The Alliance For green Commercial Banks

ACCELERATING
THE GREEN TRANSFORMATION OF FINANCIAL INSTITUTIONS

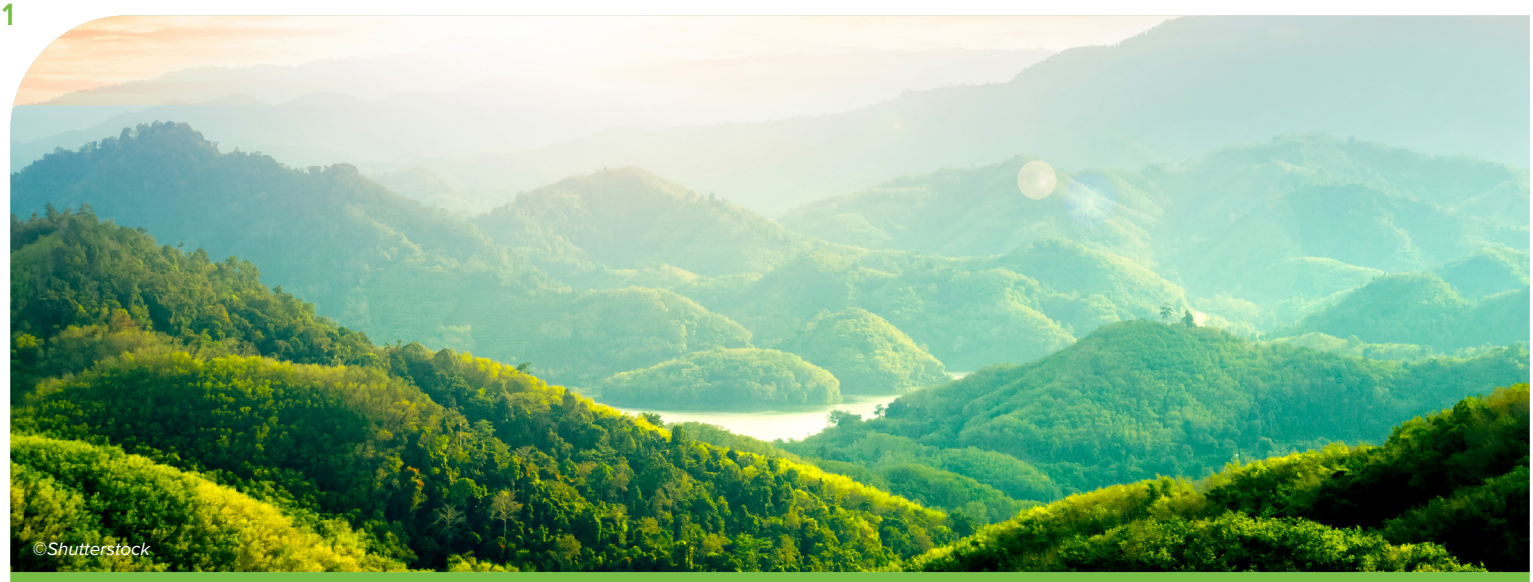
For Financial Institution Readers

IN PARTNERSHIP WITH

CWPF
CHINA-WORLD BANK GROUP PARTNERSHIP FACILITY

HONG KONG MONETARY AUTHORITY
香港金融管理局

IFC International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities



©Shutterstock

GREENER BANKS LEAD TO A GREENER EARTH

Following the Paris Agreement, 192 countries* around the world submitted their Nationally Determined Contributions (NDCs) with pledges to reduce greenhouse gas (GHG) emissions under the United Nations Framework Convention on Climate Change (UNFCCC).

To achieve these climate targets, many countries have created policy packages to green their economies. Green financing needs however remain unmet, indicating a significant untapped potential for financial institutions to grow their green financing products and services. The green financing gaps will only be bridged if financial institutions adopt strategies and targets to develop green finance products and services to support the real economy in the green transition.

To achieve global climate targets and respond to the policy packages needed to green national economies, tremendous financing is required that cannot be met by the public sector alone. Private sector financing is crucial to a green transition.

The financial sector, and commercial banks in particular, therefore have an important role to play, especially in emerging markets where government budgets are limited.

This need also offers tremendous investment opportunities. The International Finance Corporation (IFC)'s research estimates more than $29 trillion in climate investment opportunities in cities in emerging markets over the next decade. Sectors include green buildings, public transportation, electric vehicles, waste, water, and renewable energy.

Meanwhile, adopting green practices offers financial institutions - especially regional and boutique banks in emerging markets - a powerful means to differentiate themselves and grow by attracting international capital and customers seeking sustainable finance options.

By reducing risk and unlocking new business opportunities, green finance can help these financial institutions outperform and reposition themselves against other market competitors, gain market share, and increase profitability.

UNFCCC data as of September 16th, 2021

COMPARED WITH THE TOTAL INVESTMENT REQUIRED OVER THE NEXT FIFTEEN YEARS TO MEET THE GOALS SET BY THE PARIS AGREEMENT, THE CLIMATE FINANCE GAP IS $2.5 – 4.8 TRILLION. BRIDGING THIS GAP WOULD REQUIRE AN ADDITIONAL $166 – 322 BILLION PER YEAR BASED ON CURRENT INVESTMENT ESTIMATES.*

OUR GOAL

IFC's extensive global experience and local market knowledge in climate finance and sustainability risk management allows the Alliance for Green Commercial Banks (the Alliance) to support financial institutions with:

- **Growing financial institutions' green portfolios;**
- **Designing new products and services for green projects and businesses;**
- **Improving employees' knowledge capacity on green finance;**
- **Reducing and off-setting financial institutions' carbon footprints;**
- **Screening portfolios against a 2-degree transition pathway and exposure to climate risk;**
- **Adherence to international best practices in managing environmental and social risk and performance in lending and investments.**

IFC has been piloting successful green finance models in China, Ukraine, and some parts of Latin America. Leveraging IFC's expertise, the Alliance aims to inspire more financial institutions globally to explore differentiated and distinctive green development paths that meet a robust and credible standard. If successful, this will reshape the green finance market globally and mobilize more resources in climate-related industries to reduce GHG emissions.

**Global Green Growth Institute, (2016), Mind the Gap: Bridging the Climate Financing Gap with Innovative Financial Mechanisms*

OUR COMMUNITY

The Alliance is a new initiative that brings together financial institutions, research institutions, and innovative technology providers to work together to develop a community of green financial institutions across emerging markets and finance the infrastructure and business solutions needed to urgently address climate change.

Asia Chapter:

Starting in Asia, IFC will work with the first Regional Anchor - the Hong Kong Monetary Authority (HKMA) - to support financial institutions on their journey to become green finance leaders. Specifically, IFC and the HKMA will jointly launch targeted initiatives in the region to undertake green finance research, provide unique market insight, tailor capacity building/training support, and provide practical guidance for the Alliance's participants. These campaigns will help the participants develop their own roadmaps to mainstream green finance as their core business, enhance existing green financial products and services, and develop new green capital market products.

©Dominic Chavez/International Finance Corporation

How it works:

The Alliance will connect ambitious institutions that are committed to urgency and excellence in green finance to address the world's most pressing challenges by:

Act as One-stop Knowledge Hub: Creating a one-stop shop and peer-to-peer learning platform for financial institutions to acquire knowledge, tools, and business information to develop their green finance roadmaps and transform their institutions into credible green financial institutions.

Forge Community of Practice and Innovation: Bringing together the leaders in green finance to develop a community of green financial institutions across emerging markets. Facilitate dialogue and provide thought leadership to catalyze green finance development.

Deploy Advisory Support for Green Transformation: Accelerating the transformation of green banks and green financial institutions and financing the infrastructure and business solutions needed to urgently address climate change.

Facilitate Investment for Green Business Opportunities: Helping members and partners of the Alliance collaborate and unlock the trillions available in green and climate-related investment opportunities and scale up green finance to support a progressive transition to a sustainable future.

The Alliance will include financial institutions, technology providers, and corporates that commit to work with IFC to forge a global community of practice to support green financial institution transformation and promote climate investments. Global Partners could include research institutions, think tanks, and industry partners. The Alliance's members commit time, resources, and expertise to participate in the Alliance's activities, such as attending and co-chairing events, developing unique market research, and publishing technical reports on timely topics.

THE ALLIANCE'S KEY PILLARS

Green Portfolio

- Mainstream green finance and reduce financing to GHG intensive industries

Green New Business

- Grow green business
- Diversify green financial instruments

Strategic Commitment

- Green strategic planning
- Improve green finance capacity

Carbon Neutral

- Achieve a state of zero carbon dioxide emissions

  or

- Achieve net zero carbon dioxide emissions

Environmental, Social & Climate Risk Management

- Strengthen climate risk management
- Establish environmental, social, and governance (ESG) structure

---

Sustainable Development Goals impacted by the Alliance

HOW TO PARTICIPATE

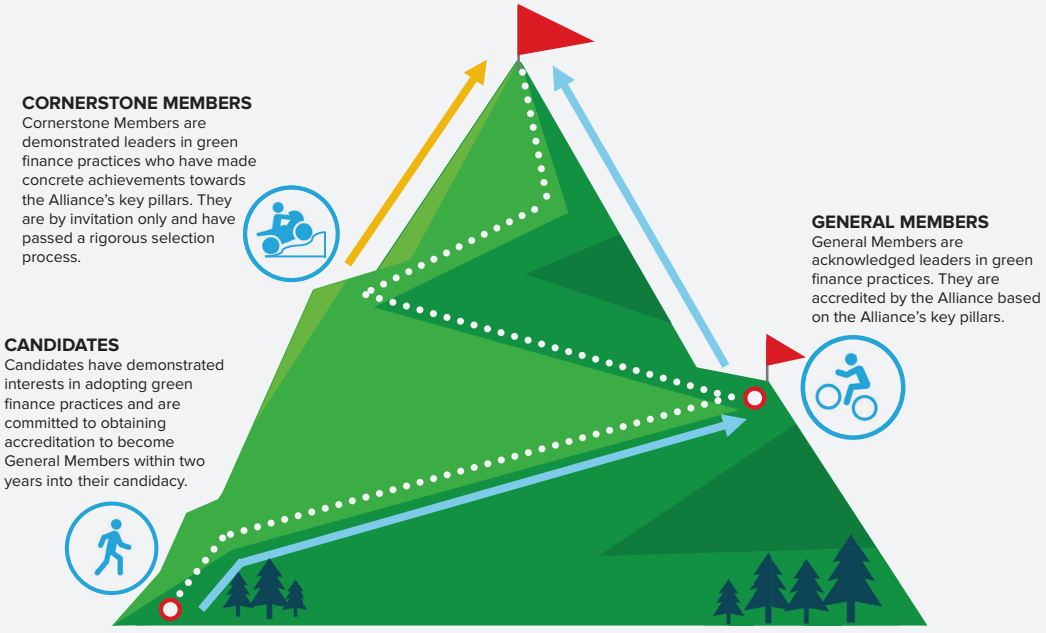
ELIGIBILITY CRITERIA

Candidates, General Members, and Cornerstone Members are expected to:

- Apply IFC's Environmental and Social Performance Standards or other internationally recognized standards that are substantially equivalent to IFC's Performance Standards;
- Commit to publicly disclose minimum information on high-risk projects*, such as name, year of financial close, sector, and host country**;
- Work to measure their green lending baseline and set concrete targets to increase their green portfolio by 2030;
- Reduce exposure to coal-related projects;
- Establish a robust monitoring and reporting system for green business.

**Project finance to a borrower to support a business activity that may include a) involuntary resettlement, b) risk of adverse impacts on Indigenous Peoples, c) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage or d) significant Occupational Health and Safety risks.*
***The disclosure of name, year of financial close, sector, and host country of high-risk projects is subject to a) obtaining client consent, b) applicable local laws and regulations, and c) no additional liability for the financial institution as a result of reporting in certain identified jurisdictions.*

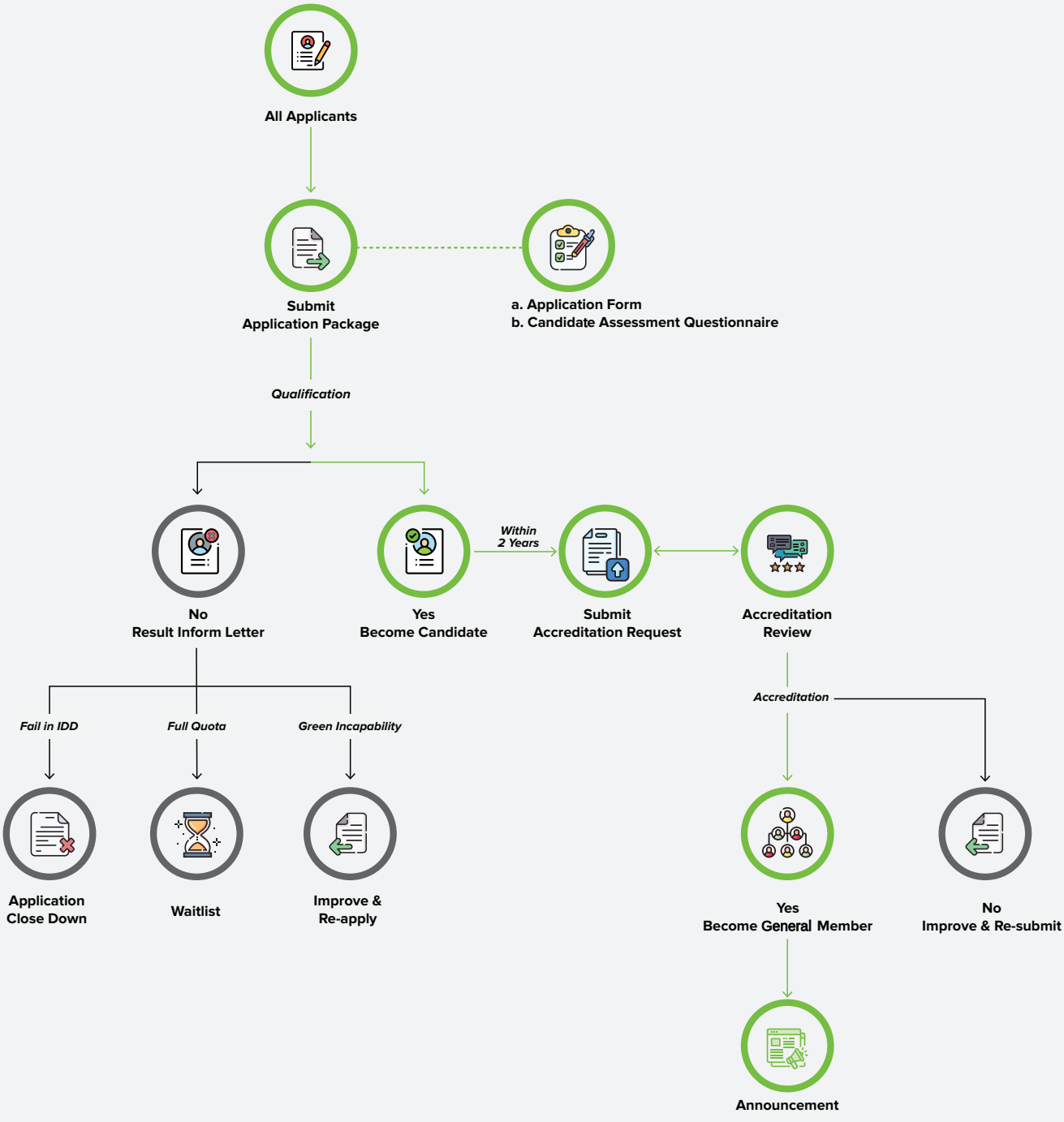
MEMBERSHIP STRUCTURE



Note: *Cornerstone Members are by invitation only. General Members or Candidates will not become Cornerstone Members. However, they share the same goal, which is to achieve green transformation.*

APPLICATION PROCESS

The processes for Candidate Qualification and General Member Accreditation are highlighted below:



Qualification

- Qualification Review Conducted by the Alliance

Accreditation

- Accreditation Review Conducted by Third Party Approved by the Alliance

MEMBERSHIP OBLIGATIONS AND BENEFITS

	Obligations	Benefits
Candidate	• Adopt the Alliance's key pillars and obtain the accreditation within two years (if accreditation is not obtained within two years, Candidates can reapply); • Launch new green financial products; • Participate in the Alliance's events (for example, forums, workshops, and seminars); • Contribute case study(ies) of green finance practices (for example, new green products, typical green finance projects) to the Alliance annually; • Publicly report on green development progress annually.	• Join the leading community of green financial institutions and Global Partners to help shape the future of climate finance; • Discover best practices across the globe to grow green finance businesses; • Access to thought leadership pieces, research, training programs, and international resources for green financial institution transformation; • Access to IFC's advisory service to enhance operational excellence in green transformation (optional and charged services)*; • Exchange knowledge through the Alliance's Annual Forum, green finance seminars, working groups, and regional study tours; • Enhance branding in climate business in global markets and be recognized by the global community through progress reporting and the Alliance's awards; • Eligibility to apply for the Alliance's membership.
General Member	• Actively implement the Alliance's key pillars; • Launch institution-wide green policies, practices, and standards on an ongoing basis; • Participate in the Alliance's events as a moderator or speaker; • Organize and/or host green finance session at the Alliance's event; • Contribute knowledge piece on green finance practices to the Alliance annually; • Co-author the annual Asia Green Finance Development Report with the Alliance; • Mentor new Candidate(s); • Publicly report on green development progress annually.	• Join the leading community of green financial institutions and Global Partners to help shape the future of climate finance; • Exchange best practices with the Alliance community to grow green finance businesses; • Early access to thought leadership pieces, research, training programs, and international resources for green financial institution transformation; • Early-stage involvement in drafting market-based guidance and standards with the Alliance; • Demonstrate leadership through the Alliance's Annual Forum, green finance seminars, working groups, and regional study tours; • Promote green and sustainability branding in global markets; • Be part of a prestigious group of leaders helping to shape the green finance ecosystem.

**IFC's paid advisory service includes a comprehensive diagnostic report and a green development roadmap. The service will be provided by IFC (a bilateral relationship between IFC and the Candidate) and HKMA will not be involved. Candidates can also choose to hire an external consultant to guide their green transformation.*

Cornerstone Member	• Play a key role in the development of the General Member accreditation criteria with IFC and HKMA; • Actively engage in industry green transformation by initiating dialogue and establishing partnerships with green pioneers both within and outside of the Alliance; • Participate in the Alliance's quarterly meetings; • Continue progressing towards achieving all five pillars while sharing best practices on the pillars achieved; • Co-organize the Alliance's events; • Co-author or provide consultation on the Alliance's thought leadership pieces, research, and frameworks development; • Mentor new Candidate(s); • Publicly report on green development progress annually; • Participate in the Alliance's annual green transformation report (for example, provide case studies and ESG data).	• Join the leading community of green financial institutions and Global Partners to help shape the future of climate finance; • Exchange best practices with the Alliance community to grow green finance businesses; • Amplify influence and become an opinion leader on green finance by providing training on relevant topics; • Co-author the Alliance's thought leadership pieces, research, training programs, and international resources for green financial institution transformation; • Early-stage involvement in strategy development and drafting market-based guidance and standards with the Alliance; • Demonstrate leadership through the Alliance's Annual Forum, green finance seminars, working groups, and regional study tours; • Promote green and sustainability branding in global markets; • Be part of a prestigious group of leaders helping to shape the green finance ecosystem.

Frequently Asked Questions

FOR THE ALLIANCE FOR GREEN COMMERCIAL BANKS (THE ALLIANCE)

1. How does the Alliance define "Green Finance" and "Green Commercial Banks"?

"Green Finance" in the context of the Alliance refers to the green finance taxonomy defined in 2016 by United Nations Environment Programme (UNEP) and the People's Bank of China (PBOC) for the G20 Green Finance Study Group (GFSG): Financing of investments that provide environmental benefits in the broader context of environmentally sustainable development. As one of its most important objectives, the Alliance works with participants collectively to define the term "Green Commercial Banks" and set targets and standards to aspire and commit financial institutions to green transformation.

2. How does the Alliance operate as a global community of practice?

The Alliance is a new global initiative that brings together financial institutions, research institutions, and innovative technology providers to work together to develop a community of green financial institutions across emerging markets to finance the infrastructure and business solutions needed to urgently address climate change.

At the global level, there is the Secretariat that is responsible for the overall administration of the Alliance. To better understand the development needs and to lead regional initiatives and campaigns in different regions, the Secretariat partners with "Regional Anchors" to jointly establish the Alliance's Regional Chapters. Regional Anchors are responsible for the daily management of the Regional Chapters, while working with the Secretariat to undertake green finance research and provide unique market insights, design tailored capacity building/training support, and provide practical guidance for financial institutions to develop their green financial products and services.

Asia Chapter: In 2020, HKMA signed a partnership agreement with IFC to become the first Regional Anchor for the Asia Chapter.

3. How many countries/areas are covered in the Alliance's Asia Chapter?

The Alliance's Asia Chapter will cover all Asian jurisdictions under the World Bank's classification. For more information, please refer to the World Bank's webpage *'World Bank Country and Lending Groups.'*

FOR THE MEMBERSHIP OF THE ALLIANCE

1. What kinds of organizations can apply to become a General Member of the Alliance?

1) The participants of the Alliance are initially composed of financial institutions and in a later stage, also innovative non-financial institution companies from the green industry.

2) For financial institutions, we will take a stage-by-stage approach - starting with commercial banks, moving into investment banks, then non-bank financial institutions (e.g., insurance companies, financial leasing companies, trust companies, exchanges, financial asset management companies, and finally consumer finance companies).

3) In a later stage, the Alliance will also welcome companies that work in renewable energy, energy efficiency management, smart energy, green buildings, smart transportation, environmental management, waste treatment and recycling, as well as financial technology companies.

Based on the Alliance's goal to promote the development of green financial institutions globally, it makes the following limitations on the composition of new applicants each year.

Type of applicant	Limitation
Financial institutions	The number of new financial institution applicants is no less than 70% of the total number of new applicants each year.
Corporations	The Alliance will welcome non-financial institutions in a later stage. The number of new corporate applicants will be no more than 30% of the total number of new applicants each year.

2. How to join to the Alliance?

1) Contact the Regional Anchor and refer to the Alliance's brochure for application processes and materials.

2) Complete the application package and send to the Regional Anchor by email.

3) The Regional Anchor will endeavour to inform the result of the application within 35 working days upon receipt of all required information.

4) For general inquiries, please reach out to the Alliance by email at ***alliance@ifc.org.***

3. Is there a membership fee requirement for applicants?

1) There is no membership fee required during the two-year pilot period of the Alliance's membership scheme.

2) After two years, the Alliance will review the policy on membership fee.

3) Any expenses resulting from participation in the Alliance's activities shall be the responsibility of the applicant/Candidate/General Member/Cornerstone Member.

4. Can different regional branches become participants of the Alliance?

1) The major regional branches of financial institutions may participate in the Alliance in addition to other branches and/or the HQ office.

2) The application of regional branches must be additionally approved by the financial institution's HQ office.

FOR ELIGIBILITY CRITERIA

1. Does the eligibility criteria apply to all the participants?

1) The eligibility criteria apply to all Candidates, General Members, and Cornerstone Members of the Alliance.

2) Corporate participants will not be required to apply terms on green finance under the eligibility criteria.

FOR CANDIDATE QUALIFICATION AND GENERAL MEMBER ACCREDITATION

1. What are the processes for Candidate Qualification and General Member Accreditation?

1) Applicants need to submit the application package, which contains an application form and a candidate assessment questionnaire. The qualification review will be conducted by the Alliance. Applicants who pass the review will become Candidates.

2) Within two years into candidacy, Candidates can submit the accreditation request to become General Members. The accreditation review will be conducted by a third party approved by the Alliance. To pass the accreditation, Candidates need to complete the green transformation and achieve specific targets related to the Alliance's key pillars.

2. Do the Candidate Qualification and General Member Accreditation apply to all branches of a financial institution?

1) For financial institutions whose headquarter office is an applicant or Candidate of the Alliance, the qualification and accreditation will be assessed based on the institution's overall performance.

2) For financial institutions whose regional branch is an applicant or Candidate of the Alliance, the qualification and accreditation will only be assessed based on regional branch performance.

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

A member of the world bank group – is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2021, IFC committed a record $31.5 Billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of the Covid-19 pandemic. For more information, visit *https://www.ifc.org/*.

HONG KONG MONETARY AUTHORITY
香港金融管理局

The Hong Kong Monetary Authority (HKMA) is Hong Kong's central banking institution. One of the HKMA's main functions is to maintain Hong Kong's status as an international financial centre, including the maintenance and development of Hong Kong's financial infrastructure. The HKMA is committed to promoting green and sustainable finance and collaborating with local and global stakeholders in order to address climate risk. For more information on the HKMA, please visit *https://www.hkma.gov.hk/eng/*.

CWPF
CHINA-WORLD BANK GROUP PARTNERSHIP FACILITY

The China-World Bank Group Partnership Facility (CWPF) was established in July 2015 with the objective to enhance cooperation between China and the World Bank Group (WBG) and to leverage both financial and knowledge-based resources to contribute to the WBG's twin goals of eliminating extreme poverty and creating shared prosperity. CWPF seeks to enhance tripartite cooperation between China, recipient countries, and the WBG by leveraging different pools of resources, both financial and knowledge-based, to support demand-driven activities. The Facility with its flexible structure allows financing of investment projects and operations, knowledge exchange and South-South learning activities, as well as by supporting global and regional programs. China has contributed US$50 million to the Facility. CWPF is managed by the World Bank's Development Finance Vice Presidency (DFi).

The Alliance For green Commercial Banks

JOIN US

Join the leading community of green financial institutions and Global Partners to shape the future of climate finance together. Together we will evolve the financial sector to:

- Build Green Financing Capacity
- Accelerate Green Transformation
- Facilitate Green Innovation
- Unlock Green Investment Opportunities
- Build a Green Finance Movement

We look forward to partnering with you. Submit your application form online or via email today.

For questions, please email us at ***alliance@ifc.org*** or visit our official ***website***.

IN PARTNERSHIP WITH

CWPF CHINA-WORLD BANK GROUP PARTNERSHIP FACILITY

HONG KONG MONETARY AUTHORITY 香港金融管理局

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities