

INVESTMENT UPDATE — GREEN BONDS

The Pension Boards and United Church Funds support the movement toward a low-carbon economy. Investment opportunities to finance global climate solutions (whose returns are competitive and do not impinge on fiduciary responsibilities) are becoming more readily available.

Among other initiatives, we have been developing an approach to these opportunities, and have made initial investments that support the financing of climate change initiatives worldwide. A total of \$20 million of investments in Green Bonds have recently been made by the Pension Boards fixed income team in NY, and these bonds are now part of the portfolios of the Pension Boards Bond Fund and the United Church Funds Fixed Income Fund.

- **What are Green Bonds?**
 - Green Bonds are debt instruments primarily issued to fund environmental and climate change mitigation projects. However, there is not yet a universal standard by which to measure a Green Bond's 'greenness'.
- **What types of projects do Green Bonds fund?**
 - Eligible projects fall under several categories and may generally be classified as Energy, Energy Efficiency and Conservation, Transport, Water, Waste Management, Land Use, Adaptation Infrastructure, Renewable Energy, Waste-to -Energy Generation, Reduction of CO2 Emissions, and Flood Protection.
- **How do you know if the proceeds of a bond issuance are truly funding an environmentally friendly project?**
 - CICERO (The Center for International Climate and Environmental Research) is an independent, not-for-profit, research institute which provides opinions on frameworks for selecting eligible projects for Green Bond investments, and assesses robustness in meeting environmental objectives, project selection, and the reporting process.
- **Who are the issuers of Green Bonds?**
 - The largest issuers of Green Bonds have been supranational and multilateral development banks such as The World Bank, European Investment Bank, and International Finance Corporation. Municipalities have also issued Green Bonds (Massachusetts), as have foreign corporations.
- **Who are the buyers of Green Bonds?**
 - Investment management firms such as Blackrock and Calvert, corporations, non-profits (CalSTRS, TIAA-CREF), insurance companies, endowments, and pension funds.
- **What type of yield do Green Bonds offer?**
 - Yields on very highly rated Green Bonds are currently slightly above yields on US Treasury securities of similar maturity.
- **How risky are Green Bonds?**
 - The majority of Green Bonds issued so far are judged to be of a high quality (most are AAA-rated by the major credit rating agencies) and subject to very low credit risk. The repayment of the bond is subject to the credit risk of the issuer.