

Joint Media release

Climate Bonds Initiative and Credit Suisse publish 'Financing Credible Transitions' paper

London/Zurich, September 8, 2020 – **Climate Bonds Initiative and Credit Suisse announce today the publishing of the 'Financing Credible Transitions' paper, a document which presents a framework for defining ambitious and credible transition pathways for companies that will collectively reduce global emissions and deliver the goals of the Paris Agreement.**

Without a unifying definition of 'transition' in the market and with investor concerns around greenwashing, this transition framework has been established to assist in the mobilization of global capital flows towards activities which enable the transition to a Paris Agreement-aligned economy. The aim is to support the rapid growth of a transition bond market as part of larger and liquid climate-related market and deliver confidence for investors, clarity for bankers and credibility for issuers.

To date, green finance frameworks and capital flows have been principally directed at activities which can be considered 'already green'. There has been significantly less investment into transitioning activities and assets that are associated with the highest carbon-emitting industries and businesses.

The paper promotes an economy-wide transition in which companies should transition away from existing activities towards better alternatives. For some, low or zero-emission solutions are possible. For others, there are no such solutions so substitute low-emission activities are in development.

The framework, which is applicable for both whole entities as well as their activities, goes beyond the use of proceeds model common in the green bond market and is applicable to a broad range of financial products including use of proceeds and sustainability-linked debt.

Marisa Drew, Chief Sustainability Officer and Global Head of Sustainability Strategy, Finance and Advisory at Credit Suisse, said: "While much of the focus on the capital markets has rightly been on green and sustainability bonds, we see transition bonds as being a significant game changer in terms of broadening the universe of issuers who can begin to transition towards sustainability. This paper represents an important milestone in the development of the sustainable finance markets and one which helps us all transition to a low-carbon economy."

Sean Kidney, CEO, at Climate Bonds Initiative, commented:

"We have a tough job ahead to achieve our Paris Agreement targets and avoid catastrophic climate change. We've started, with clean energy, EVs and of course green finance. Now we must tackle hard to abate sectors, like steel, oil & gas, plastics & cement. We need to transition them, quickly. Financing them with Transition Bonds. This paper sets out the pathways for that transition investment market to grow."

The paper, which is the result of a collaborative effort between Credit Suisse and CBI, has established five principles for an ambition transition. All goals and pathways need to:

- 1) Align with zero carbon by 2050 and nearly halving emissions by 2030;
- 2) Be led by scientific experts and not be entity- or country-specific;
- 3) Be sure that credible transition goals and pathways don't count offsets;
- 4) Include an assessment of current and expected technologies which can be used to determine a decarbonization pathway;
- 5) Be backed by operating metrics rather than a commitment or pledge.

The green and sustainable bond markets have seen incredible growth in recent years, with a broadening number of government entities and corporates engaging with investors to finance debt while making an environmental or social impact. Large emitters, however, are still largely absent and present an opportunity for the markets to aid their sustainable transition. In order to fill this gap, the 'transition bond' concept and label has emerged for those bonds that do not meet the criteria and market adopted standards for green bonds but which are associated with issuers who are transitioning to decarbonized business models -- and are particularly targeted at the high carbon-emitting sectors.

This initiative builds on Credit Suisse's history and commitment to sustainable finance. In July 2020, Credit Suisse launched its new Sustainability, Research & Investment Solutions (SRI) function, affirming the bank's commitment to providing our clients a leading offering and establishing a goal to provide at least CHF 300 billion of sustainable financing over the next 10 years. Sustainability Strategy, Advisory and Finance was established as part of SRI to facilitate investments and initiatives that have a positive environmental and social impact while generating attractive financial returns. Credit Suisse is firmly committed to applying expertise and innovation in the capital markets to help tackle climate change, all while helping clients 'Generate returns. Sustainably'.

The 'Financing Credible Transitions' paper is available at www.climatebonds.net.

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Climate Bonds Initiative

The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low carbon economy. Climate Bonds undertakes advocacy and outreach to inform and stimulate the market, provides policy models and government advice, market data and analysis, and administers an international Standard & Certification Scheme for best practice in green bonds issuance.

About the Climate Bonds Standard: It is an overarching science-based, multi-sector standard that allows investors and intermediaries to easily assess the climate credentials and environmental integrity of bonds and other green debt products.

About the Climate Bonds Taxonomy: The Taxonomy is a guide to climate aligned assets and projects. It is a tool for issuers, investors, governments and municipalities to help identify assets and projects that are aligned with a 2-degree trajectory and will deliver a low carbon economy. The Taxonomy is grounded in the latest climate science and has been developed through an extensive multi-stakeholder approach, leveraging the work of Technical and Industry Working Groups. The Taxonomy aims to encourage and be an important resource for common green definitions across global markets, supporting the growth of a cohesive bond market.

For more information, please visit www.climatebonds.net.

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