



THE WORLD BANK

“A HOLISTIC APPROACH TO SUSTAINABILITY”

Tokyo **S**ustainable **F**inance **F**orum
- October 4, 2022



OVERVIEW - WORLD BANK

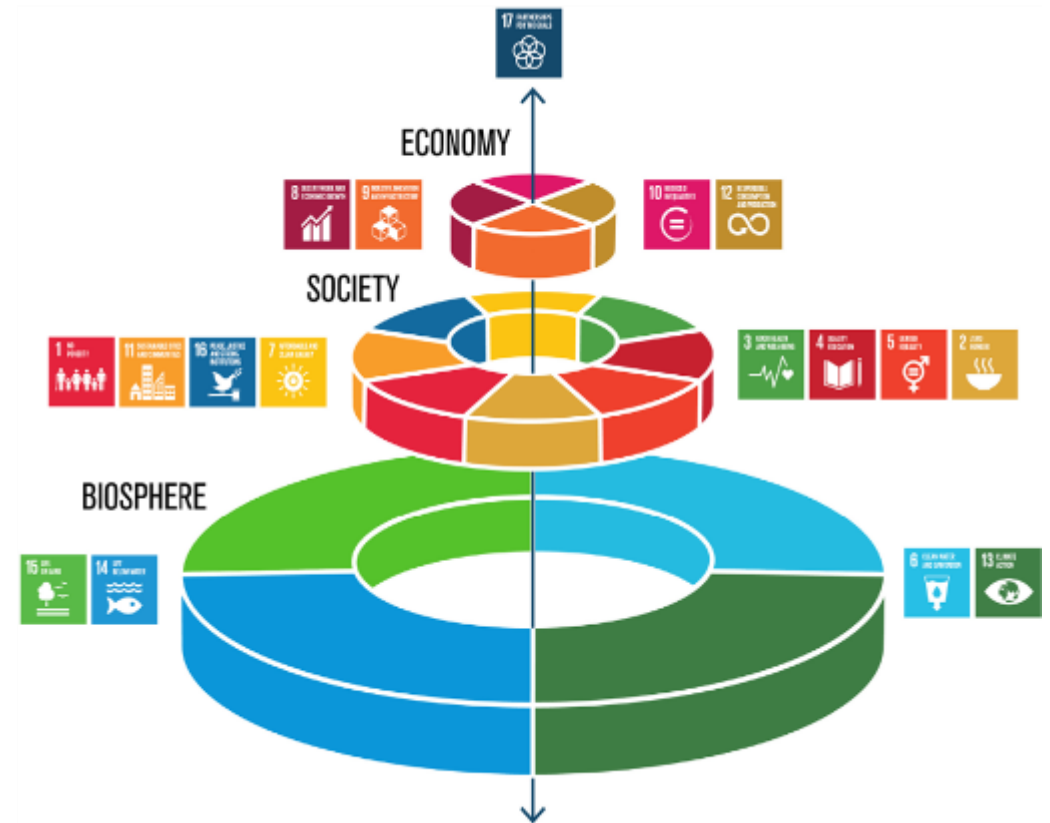
- International organization **owned by 189 member countries** – its owners are its clients.
- Purpose is to **end extreme poverty** and **promote shared prosperity** in a sustainable manner. These “twin goals” are aligned with the UN Sustainable Development Goals.
- Nearly 12,000 staff in 136 offices.
- International Bank for Reconstruction and Development – **IBRD, “World Bank”** is rated AAA/Aaa based on its capital, reserves and prudent financial policies.
- The World Bank **issues bonds in the international capital markets** to fund its activities.



**World Bank Headquarters
Washington, DC**

TOWARDS A HOLISTIC VIEW OF SUSTAINABILITY

- The World Bank is the **largest source of development finance and expertise**. **Single largest provider of climate finance** to developing countries.
 - World Bank takes a holistic approach to climate in its operations
- **Capital markets** view of climate and sustainability are evolving – moving from carving out portions of issuance and investments to a holistic view
 - Only ~2% of fixed income issuance is labeled green, social or sustainable (and growing), efforts must increase to increase transparency for the entire market

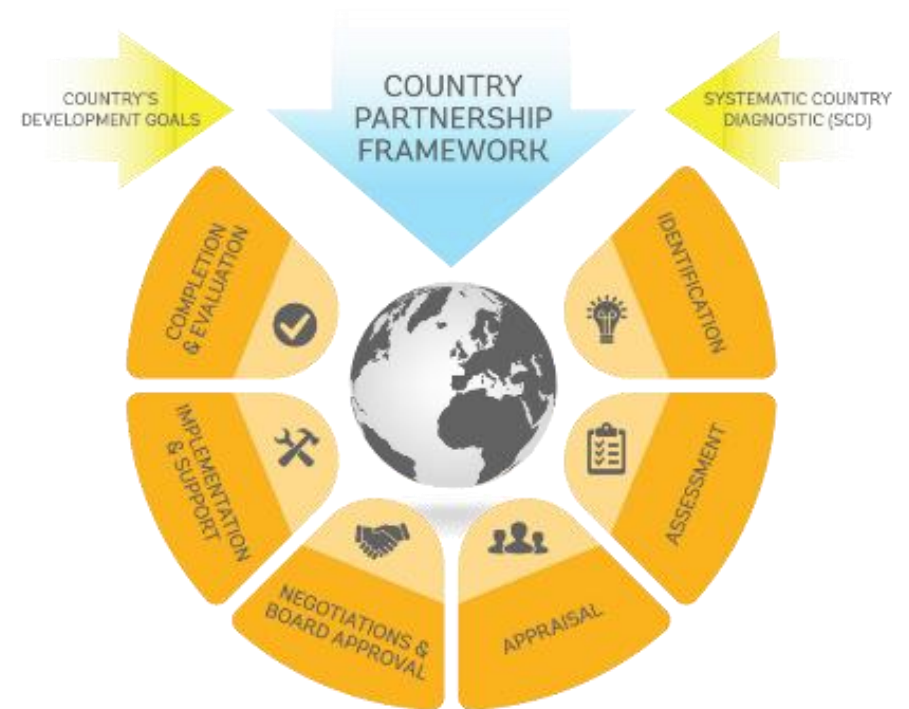


PROJECTS MUST MEET STRICT STANDARDS

The World Bank works with its member countries to design projects that meet their **sustainable development needs**.

All projects are designed to:

- Address country-identified priorities
- Contribute to World Bank goals
- Meet environmental, social & governance standards
- Make a positive impact



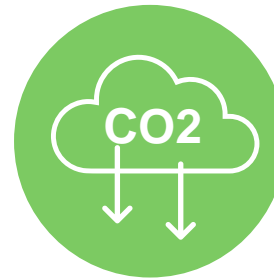
CLIMATE IS INTEGRATED INTO ALL WORLD BANK LOANS

Climate is considered regardless of sector and integrated into all operations through:



Climate and Disaster Risk Screening

To identify short- and long-term project risks



GHG Accounting

To determine gross and net emissions at appraisal



Climate Co-Benefits Tracking

To track the share of lending that contributes to climate action



Shadow Price of Carbon

To account for carbon externalities in project's economic analysis

Project Example - Angola

Empowerment and Learning for All Project

Development Challenge: The population of out-of-school youth in Angola is growing. The adolescent pregnancy rate, at 163 births per 1,000 women, is the third-highest globally and results in many girls dropping out of school early... Between 2016-2018, primary school enrollment fell by 20%.

Purpose: Empower Angolan youth, specifically girls, to improve learning quality for all. Objectives; include increase acceptance and utilization of health services among Angolan girls, reduce early drop-out rates, and improve distance learning education programs.

Expected Results (include):

- Adolescent health services for 300,000 youth in 60 target municipalities, at least 180,000 of whom are girls; Finance the education of 900,000 students for 4 years; Provide additional 250,000 physical spaces for accelerated learning programs

Climate Benefits

- 🌿 18 schools (min. 1 per province) serve as a shelter during natural hazards
- 🌿 840 schools benefitting from managers trained on climate emergencies
- 🌿 Climate change in school curriculum, including skills training for the green economy (composting, recycling, good practice measures)
- 🌿 Schools designed to increase energy efficiency including solar panels



WORLD BANK SUPPORTS BUILDING SUSTAINABLE CAPITAL MARKETS



World Bank's first green bond catalyzed the green bond market and spearheaded disclosure and impact reporting standards for green and other sustainable assets.

A revolution sparked by green bonds with potential to drive more data-driven responsible investing.

The green bond model for project selection, second party opinion, and impact reporting has expanded to Sustainable Development Bonds.



A global development institution mandated to achieve impact.



Issuer of bonds to finance sustainable development, including labeled bonds such as green bonds & sustainable development bonds.



Engagement with investors and others to promote sustainable and impact investments.



Partnering with others to:

- leverage our issuance and development experience
- increase awareness for themes & support ESG integration;
- support transparency and ESG data availability as a global public good.

Sustainable Development Bonds

While the World Bank continues to issue green bonds, most are now labeled as Sustainable Development Bonds.

The Sustainable Development Bond label highlights how proceeds go to support the financing of projects with both green and social goals and emphasizes the holistic approach that the World Bank takes to mainstream climate change in all its operations.



SUSTAINABLE DEVELOPMENT BONDS

Connecting Investment with Purpose

Expanding the “Green Bond” label to a holistic approach with “Sustainable Development Bonds”



Bond proceeds support the financing of green and social projects



World Bank supports sustainable development



Environmental & Social Standards



Project Cycle



17 Sustainable Development Goals



World Bank Sustainable Development Bonds and Green Bonds are:

- aligned with the Sustainability Bond Guidelines and Green Bond Principles
- tagged as green or sustainability bonds on Bloomberg
- displayed on the Luxembourg Green & Sustainable Exchange

TAKEAWAYS

Building sustainable capital markets helps channel investment towards more sustainable activities

- **Investor behavior is changing.** Investors are increasingly aware of global environmental and social challenges that impact the value of their investments (and their life) and are looking for Environmental, Social and Governance (ESG) data to integrate into their investment strategies to mitigate risk and find investments that help contribute to a better society;
- **Issuer behavior is changing.** Issuers are realizing that investors are looking for more robust ESG data and information and are increasing transparency around how they use investors' money;
- **Financial models are evolving.** The financial system uses models that underestimate financial risks (external costs and potential regulatory changes that will have financial implications are not sufficiently included in asset prices) but are evolving with more transparency, better data from issuer / company disclosures, more expertise on asset pricing and new technology;
- **Bond markets are evolving.** The growth of the labeled bond market is key to the transition towards a holistic approach to sustainable investing that focuses on transparency for the entire issuance volume for all issuers and all bond investor holdings.

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