



ICMA JSDA – Annual Conference:

Towards the sound development of social
and sustainability linked bond markets

Recent experiences from the EU

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November 12 2021

European Commission

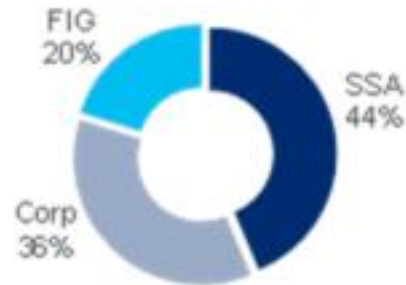
Environmental, Social & Governance Bond Issuance

Sustainable Bond Issuance Volume

USD bn	Green	Social	Sustainability	SLB	Transition	Total
2020FY Issuance	252.2	145.0	150.8	8.5	2.4	558.9
2021YTD Issuance	374.2	167.2	140.4	66.6	4.6	752.8
Amount Outstanding	1,163.2	355.7	397.7	79.4	9.2	2,005.2

Source: Dealogic, Citi, as of 8th October 2021

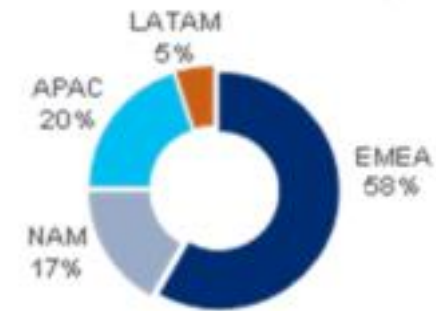
By Issuer Type
(volume, 2021YTD)



By Issuer Type
(number, 2021YTD)



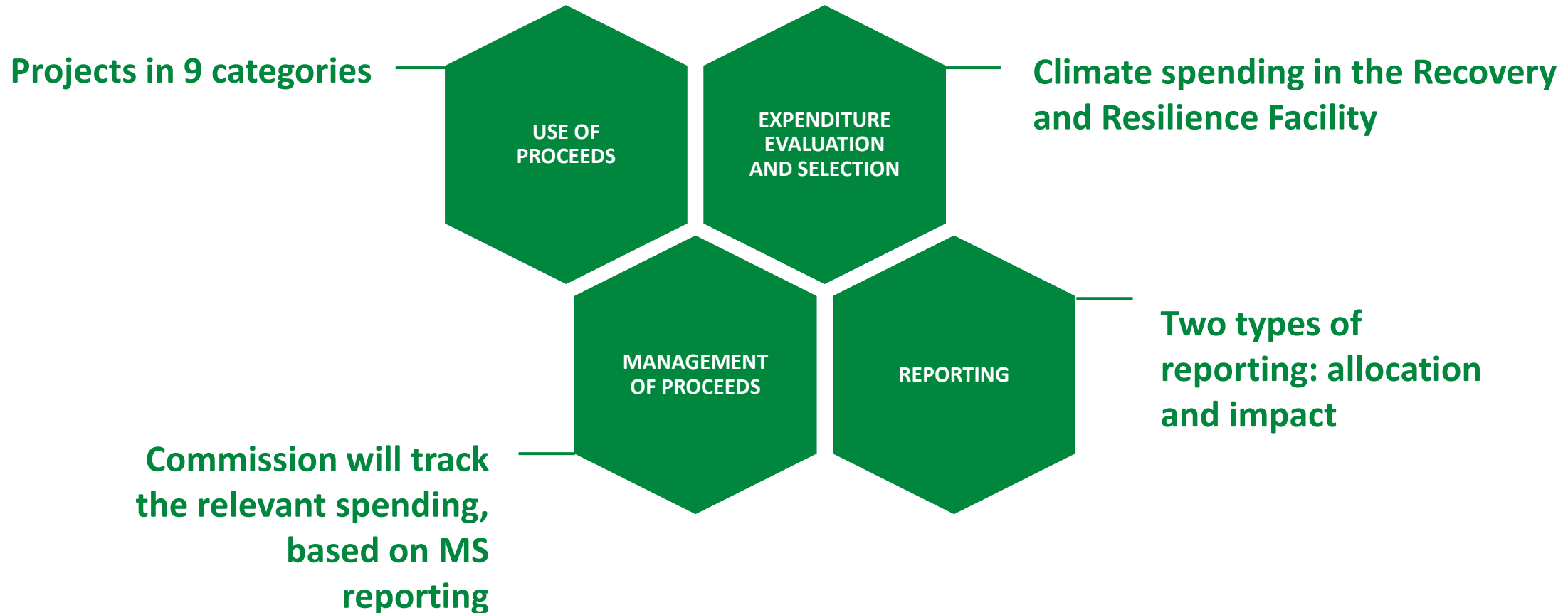
By Geography
(volume, 2021YTD)



EU green bond approach anchored in EU climate policy

- **EU broad approach to ensure regulatory underpinning for market, issuance dominated by Sovereigns**
 - Thirteen EU MS issuing green or sustainability bonds: Poland, France, Ireland, Germany, the Netherlands, Belgium, Sweden, Lithuania, Italy, Luxembourg, Hungary, Slovenia and Spain
 - National frameworks aligned with ICMA GBP, and/or ICMA SBP; some seeking to align – when applicable – with EU Taxonomy Regulation (or with eligible categories mapped with the six environmental objectives)
 - No regulatory standard for corporate issuers – upcoming EU GBS should cover this gap, based on strict definition of eligible expenditures.
- **NGEU green bond issuance expected at around EUR 240bn**, to finance the climate portion of the Recovery and Resilience Facility, confirms the EC commitment to sustainable finance

NextGenerationEU green bond framework

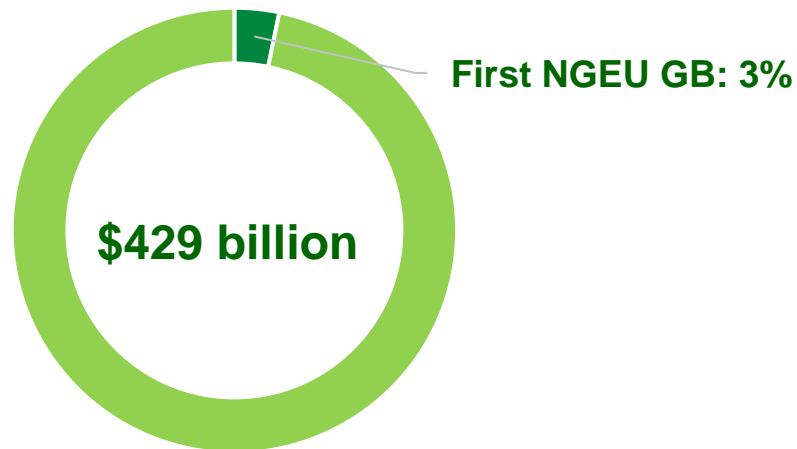


The EU in GSS Bond Markets

Impact of first NGEU Green Bond

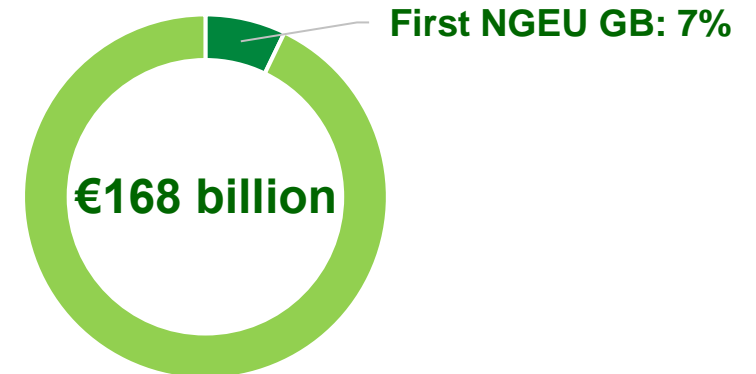
- After only a single issuance, NGEU green bonds already comprise 3% of global green bond issuance in 2021 and 7% all green bond issuance in euro in 2021.

Total Green Bond Issuance in 2021 (Global)



- First NGEU Green Bond: \$13.9 billion (equivalent)
- All Other Green Bond Issuance in 2021: \$415.1 billion (equivalent)

Total Green Bond Issuance in 2021 (in EUR)



- First NGEU Green Bond: €12 billion
- All Other Green Bond Issuance in EUR in 2021: €156 billion

SURE Social Bond Framework

- Compliant with the four core components of the ICMA SBP
- Second Party Opinion by Sustainalytics



EU SURE Social Bond Framework



Use of Proceeds

- Short-time work schemes or similar measures designed by Member States to protect employees and self-employed
- On an ancillary basis: health-related measures, in particular in the workplace



Project Evaluation and Selection Process

- Clear communication of social objectives and the process how the European Commission assesses whether Member States' actual and planned expenditure are Eligible Social Expenditures



Management of Proceeds

- Net SURE proceeds immediately credited to the beneficiary Member States
- Tracking and monitoring by the European Commission of the use of SURE proceeds by the Member States



Reporting

- European Commission intends to report (allocation and impact reporting) within six months of the first issuance under the SURE instrument, and every 6 months thereafter

The SURE instrument aims at preserving employment in order to sustaining families' income and the economy as a whole

SURE – use of proceeds and reporting

Reporting twice a year on results achieved: [second biannual report](#) confirms that the instrument supported 31 million people and 2.5 million firms in 2020.

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Use of proceeds

Financial assistance to Member States experiencing, as of 1 February 2020, a sudden and severe increase in public expenditure on the preservation of employment



- Short-time work schemes or similar measures designed by Member States to protect employees and self-employed
- Objective - to reduce the risk of unemployment and loss of income
- On an ancillary basis: health-related measures, in particular in the workplace

ICMA SBP categories “*Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from “socioeconomic crises” and “Access to essential services (e.g. health; healthcare)”*”

Advance SDGs 3 and 8



« Substantial positive social impact » (Sustainalytics)

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Reporting

Allocation Reporting, breakdown of SURE proceeds by:

- Beneficiary Member State
- Envisaged main type of Eligible Social Expenditure

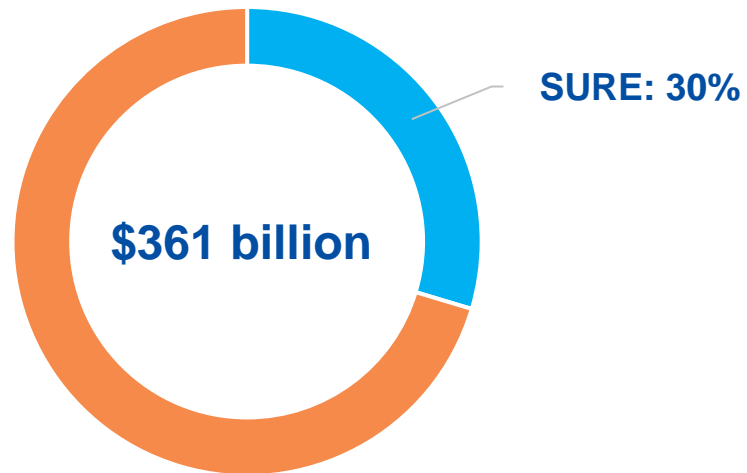
Impact Reporting:

- Number of jobs and number of companies covered/supported by SURE proceeds
- Granularity of reporting by Member States

The EU in GSS bond markets - Impact of SURE

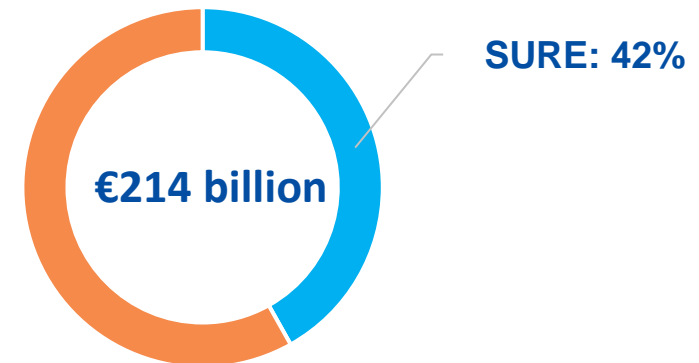
- SURE has had a major impact on the social bond market, comprising 30% of all global social issuance and 42% of all EUR denominated social issuance outstanding.

Total Social Bond Issuance outstanding



- SURE: \$107 billion (equivalent)
- All Other Social Issuance: \$254 billion (equivalent)

EUR denominated Social Bond Issuance outstanding



- SURE: €89.6 billion
- All Other Social Issuance in EUR: €124.4 billion

Annex

The inaugural NextGenerationEU Green Bond

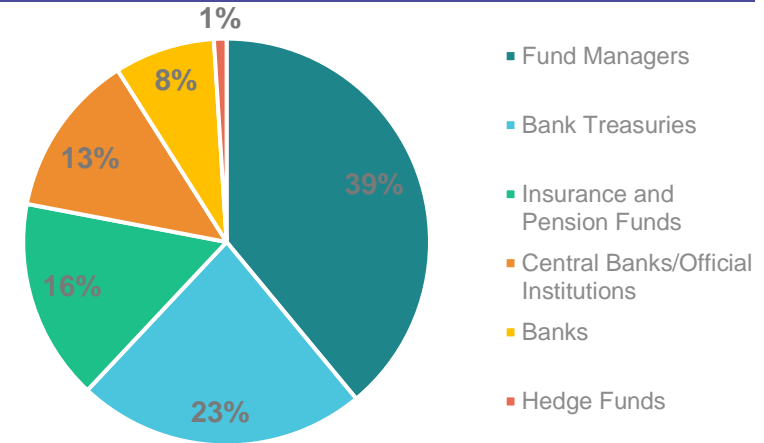
- On 12 October, the European Commission – on behalf of the EU – **raised €12 billion in the first NextGenerationEU green bond transaction.**
- This transaction opens the way for the largest green bond program in the world.
 - This was **the largest ever green bond** transaction
 - At an issuing level of MS-8, **the bonds were placed slightly within the Fair Value curve,** indicating strong demand for NGEU green bonds
 - The green bonds attracted large demand from high quality real money accounts, allowing for a **3 basis points tightening** during the deal
- The bond attracted **orders in excess of EUR 135bn, thus being more than 11 time over-subscribed.**
- Over 160 ESG investors were in the final order book, receiving increased allocations

First NGEU green bond – highlights

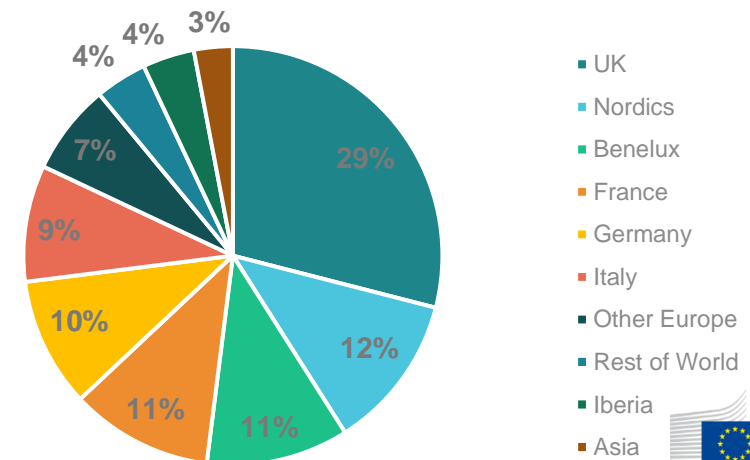
€12bn 0.4% “NGEU” Green Bond due 04 February 2037

Key terms	
Issuer	European Union (EU)
Issuer ratings	AAA stable (DBRS) / AAA stable (Fitch) / Aaa stable (Moody's) / AA positive (S&P) / AAA stable (SCOPE)
Pricing date	12 October 2021
Settlement date	19 October 2021
Maturity date	04 February 2037
Size	€ 12 billion
Coupon	0.4%
Re-offer spread	MS-8 // 31.6 bps over DBR 05/2036 // -4.6 bps to OAT 05/2036
Re-offer price	99.219%
Re-offer yield	0.453%
ISIN / Common Code / WKN	EU000A3K4C42 / 239966560 / A3K4C4
Listing	Luxembourg Stock exchange
Lead Managers	Bank of America, Credit Agricole CIB, Deutsche Bank, Nomura, TD Securities
Co-Lead Managers	Danske Bank, IMI-Intesa Sanpaolo, Santander

Investor distribution by type



Investor distribution by region



SURE bonds – total: EUR 89.637 bn

ISIN	Maturity	Issue Date	Maturity	Amount (€ million)	Coupon
EU000A284451	5y	17-11-2020	04-11-2025	8,000	0%
EU000A3KNYF7	5y	30-03-2021	04-03-2026	8,000	0%
EU000A287074	long 7y	02-02-2021	02-06-2028	10,000	0%
EU000A3KRJQ6	8y	25-05-2021	04-07-2029	8,137	0%
EU000A283859	10y	27-10-2020	04-10-2030	10,000	0%
EU000A285VM2	short 15y	01-12-2020	04-07-2035	8,500	0%
EU000A3KM903	long 15y	16-03-2021	04-06-2036	9,000	0.20%
EU000A283867	20y	27-10-2020	04-10-2040	7,000	0.10%
EU000A3KNYG5	25y	30-03-2021	02-05-2046	5,000	0.45%
EU000A3KRJR4	long 25y	25-05-2021	04-01-2047	6,000	0.75%
EU000A284469	30y	17-11-2020	04-11-2050	10,000	0.30%
Total:				89,637	

Note: EU 11/2050 issued in 17/11 was tapped on 26/1/2021 by EUR 4 billion (issue date: 2/2/2021).

19 different Member States have received loans under SURE.

For more information:



Check our EU as a borrower website:

https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations_en



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