

Green Definitions and Standards

Task B.2 of project “Green Financial System for
Kazakhstan”

Final Report

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1. Adoption of green standards by AIFC

1.1 Recommendations from earlier project work

Green standards have been reviewed in project tasks A.3, A.5 and B.2. Task A.3 focused on a review of international experiences in green financial system, task A.5 on a capacity assessment of Kazakhstan’s ability to support the Paris Agreement and task B.2 on green financial regulations in Kazakhstan. This body of work and initial recommendations serve as a starting point for the recommendations on the adoption of green standards by the AIFC. A summary of select conclusions relating to green standards is provided in Table 1 below.

Task / recommendation	Description
Anchor green financial system transparently into international disclosure frameworks and standards across asset classes and investor types (A.3)	<p>On a high-level AIFC should promote and support the creation of a national climate finance tracking framework for Kazakhstan’s NDC for reporting on climate finance for the global stocktaking under the Paris Agreement. The joint MDB definitions and approach for mitigation and adaptation could be used as a starting point. This would give AIFC a national role in international climate finance and build itself as a hub for climate finance, including projections on implementing the NDC.</p> <p>The specific recommendations for the financial industry by the Task Force on Climate-related Disclosures could form the basis of AIFC disclosure rules and be the starting point for more sector-specific standards and protocols for e.g. project finance, asset management or emission reduction calculations, making extensive use of existing guidelines, standards and best practice.</p>
Establish formal links with international standards and regulatory bodies (A.3)	<p>There is a vast body of international organisations and networks pushing forward disclosure rules, product standards, investor coalitions and industry networks on green financing.</p> <p>Many examples provided illustrate benefits of strong networks and ecosystems around green financing both with international networks and local associations and NGOs.</p> <p>AIFC could build a regional networking hub for green finance by establishing formal links with key international bodies and offering support for e.g. establishing permanent regional secretariats or representations.</p> <p>Evaluate and define AIFC role in becoming an Accredited Entity for the Green Climate Fund.</p> <p>Should AICF be involved in coordinating and compiling climate finance reporting to the UNFCCC, it should closely monitor the work of the Standing Committee of Finance and the related decisions and templates, and develop guidelines for gathering the necessary information from climate-related investments, making use of ongoing international efforts to harmonise climate finance reporting</p>
Reporting and assessment standards (A.5)	<p>Applying robust reporting and assessment standards are key to enhancing the credibility of green investment. According to UNEP, “Effective reporting and disclosure is a foundational element of a sustainable financial system – enabling consumers to pick the</p>

	<p>right financial products, investors to make informed choices, and regulators to assess threats to financial system resilience from sustainability-related shocks.”¹</p> <p>In order to advance the level of disclosure and assessment of environmental risks and impacts, Kazakhstan could consider making some of the currently voluntary standards, described in the international context section above, mandatory by amending the relevant regulation.</p>
Private sector engagement and greater public-private collaboration (A.5)	<p>Promote adoption of voluntary sustainability principles: Authorities together with multilateral development institutions could encourage private sector participants to adopt voluntary sustainability principles, including reporting on implementation. For the banking sector, the Equator Principles could be considered which are comprehensive and well established whereas for financial investors, the UN’s Principles for Responsible Investment. Also following the newly established Principles for Positive Impact Finance could bring a positive view of the impacts of green finance in the country, and could be promoted by authorities. These initiatives could help drive better environmental risk management and reporting through knowledge and capacity building.</p>
Selecting green standards (A.6.3)	<p>The key determinant for AIFC for choosing a standard should be the scope of its mandate in green finance and the related focus area(s) in the financial industry. The task recommendations provided a matrix for categorising the different standards on the basis of the financial segment they target and the type of standards that they represent. The purpose of this matrix is to illustrate that standards have different purposes and that they serve different segments of the financial industry.</p>

Table 1. Select views and conclusions on green standards from earlier project work

As highlighted by several recent reports on climate finance, there is no shortage of green standards, rules and guidance for the financial industry. UNEP FI estimated that out of over 250 different actions on green finance world-wide, almost 40% of all actions are focused on disclosure, metrics and reporting. These green standards cut across all segments of the financial industry.

The analysis in Task A.6.3 is concluded by categorizing the identified green standards for financial institutions into three classes on the basis of the basic purpose of the standard. First, measurement standards are used to quantify environmental impacts or to define the environmental quality of underlying finance. These are typically standards that act as eligibility criteria or guidance for environmental performance measurement and results-based payments. The second category includes standards that are focused on defining how green finance should be tracked and reported. The third category, disclosure standards, defines what information must be disclosed to evaluate risks. This categorization is used in the recommendations provided for adoption of green standards below and table 2, from task A.6.3. provides an overview of this categorization. The table shows e.g. that the IFI GHG Accounting Standard (project finance and investments) and Climate Bonds Standard (debt capital) represent a type of standard that allows the user to measure or determine the quality or quantity of an underlying investment. The EBRD E&S Framework also includes guidance e.g. on determining the quantity of emissions of investment projects. The second category of standards focus on definitions for tracking climate finance or reporting on specific green financial flows such as project finance (Equator Principles or Green Bond Principles). Disclosure standards, as discussed above focus on the provision of climate risks and opportunities for regulators, investors and other stakeholders.

Table 2 also illustrates the diversity of approaches that AIFC could take in adopting one or several green standards in line with its future mandate. In addition to the convenience of adoption, AIFC

¹ UNEP (March 2016) Building a Sustainable Financial System in the European Union

needs to understand how green standards are linked to each other, how they relate to national and international GHG accounting frameworks and what type of green financing green standards can unlock or promote. For instance, adoption of green bond standards promote the emerging green bond markets whereas alignment with the MDBs' standards promote access to MDB funding. GHG accounting standards are a precursor for results-based climate finance where verified results (emission reductions) are used to access financing. The Green Climate Fund is one potential future source of results-based climate finance. The choice of green standards is thus also linked to the targeted sources of international funding for the Green Economy Concept.

Whatever standards are chosen, they should be relevant for the activities in question, make use of and contribute to international best practices. Provision of details on underlying assumptions, definitions and methodologies can promote the quality of reporting and facilitate the incorporation of changes in green standards as they evolve over time. Currently, the principles and approaches developed by MDBs are arguably a good proxy for what UNFCCC standards may look like in the future. The adoption of best practice as a frontrunner is generally a wise strategy in an area such as green finance where the standards are likely to become stricter and mandatory over time.

Financial segment	Whole Financial Institution		Project Finance and investments	Asset management	Debt capital
Green Standard Type					
Measuring quality or quantity		EBRD E&S framework	IFI GHG accounting standard		Climate Bonds Standard
Finance tracking and reporting standard	MDB common principles		Equator Principles		Green Bond Principles
Disclosure standards	FSB Disclosure Framework, CDSB			PRI	

Table 2. Summary of Categorization of green standards from Task A.6.3

1.2 AIFC governance structure

The Astana International Financial Center is a new financial market established by Kazakhstan's President to stimulate further development of the country's financial sector. The AIFC operates through its own governance system, own court and regulatory system, based on English Law. The governance structure of the AIFC is presented in figure 1 below and it is presented in more detail in the Final Report and earlier project work. The structure includes the Management Council as the supreme authority governing the AIFC through the JSC AIFC Authority, the main operational entity. The Council and the Authority govern the different institutions of the AIFC and also provide strategic direction and the budget for the AIFC. The Council is anchored to the highest levels of Government in Kazakhstan and includes among others the President and the Prime Minister of the Republic of Kazakhstan, as well as the Governor of the Central Bank. The Council makes the resolutions that govern the different institutions that operate under the AIFC.

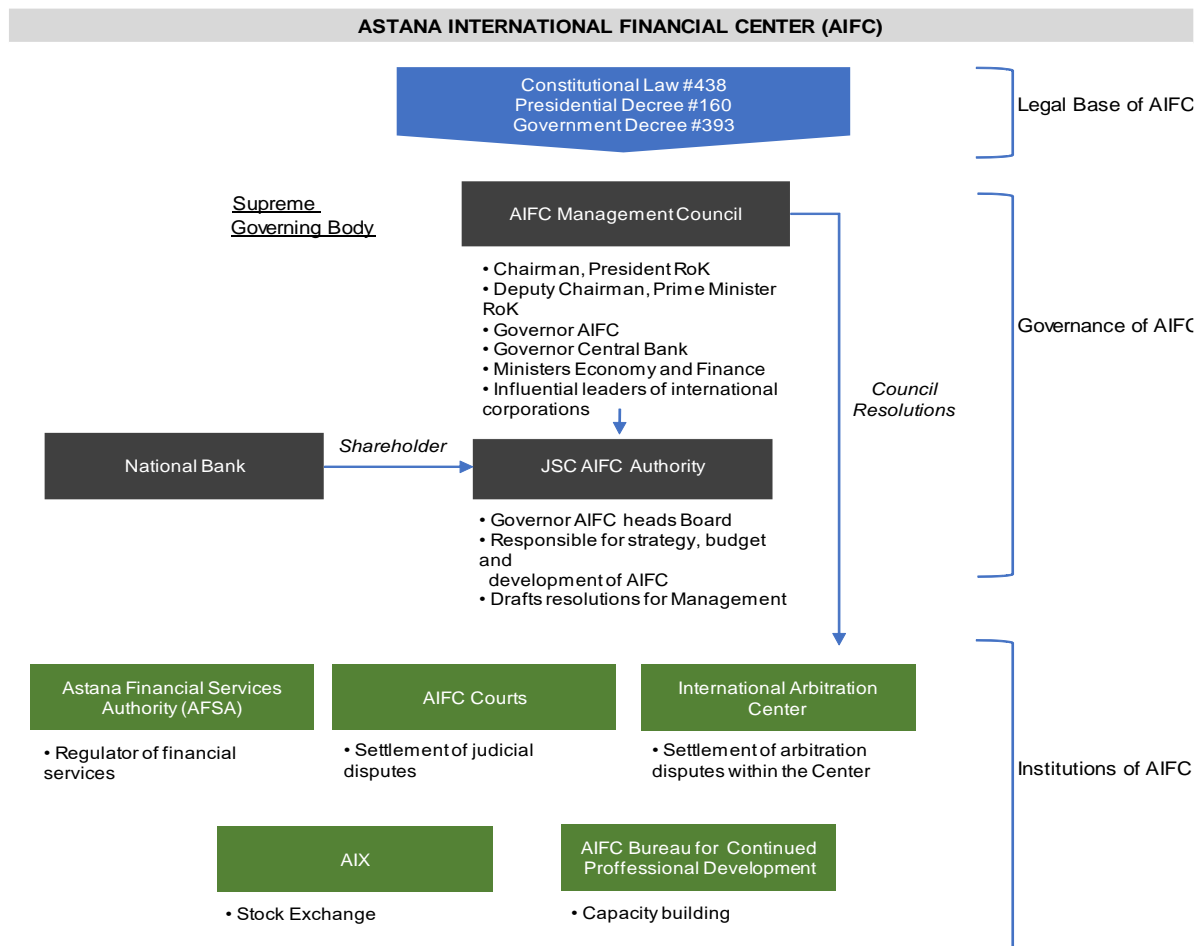


Figure 1. Governance structure of the AIFC

The AIFC operates through five institutions that operate under the rules issued by Council and the strategic guidance of the AIFC Authority. The institutions include; AFSA - the Astana Financial Services Authority, AIFC Courts, the International Arbitration Center, the AIX and the AIFC Bureau for Continuing Professional Development. The roles of each institutions are defined² as follows:

- *AFSA, the Astana Financial Services Authority* is the regulator of financial services within the AIFC territory;
- *AIFC Courts*, settles judicial disputes within the AIFC territory;
- *International Arbitration Centre*, settles arbitration disputes within the AIFC territory;

² Please see project report "Task A.4 Review of the ability and potential of Kazakhstan's financial sector to support the Paris Agreement" for a closer review of the role of AIFC institutions.

- AIX, securities exchange; and,
- AIFC Bureau for Continuing Professional Development, provides capacity building services, education and training assistance and professional certification to market participants.

The AIFC’s governance framework enables green standards to be introduced on several levels of the organisation. These standards can be established as stand-alone green standards or embedded into key regulatory themes. On the top-level, the AIFC Authority is responsible for the overall regulatory framework for AIFC as well as industry/product specific regulation. It can propose resolutions to be issued by the Council, providing a general (covering all AIFC) or institution-specific guidance on a specific subject, such as e.g. disclosure. On the second-level of governance, the Astana Financial Services Authority, the regulator, sets regulation for the financial services provided under the AIFC. This could include the adoption of certain green standards. On the third-level, separate institutions, e.g. the AIX, can issue their own industry- or product specific green standards or guidelines under their governance mandate as the operator of the exchange.

1.3 Positioning green standards into the AIFC governance structure

The section above concluded that the governance structure of AIFC makes it possible for the Management Council to influence/guide the financial regulator of the AIFC to adopt green standards across the operations of the AIFC. UNEP FI in its recent report³ highlights the opportunities and the need to build in sustainable development considerations into the core architecture of financial standards. The report identified five “entry points”, highlighted in figure 2 below, through which a regulator can introduce green/sustainable development considerations into the financial system; systemic risk, governance, transparency, risk/materiality and culture. Each of the five issues feature in normal financial regulation and could thus be extended to include features of sustainable development. For instance, management of systemic risk could include scenarios for abrupt physical impacts from climate change on e.g. agriculture or rapid impacts on demand for fossil fuels from carbon regulation and reduced cost of renewable energy. Alternatively, disclosure and transparency rules for financial institutions could be extended to cover environmental performance.

Five Entry points to integrate sustainable development into financial standards:				
(1) Systemic Risk	(2) Governance	(3) Transparency	(4) Risk/Materiality	(5) Culture
Incorporate environmental and social issues explicitly into the guidance for managing systemic risks	Embed environmental and social issues into the governance standards across all the finance sector actors	Measure and report the social and environmental performance and impacts of financial sector activities	Include social and environmental issues as part of the guidance for managing risks and assessing materiality	Align industry culture with sustainable development goals to shift values and behaviour

Figure 2. Five entry points to integrate sustainable development into financial standards (UNEP FI, 2017)

This raises the question of what type of standards should be adopted at the different levels of the AIFC organisation? UNEP FI⁴ suggests that financial standards can embed sustainable

³ UNEP FI (2017): A Review of International Financial Standards as they relate to Sustainable Development

⁴ ibid

development over time evolving from including systematic risk to the culture of the financial industry, as depicted in figure 3 below.



This path of embedding sustainable development characteristics in financial regulation can serve as guidance to the AIFC in adopting green standards, especially in regard to a possible introduction of overarching green standards for the AIFC by AFSA or the AIFC Council. The adjacent figure, and the listed characteristics, suggest that the starting point for the regulator should be a focus on systematic risk imposed by climate change or other environmental risks. However, the sequence or prioritization of the listed characteristics should not blur UNEP FI's main point that environmental standards can be embedded into the process of developing financial regulation.

ainable
regulation

From the perspective of AIFC, the adoption of green standards needs to take into account two aspects; the governance structure of AIFC and the strategic and operational priorities of the AIFC, namely the products and services that AIFC intends to focus on. On one hand, green standards could be adopted with a view of embedding these into overall financial regulation. On the other hand, adopted green standards should also enable and support the development of specific green financial products and services. This means that the proposed international green definitions, disclosure frameworks and standards should relate to all levels of the AIFC governance structure. This should also support their broader adoption in Kazakhstan. Table 3 provides an overview of different green standard types and the different levels of governance under the AIFC. The shortlisted green standards in task 6.3 were grouped into three types of categories: disclosure standards, standards for measuring quality and quantity and standards governing climate finance tracking. Table 3 below also shows how these three categories generally overlap the four⁵ central themes for financial reporting. Note that this has been done for illustrative purposes and not all green standards match the overlap exactly as presented.

Some general guidance can be extracted; disclosure standards are focused on bringing out information and thus often cover governance and transparency requirements, and in some cases also information to identify systemic risk. Standards focused on measurement are focused on bringing out certain information (transparency) and using that information to measure risk and the materiality of that risk. Standards that govern tracking are focused on establishing reporting procedures to track financial flows to green investments and, in some cases, measure the impact of such flows in addition to tracking the flow itself.

⁵ Note that "culture", i.e. influencing the value base in organizations has intentionally been left out.

	Systemic Risk	Governance	Transparency	Risk and materiality	Tracking climate finance
Purpose :	Detect and avoid systemic risk in financial industry	Define how FI's should govern environmental risk	Define what environmental information needs to be made available	Define how environmental issues affect financial materiality	Create process to follow and tag financial flows to green investments
	DISCLOSURE STANDARDS				
			STANDARDS FOR MEASURING QUALITY OR QUANTITY		
				STANDARDS GOVERNING TRACKING	
LEVEL 1: AIFC Council and Authority	√	√	√	√	√
LEVEL 2: AFSA		√	√	√	√
LEVEL 3: Individual AIFC institutions (e.g. Exchange)		(√) members of exchange	√	√	

Table 3. Overlapping type and purpose of green standards across AIFC governance levels

As discussed in the section above, the AIFC is in a position to adopt green standards at different levels of its governance system. Table 3 shows what regulatory themes and related standards each level of governance could focus on. The AIFC Council and Authority could naturally issue regulation or guidance to adopt green standards to cover any of the core themes. This level of governance is perhaps best placed to manage systemic risk and issue green guidelines that are relevant for all of AIFC, such as a standardized definition on green finance. For other themes, the benefit of an all-encompassing green standard needs to be balanced against the practicality of imposing the standard on all institutions and functions of the AIFC. Similarly, AFSA as the regulator, could be best placed to govern voluntary, non-technical, green standards that focus on disclosure and reporting across different types of financial institutions. At the third-level, the individual institutions could be best placed to adopt more technical and product-specific standards. Overall, the table illustrates the possibility of a tiered approach where standards are adopted at different levels of the governance structure.

1.4 Climate finance tracking

Under the Paris Agreement, all countries are required to submit climate commitments in the form of Nationally Determined Contributions (NDCs) and to report on their climate action and support under the enhanced transparency framework. The purpose of this framework is to provide a clear understanding of climate change action, including clarity and tracking of progress towards achieving Parties' individual NDCs, with built-in flexibility to take into account differences in countries' capacities. Besides annual greenhouse gas inventories, the transparency framework covers information necessary to track progress made towards NDCs as well as information on support (climate finance, technology transfer, capacity building) provided or received, and the impacts and results thereof. This framework will build on the existing transparency arrangements under the UNFCCC and its details are still under negotiation, to be agreed by the end of 2018. The detailed

rules are to promote the principles of transparency, accuracy, completeness, consistency and comparability.

In 2010, the Standing Committee on Finance (SCF) was established under the UNFCCC to advise on climate finance issues, including the measurement, reporting and verification (MRV) of climate finance provided to developing countries.⁶ The SCF will also serve the Paris Agreement. The SCF is a key institution for incorporating ongoing efforts on climate finance measurement and reporting into the UNFCCC and its Paris Agreement. The SCF makes recommendations on UNFCCC rules on MRV of climate finance, relevant for countries, the Global Environmental Facility (GEF) as well as the Green Climate Fund (GCF). In the future, these SCF recommendations may evolve into a set of standards that are also relevant for the AIFC.

With its focus on green finance, the AIFC is uniquely positioned to support the creation of a national climate finance tracking framework for Kazakhstan's reporting on its NDC under the Paris Agreement. Climate finance tracking could be a central element in AIFC's review and adoption of green standards. By putting together a climate finance tracking process within AIFC, and making this available more broadly in Kazakhstan, AIFC could start collecting data on all green investments made in Kazakhstan.

There are a variety of reasons for tracking climate finance that could be beneficial for AIFC, even in the absence of it having formal reporting commitments on behalf of Kazakhstan under the Paris Agreement. A tracking framework means creating a system that identifies capital flows to physical green assets through all forms of finance, including e.g. project finance, corporate banking, debt-capital markets and private equity. Tracking provides information for disclosure to a variety of stakeholders, but it also supports growth and enables access to capital. The growing flows of finance into green investments create a new growth platform for financial institutions. With AIFC identifying and tracking flows of finance it can support the build-up and growth of green finance by:

- identifying transformational green business opportunities;
- identifying new businesses, projects and investments that operate and scale in a low-carbon transition, and;
- understand how environmental impact correlates with long-term business growth opportunities.

MDBs and IFIs are increasingly demanding financial institutions to track their investments in climate finance as a precondition to accessing climate funding. Imposing and enforcing tracking requirements in the AIFC thus also enables access new sources of funding as financing increasingly becomes conditional to having a climate finance tracking framework in place. The AIFC can act as a central entity for tracking and consolidating reporting on capital allocation into sectors eligible for climate financing, making funding accessible for targeted at climate mitigation and adaptation activities. Initially, most of funding preconditioned on tracking comes through public sources such as bilateral and multilateral development banks and public green investment funds, such as the Green Climate Fund.

1.5 Regulatory and voluntary measures

The work on green standards during the project has not made a big distinction between voluntary and regulatory measures. This is largely because the green standards brought up as examples e.g. in section 2.8 in Task A.3 and in Task A.6.3 have been voluntary by nature. Most of the green standards for specific types of financial institutions or asset pools have emerged through voluntary industry coalitions, investor groups, NGOs, banking associations, exchanges and asset managers.

⁶ http://unfccc.int/cooperation_and_support/financial_mechanism/items/10120.php

Financial regulation has yet to broadly include green standards. However, this doesn't preclude regulatory measures to adopt some of the principles, definitions, processes and metrics included in voluntary standards as illustrated in figure 4 below. For AIFC this means that the green standards recommended for adoption could in most cases be adopted as a voluntary measure.

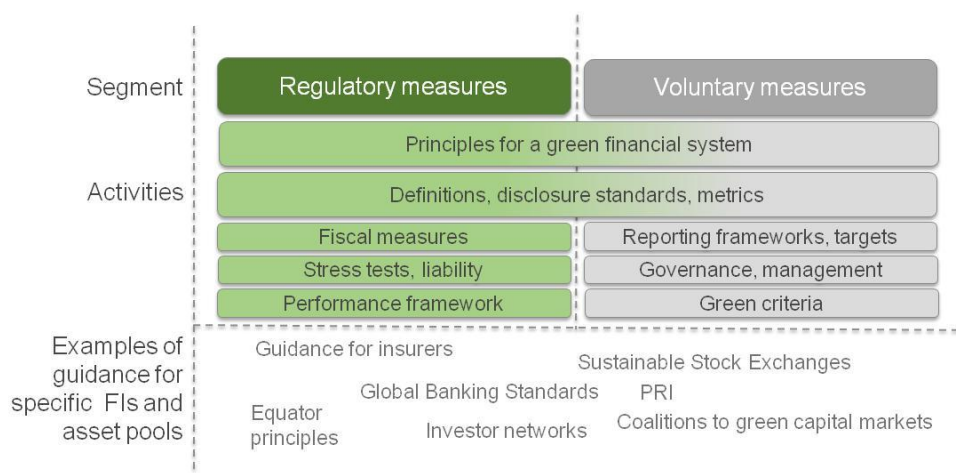


Figure 4. Examples of regulatory and voluntary measures

The impact of certain regulatory measures is not achievable through voluntary measures. For instance, in November 2016, the EU has passed a new law which requires pension funds to consider environmental, social and governance factors, including climate risk, when making investment decisions. The IORP II Directive⁷ sets out rules for EU's pension funds, overseeing €3.3 trillion of assets. This is a primary example on how financial regulation can re-define the landscape for green investments even for financial sectors outside the EU. Over time, the disclosure rules will be imposed on investments and investors in any financial centre where these assets are allocated. This will ultimately drive disclosure rules in other regions to comply with EU rules in this case. Other regulatory measures include e.g.:

- Mandatory reporting of environmental risks and liabilities and stress tests
- Liability (fiduciary responsibility) attributed to financial institutions for adverse environmental impacts of their clients
- Bank regulation (e.g. Basel III reform)
 - Improve ability to absorb shocks arising from financial and economic stress,

The chapters below highlight green standards that could be adopted by AIFC. Where relevant the recommendations will also argue for the use of a regulatory or voluntary approach for the specific standard.

⁷<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0448+0+DOC+XML+V0//EN&language=EN>

2. Adopting green standards

Green standards form the base for a green financial system as they anchor local financial systems into international frameworks on sustainable finance, create a platform for engaging with international sustainable finance networks, as well as with local and global stakeholders and NGOs. The sections below summarize the projects' findings in considering and recommending alternatives in global best practices in voluntary green standards and making some standards mandatory by amending the relevant regulation.

2.1 Green Standards adopted across AIFC

2.1.1 Green finance definition

A fundamental precondition to adopting green standards, whether these focus on disclosure, tracking, monitoring and measuring or governance, is to have a common definition on green finance. In the absence of a common definition the oversight and enforcement of green standards becomes more complex as there could be several differing definitions in use. A common definition provides the scope for disclosure and reporting and increases the transparency of green standards. A clear, common and transparent definition will improve the co-ordination on green financing between different financial institutions, investors and other stakeholders. This doesn't preclude certain asset classes from applying more narrow definitions on green finance if so needed.

In the global context, transparency is central for identifying who benefits from public climate financing, and how public funds are being used. Yet globally, there is no agreed definition on what constitutes "green" or "climate" financing. Broadly speaking, green finance refers to investments that address a wide range of environmental issues and climate finance, and "under-category" of green finance, refers more specifically to investments made to fund the transition to a low-carbon global economy that is consistent with a 2°C degree target on limiting global warming, and to fund adaptation or build resilience to current and future impacts from a changing climate. The challenge of the international community has been to ground these principles into a practical interpretation and definition that could be broadly applied. Table XX below summarizes some existing definitions on climate finance.

In the context of providing a green finance definition for AIFC it should be noted that a majority of current international work on standardizing environmental definitions has focused on climate- and GHG related standards. Examples of these are, e.g. GHG emission reduction methodologies approved by the CDM Executive Board under the UNFCCC⁸ and the ISO 14064 standards on greenhouse gas inventories, accounting and verification⁹. The recommendations provided below recognize this existing financial market emphasis on climate-related standards and uses these broad definitions as a starting point for recommendations on adoption of green standards. This approach should not be seen as diminishing the importance of other environmental issues such as e.g. soil erosion, toxic pollutants, water pollution and non-GHG air pollutants. These issues

⁸ A repository of methodologies and related technical guidance can be found at: <http://cdm.unfccc.int/methodologies/index.html>

⁹ <https://www.iso.org/standard/38381.html>

can, and should, be included into localized green definitions and eligibility criteria over time as the local capacity on green finance grows.

Source	Definition
UNFCCC Standing Committee on Finance:	Reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.
Paris Agreement (Art.9)	Climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions
MDBs	Activities, as defined by Common Principles for Climate Mitigation Finance Tracking and Common Principles for Climate Change Adaptation Finance Tracking
The G20 Green Finance Study Group	Investments that provide environmental benefits in the broader context of environmentally sustainable development.
Climate Policy Initiative	Capital flows directed towards low-carbon and climate-resilient development interventions with direct or indirect greenhouse gas mitigation or adaptation benefits

Table 4. Select definitions on climate finance

The notable exception in Table 4 above are the project categories listed by the MDBs under the Common Principles for Climate Mitigation Finance Tracking and Common Principles for Climate Change Adaptation Finance Tracking (“Common Principles”). The Common Principles were developed by MDBs and IFIs¹⁰ under a coordinated effort to define common approaches for climate finance tracking and reporting. The Common Principles provide common definitions and guidelines, including a detailed list of project activities. The approach developed by the MDBs provides both a definition and a tracking approach for climate finance. Therefore the adoption of the Common Principles can be further used to build a process for climate finance tracking. Figure 5 below lists the ten headline project categories that are included in the MDB definition. Each category consists of several sub-categories and examples providing clear examples of technologies and project types that are included under the definition.

Based on the Common Principles, an activity will be classified as climate mitigation if it promotes “efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration”. The principles offer a useful tool for defining green investments as they use a granular approach and recognize that mitigation activities can be found in stand-alone projects, in a sub-component of a larger project, a credit line or in multiple stand-alone projects under a larger program. The list of

¹⁰ The Common Principles were developed and are used by EBRD, EIB, IDB, IFC, ADB, AfDB, IBRD/WB, as well as bilateral development banks including KfW, AFD, JAICA and CAF.

covered activities is provided below. The eligibility criteria enable activity based definitions for defining or tracking green financial flows, but do not include a GHG accounting standard.

Renewable energy (generation, heat, RE grid integration)
Lower-carbon and efficient energy generation (transmission, thermal power plants)
Energy Efficiency (industry, buildings, public utilities, vehicle fleet)
Agriculture, forestry and land-use (afforestation, reforestation, livestock)
Non-energy GHG reductions (fugitive emissions, carbon capture)
Waste and wastewater
Transport
Low-carbon technologies (products and equipment)
Cross-cutting issues

Figure 5. Key categories of activities eligible for classification as green finance as defined by MDBs

Green Standards Recommendation 1: Common Definition	Adopt Table 1 – “List of activities eligible for classification as climate mitigation finance” included in the Common Principles for Climate Mitigation Finance Tracking by Multilateral Development Banks as the common definition on green finance for all AIFC institutions
Purpose	To provide a common definition for all AIFC domiciled institutions on activities that are eligible for green financing/investment.
Key contents and approach	The list defines ten project categories and related sub-categories with examples of project types eligible for green financing. The list would be adopted by AIFC as a green standard, working as a positive list of eligible activities.
Adoption	The list and included project definitions could be adopted for the whole AIFC through a resolution by the AIFC Authority or as regulation by the AFSA.
Further use	AIFC could endorse the adoption of the same definition by other key financial institutions in Kazakhstan and support a broader alignment of green finance definitions in the domestic financial industry. The Common Principles also form the basis for tracking climate financing based on the MDB approach. This includes a process for tracking activity-based flows of green finance.
Mandatory/voluntary	Mandatory
Ease of implementation / required internal resources	Limited internal capacity required as the standard is made up of a “positive list” of eligible project defined by MDBs.
Resources and guidance:	Table 1 in: Common Principles for Climate Mitigation Finance Tracking, Version 2, June 15, 2015 Appendix 1

2.1.2 AIFC approach for tracking climate finance

Climate finance tracking has an increasingly important role for financial institutions by enabling institutions to track, report and analyze capital flows directed to green investments. This

information is valuable for purposes of complying with mandatory (e.g. lenders) or voluntary reporting (internal sustainability reporting). The complexity of the tracking approach changes as the focus shifts from tracking of flows to measuring the impact of the climate finance flows.

For AIFC climate finance tracking bears relevance on three fronts:

1. By adopting and enforcing a framework for climate finance tracking AIFC enables financial institutions domiciled at the AIFC to comply with a key pre-requisite for being able to use sources of international climate finance. This means that financial institutions, by being able to track financial flows would be able to report on how financing has reached green investment categories.
2. The tracking system would provide AIFC overall data on green investment flows enabling it to monitor overall developments of green financing which could support AIFC's aspirations to establish a regional hub for green finance
3. Using an established tracking procedure would enable AIFC to link with key international bodies on climate finance tracking and evaluate the possibilities of supporting Kazakhstan's climate finance reporting to the UNFCCC.

AIFC should monitor the work of the Standing Committee of Finance and the related decisions and templates, and develop guidelines for gathering the necessary information from climate-related investments, making use of ongoing international efforts to harmonise climate finance reporting. In November 2016, the SCF published its second Biennial Assessment and Overview of Climate Finance Flows (2016 BA)¹¹. The 2016 BA highlights prevailing challenges, such as lack of information on underlying assumptions, definitions and methodologies, and further areas of improvement the SCF aims to address in the coming years, and also points out various ongoing efforts to improve transparency and consistency of climate finance reporting, including the common principles for tracking climate finance by MDBs and the IDFC and the Research Collaborative on Tracking Private Climate Finance¹². It also notes that efforts to monitor results, impacts and effectiveness of climate finance are gradually maturing, albeit still nascent. The lack of consistency of methodologies remains a challenge in this area, where to concepts of causality, baselines, additionality and attribution add to the complexity of reporting. However, the report notes progress in this respect by the adoption of common principles by DFIs. The 2016 BA invites *"multilateral climate funds, MDBs, other financial institutions and relevant international organizations to continue working to further harmonize methods for measuring climate finance and to advance comparable approaches for tracking and reporting on impacts"*.¹³

The Common Principles developed by MDBs to define common approaches for climate finance tracking represent one of the most widely adopted approaches. They provide an activity-based tracking approach for both mitigation and adaptation. Project classification of climate finance is done using the provided common list of eligible categories (see definitions in figure 5 above), after which project-specific ex-post evidence of benefits is needed for proving eligibility (no GHG accounting). The Principles are relevant for climate finance in that they have been adopted by all MDBs and are a prerequisite for MDB-linked climate funding, whether for a project, project component, proportion of a project, credit line or programme.

¹¹ http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/10028.php

¹² <http://www.oecd.org/env/researchcollaborative/>

¹³

http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_summary_and_recommendations.pdf

Green Standards Recommendation 2: Approach for tracking climate finance	Adopt the Common Principles for Climate Mitigation and Adaptation Finance Tracking by Multilateral Development Banks as the common approach for tracking green finance by financial institutions located in the AIFC
Purpose	To define a common approach for tracking climate finance across all financial institutions domiciled at the AIFC. The AIFC-wide tracking system would enable AIFC to transparently track and report on the allocation of green finance through financial institutions domiciled at the AIFC.
Key contents and approach	<p>The joint MDB approach on climate tracking provides the definitions (Recommendation 1 above) and the guidelines for tracking green finance. Under the guidelines classification of green projects is made ahead of implementation based on project-specific ex-post evidence of environmental benefits. The approach covers different investment activities; a project, project component, proportion of a project, credit line or program.</p> <p>The approach tracks activity-based financial flows in approved project categories (Definition) that could include both efforts to reduce or limit GHG emissions or enhance GHG sequestration, as well as other environmental goals.</p> <p><i>Note: Climate finance tracking is independent of GHG accounting, but it create an option for using framework for emissions accounting.</i></p>
Adoption	The common approach and related guidelines could be adopted for the whole AIFC through a resolution by the AIFC Authority or as regulation by the AFSA. This would create an obligation for Financial Institutions to track and report on green financing based on the guidelines. An AIFC institution (e.g. AIFC Bureau for Continuing Professional Development) could be charged with the task of supporting Financial Institutions in setting up the tracking system and reporting process to AFSA.
Further use	AIFC could support a broader adoption of the activity-based common approach across Financial Institutions in Kazakhstan. This would align climate and green finance tracking processes between AIFC and other Financial Institutions. Over time AIFC could consider adding voluntary impact measurement/accounting (i.e. GHG accounting) onto the tracking system. This would allow investors and recipients of green finance to calculate and report on the environmental impact of green finance.
Mandatory/voluntary	Mandatory
Ease of implementation / required internal resources	Limited internal capacity required as the standard is made up of a the project category definition and guidelines as provided by MDBs. AIFC would need to support Financial Institutions in adopting the guidelines, e.g. by providing reporting templates.
Resources and guidance:	<p>Common Principles for Climate Mitigation Finance Tracking, Version 2, June 15, 2015</p> <p>Common Principles for Climate Adaptation Finance Tracking</p>

2.1.3 Voluntary disclosure framework for the financial industry

Aligning financial sector reporting with environmental disclosure practices in a green financial system is an elemental step for developing green services or products. Environmental reporting and disclosure allows investors to identify environmental attributes to make educated investment decisions and understand the value of green financial products thus enhancing the credibility of green investments.

In response to a request from the G20, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) at the end of 2015. The purpose of the Task Force’s work is to enable financial stakeholders to make more informed investment, credit and insurance underwriting decisions and to improve the understanding of sector and system wide exposure to concentrations of asset classes with high carbon and climate risk. In its final report, in December 2016¹⁴, the TCFD developed four general recommendations on climate related financial disclosures covering governance, strategy, risk management and metrics and targets that are applicable to organizations across sectors and jurisdictions (see Figure 6 below). Governance focuses on broad oversight of climate risks and opportunities and the management’s role in assessing and managing these. Strategic disclosure focuses on how an organisation has taken short-, medium- and long-term climate-related risks and opportunities into account in its strategic and financial planning under different climate targets. Risk management disclosures require disclosure on the process of identifying, assessing and managing climate risk and how such procedures are integrated into overall risk management procedures. Finally companies are required to disclose the metrics and targets that are used to assess and manage climate change-related risks and opportunities, disclosure of GHG emissions under the GHG protocol and internal performance targets.

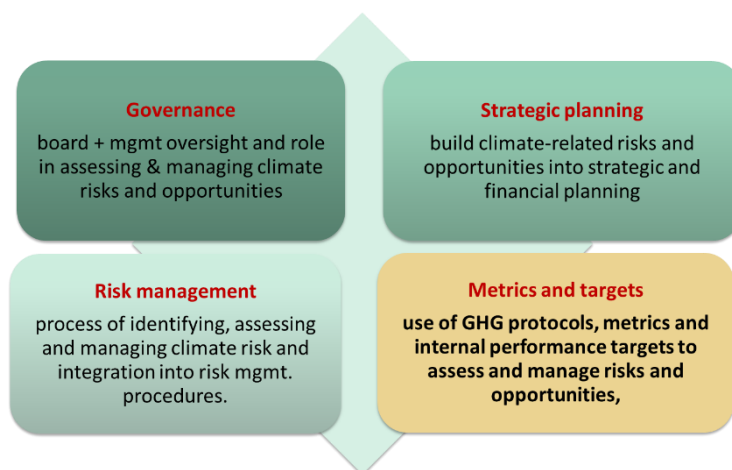


Figure 6. Scope of recommendations on climate-related disclosures

In view of the broad political and regulatory support lent to the TCFD, it is reasonable to see the recommendations by the TCFD becoming an integral part of future disclosure frameworks. Importantly, the TCFD reporting framework is developed as an “umbrella” disclosure reporting framework for financial institutions and a standard against which green reporting frameworks can be built. This means that the TCFD would act as an overall procedural guideline and other industry-specific, or more technical standards would be used as part of the TCFD reporting. For instance, the report’s implementing guideline provides an overview¹⁵ of alignment with other key disclosure frameworks, including the e.g. G20/OECD Principles of Corporate Governance¹⁶, the CDP Climate Change Questionnaire 2016¹⁷, Global Reporting Initiative G4 Sustainability Reporting Guidelines¹⁸, the Climate Disclosure Standards Board Climate Change Reporting

¹⁴ https://www.fsb-tcfd.org/wp-content/uploads/2016/12/16_1221_TCFD_Report_Letter.pdf

¹⁵ *ibid* p.14-16

¹⁶ <https://www.oecd.org/corporate/principles-corporate-governance.htm>

¹⁷ <https://www.cdp.net/en/climate>

¹⁸ <https://www.globalreporting.org/information/g4/Pages/default.aspx>

Framework¹⁹, and the IIRC Framework²⁰. The Task Force recommendations thus provide guidance on how it overlaps with key reporting initiatives in pushing climate disclosure into mainstream financial filings.

For the AIFC the recommendations developed by the TCFD provide a starting point for building adoptable recommendations on climate-related financial disclosures for financial-sector organizations, including banks, insurance companies, asset managers, and asset owners. The TCFD provides the over-arching reporting framework under which sector-specific disclosure rules can be integrated. This allows not only for a gradual adoption of the four key reporting areas of the TCFD report (governance, strategic disclosure, risk management and metrics and targets) but also a gradual adoption of disclosure rule for various areas of the financial industry (see figure 7 below) according to AIFC priorities. The TCFD disclosure framework’s focus on both risks and opportunities thus empower financial institutions to seek both risk mitigation strategies as well as growth opportunities in green finance.

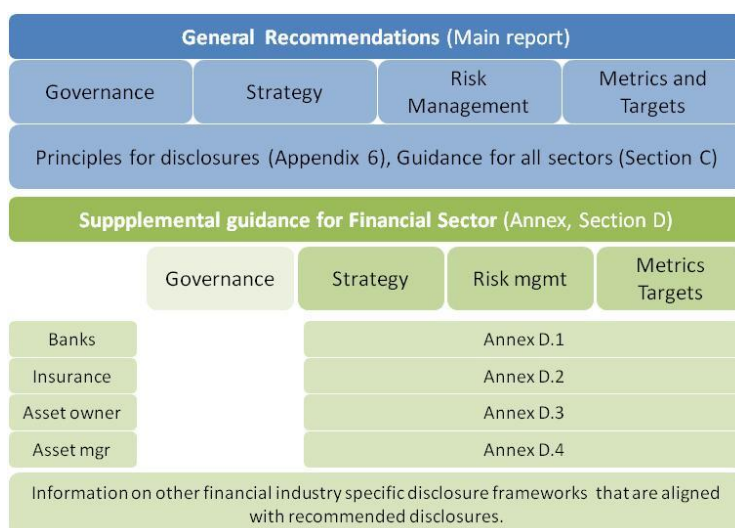


Figure 7. Structure of TCFD disclosure rules for the financial industry

Select guidance²¹ on strategy, risk management and metrics for financial sectors is presented in Figure 8 below.

¹⁹ <http://www.cdsb.net/>

²⁰ <http://integratedreporting.org/>

²¹ https://www.fsb-tcdf.org/wp-content/uploads/2016/12/18_1216_TCFD-Annex-A4.pdf

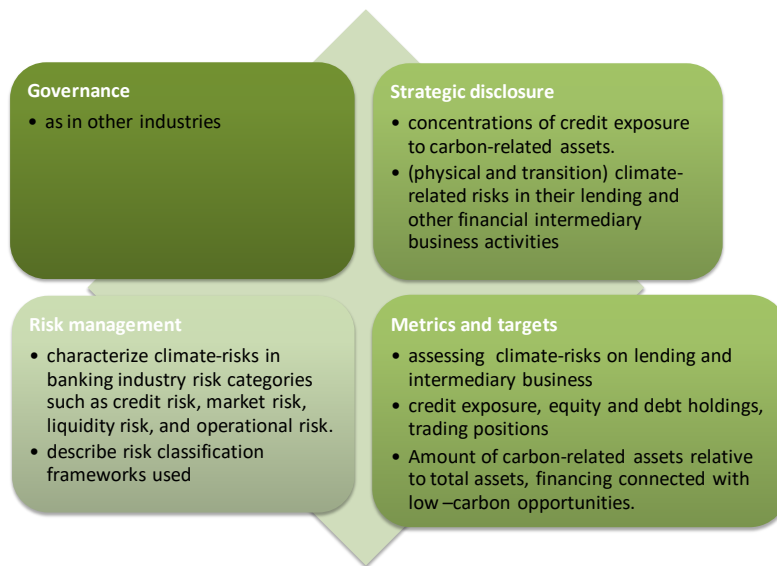


Figure 8. Select recommendations on climate-related disclosure to financial sector

<p>Green Standards Recommendation 3: Voluntary disclosure framework</p>	<p>Adopt the recommendations by the Task Force for Climate Disclosures (TCFD) as voluntary disclosure standard for financial institutions located in the AIFC.</p>
<p>Purpose</p>	<p>Establish a common voluntary disclosure framework for AIFC that financial institutions can use for complementing their financial reporting obligations with information related to climate-risks and low-carbon opportunities.</p>
<p>Key contents and approach</p>	<p>The TCFD recommendations for financial sector disclosures provide a broad-based disclosure framework than can be adopted by any company. It is the “umbrella” standard under which more specific disclosure rules can be added. Specific guidance for financial sector institutions complement the general standards. The standard is made up by a set of principles for reporting and a set of recommendations on what type of information should be disclosed. Disclosure is divided into four key areas: Governance, Strategic Disclosure, Risk Management and Metrics and Targets with separate recommendations for the financial industry.</p>
<p>Adoption</p>	<p>The disclosure recommendations could be adopted for the whole AIFC through a resolution by the AIFC Authority or as regulation by the AFSA. This would create a voluntary framework within which Financial Institutions would disclose environmental information together with their statutory financial disclosures. The structure of the TCFD recommendations allow the standard to be adopted in different stages e.g.:</p> <ul style="list-style-type: none"> → Start disclosure with governance, add other areas over time → Start only with general disclosure rules, add financial sector recommendations later → Start with certain types of financial institutions

Further use	Over time sections of the disclosure rules could be made mandatory (after transition period)
Mandatory/voluntary	Voluntary (with option to become mandatory)
Ease of implementation / required internal resources	Limited internal capacity required as the TFCF is made up of good practice guidelines for disclosure (Appendix 6 in Report and Section F in Annex), recommendations (Section C in Report and Annex) and guidance on key issues such as materiality, data quality, reporting on GHG emissions (Section E in Report and). Format of disclosure is at the discretion of the providing entity but AIFC could support Financial Institutions in adopting the guidelines, e.g. by providing reporting templates.
Resources and guidance:	Recommendations of the Task Force on Climate-related Financial Disclosures, December 14, 2016 TFCF Recommendations Report Annex – Implementing the Recommendations, December 14, 2016. Section D includes supplemental guidance for financial sector

2.1.4 Potential future expansion of green standards across AIFC

GHG accounting

Previous project work has clearly indicated that as AIFC establishes its presence as a hub for green finance, it will likely also become more closely intertwined with international sources of climate finance. Climate financing under the Paris Agreement is not only dependent on tracking sources and destinations of finance but also on reporting on impacts of climate finance. The ability to account for achieved impacts will increasingly become a pre-condition for financing.

The International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting²² provides a green standard for ex-ante estimation of project based GHG emissions. Through the accounting standard IFIs agree to account for project based emissions using established methodologies for ex-ante GHG accounting. Such established methodologies include e.g. the GHG Protocol, the Clean Development Mechanism methodology, Verified Carbon Standard, Gold Standard and the EU Emissions Trading Scheme and ISO 14064. Using these methodologies, the approach calculates net annual emissions savings for projects against a "without project scenario", i.e. by comparing a forecasted ex-ante emissions with a pre-investment baseline scenario. The standard also includes specific technical eligibility guidance for renewable energy, energy efficiency and transport sector projects.

Environmental and Social Risk Management Procedures

Multilateral banks, such as the EBRD require its financial intermediaries to implement environmental and social risk management systems. These management systems also serve as a valuable source of environmental information for various stakeholders. For instance, the EBRD's Environmental and Social Risk Management Procedures provide financial intermediaries guidance on how to assess environmental and social risks and identify of environmental

²²http://www.thegef.org/sites/default/files/file_attach/IFI-Harmonisation-Framework-GHG%20Accounting-2015.pdf

opportunities in financial transactions. The environmental and social risk management procedures are tailored for various types of financing including e.g. bank loans, SME lending, fund management and equity investments.

The EBRD Environmental and Social Risk Management Procedures set performance requirements for partner financial intermediaries. These performance requirements provide a standard against which intermediaries must report. In doing this, the bank promotes international best practices in reporting and assessment of environmental and social issues in a range of financial transaction types. Specific guidance is provided for corporate, SME and micro lending, passive and active equity investments, leasing, factoring, mortgage lending, insurance and trade finance. The risk management procedures cover risk screening, risk assessment, risk control and risk monitoring for all different financial products. The bank provides risk screening tools, risk categorization guidance for 17 different sectors that financial intermediaries can use to assess sector-specific environmental and social risk. In addition, separate technical eligibility criteria are provided for wind, hydro, solar, geothermal and biomass projects.

The risk management procedures also provide guidance on how to meet EBRD's reporting requirements, manage and implement environmental due diligence procedures. In addition technical guidance on environmental and social risk assessment includes:

- Assessment of greenhouse gas emissions
- Biodiversity good practice guidelines
- Environmental and social guidance for hydropower projects
- Biodiversity conservation and sustainable management of living natural resources
- Social guidance (family-friendly working, gender equality, resettlement guidance, labour and working conditions)

The EBRD Environmental and Social Risk Management Procedures are an example of a green standard that covers both disclosure and assessment using a wide body of public guidance and reference documents. As the AIFC develops its requirements on environmental disclosures these risk management procedures provide a potential starting point for such rules.

2.2 Asset and product specific green standards

2.2.1 Green bonds

Recommendations for AIFC adoption of standards for green bonds are included in a separate technical report.

2.2.2 Stock exchange ESG disclosure standards

Mandatory sustainability disclosure of is a powerful instrument for stock exchanges to entice corporates to disclose environmental, social and governance information. The requirements set by the stock exchange provide a strong signal about the capital market system and its emphasis on sustainability and green finance. This focus promotes market stability and facilitates proper risk management of environmental issues in listed companies. Of the top 11 sustainable stock

exchanges in 2016²³ 10 have at least one broad mandatory instrument designed to regulate sustainability disclosure in the jurisdiction where they operate.

Stock exchanges globally have increasingly provided strong support to national green financing systems through the development of disclosure requirements, sustainability indexes, general guidance on sustainability and penalties. Initially convened by UNEP, UNCTAD and the UN Global Compact, the Sustainable Stock Exchanges (SSE) initiative now has 60 stock exchanges as partners that jointly cover over 70% of globally listed equities. The SSE initiative offers using model guidance²⁴ that listed companies can use to build their capacity in ESG reporting. The green standard recommendation below *is independent of a decision by the AIFC/AIX to join or not join the SSE. The merits of joining SSE should be evaluated separately by the AIFC/AIX.*

The scope of ESG reporting is broader than the focus of the TFCF disclosure rules on climate risk, but the TFCF rules are applicable to all companies and could operate in parallel with the recommended voluntary ESG disclosure requirements below.

Green Standards Recommendation 4: Voluntary ESG disclosure framework for AIX	Adopt the SSE Model Guidance and adapt the ESG Reporting Guide “A Support Program for Nasdaq Issuers Focus Area: Nordic & Baltic markets”, March 23, 2017 to local circumstances and issue own ESG disclosure guidance to companies listed on the AIX
Purpose	Establish a common voluntary ESG disclosure framework for companies listed on the AIX that enables companies to supplement their financial reporting obligations with information related to ESG issues.
Key contents and approach	The Nasdaq ESG Reporting Guidance has been issued to support the SSE Model Guidance, which provides a broad rationale and process for better ESG reporting on global stock exchanges. The new Reporting Guidance creates a shortlist of the 33 most influential ESG metrics that could be used in ESG reporting. Importantly, for each metric the Guidance provides a reference to green standards and disclosure frameworks that can be relied upon for more detailed technical information. These include e.g the Global Reporting Initiative, Carbon Disclosure Project, Sustainability Accounting Standards Board etc. The Reporting Guidelines thus acts as a “meta”-standard, referencing several other standards.
Adoption	The voluntary ESG disclosure recommendations should be adopted by the AIX as a voluntary guideline covering all listed equities. The ESG disclosure rules could also be a part of other governance regulation imposed by the Exchange on the listed companies.
Further use	Over time sections of the disclosure rules could be made mandatory (after a transition period) and potentially expanded to include other sources of natural capital (see segment below).
Mandatory/voluntary	Voluntary (with option to become mandatory)
Ease of implementation / required internal resources	The ESG Reporting Guidance does not provide a procedural guidance for ESG disclosure. This information is contained in the SSE Model Guidance. The documents can be adopted as they are but it is recommended that both the Model Guidance and the Reporting Guidance are aligned with local circumstances by the AIX. Each key ESG reporting metric is linked to other disclosure frameworks

²³ Corporate Knights (2016): Measuring Sustainability Disclosure - Ranking the World's Stock Exchanges

²⁴ <http://www.sseinitiative.org/wp-content/uploads/2015/10/SSE-Model-Guidance-on-Reporting-ESG.pdf>

	and standards which should be publicly be made available as reference by the AIX to listed companies. The management and governance of the recommended voluntary ESG reporting scheme will likely require dedicated resources at the AIX.
Resources and guidance:	United Nations Sustainable Stock Exchanges Initiative: Model Guidance on Reporting ESG Information to Investors Nasdaq ESG Reporting Guide, March 2017 (part of SSE Initiative)

As a potential future expansion of its ESG reporting framework, the AIX could utilize the work of the Climate Disclosure Standards Board (CDSB) to align environmental information reporting with standard corporate reporting and elevate the importance and relevance of environmental data for investors. CDSB offers a framework for reporting environmental information created by a consortium of business and environmental NGOs. The reporting framework is deliberately not built as a separate standard but instead leverages initiatives that are widely adopted. The purpose of the Climate Change Reporting Framework²⁵ (CCFR) is largely covered by the TFCF (Recommendation 3) as it relates to how material information on climate change should be integrated with financial performance in mainstream corporate reports.

In an expansion of its work on climate change, the CDSB in 2015 released the Framework for reporting environmental information & natural capital²⁶. This reporting framework sets out principles and requirements for reporting on a wide variety of environmental and natural capital-related information that is not included in the ESG Reporting Guidance in Recommendation 4 above. This includes e.g. land use, land use change and forestry (LULUCF), non-GHG emissions to air, land and water (noise, odour, particulates, pollutants etc), renewable and non-renewable material resource use (forest products, fish stocks, minerals, metals etc), water use and consumption and waste and spillages (mining and hazardous waste, radiation and industrial by-products). These factors could over time be integrated into the ESG disclosure rules set by the AIX in order to increase the available information on natural capital and environmental impacts.

2.2.3 Project finance - Equator Principles

The Equator Principles are the financial sector’s leading voluntary standard for identifying, assessing, and managing social and environmental risks in relation to project finance. The Principles are managed by the Equator Principles Association and its Steering Committee, which includes member financial institutions. The Principles are based on the International Finance Corporation’s Performance Standards and the World Bank Group’s Environmental, Health & Safety Guidelines. Currently 87 financial institutions in 36 countries have adopted the Equator Principles and they cover over 70% of debt in emerging markets. The Principles²⁷ apply to four financial products: project finance advisory services and project finance with capital costs above US\$ 10 million, project related corporate loans to single projects above US\$ 100 million with a tenor above 2 years and bridge loans that are intended to be refinanced through project financed or a corporate loan.

²⁵ Available at: <http://www.cdsb.net/what-we-do/reporting-frameworks/climate-change>

²⁶<http://www.cdsb.net/what-we-do/reporting-frameworks/environmental-information-natural-capital>

²⁷ http://www.equator-principles.com/resources/equator_principles_III.pdf

<p>Green Standards Recommendation 5: Adopt the Equator Principles for project finance</p>	<p>Adopt the Equator Principles as the AIFC reference for defining and managing environmental and social risk in project financing.</p>
<p>Purpose</p>	<p>To provide an environmental and social reporting framework for project finance and project-related corporate loans issued by financial institutions domiciled at the AIFC. The Equator Principles provide a broadly recognised common baseline for reporting on these issues.</p>
<p>Key contents and approach</p>	<p>The principles set out a process for reviewing projects through screening and categorising environmental and social risks and impacts using the criteria process of the International Finance Corporation. Environmental and social assessment should also include an evaluation of a project's compliance with IFC Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines. High risk category projects need a separate environmental and social management plan for complying with relevant standards.</p> <p>The Equator Principles cover 10 topics from risk categorisation, environmental and social assessment and standards to environmental and social management plans, stakeholder engagement, review and reporting.</p>
<p>Adoption</p>	<p>Any financial institution active in project finance can adopt the Equator Principles by becoming a member and agreeing to meet the ongoing reporting requirements through the Equator Principles Secretariat. By adopting the principles a financial institution commits to implement the principles in all project financing and project-related corporate loans and not finance projects that do not comply in all matters with the principles.</p> <p>The Equator Principles need to be adopted by the financial institutions that provide financing for projects or corporate-loans related to projects. The AIFC could adopt the Principles as a voluntary requirement for financial institutions potentially with a view that after a transition time after which the requirement could become mandatory. In this case AFSA would need to impose requirements on the banks to comply with the Principles.</p>
<p>Further use</p>	<p>The Equator Principles essentially promote the use of IFC EHS performance standards in larger infrastructure investments. These standards, or segments of it, could also be made applicable to investments outside the prescribed investment size categories. The adoption of the Principles by the AIFC would also set a precedence for other financial institutions in Kazakhstan and push EHS disclosure and reporting requirements more broadly into infrastructure investments in the country.</p>
<p>Mandatory/voluntary</p>	<p>Voluntary (with option to become mandatory)</p>
<p>Ease of implementation / required internal resources</p>	<p>A voluntary adoption of the Equator Principles requires limited internal resources on the part of AIFC as each financial institution would manage its own potential membership and compliance with the Equator Principles Secretariat.</p>
<p>Resources and guidance:</p>	<p>Equator Principles III, June 2013</p> <p>NortonRose: Equator Principles III – An introduction and practical guide</p> <p>IFC Performance Standards on Environmental and Social Sustainability, January 2012</p> <p>World Bank Group Environmental, Health and Safety Guidelines</p>

2.3 Summary of Green Standards recommendations

	Green/Climate Finance definition	Systemic Risk	Governance	Transparency	Risk and materiality	Tracking climate finance
		DISCLOSURE STANDARDS				
				STANDARDS FOR MEASURING QUALITY OR QUANTITY		
					TRACKING STANDARDS	
LEVEL 1: AIFC Council and Authority	Recommendation 1: Green definition using MDB eligible project list					Recommendation 2: Tracking process using MDB Common Approach
LEVEL 2: AFSA		Recommendation 3: Voluntary adoption of TFCD disclosure framework			(included in TFCD)	
LEVEL 2: AFSA			Recommendation 5: Voluntary adoption of Equator Principles by for project finance by FI's			
LEVEL 3: Individual AIFC institutions			Recommendation 4: ESG disclosure rules for AIX			
LEVEL 3: Individual AIFC institutions			Separate recommendation on green bond standards for AIX			

Annex 1

Recommendation 1. Common definition

Adopt common definition on green finance for all institutions based in the Astana International Financial Centre.

Source: Table 1 – “List of activities eligible for classification as climate mitigation finance” included in the Common Principles for Climate Mitigation Finance Tracking by Multilateral Development Banks (Version 2 – 15th June 2015)

Category	Sub-category	Example
1. Renewable Energy	1.1 Electricity Generation	Wind power
		Geothermal power (only if net emission reductions can be demonstrated)
		Solar power (concentrated solar power, photovoltaic power)
		Biomass or biogas power (only if net emission reductions, including carbon pool balance, can be demonstrated)
		Ocean power (wave, tidal, ocean currents, salt gradient, etc.)
		Hydropower plants (only if net emission reductions can be demonstrated)
		Renewable energy power plant retrofits
	1.2 Heat Production or other renewable energy application	Solar water heating and other thermal applications of solar power in all sectors
		Thermal applications of geothermal power in all sectors
		Wind-driven pumping systems or similar
		Thermal applications of sustainably/produced bioenergy in all sectors, incl. efficient, improved biomass stoves
	1.3 Measures to facilitate integration of renewable energy into grids	New, expanded and improved transmission systems (lines, substations)
		Storage systems (battery, mechanical, pumped storage)
New information and communication technology, smart-grid and mini-grid		
2. Lower-carbon and efficient energy generation	2.1 Transmission and distribution systems	Retrofit of transmission lines or substations and/or distribution systems to reduce energy use and/or technical losses including improving grid stability/reliability, (only if net emission reductions can be demonstrated)

	2.2 Power Plants	Thermal power plant retrofit to fuel switch from a more GHG- intensive fuel to a different and less GHG-intensive fuel type
		Conversion of existing fossil-fuel based power plant to co-generation ⁹ technologies that generate electricity in addition to providing heating/cooling
		Energy-efficiency improvement in existing thermal power plant
3. Energy efficiency	3.1 Energy efficiency in industry in existing facilities	Industrial energy-efficiency improvements though the installation of more efficient equipment, changes in processes, reduction of heat losses and/or increased waste heat recovery
		Installation of co/generation plants that generate electricity in addition to providing heating/cooling
		More efficient facility replacement of an older facility (old facility retired)
	3.2 Energy efficiency improvements in existing commercial, public and residential buildings	Energy-efficiency improvement in lighting, appliances and equipment
		Substitution of existing heating/cooling systems for buildings by co-generation plants that generate electricity in addition to providing heating/cooling
		Retrofit of existing buildings: Architectural or building changes that enable reduction of energy consumption
	3.3 Energy efficiency improvements in the utility sector and public services	Energy-efficiency improvement in utilities and public services through the installation of more efficient lighting or equipment
		Rehabilitation of district heating and cooling systems
		Utility heat loss reduction and/or increased waste heat recovery
		Improvement in utility scale energy efficiency through efficient energy use, and loss reduction
	3.4 Vehicle energy efficiency fleet retrofit	Existing vehicles, rail or boat fleet retrofit or replacement (including the use of lower-carbon fuels, electric or hydrogen technologies, etc.)
	3.5 Energy efficiency in new commercial, public and residential buildings	Use of highly efficient architectural designs, energy efficiency appliances and equipment, and building techniques that reduce building energy consumption, exceeding available standards and complying with high energy efficiency certification or rating schemes
3.6 Energy audits	Energy audits to energy end-users, including industries, buildings, and transport systems	
4. Agriculture, forestry and land- use	4.1 Agriculture	Reduction in energy use in traction (e.g. efficient tillage), irrigation, and other agricultural processes
		Agricultural projects that improve existing carbon pools (, rangeland management, collection and use of bagasse, rice husks, or other agricultural waste, reduced tillage techniques that increase carbon contents of soil, rehabilitation of degraded lands, peatland restoration, etc.)

		Reduction of non Co2 GHG emissions from agricultural practices (e.g.: paddy rice production, reduction in fertilizer use ...).
	4.2 Afforestation and reforestation, and biosphere conservation	Afforestation (plantations) on non-forested land
		Reforestation on previously forested land
		Sustainable forest management activities that increase carbon stocks or reduce the impact of forestry activities
		Biosphere conservation projects (including payments for ecosystem services) targeting reducing emissions from the deforestation or degradation of ecosystems
	4.3 Livestock	Livestock projects that reduce methane or other GHG emissions (manure management with bio digestors, etc.)
	4 Biofuels	Production of biofuels (including biodiesel and bioethanol) (only if net emission reductions can be demonstrated)
5. Non-energy GHG reductions	5.1 Fugitive emissions	Reduction of gas flaring or methane fugitive emissions in the oil and gas industry
		Coal mine methane capture
	5.2 Carbon capture and storage	Projects for carbon capture and storage technology that prevent release of large quantities of CO2 into the atmosphere from fossil fuel use in power generation, and process emissions in other industries
	5.3 Air conditioning and refrigeration	Retrofit of existing industrial, commercial and residential infrastructure to switch to cooling agent with lower global warming potential
	5.4 Industrial processes	Reduction in GHG emissions resulting from industrial process improvements and cleaner production (e.g. cement, chemical), excluding carbon capture and storage
6. Waste and wastewater	6.1 Waste and wastewater	Treatment of wastewater if not a compliance requirement (e.g. performance standard or safeguard) as part of a larger project that reduce methane emissions (only if net GHG emission reductions can be demonstrated)
		Waste management projects that capture or combust methane emissions
		Waste to energy projects
		Waste collection, recycling and management projects that recover or reuse materials and waste as inputs into new products or as a resource (only if net emission reductions can be demonstrated).
7. Transport	7.1 Urban transport modal change	Urban mass transit
		Non-motorized transport (bicycles and pedestrian mobility)

	7.2 Transport oriented urban development	Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, etc.), leading to a reduction in the use of passenger cars
		Transport demand management measures dedicated to reduce GHG emissions (e.g., speed limits, high-occupancy vehicle lanes, congestion charging/road pricing, parking management, restriction or auctioning of license plates, car-free city areas, low- emission zones)
	7.3 Inter-urban transport	Railway transport ensuring a modal shift of freight and/or passenger transport from road to rail (improvement of existing lines or construction of new lines)
		Waterways transport ensuring a modal shift of freight and/or passenger transport from road to waterways (improvement of existing infrastructure or construction of new infrastructure)
8. Low-carbon technologies	8.1 Products or equipment	Projects producing components, equipment or infrastructure dedicated for the renewable and energy efficiency sectors
	8.2 R&D	Research and development of renewable energy or energy efficiency technologies
9. Cross-cutting issues	9.1 Support to national, regional or local policy, through technical assistance or policy lending,	Mitigation national, sectorial or territorial policies/planning/action plan policy/planning/institutions
		Energy sector policies and regulations leading to climate change mitigation or mainstreaming of climate action (energy efficiency standards or certification schemes; energy efficiency procurement schemes; renewable energy policies)
		Systems for monitoring the emissions of greenhouse gases
		Efficient pricing of fuels and electricity (subsidy rationalization, efficient end-user tariffs, and efficient regulations on electricity generation, transmission, or distribution),
		Education, training, capacity building and awareness raising on climate change mitigation/sustainable energy/sustainable transport; mitigation research
		Other policy and regulatory activities, including those in non-energy sectors, leading to climate change mitigation or mainstreaming of climate action
	9.2 Financing instruments	Carbon Markets and finance (purchase, sale, trading, financing and other technical assistance). Includes all activities related to compliance-grade carbon assets and mechanisms, such as CDM, JI, AAUs, as well as well-established voluntary carbon standards like the VCS or the Gold Standard.

<p>10. miscellaneous</p>	<p>10.1 Other activities with net greenhouse gas reduction</p>	<p>Any other activity not included in this list for which the results of an ex-ante greenhouse gas accounting (undertaken according to commonly agreed methodologies) show emission reductions</p>
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