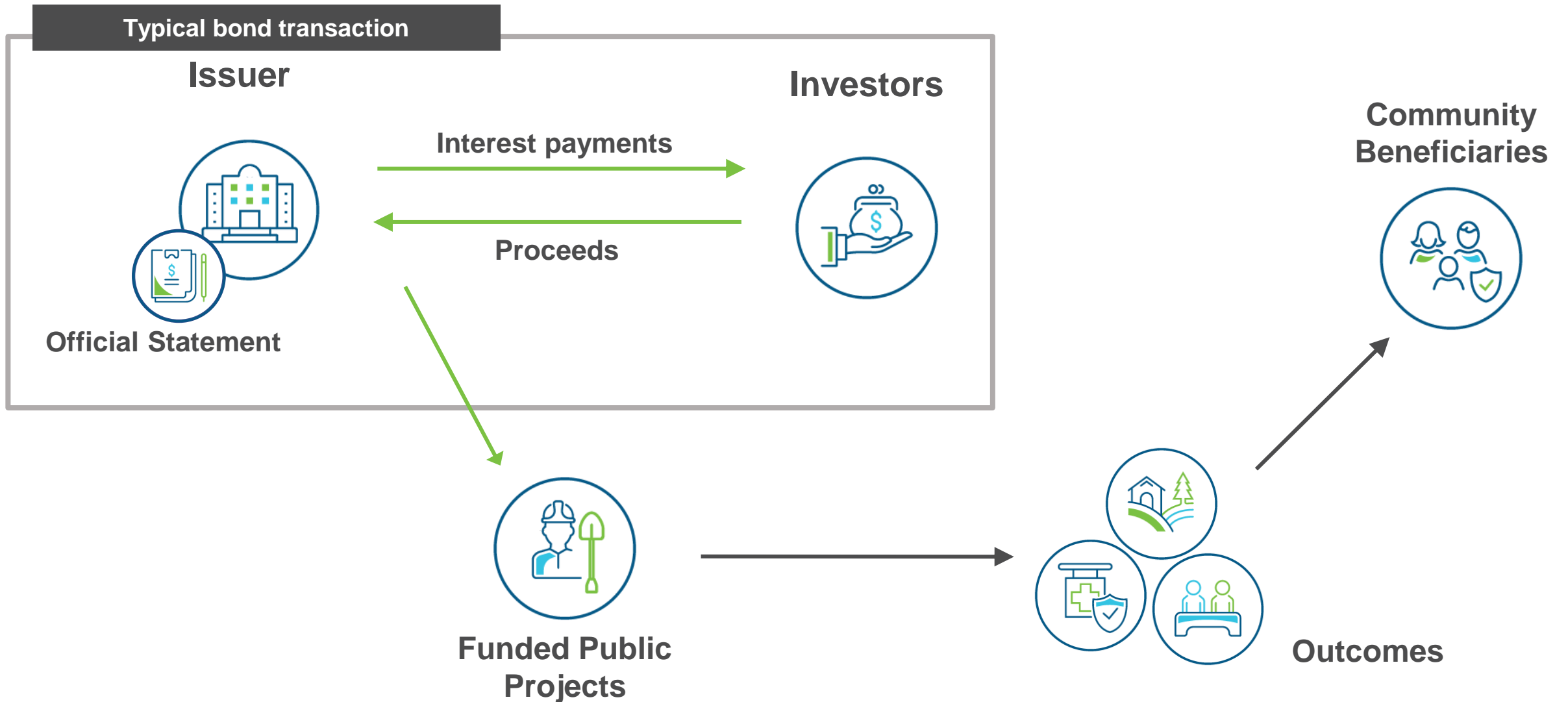




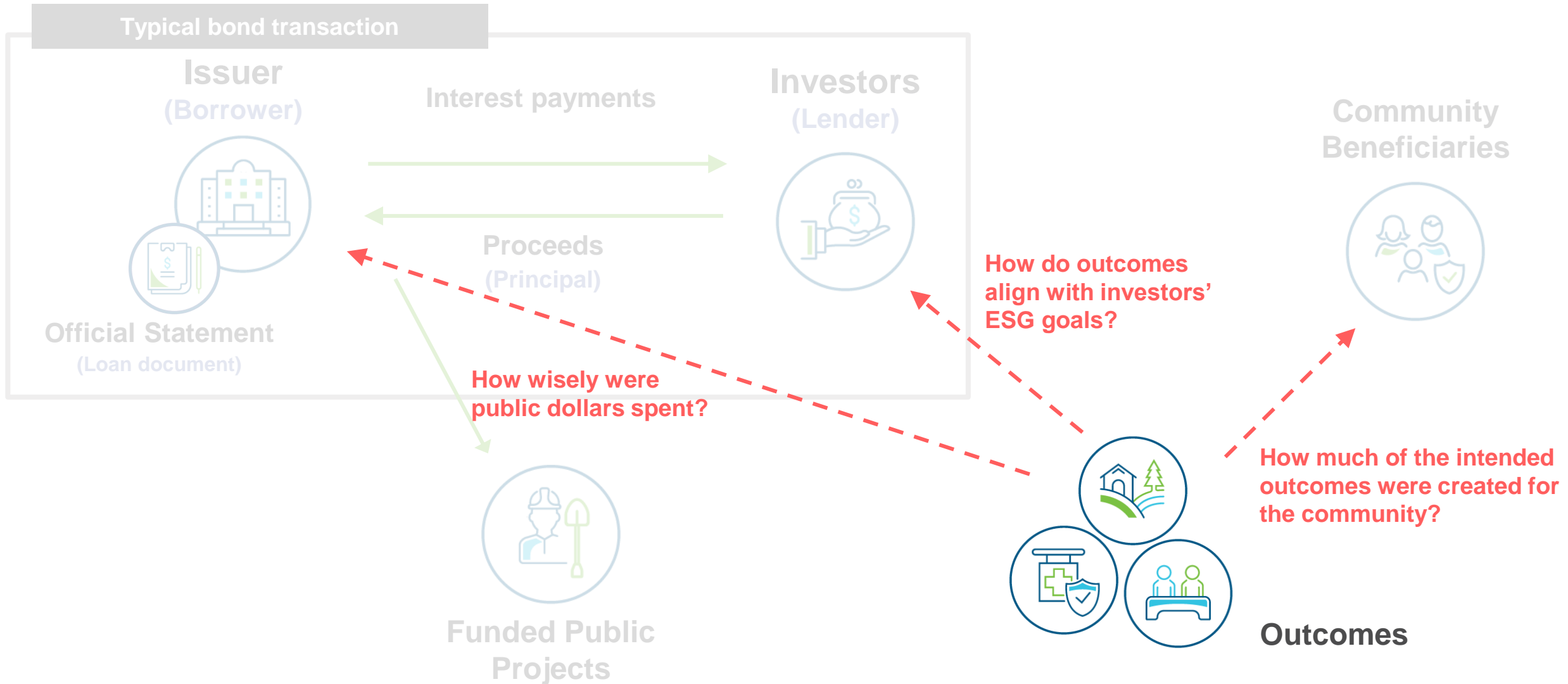
Introduction to Environmental Impact Bonds

December 2021

A typical municipal bond separates the financing itself from the funded projects and their intended community outcomes



A thoughtful focus on achieved outcomes adds multiple dimensions of value in terms of data, investor demand, and good governance



An Environmental Impact Bond does three things:

1 Quantitative prediction of a project outcome metric

2 Post-implementation evaluation of actual project outcomes

- Simple low-cost protocols, ideally using existing issuer expertise and capacity

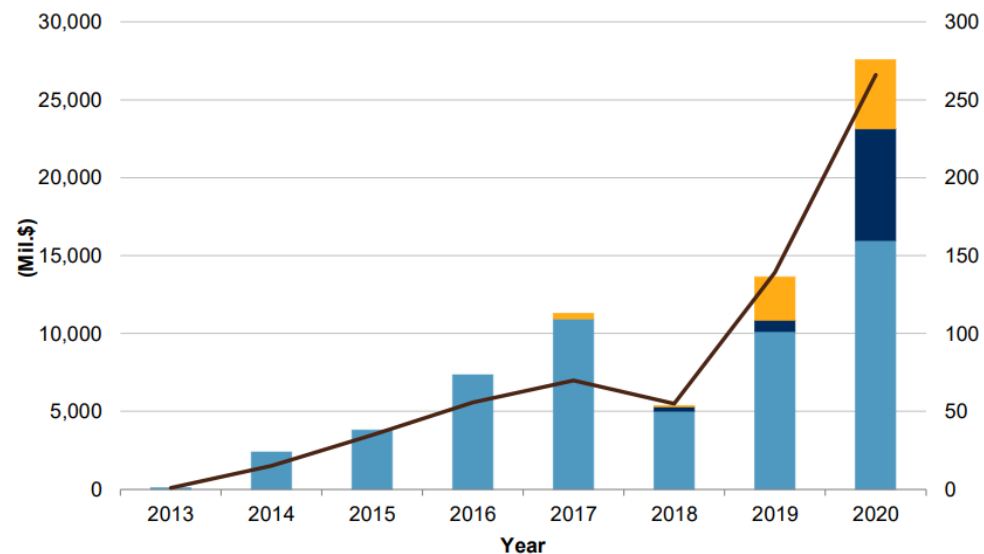
3 Disclosure of actual outcomes to investors and stakeholders (e.g. the public)

- Some EIBs may have some terms of the investment change with outcomes

An EIB label is the most straightforward method to expand a bond's investor base to include ESG-oriented investors

According to S&P Global, U.S. municipal ESG bonds has grown 50% annually since 2014, with total issuances expected to be over \$30 billion in 2021

U.S. Municipal Sustainable Debt By Label: Par And Issues



Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.



The Environmental Impact Bond approach leads the pack in terms of directly addressing investor calls for greater transparency, quantified impact, and accessibility, with many investors calling it the “gold standard” for the green bonds marketplace.

Previous EIBs have successfully marketed to investors specializing in ESG. In past EIBs, ESG investor bids *alone* have added up to 1.9x the bond amount. Underwriters have commented that the increased demand pressure has contributed to their ability to lower borrowing costs for the EIB issuer.

Not targeting ESG investors is a lost opportunity that could mean money left on the table for a bond that finances environmental and social projects.

EIBs have a proven track record of multiple tangible advantages over both traditional and green municipal bonds

	Trad'l Muni Bonds	ICMA Green Bonds	EIBs
Knowledge of project performance	None		<ul style="list-style-type: none"> Known via straightforward, credible Outcome Metric(s) and evaluation Builds evidence base for data-driven capital planning
Transparency in public spending	Financial only		<ul style="list-style-type: none"> Public-facing disclosures build support for public initiatives and innovative projects Investor-facing disclosures improve marketability of bond
Potential investor base	Traditional only	Trad'l + some ESG	<ul style="list-style-type: none"> Widest possible base, incl. large ESG funds looking for greater quantification and transparency in their investments, to drive down cost of borrowing
Public relations and partnerships	Minimal	Some, if a large issuance	<ul style="list-style-type: none"> Coverage from national, regional, local, and industry media Attract attention from peer gov'ts, new investors, and private sector partners
Risk mitigation opportunities	None		<ul style="list-style-type: none"> Outcomes data improves project efficiencies over time Can include outcomes-contingent bonus payments from investors and partners



Jason Lee, Associate Director
lee@quantifiedventures.com