Towards the sound development of social and sustainability linked bond markets
Recent experiences from the EU

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European Commission
# Environmental, Social & Governance Bond Issuance

## Sustainable Bond Issuance Volume

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

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

### By Issuer Type (volume, 2021YTD)

- **FIG**: 20%
- **Corporates**: 36%
- **SSA**: 44%

### By Issuer Type (number, 2021YTD)

- **FIG**: 253 issuers
- **SSA**: 97 issuers

### By Geography (volume, 2021YTD)

- **EMEA**: 58%
- **APAC**: 20%
- **LATAM**: 5%
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

Projects in 9 categories

Climate spending in the Recovery and Resilience Facility

Two types of reporting: allocation and impact

Commission will track the relevant spending, based on MS reporting
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 GB: 3%
- $429 billion

**Total Green Bond Issuance in 2021 (in EUR)**

- First NGEU GB: 7%
- €168 billion

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

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

### 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)

### 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)

$361 billion

**EUR denominated Social Bond Issuance outstanding**
- SURE: €89.6 billion
- All Other Social Issuance in EUR: €124.4 billion

€214 billion
Annex
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

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

Investor distribution by type

- Fund Managers: 39%
- Bank Treasuries: 13%
- Insurance and Pension Funds: 23%
- Central Banks/Official Institutions: 16%
- Banks: 11%
- Hedge Funds: 11%
- Other: 1%

Investor distribution by region

- EU: 29%
- UK: 11%
- Nordic: 11%
- Benelux: 11%
- France: 10%
- Germany: 9%
- Italy: 7%
- Other Europe: 6%
- Rest of World: 5%
- Iberia: 4%
- Asia: 3%
- Rest of Asia: 2%
- Rest of the Rest: 1%
### SURE bonds – total: EUR 89.637 bn

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

**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

Get in touch:
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