

THEMATIC BOND SERVICE OFFERING

Thematic bonds for sustainable development in emerging economies

To fight climate change, emerging economies need to invest an estimated **\$4 trillion** in green infrastructure. As public funding is insufficient to achieve these goals, mobilizing significant private sector resources for climate action is crucial to limit the rise in global temperatures.

The emerging but fast-growing thematic bond market can play an important role in developing countries. Bonds cover a wide range of actors involved in achieving climate goals and social inclusion, including companies, governments, municipalities, or development banks, and offer a broad range of actors as well as the size and liquidity necessary for investors. In this sense, the bond market is a longer-term and lower-risk asset class that fits the profile of climate action and, with an annual issuance volume of \$6.7 trillion, is large enough to fill the gap in climate finance.

What are thematic bonds?

Thematic bonds are financial instruments issued by governments, municipalities or companies to finance projects that have a positive impact on the environment and society.

These include green, social and sustainability bonds (GSS) and sustainability-linked bonds (SLB).

- **GSS bond:** A type of fixed-income instrument whose proceeds are earmarked to finance projects in the areas of climate change, health, nutrition, education, access to financial services and other Nationally Determined Contributions (NDC) goals.
- **SLB:** A type of bond instrument whose financial and/or structural characteristics may vary depending on whether the issuer meets predefined sustainability targets. Importantly, the proceeds of SLBs are intended to be used for general purposes, so the use of the proceeds is not a determining factor.

Benefits of thematic bonds

Provide an additional source of funding for NDC-related projects in an environment of limited bank credit.

Enable long-term financing by attracting investors with long-term liabilities such as insurance companies and pension funds.

Facilitate the transition of traditional sectors by offering issuers flexibility in financing the green transition.

Help mitigate climate change risks for developing countries.

Diversify investor base and buy-hold strategies, reduce bond market volatility.

Potential to reduce financing costs and generate a green premium or "greenium"

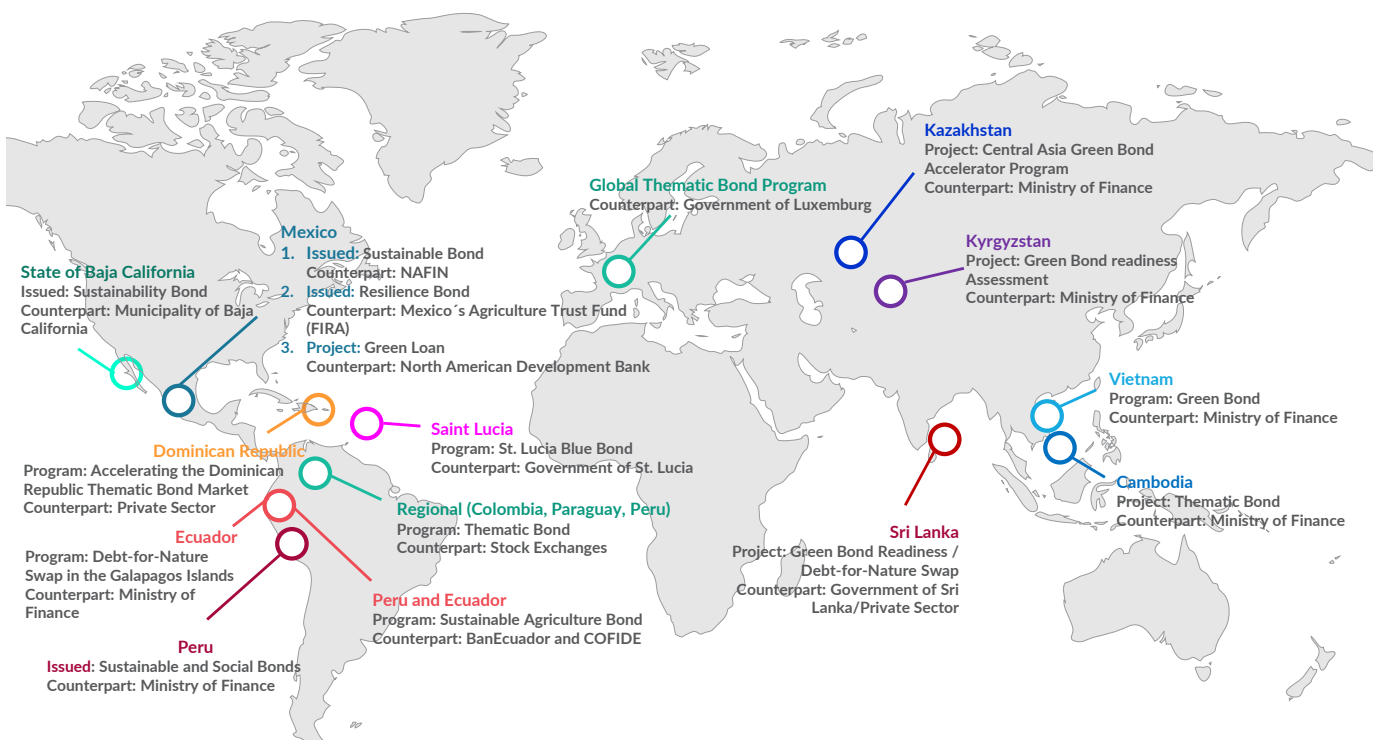
GGGI RESULTS OVERVIEW 2015 – 2022

The Global Green Growth Institute (GGGI) supports developing and emerging economies in issuing thematic bonds to achieve sustainable economic growth. Since 2015, GGGI has raised \$8 billion in domestic and international markets, and its active thematic bond initiatives have grown from 2 in 2019 to more than 10 in 2022. As a result, governments, national development banks, exchanges, and donors highly value GGGI's expertise and seek its technical assistance to enhance their capacity and systems for entering the green bond market.



GGGI's Thematic Bond Portfolio

GGGI has strong expertise and a growing portfolio of green bond initiatives across geographies and issuer categories.



GGGI Thematic Bond Service Offering

GGGI acting as a Thematic Bond Structuring Agent assists public and private sector issuers to access the thematic bond market, providing pre- and post-issuance support. GGGI's technical assistance is summarized below:

Thematic Bond Framework

- **Key document for bond investors** to understand the issuer's approach to sustainability
- Sets out **guidelines on how funds will be used in the issuance of GSSS bonds** and how the issuer will monitor and report on the use of funds
- **Drafted by GGGI** and aligned with the Green and Social Bond Principles published by the International Capital Markets Association (ICMA)
- **Published on the issuer's website** at the time of the bond issuance

Second Party Opinion

- **An independent assessment** of the issuer's framework and its compliance with the ICMA Principles
- Provided by an **expert opinion provider** with assistance of GGGI
- We may conduct a **competitive bid process** for prospective opinion providers
- GGGI will **assist in the review and negotiation** of the opinion
- **Published on the opinion provider's website** at the time of the bond issuance

Due Diligence and Disclosure

- **"Green and social" due diligence** is carried out as part of the framework validation process
- **GGGI** may coordinate with legal counsel to ensure **seamless integration** of green and social due diligence **into the bond management due diligence** process
- The use of **bond proceeds section of the bond prospectus will reflect the criteria of the framework**
- **A market standard risk factor** on the suitability of social and environmental bonds for different investors will be included in the prospectus

Marketing Material

- **GGGI will help produce GSSS bond marketing material**, including a pre-transaction press release announcing investor meetings and a "Sustainability" slide for the roadshow deck
- **GGGI may prepare an additional Q&A for investors** to assist the issuer in answering investors' frequently asked questions
- **A post-transaction press release reflecting management's support** and including a **quote from a reputable socially responsible investor** can also be prepared by GGGI

Roadshow

- GGGI will add **green and social-focused investors** to its list of target investors
- As part of the roadshow process, **GGGI will seek feedback** from investors
- Investors will be asked to comment on **how social and green qualities drive their demand** so that marketing messages can be refined as the roadshow progresses
- GGGI can help with **targeted follow-ups with socially responsible investors**








Post issuance reporting

- **GGGI can assist in the preparation of annual impact reports** until the proceeds of the social and environmental bond have been allocated to eligible projects
- Reporting should be **accompanied by either a non-financial audit report or an annual compliance review** by an independent third party
- GGGI can **coordinate and negotiate an independent third-party review** by a qualified service provider

A key contribution of GGGI is the development of **Thematic Bond Frameworks** that set out the issuer's processes, methodology and governance framework that govern







- the use of bond proceeds;
- the process of project identification, evaluation and selection;
- the management of proceeds; and
- monitoring and reporting.

GGGI's Green Bond impacts:

	137 MtCO ² emissions avoided
	More than 2M people with access to improved sanitation
	Close to 500,000 hectares of deforestation avoided
	Close to 1M people supported to cope with climate change
	More than 6M people in poverty with improved access to health and nutrition
	Close to 600,000 women victim of violence supported
	+ 40,000 students in extreme poverty gained access to education

GGGI Competitive Advantage

GGGI's Unique Position

	Dedicated Team 6 thematic bond experts 32 investment officers		Embedded Model 35 countries presence embedded in ministries and stock exchanges		Value Chain Approach Technical assistance from policy development to investment mobilization and reporting
	EU Experience pillar assessed EU €12M+ under management		Impact Report Second party opinion Third-party certification EU Green Bond Standard		Track record USD 5bn + GSS bond issuances 22+ issuers pipeline

About GGGI

The Global Green Growth Institute is an international organization dedicated to supporting and promoting strong, inclusive and sustainable economic growth in developing countries and emerging economies.

GGGI's mission is to support the transition of its member and partner countries toward a model of green growth by developing and implementing strategies that simultaneously achieve poverty reduction, social inclusion, environmental sustainability and economic growth. By pursuing this mission, GGGI aims to achieve its vision of a resilient world of strong, inclusive and sustainable green growth.

Contact information

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