

Green Bond

SIXTH ANNUAL INVESTOR UPDATE 2014

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The world is facing increased **WATER** stress, driven by population and economic growth, land use changes, and declining groundwater supplies and water quality.

Climate change **IS** accelerating and exacerbating the problems that risk human well being and **LIFE**

Population and economic growth also mean that

MORE is demanded from a world **WITH** finite resources.

Improving energy efficiency in every sector is critical so that we can achieve low carbon growth with **LESS** energy.

“The water issue is critically related to climate change. People say that carbon is the currency of climate change. Water is the teeth. Fights over water and food are going to be the most significant direct impacts of climate change in the next five to 10 years.”

Jim Yong Kim
President, The World Bank Group

“Energy efficiency will be critical to the competitiveness of cities as well as to their economic profile. Finding ways to achieve efficiency in transport, energy and real estate will make cities cleaner and more livable and will help attract jobs and investment.”

Rachel Kyte
Climate Change Vice President and Special Envoy
The World Bank Group



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Green Bonds

World Bank Green Bond Issuances Reach \$6.4 billion as Green Bond Market Soars

The World Bank had a record year for green bond issuances raising a total of almost \$3 billion in FY14. With its first green bond issued for FY15 – a green bond linked to a sustainable equity index - World Bank's total issuances reached \$6.4 billion through 67 bonds in 17 currencies supporting 62 projects in 20 countries. Recent issuances also include more than \$1 billion issued through two U.S. dollar transactions, an inaugural World Bank Euro 550 million 3-year benchmark, and the Australian market's first AUD \$300 million "Kangaroo" Green Bond.

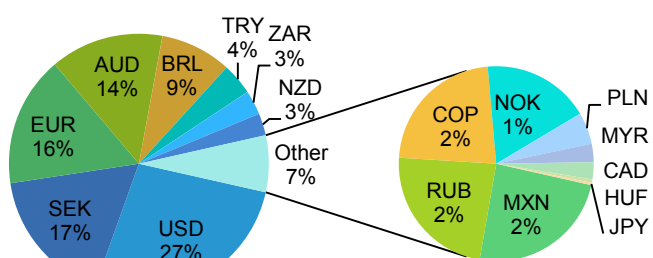
The strong demand for World Bank green bonds comes in tandem with a significant increase in the overall green bond market. By July 2014, green bond issuances well exceeded \$20 billion – twice the amount as those issued in 2013. This growth comes as more issuers and investors are joining the market.

Several developments and initiatives underway are adding more clarity for investors as corporate entities have started to join the already existing green bond issuers. Amongst such developments include the Green Bond Principles; the Expert Network on Second Opinions, or ENSO, launched by Cicero; an investor initiative led by Ceres; and the Climate Bonds Initiative (CBI). Further, green bond indices which help increase liquidity have beginning to appear in the market. For example, both Solactive and Standard and Poor's recently launched a Green Bond Index, and a MSCI/Barclays Green Bond Index is coming soon.

Outstanding World Bank Green Bonds

(As of July 31, 2014)

BY CURRENCY



Equiv. US\$ 5.3 billion outstanding in 17 currencies

World Bank Green Bonds in the News

Principles for Responsible Investments, "First euro-based World Bank green bond is snapped up" by United Nations Environment Program Finance Initiative, Principles for Responsible Investment (17 July 2014). <http://www.unpri.org/whatsnew/first-euro-based-world-bank-green-bond-is-snapped-up/>

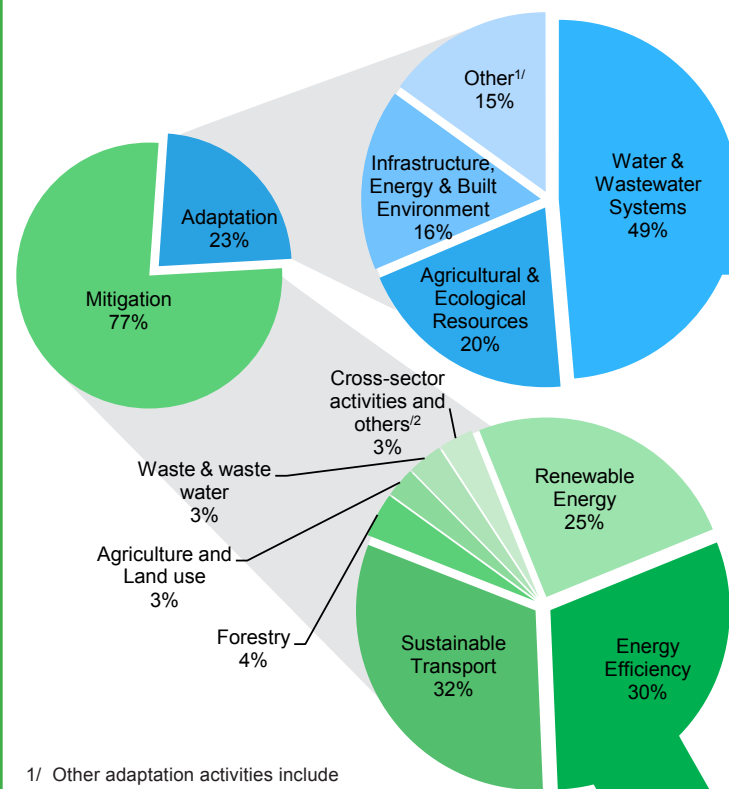
The Economist "Green grow the markets, O" (5 July 2014). www.economist.com/news/finance-and-economics/21606326-market-green-bonds-booming-what-makes-bond-green-green-grow

CNBC, "A scarce global resource fighting climate change" by Constance Gustke (1 July 2014). www.cnbc.com/id/101796340#

Goldman Sachs Environmental Finance Innovation Summit 2014, Video "Green Bonds – Tapping Into Fixed Income Markets" (13 February 2014)

Green Project Approved Amounts

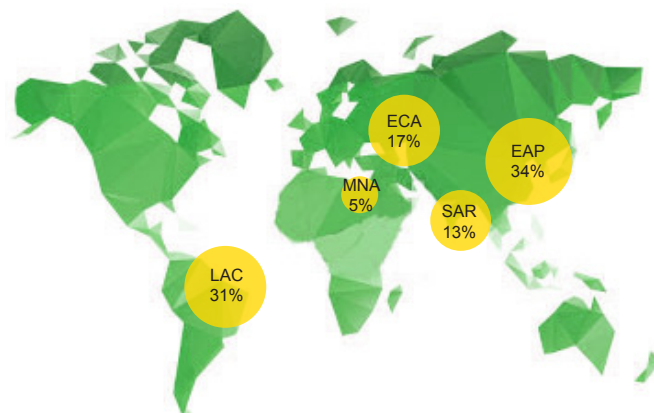
BY SECTOR



1/ Other adaptation activities include strengthening governments' renewable energy and energy efficiency policies.

2/ Other mitigation activities include projects like catastrophe risk insurance facilities, and modernization of hydrometeorological services.

BY REGION



In Equiv. US\$ billion	Approved	Disbursed
East Asia & Pacific	3.5	1.2
Europe & Central Asia	1.8	1.0
Latin America & Caribbean	3.3	1.4
Middle East & North Africa	0.5	0.2
South Asia	1.4	0.9
Total as of June 30, 2014	10.6	4.8

Noteworthy Green Projects

World Bank Green Bonds support projects that address mitigation and adaptation solutions for climate change. In this edition, we highlight projects from a sector in each category: Water and Energy Efficiency respectively. For a list of more projects, please see <http://treasury.worldbank.org/cmd/htm/MoreGreenProjects.html>.

ADAPTATION projects help countries develop while protecting people and assets from climate change impacts.

Water and Wastewater Systems need to be better planned and built to help communities and countries become more resilient to climate change. This means increasing capacity to achieve and sustain food and water security in an environment of increasingly scarce water resources. World Bank Green Bonds support investments in water management to prevent and reduce climate related impacts and better recover from extreme weather events, including floods, storms, heat waves, and prolonged drought.

TUNISIA

Improving irrigation systems to save water.

Lifetime impacts:

- Water saved across 25,000 hectares
- 10,000 households access clean water

CHINA

Overhauling wastewater management and drainage systems of Bengbu City (Anhui Province).

Lifetime impacts:

- 3 months water reserve provided
- Flood protection to 95% of city land area
- 11% pollution discharges reduce

DOMINICAN REPUBLIC

Upgrading the safety and reliability of water storage, irrigation, sanitation infrastructure affected by storms and hurricanes.

Lifetime impacts:

- Wastewater treatment plant serving 550,000 people restored
- 11,600 hectares with improved irrigation
- 200 MW of hydropower facilities restored + 152 km transmission lines restored

CHINA

Upgrading drainage and flood infrastructure in the Huai River Basin reducing the impacts of floods.

Lifetime impacts:

- 6.6 million people benefit

The World Bank has a broad spectrum of programs addressing water management issues ranging from upstream water resources management, use of water for consumption and irrigation, to water in the natural environment, including oceans.

MITIGATION projects help countries develop while reducing their carbon footprint.

Energy Efficiency investments are considered the "low hanging fruit" of affordable options to reduce carbon emissions. Yet, energy users face many barriers in introducing more efficient technologies, including lack of up-front capital for initial costs, insufficient information about the benefits and savings of efficient technologies and products, and underdeveloped markets for energy management services and products. World Bank Green Bonds support projects that tackle these barriers in different ways.

CHINA

Helping Shandong Province provide financing to energy intensive industries through leasing and performance contracting.

Lifetime impacts:

- 3.32 million MWh of energy save
- 875,000 tons of CO2 reduced
- Equivalent to 260,000 cars off the road

MONTENEGRO

Upgrading public schools and hospitals with new windows, insulation, lighting, and controls.

Lifetime impacts:

- 150,000 MWh of energy save
- 61,000 tons of CO2 reduced
- Equivalent to 20,000 cars off the road

MEXICO

Promoting energy efficient light bulbs and appliances and helping poor households afford them.

Lifetime impacts:

- 5,736 GWh of energy saved
- 3.32 million tons of CO2 reduced
- Equivalent to 980,000 cars off the road

Watch a video about this project in our special feature in the "Investing in Sustainability" series.

What makes a World Bank Green Bond "Green"?

The World Bank Green Bond symposium helped focus on the characteristics of the green bond market that are most important and you'll see that we are continuing to enhance our website and reporting around these key elements. We're also continuing to work with partners like Blackrock and Zurich Re, through the Ceres-lead investor initiative, and with a broad group of market participants through the Green Bond Principles (coordinated by ICMA) to support the further growth of the market, for example by increasing transparency through harmonized impact reporting. For a summary of the symposium, please see: <http://treasury.worldbank.org/cmd/htm/documents/World-Bank-Green-Bond-Symposium-Summary.pdf>

Project Selection Criteria

Our Green Bonds support the transition to low-carbon and climate resilient development and growth. Our selection criteria underwent an independent review by the Center for International Climate and Environmental Research at the University of Oslo (CICERO).

Process for Selecting Eligible Projects

Projects undergo a rigorous review and approval process including early screening to identify environmental and social impacts and designing concrete mitigation actions. Then environment specialists identify projects that meet the green bond eligibility criteria.

Ring Fencing Green Bond Proceeds

Green bond proceeds are earmarked to support only eligible green projects. They are credited to a separate Green Cash Account and are invested in accordance with IBRD's conservative liquidity policy until allocated for eligible green projects disbursements.

Monitoring & Reporting

Projects' progress, outcomes and impacts are monitored throughout implementation and the ultimate effectiveness of the operation is evaluated in terms of the objectives they were set to achieve. Project information is available on the main World Bank website and summaries and key impact indicators are provided on the World Bank's Green Bond website.

For more information on our implementation guidelines, please see <http://treasury.worldbank.org/cmd/pdf/ImplementationGuidelines.pdf>

Project Selection Criteria

Examples of Eligible Projects

Mitigation Projects

- Solar and wind installations;
- Funding for new technologies that permit significant reductions in greenhouse gas (GHG) emissions;
- Rehabilitation of power plants and transmission facilities to reduce GHG emissions;
- Greater efficiency in transportation, including fuel switching and mass transport;
- Waste management (methane emissions) and construction of energy-efficient buildings;
- Carbon reduction through reforestation and avoided deforestation.

Adaptation Projects

- Protection against flooding (including reforestation and watershed management);
- Food security improvement and implementing stress-resilient agricultural systems (which slow down deforestation);
- Sustainable forest management and avoided deforestation.

List of Select World Bank Green Bond Investors

- Adlerbert Research Foundation
- Aberdeen Asset Management
- Aegon Asset Management
- AMP Capital
- AP2 and AP3 – Swedish National Pension Funds
- Australian Ethical Investment Ltd
- Australia Local Government Super
- Barclays Treasury
- BlackRock
- Breckinridge Capital Advisors
- Caisse Centrale de Reassurance
- California State Treasurer's Office
- CalSTRS
- Calvert Investments
- Colonial First State Global AM
- Church of Sweden
- Deutsche Asset & Wealth Management
- Everence Financial
- FMO (Netherlands Dev. Fin.)
- Ikea Group
- LF Liv
- Mirova
- MISTRA
- Natixis Asset Management
- New York Common Retirement Fund
- Nikko Asset Management
- Pax World Balanced Fund
- Pictet
- QBE Insurance Group Ltd
- Rathbone Greenbank
- Sarasin
- SEB Ethos rantefund / SEB Fonden / SEB TryggLiv
- Skandia Liv
- SNS Asset Management
- Sonen
- Standish Mellon Asset Management
- State Street Global Advisors
- TIAA-CREF
- Trillium Asset Management
- UN Joint Staff Pension Fund
- UniSuper
- WWF-Sweden
- ZKB (Zürcher Kantonbank)
- Zurich Insurance
- Zwitterleven

What Investors Said

"The green bond issued by the World Bank fits within our existing mandate guidelines and our impact investing approach in which we select investments that meet our existing risk and return requirements, but also have the intent to create a measurable social or environmental impact."

Hendrik-Jan Tuch
Senior Portfolio Manager **Aegon Asset Management**

"UniSuper welcomes the partnership with the World Bank for this inaugural Australian dollar green bond. This transaction demonstrates the World Bank's leading role in further developing the green bond and SRI debt capital markets overall. UniSuper is committed to the sustainable finance effort and is proud to contribute to it through this transaction."

Talieh Williams
Manager, Governance and Sustainable Investment, **UniSuper**

About the World Bank: The World Bank (International Bank for Reconstruction and Development, IBRD), rated Aaa/AAA (Moody's/S&P), operates as a global development cooperative owned by 188 member countries. It provides its members with financing, expertise, and coordination services so they can achieve equitable and sustainable economic growth in their national economies and find effective solutions to pressing regional and global economic and environmental problems.

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