



MACQUARIE

Green
Investment
Group

An introduction to Sustainable Finance Taxonomies

4 February 2020

Important notice and disclaimer



Green
Investment
Group

Important Notice and Disclaimer

The information contained in this presentation is confidential and must not be disclosed to any other party.

This presentation does not constitute an offer, invitation or recommendation and does not oblige Green Investment Group Limited (or any of its affiliates, or funds managed by its affiliates) ("**GIG**") to make an investment, underwrite or otherwise acquire an interest in any securities or to provide any financing in relation to the content of this document. Any proposal or offer would be conditional upon, amongst other things, GIG obtaining internal approvals and external approvals and detailed legal, taxation and accounting advice.

This presentation does not purport to contain all the information that may be required by the Recipient to assess its interests in any proposal. GIG has prepared this presentation on the basis of information which is publicly available, and sources believed to be reliable. The accuracy of such information (including all assumptions) has been relied upon by GIG, and has not been independently verified by GIG. Recipient should conduct its own independent investigation and assessment as to the validity of the information contained in this presentation, and the economic, financial, regulatory, legal, taxation, stamp duty and accounting implications of that information. Recipient represents that it is not relying on any recommendation or statement of GIG. Except as required by law, GIG and its respective directors, officers, employees, agents and consultants make no representation or warranty as to the accuracy or completeness of the information contained in this presentation, and take no responsibility under any circumstances for any loss or damage suffered as a result of any omission, inadequacy, or inaccuracy in this presentation.

This presentation may contain certain forward-looking statements, forecasts, estimates, projections and opinions ("**Forward Statements**"). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. Actual future results and operations could vary materially from the Forward Statements. Similarly no representation is given that the assumptions disclosed in this presentation upon which Forward Statements may be based are reasonable. Recipient acknowledges that circumstances may change and the contents of this presentation may become outdated as a result.

The recipient acknowledges that neither it nor GIG intends that GIG act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. Each of the recipient and GIG, by accepting and providing this presentation respectively, expressly disclaims any fiduciary relationship and agrees that the recipient is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this presentation.

Green Investment Group Limited is not authorised or regulated by the Financial Conduct Authority or the Prudential Regulatory Authority. Green Investment Group Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), nor do its obligations represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of Green Investment Group Limited.

Green Investment Group



Green
Investment
Group

GIG is a specialist developer, sponsor and investor, established to accelerate the transition to a greener global economy



Investment track record



£20+ bn

committed and arranged to support green energy projects¹

8 GW

operational renewable energy capacity supported¹



Global footprint



400+ staff

in GIG or Macquarie operating under the GIG brand³



25+ countries

with investments or operations



Green impact



493 TWh

lifetime renewable energy generation²



181 MTCO₂e

lifetime GHG emissions avoided²

1. Combining historic activity where UK Green Investment Bank (GIB), GIG or Macquarie Capital have contributed equity investment or debt

2. From cumulative GIB and GIG projects to 31 March 2019, including investments that are now held by other investors

3. Includes operating platform employees



What is a Sustainable Finance Taxonomy?

Overview of a Sustainable Finance Taxonomy

- Definition: “*taxonomy: a system for naming and organizing things... into groups that share similar qualities*”¹
- Sustainable finance taxonomies list projects, assets and activities² that can make a contribution to defined environmental and/or sustainability objectives
- Seek to provide a “common language and reference point”³ for financial market actors: investors (incl. fiduciaries/beneficiaries, lenders, bond purchasers), investees (incl. borrowers, listed & unlisted companies), regulators, policy-makers, civil society, etc.
- Intended to help direct flows of capital to deliver more sustainable outcomes
- May provide guidance on how to assess the environmental or sustainability credentials of activities
- May set minimum standards (e.g. “substantial contribution” to sustainability objectives vs. ‘transitional’) and criteria/thresholds for inclusion and exclusion
- Use cases may include: policy-makers incentivising certain types of activity or investment, borrowers seeking finance for specific use of proceeds (e.g. green bond issuers), or asset managers demonstrating to their beneficiaries that they are investing sustainably.

1. Cambridge English Dictionary (2020). <https://dictionary.cambridge.org/dictionary/english/taxonomy>

2. ISO 14030: “projects, assets and activities”; EU TEG: “economic activities”; Green Bond Principles: “Green Projects”; Climate Bonds Standard: “Projects & Assets”

3. EU Technical Expert Group on Sustainable Finance (2019). *Taxonomy Technical Report*. https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy_en

What Sustainable Finance Taxonomies exist?



Notable ‘taxonomies’ for green/sustainable finance

- Green Bond/Loan Principles (2014) – “indicative list of project categories”
- Climate Bonds Standard (2015) – Sector Criteria Available for Certification
- People’s Bank of China Green Bond Endorsed Project Catalogue (2015)
- Ministry of the Environment of Japan Green Bond Guidelines (2017) – “examples of Green Projects”
- EU Sustainable Finance Taxonomy (2019)
- ISO 14030 Green debt instruments – Part 3: Taxonomy (draft – Q2 2020; final – 2021)



How should taxonomies be used?



Sustainable finance taxonomies are useful for:

- Setting a common language
- Providing an overarching framework against which market participants can evaluate the contribution of projects, assets and activities to a common standard
- Providing technical guidance to users on how to evaluate Environmental, Social & Governance issues common to types of activity and location
- Helping financial market actors building capacity to address sustainability considerations

Sustainable finance taxonomies should not be:

- Used outside their intended scope (i.e. there may be geographic, technological or sectoral limitations) without due consideration
- Considered as permanent – taxonomies will require continuous re-evaluation
- Used as a ‘cheat sheet’, or substitute for proper evaluation and disclosure:
 - Assessment of positive contribution to sustainability objectives
 - Assessment of negative impacts on sustainability objectives (‘Do No Significant Harm’)
 - Consideration of risk/uncertainty
 - Transparent disclosure