

ESG & Municipal Bonds: The State of the Market

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Leading Bond Designation Frameworks

- **ICMA’s “Green” and “Social” Bond Principles:** Second Party Opinions (SPOs) are prepared pursuant to the International Capital Market Association (ICMA)’s voluntary process guidelines for issuing “Green”, “Social”, or “Sustainable” bonds and address the following four pillars: (1) Use of Proceeds, (2) Process for Project Evaluation and Selection, (3) Management of Proceeds, and (4) Reporting.
- **Climate Bonds Initiative’s Taxonomy:** Verifier’s Reports are prepared by 3rd parties approved by the Climate Bonds Initiative (CBI). In addition to meeting the four ICMA pillars, a project must contribute to a low carbon and climate resilient economy pursuant to the Paris Agreement.

[Options include programmatic and debt-specific verification.]





ICMA DEFINITIONS

- **Green Bonds:** (1) Proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing *eligible "Green" projects* and (2) Project meets the 4 GBP components.
- **Social Bonds:** (1) Proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/or existing *eligible "Social" projects* and (2) Project meets the 4 SBP components.
- **Sustainability Bonds:** Hybrid of Green and Social Bonds.
- **Climate Bonds:** Green Bonds linked to climate change solutions via CBI's taxonomy.
- **Sustainability-Linked Bonds ("SLBs"):** Financial and/or structural characteristics vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives.



ICMA “GREEN” BOND CATEGORIES

- **Renewable energy** (including production, transmission, appliances and products)
- **Energy efficiency** (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products)
- **Pollution prevention and control** (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy)
- **Environmentally sustainable management of living natural resources and land use** (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes)
- **Terrestrial and aquatic biodiversity conservation** (including the protection of coastal, marine and watershed environments)



ICMA “GREEN” BOND CATEGORIES (CONT.)

- **Clean transportation** (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)
- **Sustainable water and wastewater management** (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- **Climate change adaptation** (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems)
- **Eco-efficient and/or circular economy adapted products, production technologies and processes** (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services)
- **Green buildings** (that meet regional, national or internationally recognized standards or certifications for environmental performance)



ICMA “SOCIAL” BOND CATEGORIES

- **Affordable basic infrastructure** (e.g., clean drinking water, sewers, sanitation, transport, energy)
- **Access to essential services** (e.g., health, education and vocational training, healthcare, financing and financial services)
- **Affordable housing**
- **Employment generation, and programs designed to prevent and/or alleviate unemployment** stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
- **Food security and sustainable food systems** (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)



ICMA “SOCIAL” BOND CATEGORIES (CONT.)

- **Socioeconomic advancement and empowerment** (e.g., equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)
- Examples of target populations for “Social” projects:
 - Living below the poverty line
 - Excluded and/or marginalized populations and/or communities
 - Vulnerable youth, Aging populations, and People with disabilities
 - Migrants, displaced persons, other vulnerable groups (e.g., as a result of natural disasters)
 - Unemployed, Undereducated or Underserved (owing to a lack of quality access to essential goods and services)



Case Study: California Science Center

\$145,255,000

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

REVENUE BONDS

(CALIFORNIA SCIENCE CENTER PHASE III PROJECT)

(Sustainability Bonds)

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