



RÉPUBLIQUE
FRANÇAISE

*Liberté
Égalité
Fraternité*

PROPARCO

GRUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT



**FINANCIAL
INSTITUTIONS AS KEY
CONTRIBUTORS TO
CLIMATE ACTION**



€ 3.9bn

Proparco financing approvals
for financial institutions
between 2017 and 2020



€ 2.5bn

Proparco financing approvals
with climate co-benefits
between 2017 and 2020



GREEN
CLIMATE
FUND

Partnering since
2016 with the
Green Climate Fund
to ensure greater support
to the private sector

Proparco has been serving the private sector and sustainable development for over 40 years. A subsidiary of Agence Française de Développement (AFD), Proparco invests to strengthen private-sector organizations and funding providers with the aim of contributing to the economic, environmental and social development of developing and emerging economies.

A significant share of our financing therefore goes to companies and financial institutions likely to create jobs with decent pay, supply essential goods and services and, more broadly, help reduce poverty and mitigate climate change. Through our work, we seek to bolster the contribution of private enterprise to the achievement of the Sustainable Development Goals (SDGs).

A GLOBAL COALITION, A COMMON GOAL

THE PARIS AGREEMENT: A WORLDWIDE COMMITMENT FOR CLIMATE



The main objective of the Paris Agreement is to strengthen the global response to the threat of climate change by **maintaining the global temperature rise at a level well below 2°C compared to pre-industrial levels** (and, ideally, below 1.5 °C).

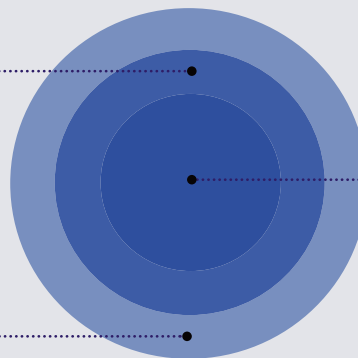
The agreement also aims to increase the capacity of countries to cope with the impacts of climate change and to make financial flows compatible with a low level of GHG emissions and a climate resilient path.

In order to meet these targets, the Intergovernmental Panel on Climate Change (IPCC) estimates that global GHG emissions must be halved by 2030 in order to achieve carbon neutrality by 2050.

Aligning with the Paris Agreement: 3 crucial challenges

Support projects with a positive impact on climate

Refrain from financing highly emissive projects and projects not resilient to climate change.



Contribute proactively to a resilient, low-carbon transition in countries and sectors



ADAPTATION

A project contributes to adaptation when it allows anticipating climate risks and to limit or reduce the vulnerability of goods, infrastructure, people and ecosystems to the impacts of climate change







MITIGATION

A project contributes to mitigation when it reduces greenhouse gas emissions compared to a baseline situation.



CLIMATE CHANGE AT THE HEART OF THE CHALLENGES FACED BY FINANCIAL INSTITUTIONS

Physical risks







-  Extreme weather events
-  Flooding, strong winds
-  Droughts, heat waves
-  Sea-level rise

Transition risks

-  Regulatory changes
-  Legal liability and reputational risk
-  Technological risks



Anticipated financial impacts

-  Risk of depreciation in the value of financed assets
-  Malfunctions in operations or production (e.g., energy, transport, job availability)
-  Supply-chain disruptions
-  Property damage (and thus higher insurance costs)
-  Rising prices for inputs/materials (e.g., water, energy, food)
-  Changing demand for products and services

BANKS HAVE A KEY ROLE TO PLAY IN RAISING PRIVATE FUNDING FOR CLIMATE ACTION

Anticipating physical risks and transition risks to build resilience and avoid the depreciation of financed assets

Financing the transition to low-carbon energy sources and enhanced energy efficiency

Divest from risky sectors and in particular fossil fuels and deforestation



PARTNERING WITH FINANCIAL INSTITUTIONS TO PROMOTE CLIMATE FINANCE

A COMPREHENSIVE OFFER SPANNING FINANCING, GUARANTEES AND TECHNICAL ASSISTANCE



FINANCING AND GUARANTEES



Credit lines dedicated to the financing of projects with climate co-benefits by partner financial institutions. These fundings are adapted in terms of maturity.



Investment in Green Bonds and Sustainability bonds issued by partner financial institutions. Proparco is involved in private and public placements, and can play the role of anchor investor.



Risk-sharing facilities to enhance partner financial institution lending capacities on climate projects"



TECHNICAL ASSISTANCE

■ **Advisory for the implementation of climate credit lines** : Market analysis, building a clean investment portfolio, strengthening capabilities and enhancing internal procedures at partner financial institutions

■ **Support for green, social and sustainable bond** issuance. Portfolio analysis, feasibility studies, designing a bond issuance framework that meets global standards

■ Assistance with implementation of a **Pro-climate Approach**. Incorporating climate concerns into banks' strategies and financing decisions, providing tools, procedures and evaluation and reporting systems



AN EXAMPLE OF TECHNICAL ASSISTANCE TO SUDAMERIS BANK IN PARAGUAY

Proparco provided a US\$ 40 million climate-action credit line for Sudameris Bank. The aim is to finance projects with climate-change co-benefits, and with special emphasis on energy efficiency.

Alongside the credit facility, a €110,000 technical assistance program has been provided (i) to help Sudameris Bank develop a pipeline of projects with climate-change co-benefits, (ii) to establish a framework for tracking environmental performance and reporting indicators in the Bank's IT system, and (iii) to scale up employees' capabilities.

FOCUS ON ILLUSTRATIVE TRANSACTIONS

Morocco **BANQUE CENTRALE POPULAIRE**
 Funding support for renewable energy projects

- Green Bond
- Renewable energy

€53 M subscription on a €100M green bond dedicated to renewable energy projects

Serbia **PROCREDIT**
 Supporting financing for projects with climate-change co-benefits

- Credit line
- Energy efficiency
- Renewable energy

€50M credit line of which 30% dedicated to projects with climate-change co-benefits

Costa Rica **BANCO PROMERICA**
 Support SMEs and assist the bank implementing climate-related activities

- Credit line
- Pro-Climate Approach

\$45 M credit line to support SMEs along with Pro-Climate technical assistance

Kenya **EQUITY BANK KENYA**
 Soutenir le financement de projets à co-bénéfices climat

- Credit line
- Energy efficiency
- Renewable energy

\$50 M credit line of which \$20 M dedicated to project mitigating effects of climate change

Paraguay **SUDAMERIS BANK**
 Supporting financing for projects with climate-change co-benefits

- Credit line
- Energy efficiency

\$40 M credit line for green financing and earmarked to Paraguayan SMEs

Ecuador **BANCO DE PICHINCHA**
 Supporting financing for energy efficiency projects

- Green bond
- Renewable energy
- Energy efficiency
- Access to drinking water

\$50M investment in a \$250 M bond issue mainly dedicated to housing and transportation

Our clients testify

CLIENT: BANCO BTG PACTUAL SA
COUNTRY: BRAZIL
LOAN: €83.7m

Through the funds provided by Proparco, we will finance sectors engaged in climate change mitigation, therefore reinforcing our expansion strategy of the credit portfolio with environmental benefits. This transaction comes along with two other green bond issuances of BTG Pactual since the end of 2020 and is aligned with our ambition of fostering financial solutions to social and environmental problems in Latin America. BTG learned with Proparco that calculating the carbon footprint (scope 1 and scope 2) of its credit portfolio is feasible and practical. This is a real added value, especially for discussions on green issuances by financial institutions and their relevance for the banking sector.



HOW CAN PROPARCO SUPPORT YOUR AMBITIONS TO CONTRIBUTE TO A SUSTAINABLE FUTURE ?

How can you increase climate finance ?

How do you incorporate climate issues into your business?

Integrate climate at all stages of your business—from strategic commitment to implementation and performance tracking

| STRATEGY | TOOLS | PERFORMANCE |
|----------|-------|-------------|
|----------|-------|-------------|

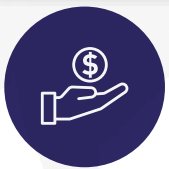


Distinguishing your offering with pioneering green products

DEVELOPING YOUR CLIMATE FINANCE OFFERING

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Dialogue on the adoption of a strategic climate vision • Give formal structure to an action plan | <ul style="list-style-type: none"> • Develop a climate finance offering • Put in place project eligibility and exclusion criteria | <ul style="list-style-type: none"> • Set internal procedures and reporting systems |
|---|---|---|

Technical assistance and financing



Accessing new sources of financing dedicated to climate-change related activities

ISSUING GREEN BONDS

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> • Assessment of preparedness | <ul style="list-style-type: none"> • Identify eligibility criteria | <ul style="list-style-type: none"> • Set internal procedures and reporting systems |
|--|---|---|

Technical assistance and financing



Addressing the expectations of financial regulatory and oversight bodies

STRENGTHENING INTERNAL PRACTICES

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> • Assessment of preparedness • Setting a climate strategy • Alignment with Task Force on Climate-related Financial Disclosures (TCFD) principles | <ul style="list-style-type: none"> • Establish project eligibility and exclusion criteria • Training in the use of a carbon footprint tool and vulnerability screening tools | <ul style="list-style-type: none"> • Set concrete goals and relevant indicators • Put in place a system for tracking climate performance |
|--|--|--|

Technical assistance



Anticipating climate financial risk

IDENTIFYING THE CLIMATE RISKS IN YOUR PORTFOLIO

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Incorporate climate risk into your strategy | <ul style="list-style-type: none"> • Training in the use of climate risk measurement tools | <ul style="list-style-type: none"> • Include climate risk in your internal procedures |
|---|---|--|

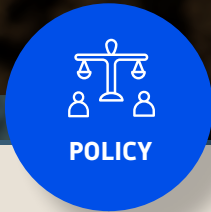
Technical assistance

AND YOU? HOW FAR HAVE YOU GONE WITH CLIMATE ALIGNMENT?

Test how you are doing with incorporating climate issues.



What is your position with regards to climate issues? Simply check the boxes that most accurately reflect your current approach to incorporating climate issues as presented here under three headings: policy, system and performance



POLICY



SYSTEM



PERFORMANCE

1

You want to commit to climate-related issues
You generally mention climate in your sustainable development strategy, but without policy support

You want to incorporate climate tools (e.g., a carbon footprint tool)
You would like to measure climate financial risk
You are looking to develop in-house climate capabilities

You would like to track your climate performance and assess the indicators used
You want to communicate on your climate-related activities

2

You include climate in your internal investment policy
You have set broad qualitative goals (e.g., by business sector)
Support from a manager for climate issues

You use climate tools
Climate is a component of your lending business
Employee training and/or recruitment of experts is possible
Efforts are made to build employee awareness of climate risk

You have set indicators for tracking your climate performance in specific areas/businesses
An in-house team assesses indicators
Indicators are used to shape decision-making

3

You pursue a climate strategy with qualitative and quantitative goals
You strive to align your entire business with the Paris Agreement

The tools are familiar to your staff and included in training programs
Climate is a component of your lending, financing and risk-management work
You have a dedicated climate team

Tracking climate performance is an integral part of how you manage the overall business
An outside party reviews your indicators and tracking framework
Your annual publications present your indicators in whole or in part

Thanks to its Pro-climate approach, Proparco supports you in the integration of methods and tools to develop your activity in favor of the climate.

“We are convinced that financial institutions can play a major role in the transition towards more sustainable models. Our ambition is to accompany them, in this global effort to fight against climate change.”

Grégory CLEMENTE, Chief Executive Officer of Proparco



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