IFC International Finance Corporation
WORLD BANK GROUP

Green Bonds

July 2016

- ❑ Introduction to Green Bonds
- ❑ IFC's Green Bonds Experience
- ❑ Investment Partnership Proposal
- ❑ Q&A

What are Green Bonds?

- **Green Bonds are a subcategory of Socially Responsible (SRI) Bonds**
  - Proceeds from **SRI bonds** are tied to "socially responsible" investments such as social, development, environment and governance needs
  - Proceeds raised from **Green Bonds** target climate friendly projects and environmental sustainability purposes

Types of Green Bonds

Green Use of Proceeds Bond

Green Use of Proceeds Revenue Bond

Green Project Bond

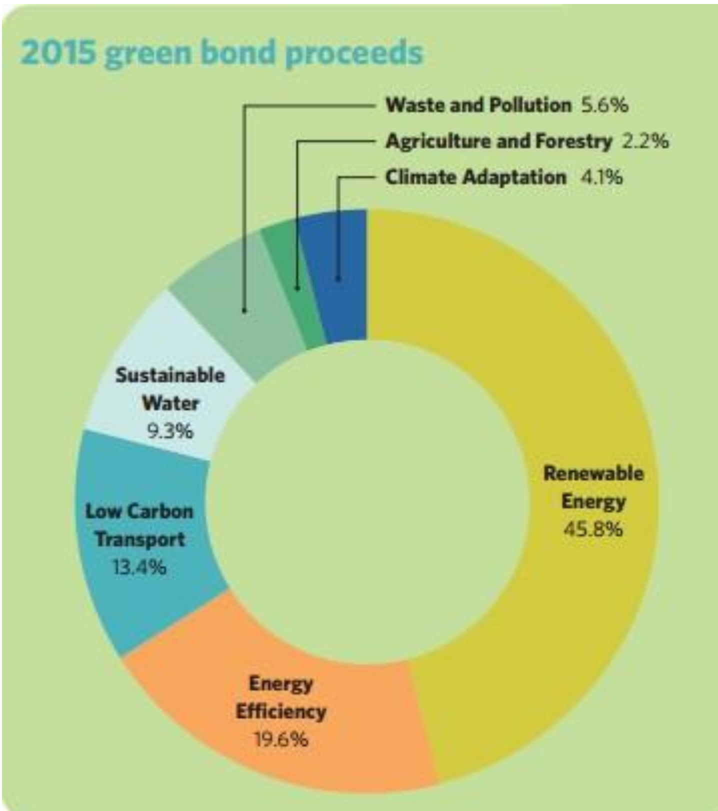
Green Securitized Bond

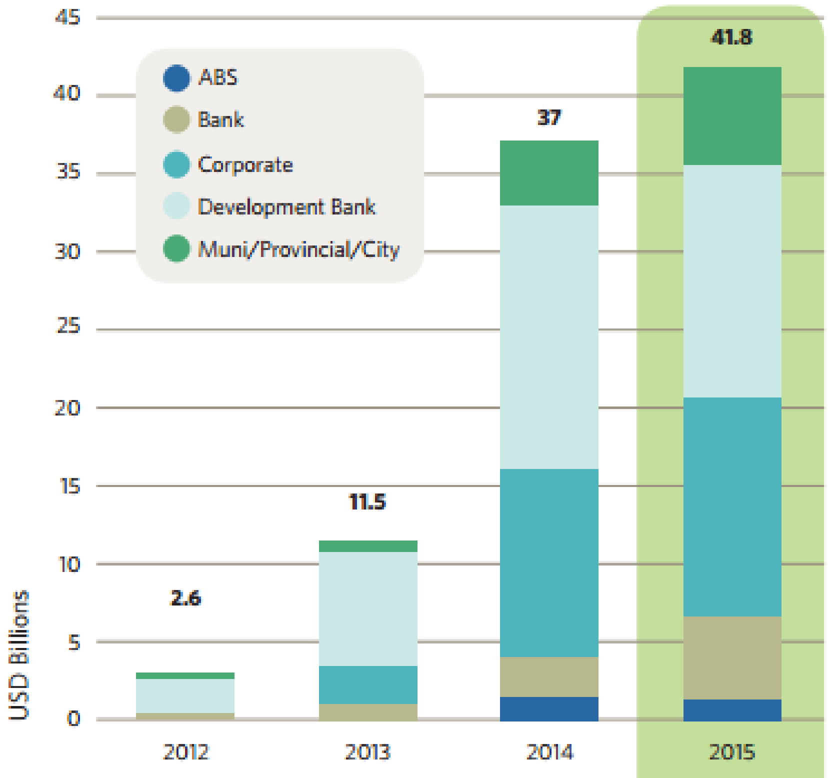
Why Green Bonds are needed?

- To finance climate needs
- To meet investor demand
- To diversify issuer investor base
- To enhance awareness of environmental challenges

Green Bond Market Overview

- Volume in 2015 was $41.8 billion
- Over $30 billion of green bonds were issued in 2014, up from $13 billion in 2013





Source: Climate Bond Initiative 2015 Green Bond Market Roundup

What can Green Bonds finance?

There are several sets of criteria defining eligible Green Projects in the market that can be used as a guide.

The Green Bond Principles explicitly recognize several broad categories of potential eligible Green Projects including:

- Renewable energy
- Energy efficiency (including efficient buildings)
- Sustainable waste management
- Sustainable land use (including sustainable forestry and agriculture)
- Biodiversity conservation
- Clean transportation
- Sustainable water management (including clean and/or drinking water)
- Climate change adaptation

Who issues Green Bonds?

- Multilateral development banks
- Municipalities
- Corporates
- Utility providers
- Financial institutions

Who buys Green Bonds?

- Fixed income investors who have a dedicated SRI/Green Portfolio or others with an interest in environmental sustainability purchase the bonds from a general investment fund

- An increasing number of investors have begun to embed ESG (Environmental Social Governance) into their investment decisions

Other important players

- **The Green Bond Principles (GBP):** are voluntary process guidelines that call for transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond in four components:
    1. Use of Proceeds
    2. Process for Project Evaluation and Selection
    3. Management of Proceeds
    4. Reporting

  *As of September 2015, the **GBP Executive Committee** has a total of 24 members reflecting a representative group of: 8 Investors, 8 Issuers **including IFC** and 8 Underwriters*

- **3rd Party Opinion providers**: Agencies that verify the eligible projects criteria and assist in setting up a project selection and reporting process or audit the program

IFC'S GREEN BOND EXPERIENCE

Set up of IFC's Green Bond program

Established a criteria for use of proceeds

↓

Consulted a third party for an opinion/verification of criteria

↓

Outlined an internal process for project selection

↓

Set up a system to segregate and manage the proceeds separate from the liquidity pool

↓

Created controls for transparency and assurance

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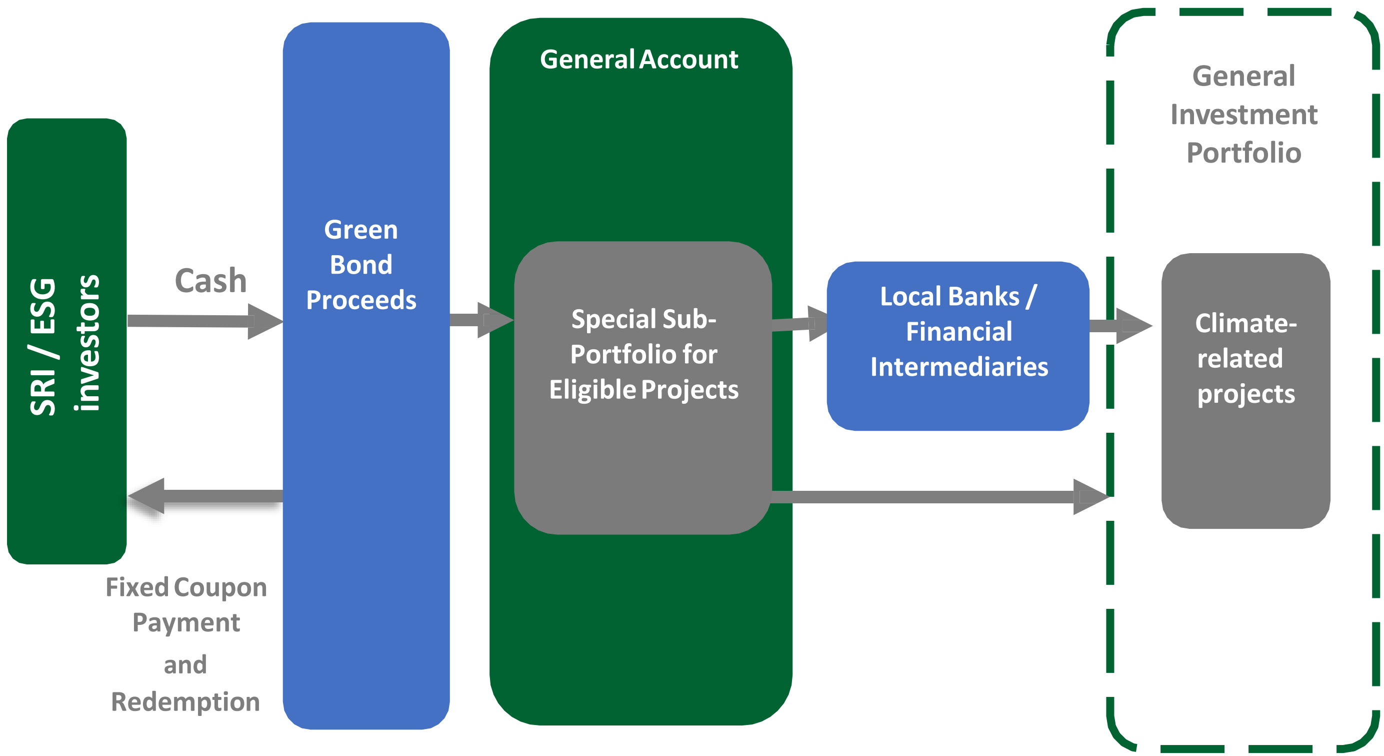
Reporting the impact of projects funded to investors

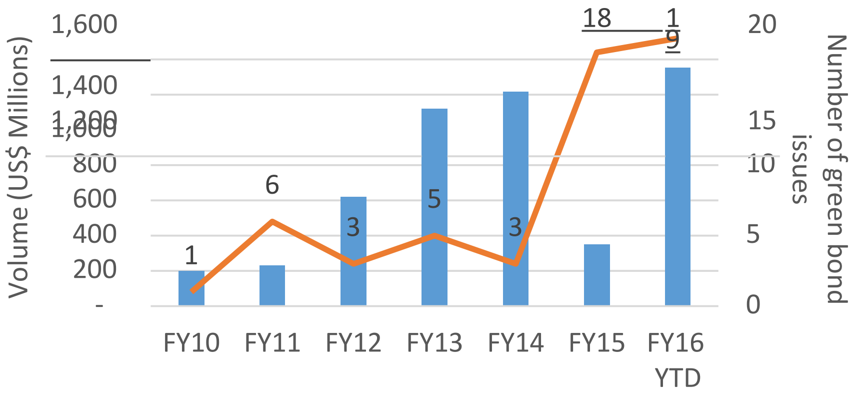
IFC's Segregation of Green Bond Proceeds



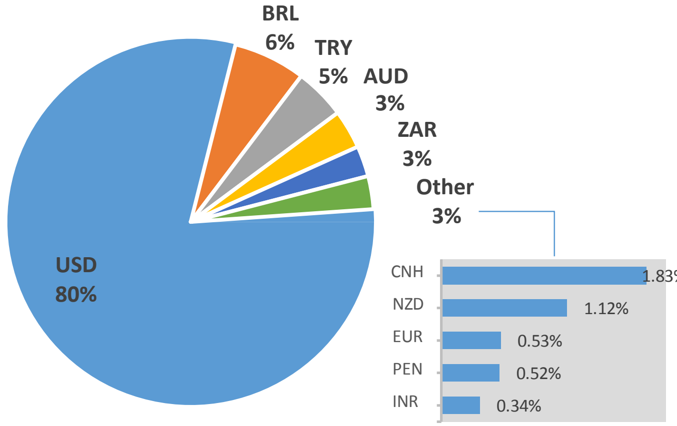
Green Bond Issuance to Date

- IFC's Green Bond program was launched in 2010 and has raised about USD
  1. billion to date, including:
  - the market's first benchmark-sized green bonds issued in February and November 2013;
  - the first US focused retail green bond program
  - Issues in EM currencies such as CNY, ZAR, INR etc.

Green Bond issuance: historical breakdown as at FY16 Y



Green Bond issuance: currency breakdown



IFC Green Bond Issuance in FY16

- In March 2016, IFC issued a $700 million 10 year benchmark Green bond that was over 2x oversubscribed, this bond was upsized to $1.2 billion in July 2016
- In November 2015, IFC priced a $500 million 3 year benchmark Green Bond transaction that was over 1.5x oversubscribed
- Also in November 2015, IFC issued its first Green Bonds in South African Rand, marking the first time a Green Bond was been issued in South Africa by a multilateral institution
- August 2015, IFC issued a 5-year green Masala bond on the London Stock Exchange, the first green bond issued in the offshore rupee markets. The bond raised 3.15 billion rupees for private sector investments that address climate change in India

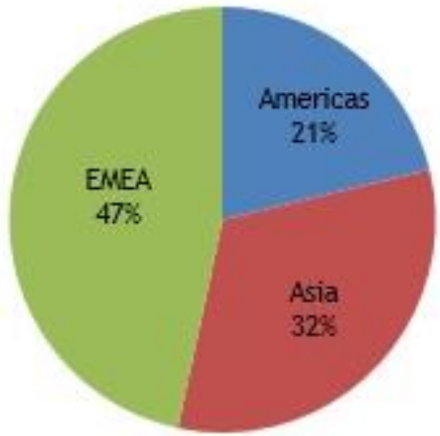
October 2015: IFC published its inaugural impact report in the harmonized framework template for impact reporting as established by a group of IFIs

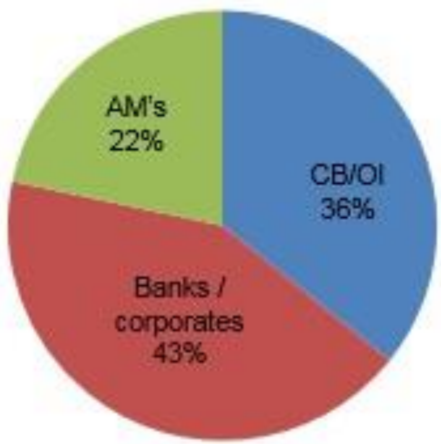
Ashley Schulten, Director, BlackRock, said: "Impact reporting is increasingly prioritized among issuers in the space and we are pleased with the progress we see on IFC's Green Bond program."

Benjamin Bailey, Senior Fixed Income Manager, Praxis Mutual Funds, said: "We deeply value the diligence that IFC has used to construct their Green Bond program. Our goal is to purchase investments that benefit the climate and the community. These deals actually do both."

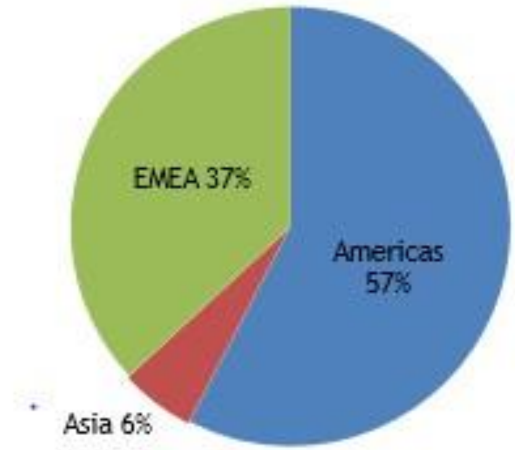
Distribution: IFC Green Bond vs IFC Classic Bond

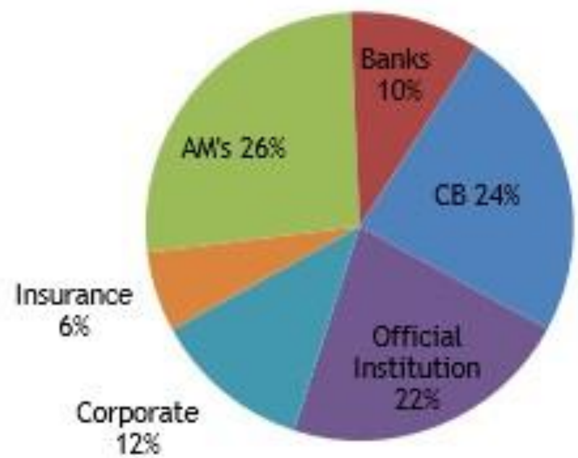
USD3.0 billion 5-year
(issued July 2014)





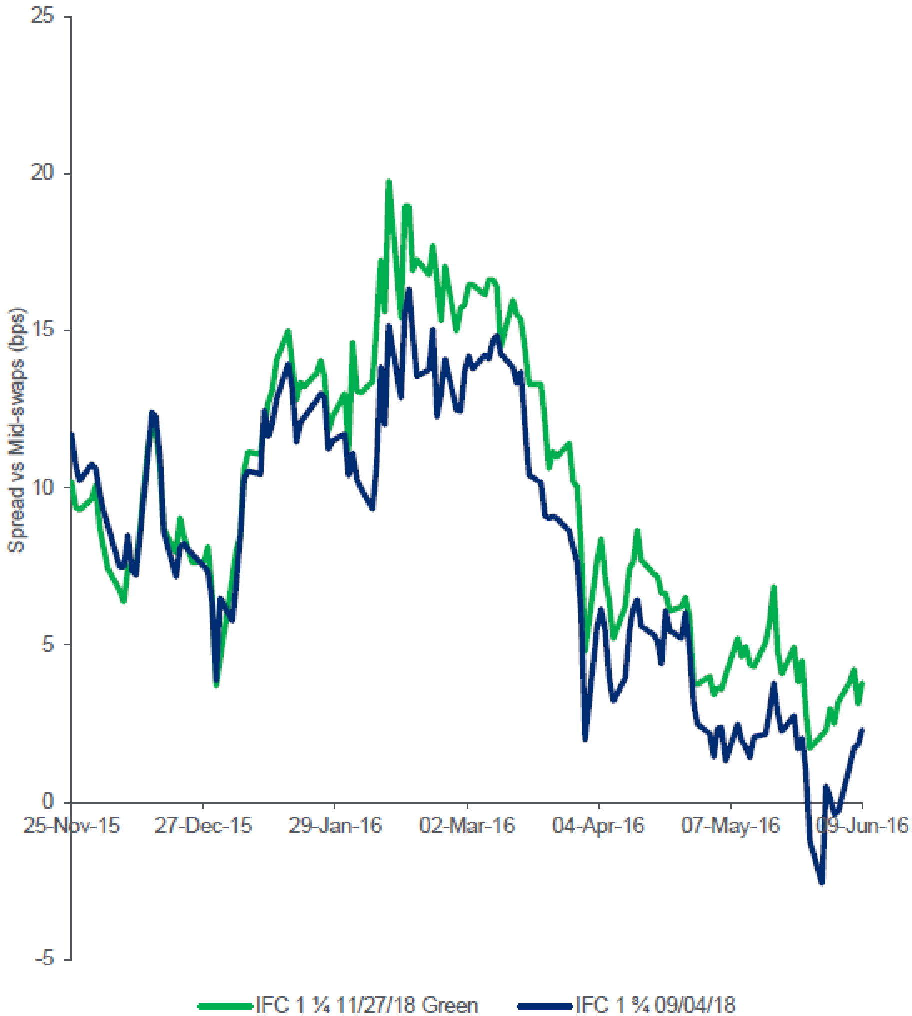
Combined USD2 billion 3-year Green Bonds
(issued 2013)



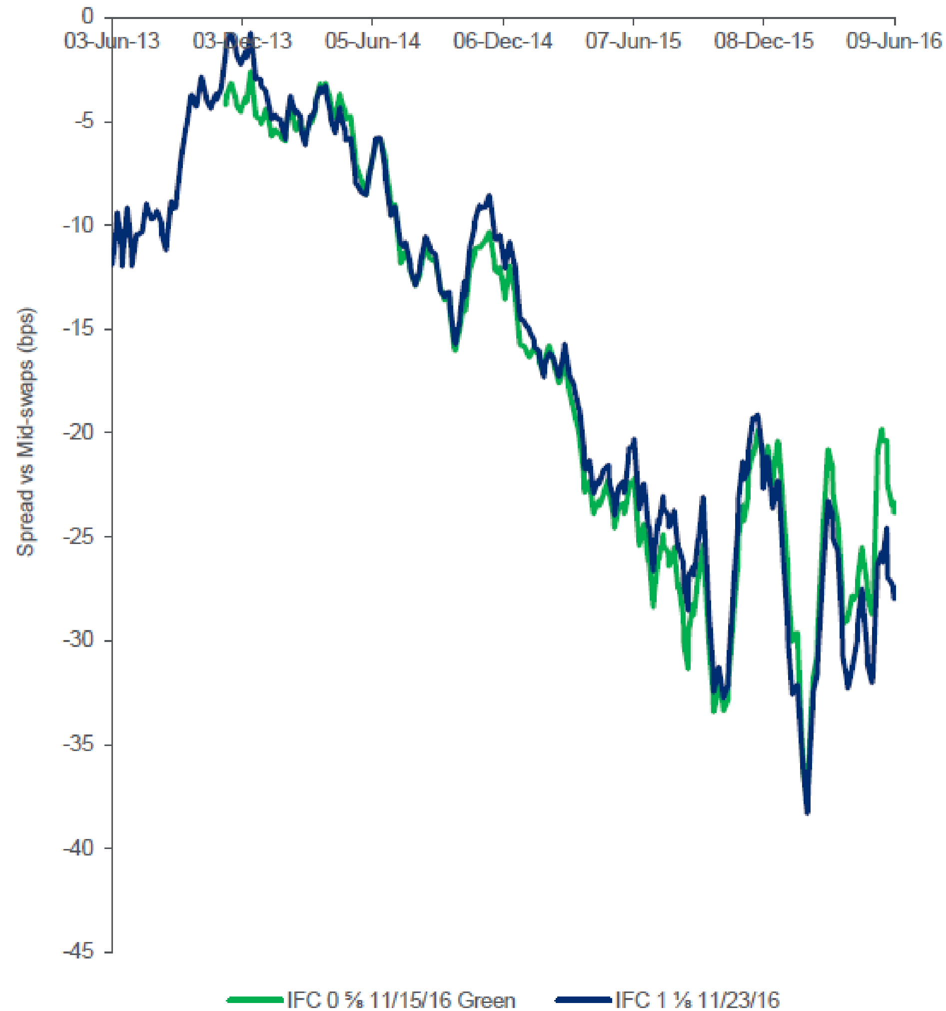


Spread Comparison: IFC Green Bond vs Classic Bond

IFC $500mn Nov-18 Green Bond



IFC $1bn Nov-16 Green Bond



FY15 Green Bond Eligible Projects:

- Commitments to 38 new projects for USD 1.15 billion.
- Disbursements of USD 956 million

Green Bond Eligible Portfolio Committed in FY15: Impact Indicators

Sector	No. of projects	Climate Loan Committed	Climate Loan Disbursed	Annual energy produced	Annual energy savings	Renewable energy capacity constructed/ rehabilitated	Annual GHG emissions reduced/ Avoided
		$ million	*$ million*	*MWh*	*KWh*	*MW*	*Tons of CO2 equivalent*
Solar Energy	16	305	139	1,558,409	N/A	675	878,151
Wind Energy	6	204	110	1,375,876	N/A	625	715,229
Hydro Energy	2	69	0	565,200	N/A	140	285,387
Green Buildings	3	164	2	N/A	69,292,326	N/A	32,672
Green Banking	9	363	322	*IFC methodology is only for GHG calculation*			504,533
Agribusiness	1	26	0	*No IFC methodology exists for such impact calculation*			
Transport	1	25	0	*No IFC methodology exists for such impact calculation*			
TOTAL	**38**	**1,154**	**573**	**3,499,485**	**69,292,326**	**1,440**	**2,415,972**

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