



Forests Bond

PROTECTING FORESTS IS CENTRAL TO ADDRESSING CLIMATE CHANGE

Each year, the world loses an area the size of Costa Rica in forests. Deforestation and forest degradation account for up to 20% of the world's greenhouse gas emissions—more than all cars, trucks, ships, planes and trains combined.

Halting deforestation is essential to meet the global community's climate goals and keep global warming to 2 degrees Celsius. Just halving deforestation will require \$75 billion to \$300 billion in investment in the next decade.

Climate finance focuses mostly on energy efficiency and renewable energy investments. Capital market mechanisms can offer efficient ways to channel funds into protecting forests. The IFC Forests Bond is a first-of-its-kind mechanism to channel private funds toward forest protection.

PROTECTING FORESTS THROUGH AN INNOVATIVE CAPITAL MARKET MECHANISM

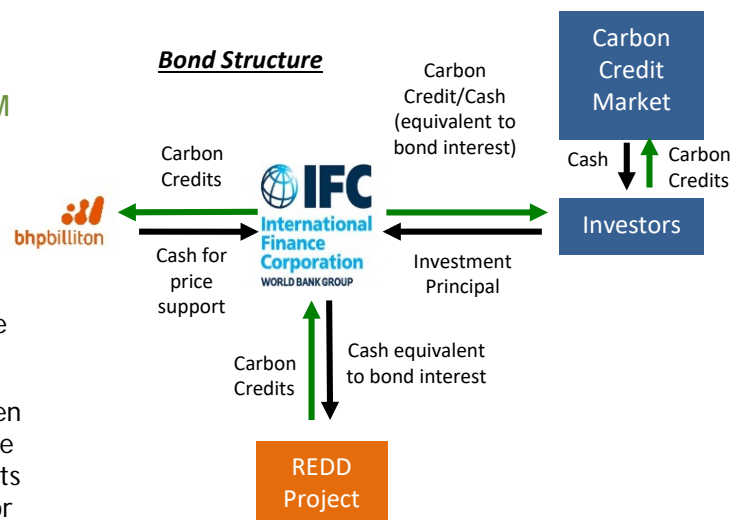
The IFC Forests Bond will channel funds to a private sector project that creates viable alternatives to deforestation. The project follows the Reducing Emissions from Deforestation and Forest Degradation (REDD) scheme, offering economic incentives to reduce deforestation and invest in low-carbon growth.

Investors in the IFC Forests Bond choose between a cash or carbon credit coupon. If they elect the carbon credit coupon, they can retire the credits to offset corporate greenhouse gas emissions, or sell them on the carbon market.

A price support mechanism ensures that the project can sell the necessary amount of verified carbon units until the bond matures.

IFC FORESTS BOND: OVERVIEW

- IFC issues a Forests Bond and uses bond proceeds to support sustainable private sector development
- Investors in the Forests Bond select a cash coupon, or a carbon credit coupon, or a combination of a cash and a carbon coupon.
- When coupon payment is due, IFC buys carbon credits from the REDD project and uses the credits to make carbon credit coupon payments
- Bond investors who receive the carbon credit coupon can retire or sell the carbon credits
- Investors do not face project risk; they face IFC, a triple-A rated issuer



BENEFICIARY PROJECT

The community surrounding the Kasigau Corridor region in East Kenya used to rely on deforestation for survival. Cattle had grazed the fields into dust and much of the dryland forest had been cut for firewood and farmland.

In 1998, Wildlife Works—the world’s leading REDD project developer—established the Rukinga Wildlife Sanctuary in the Kasigau Corridor. Today, wildlife and flora that had left the diminishing forest have returned. The sanctuary provides income to the local community for protecting the land, creating jobs in activities like wildlife monitoring and sustainable agriculture.

The protected area covers over 200,000 hectares. The project is expected to offset 1.4 million tons of CO₂ emissions each year for the next 30 years.

With its original biodiversity restored, the Kasigau Corridor REDD project received Gold level status by the Community and Biodiversity Alliance for its exceptional biodiversity and climate benefits.

The IFC Forests Bond will support the Kasigau Corridor Project.



View of the Kasigau Corridor Project

IFC FORESTS BOND PARTNERS

BHP Billiton provides a price support arrangement to assure that the project will sell a predefined minimum quantity of verified carbon units (VCUs) every year until the IFC Forests Bond matures. REDD projects must usually sell a certain amount of VCUs each year to be sustainable.

Conservation International is providing input to **BHP Billiton** with respect to conservation and REDD matters, and will facilitate the exchange of lessons learned and best practices on REDD projects.

ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with more than 2,000 businesses worldwide, we use our capital, expertise, and influence, to create opportunity where it’s needed most. In FY15, our long-term investments in developing countries rose to nearly \$18 billion, helping the private sector play an essential role in the global effort to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

MEDIA CONTACTS:

Emma-Kate Symons • Senior Communications Officer • +1-202-458-9563 • esymons@ifc.org

Elizabeth Medb Lewis • Senior Communications Officer • + 1 (202) 458-4049 • emlewis@ifc.org

www.ifc.org/investors

www.ifc.org/climatebusiness

Twitter: [@ifc_investors](https://twitter.com/ifc_investors)

IFC • 2121 Pennsylvania Avenue NW • Washington, DC 20433 USA • +1 202 473 8392

This document does not constitute an offer or a recommendation to purchase any notes issued by IFC. Please refer to our website, www.ifc.org/investors, for additional information.

March 2020