



Sustainable Bond Investments

Green, Social, and Sustainability Bonds

The transition to a sustainable global economy requires scaling up the financing of investments that provide environmental and social benefits. Bond markets can play an essential role in attracting private capital to finance these global needs. Sustainable Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and/or social projects. They are regulated instruments subject to the same capital market and financial regulation as other listed fixed-income securities.

The Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) are referred to as the “Principles” and have become the leading framework globally for issuance of sustainable fixed-income investments.* In 2017, the Pension Boards-United Church of Christ (PBUCC) officially became a member of the Principles, which currently has 13 other U.S. investor members, including CalSTRS (California State Teachers’ Retirement System), TIAA (formerly TIAA-CREF, Teachers Insurance and Annuity Association-College Retirement Equities Fund), and BlackRock, a leading provider of investment, advisory, and risk management solutions.

Sustainable bond investments can be classified in three distinct categories: Green Bonds, Social Bonds, and Sustainability Bonds.

- Green Bonds aim to address key areas of concern regarding climate change – adaption and mitigation. Green Bond categories include renewable energy, energy efficiency, clean buildings, clean transportation, sustainable waste management, sustainable water

management, sustainable land use, biodiversity conservation, and climate change adaption.

- Social Bonds focus on clear social benefits for targeted populations, usually through the provision of basic goods and services. Categories include: construction/provision of social housing; access to healthcare facilities; access to education; increased employment opportunities; access to basic living resources such as food and clean water; gender equality; social inclusion; and poverty reduction.
- Sustainability Bonds are aligned to both the Green Bond Principles and Social Bond Principles, including projects that span both categories.
- Under the auspices of its internal Fixed-Income team, the Pension Boards currently manages \$264 million in sustainable bonds, which equate to 31 Green Bonds, three Social Bonds, and three Sustainability Bonds. These 37 sustainable, fixed-income investments include 17 government-related entities; 14 corporations including industrials, financials, and utilities; and six securitized bonds backed by residential mortgages, commercial mortgages, or auto loans.

Below is a partial list of issuers of our sustainable bond holdings, with links to more detailed information:

African Development Bank (AfDB)

The AfDB Green Bond program facilitates the achievement of the Bank’s corporate priority of green growth through the financing of eligible

climate change projects. AfDB promotes sustainable economic growth and aims to reduce poverty in Africa.

- http://bit.ly/AfDB_Green

Apple Inc.

Apple's two Green Bonds raised \$2.5 billion to finance 33 projects whose objectives include green buildings; renewable energy; energy savings; water savings; waste diverted from landfills; and avoidance of greenhouse gas emissions.

- http://bit.ly/APPLE_GREEN
- http://bit.ly/APPLE_FRAMEWK

Bank of America

Bank of America has issued four corporate Green Bonds to date, raising a total of \$4.35 billion for renewable energy projects under the company's \$125 billion multi-year environmental business commitment, which aims to accelerate the transition to a low-carbon economy through lending, investing, capital raising, advisory services, and developing financing solutions for clients around the world.

- http://bit.ly/BOA_GREEN
- http://bit.ly/BOA_GREEN_2

Bank Nederlandse Gemeenten (Dutch Municipal Bank, BNG)

BNG Bank supports government policies in The Netherlands by providing affordable financing to municipalities, housing associates, health care and educational institutions, project financing, and other public-sector institutions. BNG's Social Bond for Dutch Housing Associations promotes BNG Bank's investment in the best-in-class of sustainable housing associations in The Netherlands.

- http://bit.ly/BNG_SOCIAL
- http://bit.ly/BNG_SOCIAL_HOUSING

DTE Energy

DTE Electric's \$525 million Green Bond issue was the first by an investment-grade energy company in Michigan and the fifth nationwide. The \$525 million in bonds finance low-carbon projects such as renewable energy and energy efficiency. The proceeds fund the development and construction of solar arrays and wind farms, including the transmission infrastructure to support renewable energy facilities, which ultimately help Michigan residents and businesses save energy and reduce bills.

- http://bit.ly/DTE_ENERGY

Fannie Mae (FNMA)

Fannie Mae's Green Rewards program issues Green Multifamily Mortgage-Backed Securities (MBS) where the underlying loans finance smarter, greener property improvements and include free energy and water audits. Eligible improvements include new "Energy Star" appliances, energy efficient HVACs, low-flow toilets, and solar-energy systems. FNMA MBS/Delegated Underwriting Securities (DUS) bonds are structured to purchase, refinance, or rehabilitate existing income-producing multifamily rentals. Affordable housing, dedicated student housing, and seniors housing (independent living/assisted living), as well as rural housing, co-operative housing projects, and manufactured housing communities, are eligible collateral for DUS securities.

- http://bit.ly/FNMA_GREEN
- http://bit.ly/FNMA_GREENRPT

HSBC

Proceeds of HSBC's Sustainability Bond may be directed toward projects from HSBC's lending activities and will be used to finance and refinance, in whole or in part, future and existing projects and businesses. These projects provide access to health care; financing access to education; provision of clean water and sanitation; tackle climate change while expanding access to electricity; and provide clean infrastructure and sustainable industrialization.

- http://bit.ly/HSBC_SUST_BOND

International Finance Corporation (IFC), an agency of the World Bank Group

IFC issues both Green and Social Bonds. IFC is one of the world's largest financiers of climate-smart projects for developing countries. Since 2005, IFC has invested over \$18 billion in long-term financing from its own account and mobilized another \$11 billion through partnerships with investors for climate-related projects. Through IFC's Social Bond Program, more liquid benchmark-sized Social Bonds are issued along with private placement and retail that allow investors to support select IFC projects that address social issues for targeted populations, (e.g., access to finance for women entrepreneurs, and low-income communities in emerging markets.)

- http://bit.ly/IFC_SOCIAL_BONDS
- http://bit.ly/IFC_GREEN_BONDS

Japan International Cooperation Agency (JICA)

JICA's mission is to achieve human security and quality growth. The use of proceeds from JICA bonds promote and support the following themes: education, health, peace-building, agriculture/rural development, fisheries, disaster risk reduction, and others.

- http://bit.ly/JICA_WORK

Regency Centers Corp

Regency Centers is a shopping-center REIT (Real Estate Investment Trust) first issued in 2014. It was the first time a U.S. REIT had issued bonds that exclusively targeted investment in environmental projects. Since 2009, two-thirds of Regency's real estate projects have received certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program. Proceeds from the bond underwriting were used to finance the company's properties that were seeking, or already had, LEED certification.

- http://bit.ly/REGENCY_ENVIRO
- http://bit.ly/REGENCY_GREEN

Starbucks Corp.

Impact bond proceeds fund programs that ensure coffee is grown and distributed in a sustainable way using ethical sourcing standards such as providing fair pay for workers and protection for wildlife. Additionally, this bond will support a \$50 million loan program that helps farmers rotate their crops and fund a network of eight farmer-support centers for suppliers in countries including Rwanda, Tanzania, Colombia, China, and Costa Rica.

- http://bit.ly/STARBUCKS_RPT
- http://bit.ly/STARBUCKS_FRAMEWRK

Toyota Motor Credit Corporation (TMCC)

Toyota Motor Credit Corporation issued the auto industry's first-ever asset-backed Green Bond in 2014. TMCC's Green Bond issuances support the sale of environmentally-friendly vehicles and serve to advance Toyota's extensive environmental commitment. As of year-end 2017, TMCC has issued four Green Bonds totaling \$5.3 billion.

- http://bit.ly/TMCC_GREEN_BOND
- http://bit.ly/TMCC_FRAMEWRK

*According to the International Capital Market Association (ICMA) which serves as Secretariat, assumes administrative duties, and provides guidance for the governance of the Principles.