[4] http://unepinquiry.org/wp-content/uploads/2016/09/6_Green_Bonds_Country_Experiences_Barriers_and_Options.pdf
[5] https://www.environmental-finance.com/assets/files/research/11-05-16-cicero.pdf

7. Why create a joint-venture between IFC and Amundi? What could be the next steps?

The joint venture between IFC and Amundi which establishes the First Green Bond Emerging Market Platform combines both institutions' expertise in catalyzing financing for emerging markets and fixed income asset management. This unique combination of skills and experience will provide a singular source to address the complex challenge of expanding fixed income markets of developing countries.

The First Green Bond Emerging Market Platform will, over time, offer a number of carefully targeted strategies supporting Amundi and IFC's shared goals of mobilizing investors toward the development of the private sector in emerging markets and the achievement of the Sustainable Development Goals (SDGs).

8. What is the target size of the strategy? In which asset classes will it be invested?

The strategy will have a size of $2bn.

The initial portfolio will be composed of emerging market fixed income debt from sovereign and financial institutions active in emerging markets. The portfolio will substitute those holdings for green bonds issued by financial institutions as opportunities arise in the target markets. The Fund aims to be 100% invested in green bonds by the end of the seven-year period of active investment.

9. What team will manage the strategy and how will it be progressively invested into green bonds?

The strategy will be managed by Amundi's Emerging Market Fixed Income team, based in London. Amundi employs 186 investment professionals worldwide that are dedicated to emerging markets. As of September 2016, Amundi managed over $96bn AuM across its emerging market business sector, including $55.9bn in emerging market fixed income.

With an initial portfolio composed of vanilla emerging market bonds, the strategy will rely on IFC to help educate, train and embed high standards regarding the issuance of green bonds by financial institutions to create a robust market mechanism in those countries.

As green bonds are issued by emerging market financial institutions, reviewed and reported upon, the strategy will transition progressively from its initial vanilla bond portfolio to the targeted green bond portfolio.

10. How will green bonds be selected? How will greenwashing be avoided?

The strategy complies with the joint-venture's strict Responsible Investment Policy - designed in mutual agreement by both the IFC and Amundi – which will encompass specific green bond investment guidelines. Overall, the project aims not only to abide by market best practices but to embed high standards in emerging markets for green bonds investing.

The policy will feature an exclusion list to avoid the financing of any harmful or controversial activities for either the environment or human rights and ESG ratings on green bond issuers. Ratings will be based on the combined Amundi and IFC methodologies, and with World Bank Group policies. The green bond investment guidelines also will ensure that the use of proceeds is closely monitored in order to avoid green washing. IFC will support issuers to provide robust impact measurement and reporting.

11. What is the expected tenor of the first fund?

The active investment period of the program will be seven years, after which the size of the program will decline as bonds mature and proceeds are distributed.

12. Who will be the investors in the strategy? Why will IFC commit to investing into the program? What will be the interest of investors to invest into such a program?

Investors in the program will encompass large institutional investors –such as Sovereign Wealth Funds, Pension Funds, Insurance companies, etc.- that are responsible for managing world savings.

The IFC intends to invest $325mn in the most junior tranche and senior tranche, thereby demonstrating its commitment to the project and increasing attractiveness for third party investors.

13. How will the project help create green bond markets in emerging countries? Practically speaking how will the project disseminate good practices in emerging countries?

The project will rely on a dedicated IFC team to help establish green bond markets in emerging countries. IFC will deploy technical assistance to potential emerging market financial institutions through a network of partners covering the incremental costs of education, training and reporting for green bond issuance by financial institutions. IFC also will provide emerging market financial institutions with dedicated training on the specifics of green bonds and fixed income issuance in emerging markets. This support will include the research tools and methodologies required to embed market best practices and to provide quality data for enhanced reporting standards.

14. What are the other institutions partnering with Amundi and IFC to make this project a success?

IFC and Amundi will partner with key institutions to spur the issuance of green bonds in emerging markets. As such, it will provide the program with a powerful ecosystem of partners to cover the costs of education, training and reporting for financial institutions.
Moreover, investors supporting the strategy will be recognized and their leadership in responsible investing will be reinforced.

15. Who will head up the JV company? How many people will work for the company? Where will it be based?

Although details cannot be disclosed at this point, the joint-venture company will be staffed in accordance with its ambitious goals and relevant regulatory requirements. IFC and Amundi, its shareholders, can provide crucial support to the joint-venture when necessary.

16. What is the timeframe of the project? When will the strategy be launched? Where will the fund be registered for distribution? When will the JV be created?

The objective is to start the first investments after the summer of 2017, subject to regulatory approvals.

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