



## SOCIAL BONDS

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The Social Bond market:  
towards a new asset class?

# 2018



## Foreword by our Chairman:



«The Impact Invest Lab is pleased to be releasing the research work conducted by Mathilde Pellizzari, Research officer at the Lab, on Social Bonds and their potential, in particular on the French market. This publication describes this new financing tool for social impact and the issues at stake for the various stakeholders when putting it in place. It also puts forward four cases of Social Bonds issued by diverse issuers. Thanks to this study, the Lab intends to support better knowledge and understanding of the tool and therefore contribute to the development of the market.

*Wishing you a pleasant reading!»*

Cyrille Langendorff

## PREAMBLE

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This study was conducted by Impact Invest Lab between April 2018 and July 2018. It is based on a literature review as well as seven interviews with regulators, issuers, investors and structurers.

Impact Invest Lab is a research and development platform for impact investing, led by a collective whose goals are to contribute to sectoral discussions/reflections, research and acceleration of the development of impact investing in France and to have impact financiers become partners of social innovation. Its founding members are the Caisse des Dépôts (State-owned bank), the Centre Français des Fonds et Fondations (French Foundations Centre), Finansol (resource center and labeling organisation for solidarity finance), Crédit Coopératif (a cooperative bank), Mouves (Movement of Social Entrepreneurs) and INCO (impact investors).

Impact Invest Lab was created as a result of work carried out by the French National Advisory Board on impact investing. It particularly seeks to accomplish some of the proposals set by the Board and to boost impact investment in France by putting it into an international context, in keeping with the Board's strategy.

We would like to thank our interviewees for having replied to us, for the time they gave us and for the valuable information they provided us with.

Thank you to Jean-Michel LECUYER, Managing Director of INCO and board member of Impact Invest Lab, for having been part of the study initiative and having supported its progress.

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## INTRODUCTION

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Like Green Bonds (see box 1), Social Bonds aim to finance or refinance projects with an identified social objective. The reference framework for issuance of Social Bonds is the Social Bond Principles (SBP), established by an Executive Committee for which the International Capital Market Association (ICMA) acts as a Secretariat. Like traditional bonds, they can be issued by States, local authorities and public or private organisations and are traded on the bond market. Their financial characteristics are similar to traditional bonds and they provide a social return, making them an attractive financing tool.

### Box 1.

#### Green bonds: Europe takes the lead

Green bonds are bonds designed to finance environmental projects. The French State issued the second and largest sovereign green bond in the world in January 2017, amounting to 7 billion euros over a period of 22 years. In February 2018, the International Capital Market Association (ICMA) estimated that over 1,500 green bonds had been issued around the world for up to 155.5 billion dollars, three of which were sovereign bonds. The predominant market is in euros, with European companies very active in this area and with the French sovereign bond. France alone represents 12% of global green bond issuances.

Social Bonds meet the principles of socially responsible investment (SRI). SRI consists of integrating sustainable development criteria into the management of financial assets. The French Ministry for Ecological and Inclusive Transition considers SRI to be both a funding mechanism to serve ecological transition and one of the levers for action to encourage businesses to adopt advanced socially responsible practices.<sup>1</sup> Responsible finance is developed with mutual incentives for market stakeholders (investors, issuers, underwriters, network leaders and evaluators), and the Social Bond market is an example of this.

Social Bonds are one of the fixed-income financial instruments which incorporate Environment, Social and Governance (ESG) criteria. Among these instruments, bonds are named in different ways: ESG bonds; *obligations à impact social* (not to be confused with Social Impact Bonds which are known in French as *contrats à impact social*); green bonds; socially-responsible loans; sustainability bonds, etc. These bonds are not considered Social Bonds as long as they do not refer to the SBP.

Until the first semester of 2018, the Social Bond market was mainly driven by public issuers. It continued to grow, engaging more and more issuers and investors.

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<sup>1</sup> More information can be found on the website of the Ministry for Ecological and Inclusive Transition. Available at: <https://www.ecologie-solidaire.gouv.fr/investissement-socialment-responsable> [accessed on 26/07/2018].

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# PRESENTATION OF SOCIAL BONDS

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## What exactly are Social Bonds?

The name “Social Bond” refers to a non-binding reference framework developed by an Executive Committee for which the International Capital Market Association (ICMA) acts as a Secretariat: the Social Bond Principles (SBP) (see box 4).

ICMA is an association that brings together issuers, investors, underwriters and other capital market stakeholders (infrastructure providers, central banks, law firms, etc.). The organisation promotes the harmonisation of the global debt securities market by encouraging collaboration and dialogue between market stakeholders. To do this, ICMA publishes information on market practices and frameworks for standardisation. It supports the Executive Committee in charge of the SBP composed of 24 organisations elected for 2 years by the members, amongst which investors, issuers and underwriters are equally represented.<sup>2</sup>

In 2014, ICMA published the Green Bond Principles (GBP) as voluntary process guidelines for issuance of Green Bonds. A Social Bond Guidance is annexed to the GBPs in 2016 to regulate for the first time the issuance of bonds targeting social-impact projects. In June 2017, the Social Bond Principles (SBP) were separated from the GBP. A mixed category designed to fund projects that are both environmental and social, named “Sustainability Bond”, is regulated by the Sustainability Bond Guidance (SBG). Sustainable bonds do not have their own principles as an intermediate category since both the GBP and SBP can be used.

Aside from the three frameworks: Green, Social and Sustainable Bonds, there are many other designations, but these do not fall within the framework issued by ICMA. In particular, Environmental, Social and Governance (ESG) bonds incorporate a governance component which is not taken into account in the three frameworks (SBP, GBP, SBG) and relates to issuers’ performance in sustainable development rather than the use of proceeds.

## Social objectives of Social Bonds

Social Bonds seek the completion of projects with a clear social objective and which are dedicated to an identified population. These bonds call for issuers to demonstrate the greatest degree of transparency regarding investors and the general public. The SBP propose a series of project categories that can be supported by the Social Bond market:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy, etc.)
- Access to basic services (e.g. health, education and vocational training, healthcare, financing and financial services, etc.)
- Affordable housing
- Job creation including through the potential effect of small and medium-sized enterprises financing and microfinance
- Food security
- Socioeconomic advancement and empowerment

Examples of target populations include:

- People living below the poverty line
- Excluded and/or marginalised populations and/or communities
- Vulnerable groups, including as result of natural disasters
- People with disabilities
- Migrants and/or displaced persons
- Undereducated population
- Underserved population, owing to a lack of quality access to essential goods and services
- Unemployed<sup>3</sup> people

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<sup>2</sup> Further information available on ICMA website. Available at: <https://www.icmagroup.org/> [accessed on 26/07/2018].

<sup>3</sup> Source: ICMA. 2018. Social Bond Principles. Available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/> [accessed on 31/07/2018].

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## STAKEHOLDERS INVOLVED

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Social Bond issuances range from 300 million to 1 billion euros.<sup>4</sup> Allocation of proceeds must address one or more social issues and benefit a target population. As the market is growing, Social Bonds are a lever to carry out, showcase and inform on missions with a strong social impact.

The global volume of Social Bond issuances (excluding Sustainability and Green Bonds) rose to 16.5 billion dollars in May 2018. A list of Social Bonds issued up to May 2018 is annexed. The national and supranational public sectors (77%) spearheaded and still lead the Social Bond market. The private sector has become gradually involved since 2017 (23% for banks and businesses) (see figure 1).<sup>5</sup> In geographical terms, the Netherlands and Spain are the countries with the highest volume of issuances (see box 2).

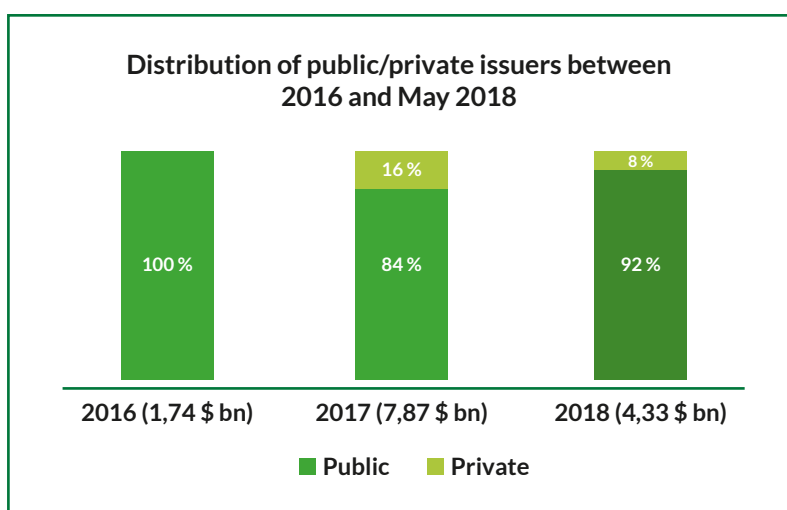


Figure 1. Distribution of public/private issuers of Social Bonds between 2016 and May 2018.  
Source: Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

Social Bond issues are underwritten by international investors with SRI commitments ranging from “dedicated” investment to purely financial investment.

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<sup>4</sup> Source : Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

<sup>5</sup> Source: Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).



## Typology of issuers

Social Bonds emerged in 2013, with the launch of the “Banking on Women” bond issue programme by the International Finance Corporation (IFC), followed by the “Inclusive Business” programme in October 2014. Both programmes were not strictly speaking Social Bonds that is, under the aegis of the SBP, until 2017.<sup>6</sup> The two programmes were merged under the IFC Social Bond Programme.

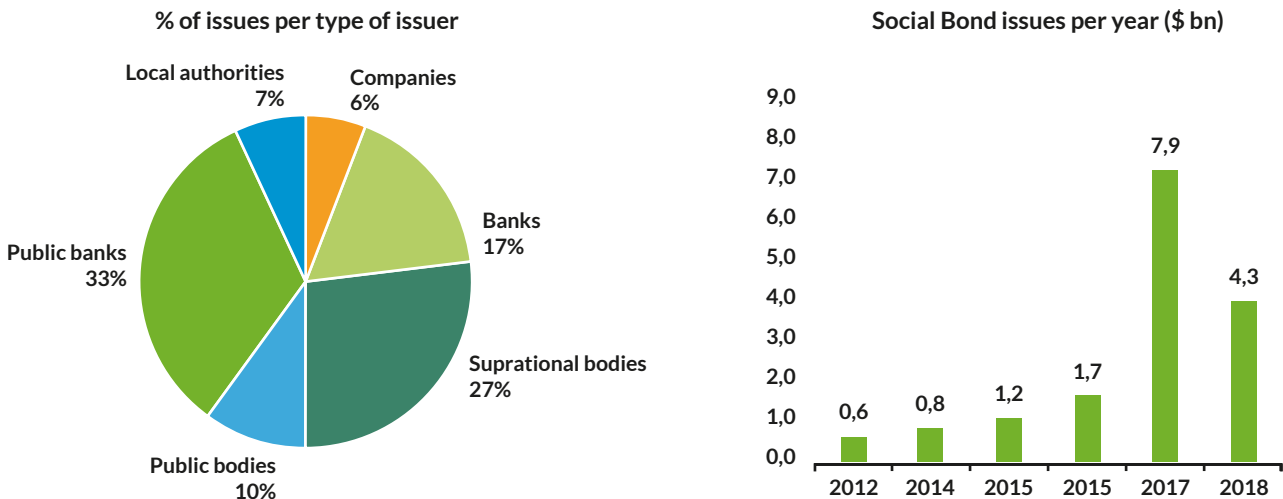


Figure 2. Social Bond issues per issuer type and per year. Source: Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

The first issuers to enter into the market following the Social Bond Principles (SBP) published by the IMCA were public financial institutions; they remained the predominant issuers until the first half of 2018. Supranational organisations (for example, the International Finance Corporation), governmental bodies (for example, the *Instituto de Crédito Oficial* (Official Credit Institute) in Spain) and local authorities (such as the City of Madrid) complete the landscape of public and supranational issuers. Social Bonds suits particularly well the public and development aid sectors, whose social mandates are clear.

In France, the public sector has mainly issued sustainable bonds, in which social objectives are included but are not the sole motive. The Île-de-France region has issued mixed “green and sustainability” bonds in 2012 and every year since 2014 for responsible development in the region. The City of Paris issued sustainable bonds in 2016 and 2017, worth 320 million euros, to support the Climate Action Plan and promote social and economic integration. Both entities made use of the Sustainability Bond Guidance (SBG) published by ICMA to provide a framework for their bond issues.

Opportunities are also offered to the private sector, which is gradually joining the market, beginning with banking institutions taking the first steps. The social housing sector is particularly attractive to private stakeholders. For example, in 2017, BayernLabo, a bank working for housing in Bavaria, Germany, issued 500 million euros in

### Box 2.

#### Panorama of European issuer countries

In Europe, the countries issuing the largest number of Social Bonds are the Netherlands and Spain.

Issuances in the Netherlands are made by public banks (BNG, NWB Bank) and target the social housing sector.

In Spain, the *Instituto de Crédito Oficial* (ICO) has issued Social Bonds since April 2016. ICO and the City of Madrid have dedicated bond issuances to the creation of jobs by financing small and medium-sized enterprises.

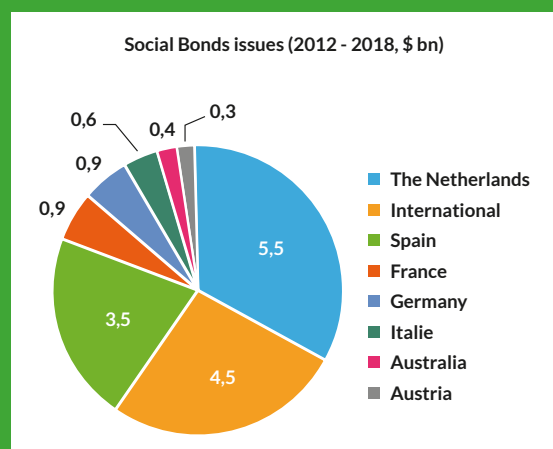


Figure. Social Bond issuances by geography. Source: Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

<sup>6</sup> In the annexed database, Natixis refers to a Social Bond issue prior to that of the IFC (Air Liquide, 2012). This bond issue is not commonly agreed to be a Social Bond, unlike those of the IFC programmes.

Social Bonds to finance social housing projects. In 2017 also, the Austrian bank Kommunalkredit dedicated 300 million euros in Social Bonds to financing infrastructure in education, health and social housing.

The French multinational Danone was the first corporate to issue Social Bonds following the Social Bond Principles (SBP) which amounted to 300 million euros in March 2018. Proceeds were allocated, amongst other things, to research and development for food security and to social integration of targeted populations such as dairy producers. Danone promotes a business model which brings together economic profitability and social return. It has already developed a number of social initiatives in line with its core business (Utretch R&I Center for Advanced Medical Nutrition, Danone communities, etc.). This enables the multinational corporation to support existing programmes and reporting methods to prove the social impact of projects eligible within the framework of Social Bonds. In fact, the experience of Danone in the social domain makes the Social Bond market an attractive and accessible market for this business, which is not necessarily the case for all multinationals.

Engaging issuers in the Social Bond market implies that (i) they can resort to debt financing, (ii) they have a clear social mandate, (iii) they have the technical means to demonstrate the social impact they will generate.

## An increasing demand by investors for social and financial return

Social Bonds interest all kinds of investors, from the most socially-engaged investors to those seeking a purely financial return. Indeed, from a financial point of view, Social Bonds offer a similar return to conventional fixed-rate financial instruments. Issuers, both public and private, generally have excellent ratings (see figure 3). For a given issuer, the same solvency offers the same credit risk and therefore the same financial return. For investors, there is no need to compromise on profit in order to have a social impact, and “this is the beauty of Social Bonds”, Simon Bond enthusiastically states, as portfolio manager of the European Social Bond Fund at Columbia Threadneedle Investment.<sup>7</sup> However, liquidity influences the return. The balance of investor portfolios for this kind of bonds is therefore based on the level of liquidity.

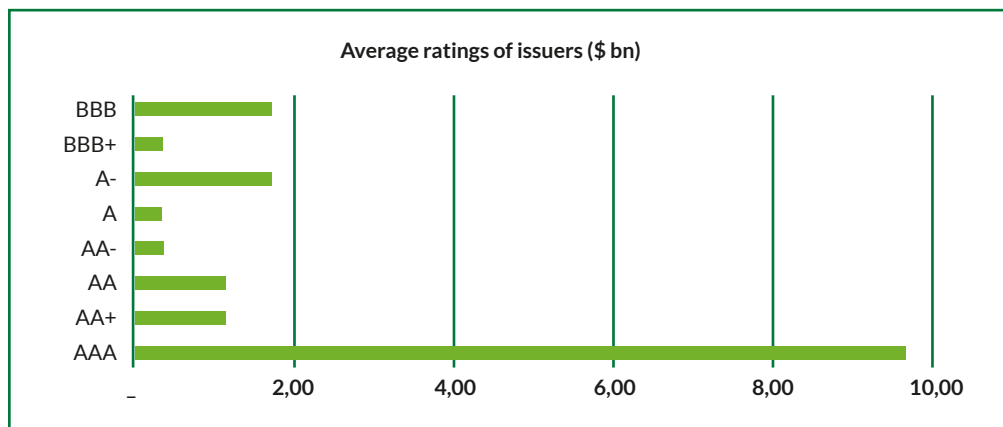


Figure 3. Average financial ratings of Social Bonds issuers. Source: Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

Investors apparently have no reason to be reluctant to invest in this kind of bonds which generate a social impact and do not require any sacrifice in terms of financial profitability: Social Bonds bring together social return and financial return. Moreover, they represent an opportunity for portfolio diversification, both in terms of type of assets and geographical area. Indeed, Social Bonds could encourage investors to broaden their area of influence.<sup>8</sup> De facto, investors seeking a social return tend to invest in Europe or even globally to build balanced portfolios. This is what issuers have noticed when studying the remarkable geographical diversity in underwriters of Social Bonds when compared to ordinary bonds.<sup>9</sup>

<sup>7</sup> Interview with Simon Bond, portfolio manager, Columbia Threadneedle, 24/02/2018 in Paris.

<sup>8</sup> Source: HSBC. 2016. Social Bonds. (p5) Available at: <https://www.gbm.hsbc.com/search?q=social+bonds> [accessed on 31/07/2018].

<sup>9</sup> Interview with a Financial Management official, Paris City Hall, 24/04/2018 in Paris.

## Four categories of investors

Investors of the Social Bonds market can be grouped into four categories.<sup>10</sup> **The first category** and the largest one is that of investors seeking a purely financial return, without any particular consideration to the environmental and social benefits offered by social and green bonds.

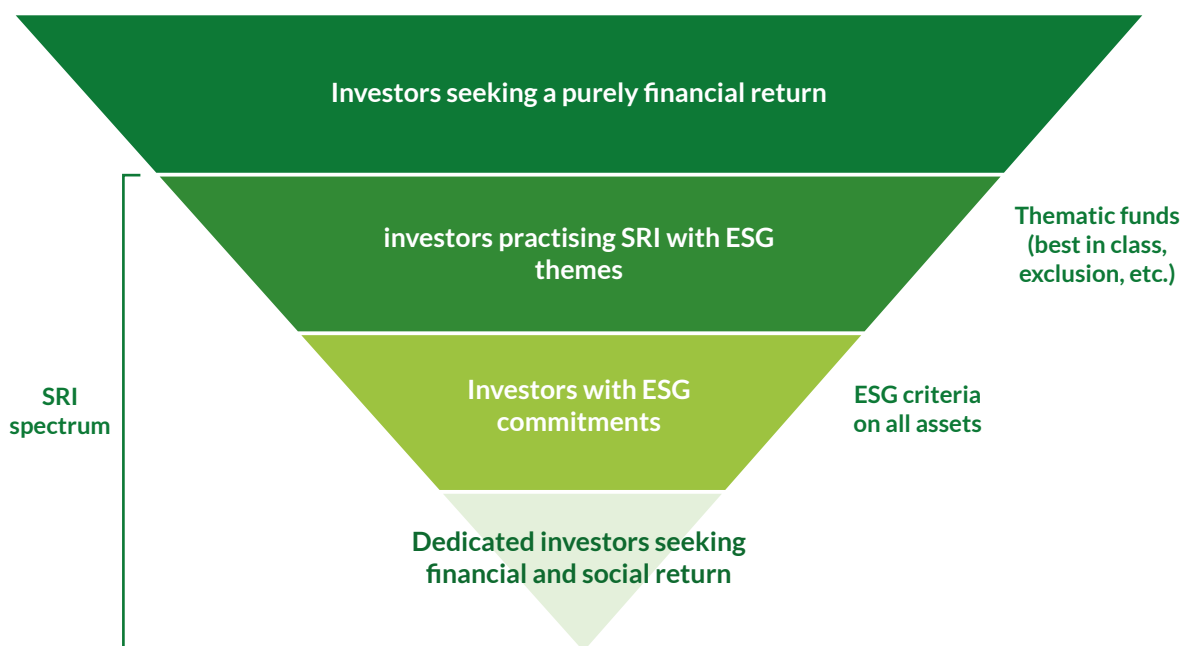


Figure 4. Pyramid of investors with highest to lowest rate of subscription to Social Bonds

Naturally, Social Bonds also mobilise investors engaged in socially responsible investment (SRI). These engagements have various levels and encompass the three other categories of investors detailed below. In 2017, almost 1,200 investors around the world committed to the United Nations Principles for Responsible Investment (PRI) (see box 5), with assets under management accounting for almost 70,000 billion dollars. The whole spectrum is represented: asset and investment fund managers, banks, central institutions, pension and insurance funds, whether they are socially-responsible investors or not. The PRI are a widely-ratified commitment and is not as such a discriminating factor. Nevertheless, the signatories adhere to the first fundamental principle:

“We incorporate ESG issues into our decision-making and investment analysis processes.”

In the French sector, the Sustainable Investment Forum (FIR), which brings together all French stakeholders involved in SRI (investors, management companies, research agencies and extra-financial rating agencies, consultants, representatives of civil society, etc.), defines SRI as follows:

An investment that aims to reconcile economic performance with social and environmental impact by funding companies and public entities that contribute to sustainable development, regardless of their sector of activity.

In France, a consensus has been reached to call “SRI” funds that simultaneously take into account E, S and G criteria as part of a sustainable development objective.<sup>11</sup>

<sup>10</sup> Based on an interview with a representative of Green & Sustainable Hub, Natixis, on 14/06/2018 in Paris.

<sup>11</sup> Source: FIR website. Available at: <https://www.frenchsif.org/isr-esg/investissement-socialement-responsable-et-ressources/ce-qu-est-l-isr/> [accessed on 26/07/2018].

A **second category** is that of “dedicated” investors, that is, those that only make socially-responsible investments, by integrating ESG criteria broadly to all asset classes. They are at the bottom of the pyramid in figure 4. They invest particularly but not exclusively in Social Bonds and account for a limited volume of subscriptions. For instance, Mirova is a French asset manager that falls into this category, dedicated to sustainable investment and an affiliate of Natixis Investment Managers. Mirova has developed a range of products that allows investors to combine value creation with sustainable development.<sup>12</sup> The asset manager manages investment funds dedicated to green and sustainable bonds, such as the Euro Green & Sustainable Bond Fund and the Euro Green & Sustainable Corporate Bond Fund, worth 287 million euros and 188 million euros respectively in July 2018. The funds invest in Social Bonds but not exclusively. Mirova claims first place as the holder of the most Green and Social Bonds and promotes strict requirements in the creation of portfolios guaranteeing a financial return and an environmental and/or social impact to its clients.<sup>13</sup>

### Box 3.

#### *European Social Bond Fund by Columbia Threadneedle*

Following the success of Social Bond Fund, in the United Kingdom, which raised 100 million euros over three years, a fund in euros was created and raised almost 15 million euros one year after its launch in May 2017.

*“The fund aims to balance three key elements - social impact, liquidity and financial performance - and strives to offer the return/risk profile of European corporate bonds, as well as a clearly-identifiable social mandate.” \**

The fund invests in projects and structures in the areas of housing, health, education and training, employment, access to services, community development and economic development.

Columbia Threadneedle is based on a partnership with INCO, specialised in the European social economy and one of the leaders in the assessment of sustainable social enterprises. \*\*

\* Source: Columbia Threadneedle Investment. *Threadneedle (Lux) European Social Bond Fund*. Management commentary 31st August 2017 to 30th September 2017.

\*\*Source: Columbia Threadneedle Investment. May 2018. *Threadneedle (Lux) European Social Bond Fund*. Presentation of the fund.

Columbia Threadneedle, driven by Simon Bond, created the first European fund exclusively dedicated to underwriting Social Bonds in May 2017. In three months the fund raised 10 million euros (see box 3).

Triodos is also a dedicated investor and defines itself as “one of the world’s leading sustainable bank”<sup>14</sup>. Triodos connects savers and investors who want to change the world for the better with entrepreneurs and sustainable companies doing just that.<sup>15</sup> Its Sustainable Bond Fund is dedicated to bonds for businesses and States that are in line with the sustainable investment strategy.

A **third category**, most represented among underwriters of green and Social Bonds, is made up of assets managers who integrate ESG criteria in all asset classes such as Axa Investment Managers. This approach is generally based on the 17 United Nations’ Sustainable Development Goals (SDGs) (see figure 5) being incorporated into investment practices. Today, the market is more focused on “green”. However, the inclusion of the SDGs which are predominantly focused on social aspects encourages investors to draw attention to social investments.

Social Bonds also interest a **final category** of investors: SRI investors who manage thematic ESG funds that wether exclude certain business sectors or adopt a “best in class” approach to select investments among the best-rated organisations within their business sector from an extra-financial perspective.

Thus, the order books for Social Bonds issuances record a high demand from investors. The 500 million euro bond issue from the Council of Europe Development Bank in April 2017 received demand superior to 1 billion euros, of which a significant proportion came from dedicated investors.<sup>16</sup> For the recent 300 million euro bond issue by Danone, demand exceeded 700 million euros with ESG-qualified investors strongly represented.<sup>17</sup>

<sup>12</sup> More information on Mirova’s website. Available at: <http://www.mirova.com/fr-FR/mirova/Solution-investissement-conseil> [accessed on 26/07/2018].

<sup>13</sup> Interview with a portfolio manager, Mirova, 27/06/2018 in Paris.

<sup>14</sup> Source: Triodos website. Available at: <https://www.triodos.com/en/about-triodos-bank/who-we-are/> [accessed on 08/10/2018].

<sup>15</sup> Source: Triodos website. Available at: <https://www.triodos.com/en/about-triodos-bank/what-we-do/core-activities-business-lines/> [accessed on 08/10/2018].

<sup>16</sup> Source: CEB. 2017. Report of the Governor. (p19) Available at: <https://report-2017.coebank.org/en/#innovation-financing> [accessed on 31/07/2018].

<sup>17</sup> Agence Option Finance. 20th March 2018. DANONE émet une «social bond» pour 300 millions d’euros. Lefigaro.fr Bourse. Available at: <http://bourse.lefigaro.fr/indices-actions/actu-conseils/danone-emet-une-social-bond-pour-300-millions-d-euros-6477499> [accessed on 31/07/2018].

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## REFERENCE FRAMEWORKS

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### Global frameworks

The universal sustainable development programme of the United Nations titled “Transforming our World: the 2030 Agenda for Sustainable Development” sets 17 objectives: the Sustainable Development Goals (SDGs) (see figure 5). The plan is to be implemented by all countries and all stakeholders, and is based on five pillars: humanity, planet, prosperity, peace and partnerships. It has three main targets: economic growth, social inclusion and protection of the environment. The programme was officially adopted during the Summit on Sustainable Development held in New York in September 2015 by the 193 Member States of the United Nations. The SDGs are not legally binding; therefore countries are responsible for taking measures to implement and monitor the achievement of the goals. The financial means necessary to carry out the sustainable development programme are a central point: the SDGs call for the mobilisation of resources at an international and national level, including both the public and private sectors, to encourage official development assistance to support countries most in need, and to direct the savings available globally towards investments that contribute to sustainable development.



Figure 5. The 17 Sustainable Development Goals. Source: The United Nations website. Available at: <https://www.un.org/sustainabledevelopment/> [accessed on 08/10/2018].

At the European Union level, the European Commission published an action plan in March 2018 named “Financing sustainable growth”. It is one of the main European measures to implement the Paris Agreement and the sustainable development programme of the United Nations. This plan stems from the work of a group of high-level experts; it is designed to boost the role of finance in the establishment of an economy that would be effective and at the same time fulfil the environmental and social objectives set by the European Union.

The measures include:

- Establishing a common language for sustainable finance, i.e. a unified EU classification system – or taxonomy – to define what is sustainable and identify areas where sustainable investment can make the biggest impact.

- Creating EU labels for green financial products on the basis of this EU classification system: this will allow investors to easily identify investments that comply with green or low-carbon criteria.
- Clarifying the duty of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements.
- Requiring insurance and investment firms to advise clients on the basis of their preferences on sustainability.
- Incorporating sustainability in prudential requirements: banks and insurance companies are an important source of external finance for the European economy. The Commission will explore the feasibility of recalibrating capital requirements for banks (the so-called green supporting factor) for sustainable investments, when it is justified from a risk perspective, while ensuring that financial stability is safeguarded.
- Enhancing transparency in corporate reporting: we propose to revise the guidelines on non-financial information to further align them with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).<sup>18</sup>

This plan highlights green bonds as a way of financing environmentally and socially sustainable activities, without mentioning purely Social Bonds as such.

## Issuance procedures

As explained in the introduction, the *Social Bond Principles* (SBP), developed by the Executive Committee within ICMA, are voluntary process guidelines created at the initiative of market stakeholders in June 2017 and published in a revised version in June 2018. According to the SBP:

“Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects. [...] Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s).”

The SBP recommend issuers to demonstrate the greatest degree of transparency in the allocation of proceeds. In particular, the SBP entail the need to draw up a reference framework for bond issuance programmes developing the four pillars of the SBP: use of proceeds, process for project evaluation and selection, management of proceeds and reporting (see box 4). It is recommended to use an external evaluation to validate the reference framework and check the allocation of funds. To this aim, Guidelines for Green, Social and Sustainability Bond External Reviews are annexed to the SBP.

The June 2018 edition of the SBP proposes a mapping linking the SDGs, areas targeted by the SBP and examples of relevant indicators, since the SDGs are often a reference to justify the topics addressed by issuers.<sup>19</sup> As a reminder, the eligible project categories suggested in the SBP are as follows:

- Affordable basic infrastructure (clean drinking water, sewers, sanitation, transport, energy, etc.)

### Box 4.

#### The Social Bonds Principles

The SBP are a guide of voluntary (and non-regulatory) procedures created at the initiative of market stakeholders and assembled by ICMA. The SBP cover four areas:

##### 1. Use of proceeds

The proceeds must be reserved for social projects described in the legal documentation of the bond issuance. The social benefits must be identified and assessed. Examples of sectors and populations targeted are given.

##### 2. Process for project evaluation and selection

The issuer must communicate the following to the investors: the social objectives, the selection process for projects according to the criteria established, the selection criteria.

##### 3. Management of proceeds

The funds must be traced by the issuer, and the temporary placement of unallocated funds must be communicated to investors. The use of an auditor or third party is encouraged.

##### 4. Reporting

The issuer must report annually on the use of proceeds and in particular on the projects financed and the expected or assessed impact. The SBP recommend transparency is especially as regards impact assessment.

Source: ICMA. 2018. The Social Bond Principles. Available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/> [accessed on 31/07/2018].

<sup>18</sup> European Commission. 8th March 2018. Sustainable finance: Commission's Action Plan for a greener and cleaner economy. Press release. Available at: [http://europa.eu/rapid/press-release\\_IP-18-1404\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-18-1404_en.htm?locale=en) [accessed on 08/10/2018].

<sup>19</sup> ICMA. Green and Social Bonds: a high-level mapping to the sustainable development goals. June 2018. Available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

- Access to basic services (health, education and vocational training, healthcare, financing and financial services, etc.)
- Affordable housing
- Job creation including through the potential effect of small and medium-sized enterprises financing and microfinance
- Food security
- Socioeconomic advancement and empowerment

Affordable housing is the most-represented category in issuances made up to May 2018, followed by job creation and access to basic services. Details on the categories targeted are annexed.

As an example, the Council of Europe Development Bank launched in 2017 a Social Bond programme, with two issues each worth 500 million euros in April 2017 and March 2018. The programme addresses social inclusion targeting three areas: affordable housing, education and vocational training and facilitating access to credit for micro, small and medium-sized enterprises. In Spain, the *Instituto de Crédito Oficial* (ICO) issued 500 million euros worth of Social Bonds in April 2016 to finance sustainable micro, small or medium-sized enterprises in economically under-performing regions (that is where the GDP is below the national average). Likewise, in the Netherlands, NWB Bank released in 2017 three types of Social Bonds with a total value of 2.6 billion euros, dedicated to financing affordable housing. Danone reserved 40% of the 300 million euros raised through its Social Bond in March 2018 for research into food security, 25% for social inclusion, 20% for sustainable agriculture, 10% for entrepreneurship and 5% for social security.

In France, many sectors could benefit from impact investments through Social Bonds; for example, the social or student housing sector in disadvantaged areas, training in new digital professions for school dropouts, financing of equipment designed for dependent elderly people on low incomes, acceleration of social innovations, etc.

## Investors' commitment

Investors are represented within ICMA and participate in reflections on the SBP through the Executive Committee, so that it can express their interests and expectations.

As mentioned before, a very inclusive and non-discriminatory initiative is that of the Principles for Responsible Investment (PRI) (see box 5). In 2017, there were approximately 1,200 investor signatories thus demonstrating a responsible engagement. The PRI seek to introduce ESG criteria into investment choices and shareholder strategies and to improve cooperation and transparency.

In France, labels stamp socially responsible funds and green funds. Labelling make socially-responsible investment (SRI) more visible to investors in France and Europe. By a decree dated 8th January 2016, the French government implemented the SRI label, which marks socially-responsible funds on the basis of the nature of the portfolio, the investment policy and the fund management practices. The label is granted by certification bodies approved by the French Accreditation Committee (Cofrac). Today there are two: Afnor Certification and EY France. In terms

of environmental aspects, the label "energetic and ecological transition for the climate" was created in 2016 at the initiative of the Ministry of Ecology, Sustainable Development and Energy to label "green" investment funds and therefore promote green savings. It is delivered by bodies approved by Cofrac, which are: Novethic, EY France and Afnor Certification. For example, the Axa WF Planet Fund of Axa Investment Managers and the Mirova Green Bond Global of the management company Mirova are labelled funds.

### Box 5.

#### United Nations Principles for Responsible Investment

Les SBP est un guide de procédures volontaire (et non réglementaire) créé à l'initiative des acteurs du marché, rassemblés à l'ICMA. Les SBP concernent quatre aspects :

The six principles are as follows:

1. We incorporate ESG issues into our decision-making and investment analysis processes.
2. We are active shareholders and integrate ESG issues into our policies and procedures in terms of ownership.
3. As far as possible, we ask the entities in which we invest to be transparent about ESG practices.
4. We encourage the adoption and implementation of the Principles in the investment sector.
5. We cooperate to improve the efficiency of implementing the Principles.
6. We each report on our activities and progress made in implementing the Principles.

In April 2017, 1,200 investors had ratified the PRI, which represents approximately 70,000 million dollars under management, 17 times more than when the Principles were release in 2006.

Source: United Nations. 2016. *PRINCIPLES FOR RESPONSIBLE INVESTMENT*. Available at: <https://www.unpri.org/download?ac=1539> [accessed on 31/07/2018].

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## EVALUATION AND IDENTIFICATION OF SOCIAL IMPACT

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The development of the Social Bond market is contingent with the development of issuers' capacity to prove the social nature of activities and report in a reliable way, responding to the diverse needs of investors. Today, the methods and indicators used are disparate among issuers and underwriters, as are classifications of social impact. Impact on the environment tends to be based on carbon emissions; a consensus has been reached on considering CO<sup>2</sup>-equivalent amount as the key indicator. However, social impact is both large (how is it possible to consider education, health, employment, etc. and add these sectors?) and contingent to local characteristics (how is it possible to pinpoint the impact? To what extent are different interventions comparable?). Questions are raised by market stakeholders.<sup>20</sup>

In practice, impact reports highlight outputs (number of houses built, number of SMEs financed, etc.) and outcomes (number of students educated, number of jobs maintained, etc.) more than the impact (effective improvements in health or education, greater autonomy, increased employment, etc.), which remains difficult to determine according to the domains and the geographic scale (see examples of indicators in figure 6). Above all, monitoring and evaluation must be transparent in the transfer of information between market stakeholders. Reporting serves to prove that the outputs announced were indeed made and that the outcomes expected ex-ante are in keeping with the area.

“What's important is being capable of clearly describing what has been done and to do what was said.”<sup>21</sup>

Furthermore, monitoring social impact requires the implementation of technical means, from the collection of relevant data in the field to processing this data. This calls for substantial engineering which could be a hindrance to some market stakeholders not immediately capable of deploying such systems. The development of the market will therefore entail a lag for implementation of relevant information systems.

One of the main challenges of the Social Bond market lies in harmonising an evaluation grid on the use of proceeds that will allow to both highlight the projects' features according to the local context and the sector concerned, and empower the issuers according to their activity and monitoring abilities. The SBP present a grid based on the universal United Nations' SDGs, making it possible to characterise the choice of social programmes according to the issuers, with the relevant indicators, and therefore facilitate monitoring of the investors' portfolios. A working group within the Executive Committee also compiled the best practices in impact reporting and published a series of principles and recommendations on this topic in June 2018.<sup>22</sup>

### Issuer practices

In accordance with the SBP, issuers detail their practices for identifying and reporting on social impact in a reference framework of bond issuances. Figure 6 shows the possible indicators put forward by different issuers in four domains. These were listed by a working group of the Executive Committee as part of a process of standardisation. These indicators analyse the social impact at different levels: achievements made, direct results and impact on a societal level.

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<sup>20</sup> For example, interview with Simon Bond, portfolio manager, Columbia Threadneedle, 24/05/2018 in Paris.

<sup>21</sup> L'AGEFI. 19th April 2018. De Multiples Méthodologies de mesure. In IMPACT INVESTING, une stratégie d'avenir, supplement of L'AGEFI weekly. (p3)

<sup>22</sup> ICMA. June 2018. Working Towards a Harmonized Framework for Impact Reporting for Social Bonds. Available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/> [accessed on 31/07/2018].



	Access to essential services	Socioeconomic development	Affordable housing	Job creation
<b>Outputs</b>	Number of children vaccinated Number of new household water connections Number of new household power connections	Number of loans to women-owned SMEs Number of loans to women-owned microenterprises	Number of dwellings	Number of loans to SMEs Number of loans to microenterprises
<b>Outcomes</b>	Patients reached Students reached Hospital bed density Personnel density Places in care facilities Treatment of hazardous waste (%)	Number of smallholder farmers reached Beneficiaries of minimum benefits	Share of under-served tenants Participation (rate) of tenants Rental costs compared to the national/regional rent index	Jobs created Jobs retained
<b>Impact</b>	Live births in hospitals Infant mortality (<1 year) Childhood mortality (<5 years) Maternal mortality Life expectancy PISA-test results Youth unemployment rate Childcare ratio Share of people with access to public transport Recycling rate Share of barrier-free access	Poverty-endangering rate Share of child labor Proportion of women in mgmt. positions Share of people with mobile network Income wealth ratio Unemployment rate Youth unemployment rate Income per inhabitant GDP per inhabitant		

Figure 6. List of indicators used by issuers of Social Bonds. Source: ICMA. June 2018. Working Towards a Harmonized Framework for Impact Reporting for Social Bonds. Available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/resource-centre/> [accessed on 31/07/2018].

We will now present the practices of the Council of Europe Development Bank (CEB) which applies high standards in terms of transparency in project selection and impact assessment.

The CEB issued Social Bonds twice, in 2017 and 2018, each of which was worth 500 million euros on the topic of social inclusion with three areas:

- Affordable housing for people on a low income
- Education and vocational training
- Support to micro, small and medium-sized enterprises to create and maintain viable jobs

The CEB promotes Social Bonds, in particular because they enable issuers to use a reference framework to report on expenditure incurred and impact. It is therefore an additional guarantee of transparency compared to traditional bonds.

In the Social Inclusion Bond Framework, the Bank undertakes to publish a report on its website on the projects selected and the loans granted the year following each issuance. The report for the 2017 issuance provides a summary of the allocations made per sector of activity and per disbursement year. For each sector, the allocation of funds is detailed per disbursement year and per country. The report includes an analysis of the social impact, based on the indicators presented below.

<b>1. Social housing</b>	
<p>The CEB finances projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing so as to provide decent housing for low-income persons, corresponding to social housing criteria whenever these are defined by the national legislation. In the absence of satisfactory regulations, preestablished CEB's criteria or other specific criteria may apply.</p>	
<b>Social impact indicators<sup>23</sup></b>	Number of dwellings (construction/renovation)
	Number of beneficiaries
<b>2. Education</b>	
<p>The CEB finances education, including vocational training, projects and related infrastructure. To be eligible to CEB financing, private establishments must be approved by the public education authorities and diplomas must be nationally recognised. The CEB may also finance public or private investments in research and development centres.</p>	
<b>Social impact indicators</b>	Number of schools (construction/renovation)
	Number of students
<b>3. Micro, small and medium-sized enterprises</b>	
<p>The CEB finances micro, small and medium-sized enterprises (MSMEs) for the prime purpose of promoting the creation and preservation of viable jobs by facilitating access to credit. Such loans are also aimed at entities exercising craft activities or family enterprises engaged in regular economic activity. They can also include the financing of working capital.</p> <p>The CEB will give priority to the initiatives driven by governments in this sector via apex structures developed with State owned banks and to those implemented by other financial institutions – commercial banks or leasing companies.</p>	
<b>Social impact indicators</b>	Number of MSMEs
	Number of jobs preserved
	Number of jobs created

Source: CEB. 20th March 2017. Social Inclusion Bond Framework. Available at: <https://coebank.org/en/investor-relations/funding/> [accessed on 31/07/2018].

The indicators presented are a common basis for impact assessment of the projects implemented through Social Bond financing. However, the CEB does not intend to adopt an inflexible evaluation method for social impact. For each project implemented, the results framework is negotiated with the borrower and is based on the social policies of the country. The Bank seeks to establish a trust relationship with its partners, which are themselves entitled to report the social results.

Thus, the evaluation of the results is based on declarations. For projects about education, educational institutions send information regarding the number of students they receive. For project targeting employment (via the financing of SMEs), the numbers of jobs created and preserved is provisional. And the CEB then assesses the coherence with the concrete achievements of projects in a sample. The number of jobs is the most sensitive indicator. The Bank is committed to informing this indicator but is aware of the uncertainty of the measurement.

<sup>23</sup>of partially or totally financed projects

An auditor (KPMG) checks that the eligible loans comply with the reference framework.

Impact reporting is related to the total of eligible projects and is not proportional to the financing granted. The idea there is to bring projects into the same perspective. At the CEB a strong distinction between projects and loans is made: loans are a tool whereas the objective is the completion of the project. Funding is therefore only seen as a lever. The CEB upholds a “project philosophy” which draws attention to the field results. Moreover, the CEB manages a large project database in which the tools and the monitoring indicators are adapted to each project and local context. In these conditions, making the impact proportional to the agreed loans is not appropriate and does not comply with the CEB’s communication objectives.<sup>24</sup>

Yet, harmonisation of reporting is an important concern among investors, which is reflected by the Social Bond Principles.

The practices of the CEB as a Social Bond issuer promote values such as transparency, trust and uniqueness. The reporting standards of the CEB are among the highest in the field.

## Investor practices

Here, we exemplify investors’ practices with the methods employed by the investor Columbia Threadneedle to identify the social impact of its investments.

Columbia Threadneedle manages two unprecedented funds (British and European) dedicated to underwriting exclusively Social Bonds. The manager uses impact evaluation to value all the bonds screened and include those that display the greatest social performance in the portfolio. Columbia Threadneedle also seeks to promote research into social impact of investments. The research activity relies on a partnership with INCO, which is an organisation focused on the European social economy and is a leader in assessment of sustainable social enterprises. Indeed, INCO takes charge of research and evaluation of social impact and is part of the Social Advisory Panel to examine and monitor investments according to social performance.

Assessment of investment opportunities starts with rating the social performance of the bonds according to an evidence-based approach, which analyses:

- The social and geographical sector targeted
  - Goal of the operation
  - Position in the hierarchy of social needs (see figure 7), which is based on the Sustainable Development Goals of the United Nations
  - Geographical area
- The characteristics of the social objective
  - Socioeconomic objective
  - Use of funds for social purposes
  - Secondary results
  - Handling of overall risks identified by the World Economic Forum.
- Transparency vis-à-vis the results
  - Quality of reporting
  - Clearness of impact



Figure 7. Hierarchy of social needs. Source: Simon Bond. May 2018. Threadneedle (Lux) European Social Bond. Presentation. Columbia Threadneedle Investment.

<sup>24</sup> Interview with financial and operational managers, CEB, 31/05/2018 in Paris.

The three criteria are combined to give an overall score of intentionality of social impact: A for investments specifically to produce an impact, B for investments with an impact, C for investments for development and D for non-social investments. Impact intensity is also evaluated: 1. high, 2. good, 3. moderate, 4. minor. The final score is submitted to INCO and validated by the Social Advisory Panel. This scoring matrix is presented in figure 8.

Score	Intensity score				
		High	Good	Moderate	Minor
Social impact category	A. Impact investment	A1	A2	A3	A4
	B. Investment with an impact	B1	B2	B3	B4
	C. Development finance	C1	C2	C3	C4
	D. General finance	GF (no score)			

Figure 8. Social categorisation and scoring matrix. Source: Columbia Threadneedle Investment. May 2018. Threadneedle (Lux) European Social Bond Fund. Presentation of the fund.

On 31<sup>st</sup> March 2018, the European Social Bond Fund portfolio was made up of 20% high-impact bonds, 45% bonds with impact and 35% development bonds. The distribution of investments is presented in figure 9.

### Intentionality

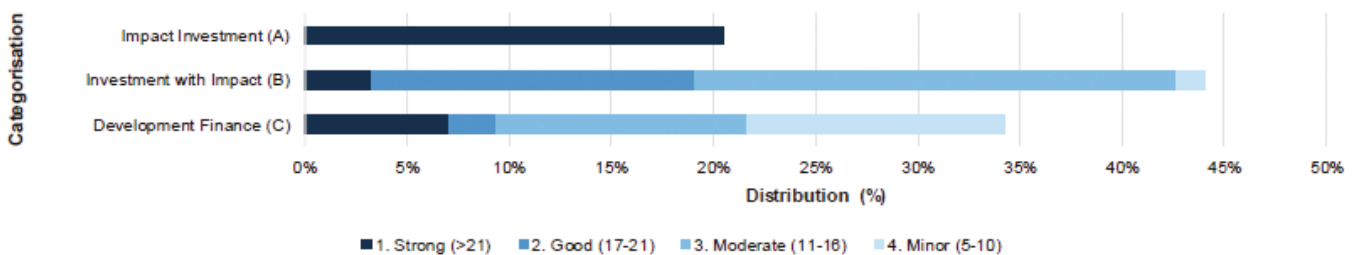


Figure 9. Investment portfolio of the European Social Bond Fund at 31st March 2018. Source: Simon Bond. May 2018. Threadneedle (Lux) European Social Bond. Presentation. Columbia Threadneedle Investment.

The Social Advisory Panel sets a maximum of 25% C3 and C4 investments and a minimum of 15% investments in A-bonds. However, there is no cap for investments in Social Bonds specifically, and the investor would rather look for market growth.

The practices of Columbia Threadneedle highlight the importance of adopting a holistic approach when measuring social impact, difficult to capture. The fund activity relies on a partnership with an external organisation and the Social Advisory Panel, which reviews investment decisions.

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## STRUCTURING ROLE OF PUBLIC AUTHORITY

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### Issuing and boosting the market

The first issuances of Social Bonds were made by multilateral stakeholders such as the International Finance Corporation and the Council of Europe Development Bank. The latter sees itself as a catalyst in the creation of a Social Bonds market. The market already interests a large number of stakeholders, particularly those seeking to diversify. Social impact is already at the heart of the mandate of multilateral development banks and therefore issuing Social Bonds does not modify their activities. The first issuances do have a structuring role for the market besides providing a great visibility.

The French State and French public organisations such as Caisse des Dépôts, Bpifrance or Agence Française de Développement (French Development Agency) could play a structuring role in promoting the creation of a new asset class for social-impact projects, through dedicated funds with relevant impact measures. Green finance does not integrate, or only partially integrates, the social mandate embraced by bond-issuing institutions: the recent creation of the Social Bond Principles alongside the Green Bond Principles confirms the need to structure a market of fixed-revenue instruments focused on social impact.

### Regulating impact investing

The action plan of the European Union “Finance sustainable growth” aims to categorise and label sustainable financial products and encourage transparency and the engagement of finance stakeholders. A unified European classification system (a taxonomy) should allow to identify activities that can be considered “sustainable” on an environmental and social level. Indeed, “Environment, Social, Governance (ESG)” as well as “responsible” finance include diverse realities that entail the need for a classification system according to objectives and levels of engagement. The absence of a taxonomy encourages confusion and a lack of transparency.

A relevant taxonomy and labels could in the future encourage and structure socially-oriented solidarity transition, beyond energetic and ecological transition. A study by HSBC assessed the global Social Bond market in 2016 which suggested that the French label “energetic and ecological transition for the climate”, as an internationally-recognised French initiative, could be replicated for funds with a social objective in the future, to promote savings targeting social impact.<sup>25</sup>

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<sup>25</sup> Source: HSBC. 2016. Social Bonds. (p5) Available at: <https://www.gbm.hsbc.com/search?q=social+bonds> [accessed on 31/07/2018].



## CASE STUDIES

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## CASE STUDY N°1: SOCIAL INCLUSION BOND, COUNCIL OF EUROPE DEVELOPMENT BANK

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Fact sheet	
Issuer	Council of Europe Development Bank (CEB)
ISIN number	XS159402868
Issue date	10th April 2017
Maturity date	10th April 2024
Rating	Aa1/AA+/AA+
Amount	500 million euros
Coupon	0.125%
Type	Social Bond (Social Bond Guidance, ex-Social Bond Principles)

### Presentation of the issuer

The Council of Europe Development Bank (CEB) is a multilateral development bank with an exclusively social focus. The CEB participates in financing social projects, responds to emergency situations and contributes to improving the living conditions of the most disadvantaged population groups throughout the collaboration with its 41 member states.

The CEB contributes to the implementation of socially oriented investment projects through three sectoral lines of action, namely:

- Sustainable and inclusive growth
- Integration of refugees, displaced persons and migrants
- Climate action: developing adaptation and mitigation measures<sup>26</sup>

The CEB issued its first Social Inclusion Bond in April 2017 and a second in March 2018, of €500 million each and a 7-year maturity.

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<sup>26</sup> Presentation of the CEB. See link: <https://coebank.org/en/about/mission/>

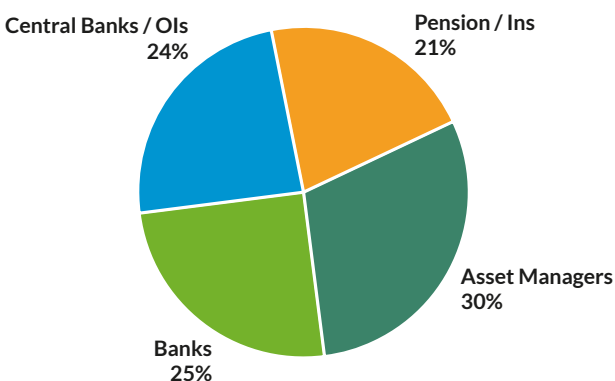


## Investor profiles

A diagnosis was carried out prior to this specific operation to determine investors' expectations. In the end, demand surpassed 1 billion euros. The distribution of investors for the 2017 issuance was as follows:

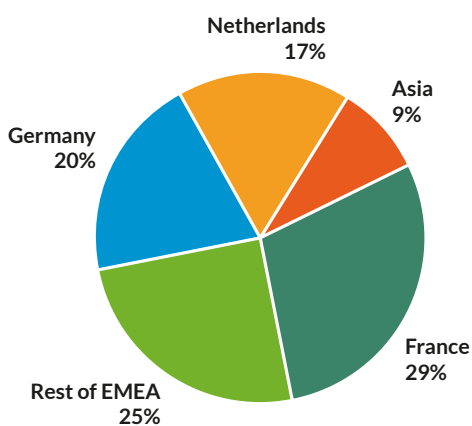
### Investor Type

Asset Managers	30%
Banks	25%
Central Banks/Official Institutions	24%
Pension Funds/Insurance	21%



### Geography

France	29%
Rest of EMEA	25%
Germany	20%
Netherland	17%
Asia	9%



Source: CEB. 3rd April 2017. CEB issues inaugural EUR 500mn 7-year Social Inclusion Bond Benchmark. Press release. Available at: <https://coebank.org/en/news-and-publications/news/ceb-issues-first-social-inclusion-bond/> [accessed on 31/07/2018].

French and European investors are in the lead, but interest in this Social Bond issuance is global.

The proportion of “dedicated” investors is very high, estimated at 40% by the issuer.

## Allocation of proceeds

The use of proceeds is reserved for three themes, which are already at the heart of the CEB's activity:

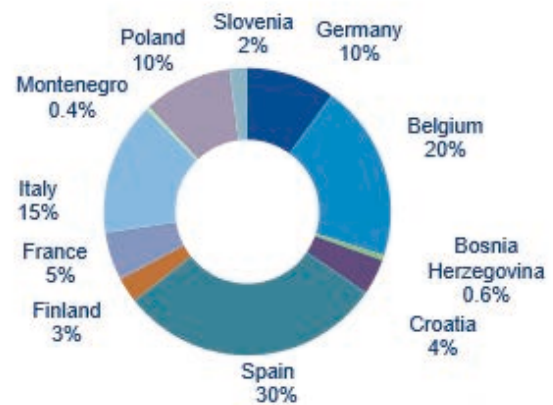
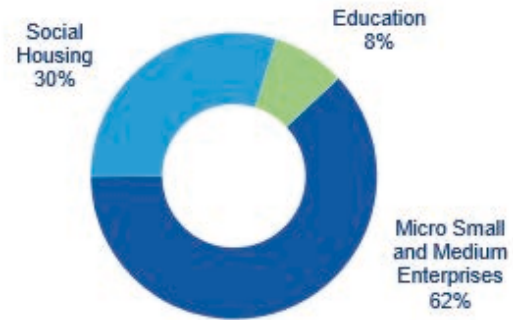
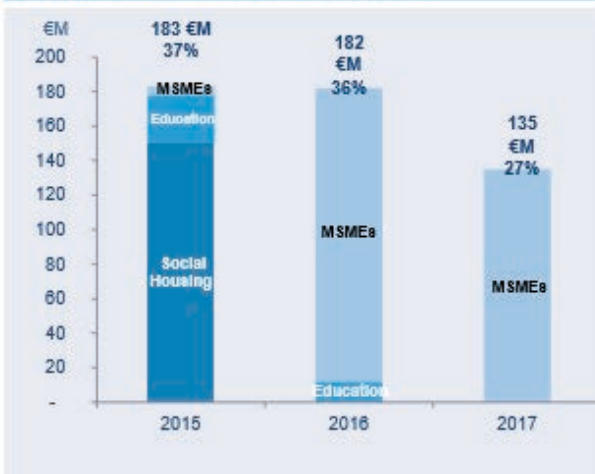
- Social housing
- Education
- Micro, small and medium-sized enterprises

## Bond Proceeds Allocation

### ALLOCATION OF BOND PROCEEDS

Amount of loans disbursed	500 €M
# of projects	14
# of sectors	3
# of countries	11

### YEAR OF DISBURSEMENT



Source: CEB. March 2018. 2017 Social Inclusion Bond Report. Available at: <https://coebank.org/en/investor-relations/funding/> [accessed on 31/07/2018].

The projects selected are financed between two years preceding the issue and one year following it. Reporting obligations concern the allocation of funds per sector, country and year. The details of projects financed or co-financed through bonds are not published but monitoring of allocated funds is ensured internally. The complete list of approved projects and loans disbursed by the CEB during the year is only published in the annual report, however, there is no reference to the amount financed.

## Social Impact<sup>27</sup>

The CEB monitors the impact of projects from selection to conclusion.

The eligibility criteria for financing through social-inclusion bonds are specified in the reference framework. The criteria presented are those generally used by the CEB, and the Social Inclusion Bond Framework is not designed to modify the activities of the CEB.

- For activities related to social housing, the criteria that the CEB takes into account for loan selection are the tenants' income level, the housing unit's physical characteristics and the purchase and/or sale conditions applicable in each Member State or in the region of the Member State hosting the project, in compliance with the legal or regulatory provisions in force. In the absence of satisfactory regulations, the eligibility criteria can be based on principles pre-defined by CEB, or on other specific criteria to be negotiated during appraisal.
- The CEB gives examples of projects linked to education and vocational training and associated infrastructure that could be financed. These include schools, training for disadvantaged and unemployed people, adaptation of facilities for people with disabilities, research and development in education, training programmes for vulnerable populations (defined in the Business and Development Plan 2017-2019 of the Council of Europe and in the CEB handbook<sup>28</sup>), training for professionals and student loans programmes.

<sup>27</sup> CEB. March 2018. 2017 Social Inclusion Bond Report.

<sup>28</sup> "Vulnerable populations, such as persons living below the poverty threshold (less than 60% of the national average income), abandoned children, children in vulnerable situations and persons with disabilities, migrants/refugees, ethnic minorities." Social Inclusion Bond Framework, 2017. CEB.

- The CEB aims to finance businesses, through programmes supported by the governments of Member States first and foremost, or by financing the relevant intermediaries<sup>29</sup>, favouring the smallest ones with limited access to credit. Micro, small and medium-sized enterprises are defined in accordance with European Commission Recommendation 2003/361/EC.<sup>30</sup> Some activities and sectors are excluded, such as mining, tobacco production or real estate.

After project approval, the CEB submits the projects to an environmental and social evaluation grid. When a loan agreement is signed, the borrower undertakes to provide a certain amount of data and fill in the results framework with a method agreed upon. The indicators selected for the Social Inclusion Bond public reports are as follows:

1. Social housing	
Social impact indicator <sup>31</sup>	Number of dwellings (construction/renovation)
2. Education	
Social impact indicators	Number of schools (construction/renovation)
	Number of students
3. Micro, small and medium-sized enterprises	
Social impact indicators	Number of MSMEs financed
	Number of jobs preserved
	Number of jobs created

These indicators mainly cover output, except the two indicators on jobs which cover outcomes.

Evaluation of social impact depends on numerous endogenous and exogenous factors. Setting a unique approach to measure outcomes requires to choose a small number of common indicators. The CEB has instead chosen a project-based approach which consists in highlighting the achievements of each project on the ground in the local context, without systematically extrapolating this to a global scale. Extrapolation is not always appropriate.

The 2018 report gives the information provided below, as stated in the reference framework: the amount of Social Bonds allocated to projects and the monitoring indicators for the three categories of eligible projects. The indicators apply to projects in their entirety and not to the section financed by the bond issue. This makes it possible to showcase the reality of completed projects, without giving first consideration to the means of financing used.

<sup>29</sup> “CEB supported intermediaries will need to demonstrate upfront a clear commitment and ability to on-lend to the target MSMEs on a commercially sound and economically sustainable basis.” Social Inclusion Bond Framework, 2017. CEB.

<sup>30</sup> Extract of Article 2 of the Annex to Recommendation 2003/361/EC. “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ less than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”

<sup>31</sup> of partially or totally financed projects

<b>1. Social housing</b>	
Total projects cost	€389 M
Content financed	33% social mortgages for home ownership 67% loans to rental social housing operators
Amount disbursed	€150 M
Social impact indicator	<b>Number of dwellings</b>
Results in March 2018	2,283
<b>2. Education</b>	
Total projects cost	€90 M
Content financed	74% construction of schools (nurseries, primary schools, secondary schools and colleges) 26% construction and renovation of vocational training buildings
Amount disbursed	€40 M
Social impact indicator	<b>Number of establishments</b>
Results in March 2018	212
Social impact indicator	<b>Number of student/intern beneficiaries</b>
Results in March 2018	57,462
<b>3. Micro, small and medium-sized enterprises</b>	
Total projects cost	€684 M
Content financed	89% productive investments 11% working capital
Amount disbursed	€310 M
Social impact indicator	<b>Number of MSMEs</b>
Results in March 2018	12,061 (7,600 micro, 3,898 small, 563 medium)
Social impact indicator	<b>Number of jobs preserved</b>
Results in March 2018	112,877
Social impact indicator	<b>Number of jobs created</b>
Results in March 2018	1,228

Source: CEB. March 2018. 2017 Social Inclusion Bond Report. Available at: <https://coebank.org/en/investor-relations/funding/> [accessed on 31/07/2018].

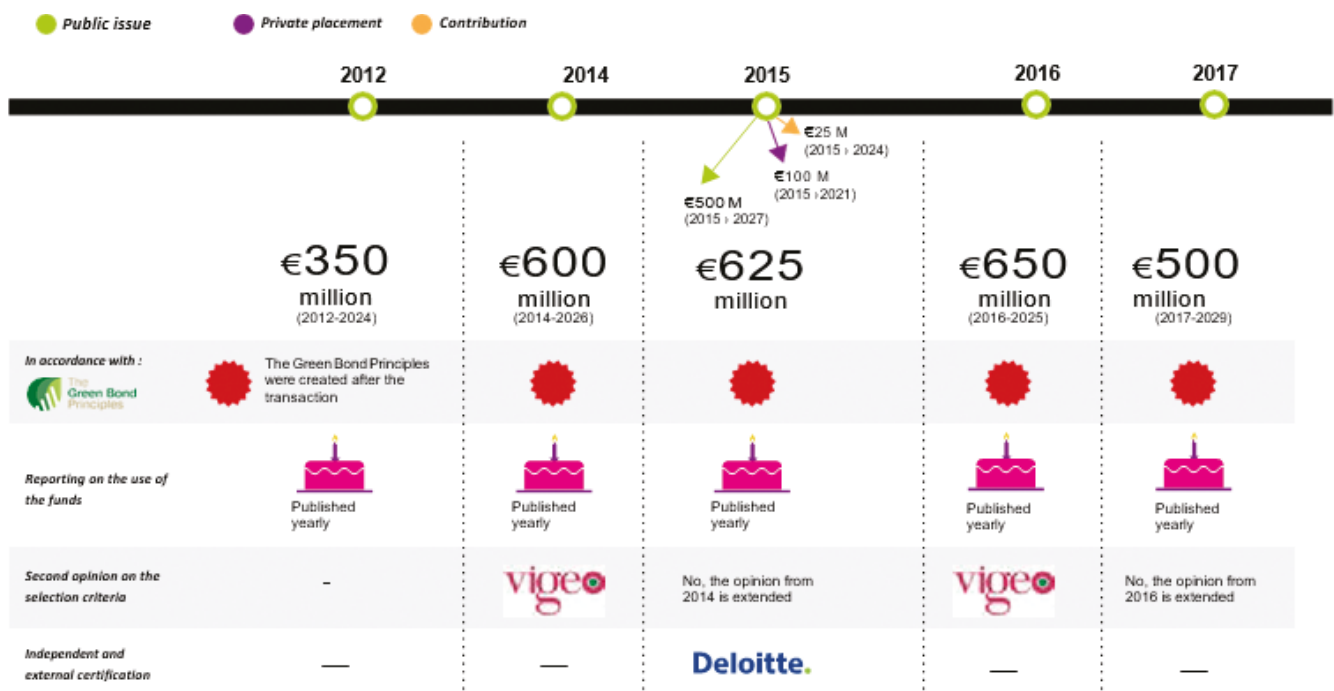
## CASE STUDY N°2: GREEN AND SUSTAINABILITY LOAN, ÎLE-DE-FRANCE REGION

Fact sheet	
Issuer	Île-de-France region
ISIN number	FR0013183167
Issue date	14 <sup>th</sup> June 2016
Maturity date	14 <sup>th</sup> June 2025
Rating	AA/AA
Amount	650 million euros
Coupon	0.500%
Type	Green and sustainability bond (Green Bond Principles)

### Presentation of the issuer

As a leading local authority, the Île-de-France Region manages a budget of 5 billion euros. This is the highest of French regions, and therefore almost half of it is dedicated to long-term investment to promote dynamism and attractiveness of the territory. Thus, the region can boost initiatives in favour of sustainable development. It is the competent authority to define the strategic orientations of local public action in the territory: development of the territory, transport with Île-de-France Mobilités (formerly STIF, Syndicat des Transports en Île-de-France), economic development, research and innovation, climate and energy, biodiversity, waste management.

The Île-de-France Region has issued five green and sustainability bonds between 2012 and 2017:



Adapted from: Île-de-France Region. **PROJECTS FINANCED BY THE GREEN AND SUSTAINABILITY LOAN 2017**. Available at: <https://www.iledefrance.fr/mediatheque/reporting-les-projets-finances-l-emprunt-vert-responsable-2017> [accessed on 31/07/2018].

## Investor profiles

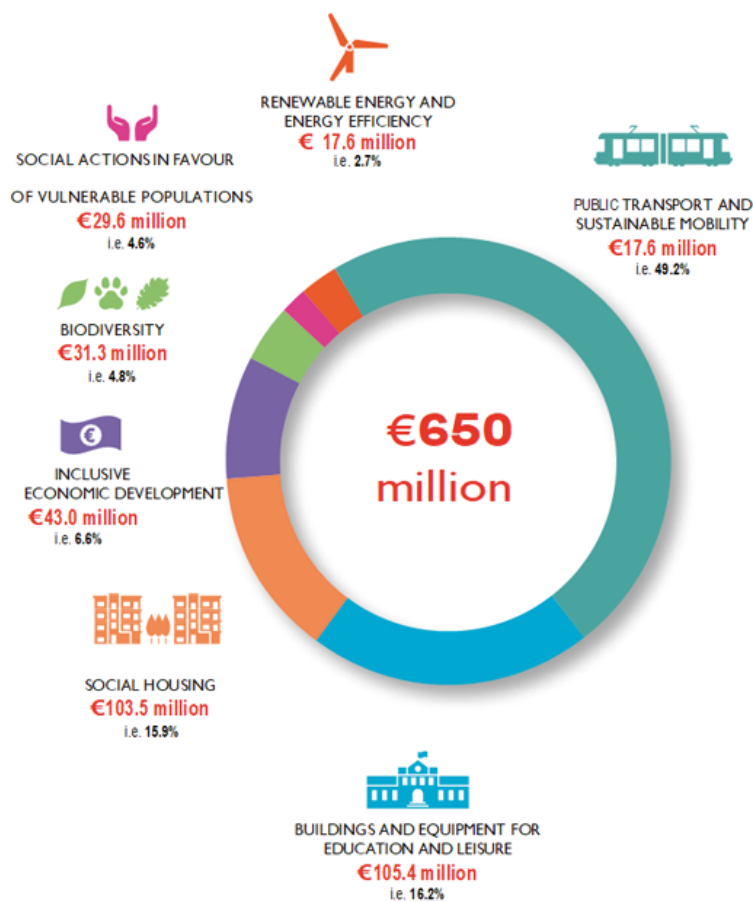
Investors' profile was not disclosed for this bond issuance.

## Allocation of proceeds

The funds were allocated to seven identified sectors. In addition to the targeted sectors, nine criteria determine the eligibility of projects in terms of the environmental, social, societal and economic responsibility of projects and governance.

The finance management department oversees the preparation of reports. To this end, each department of the Region is asked to select investment projects from among the most exemplary ones, for a certain amount of actual expenditure and that meet the requirements of eligibility criteria.

Furthermore, the service for the monitoring of management and information systems verifies the spending amount for each project in collaboration with the corresponding departments. Then, the finance department decides on the allocation of funds raised on the basis of the projects proposed.



Adapted from: Île-de-France region. *PROJECTS FINANCED BY THE GREEN AND SUSTAINABILITY LOAN 2016*. Available at: <https://www.iledefrance.fr/mediatheque/region-idf-reporting-2016> [accessed on 31/07/2018].

## Social and environmental impact

The reporting carried out by the Île-de-France Region is thorough and of a high quality. It details:

- the allocation of funds
- the selected transversal indicators: jobs supported by the project (in the construction phase and the operational phase), CO2 emissions avoided by the project, number of beneficiaries concerned by the project
- each project/plan presented
- a methodological explanation presenting each methodology used to calculate the impact indicators presented for each project.

The number of jobs and the beneficiaries are indicators of outcomes, whereas the CO<sup>2</sup> emissions avoided relates to the environmental impact of the projects.

Impact reporting concerns projects in their entirety. The results communicated for the 2016 issuance are detailed below.

<b>1. BUILDINGS AND EQUIPMENT FOR EDUCATION AND LEISURE</b>	
Total cost of projects	€394.7 m
Credit financed	€105.7 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	372
Social impact indicator	FTE supported by the projects
Results in June 2017	455
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	571,901
<b>2. PUBLIC TRANSPORT AND SUSTAINABLE MOBILITY</b>	
Total cost of projects	€10,254.2 m
Credit financed	€265.9 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	63,266
Social impact indicator	FTE supported by the projects
Results in June 2017	72,798
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	3,453,600
<b>3. RENEWABLE ENERGY AND ENERGY EFFICIENCY</b>	
Total cost of projects	€15.1 m
Credit financed	€0.2 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	15,000
Social impact indicator	FTE supported by the projects
Results in June 2017	106
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	27,028
<b>4. BIODIVERSITY</b>	
Total cost of projects	€13.1 m
Credit financed	€2.6 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	0
Social impact indicator	FTE supported by the projects
Results in June 2017	0
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	149,828

<b>5. SOCIAL ACTIONS TO SUPPORT VULNERABLE POPULATIONS</b>	
Total cost of projects	€6 m
Credit financed	€0.4 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	9
Social impact indicator	FTE supported by the projects
Results in June 2017	78
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	45
<b>6. SOCIAL HOUSING</b>	
Total cost of projects	€24.5 m
Credit financed	€0.8 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	0
Social impact indicator	FTE supported by the projects
Results in June 2017	212
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	357
<b>7. INCLUSIVE ECONOMIC DEVELOPMENT</b>	
Total cost of projects	€16.9 m
Credit financed	€16.9 m
Environmental impact indicator	CO2 emissions (TEQ/year) prevented by the projects
Results in June 2017	0
Social impact indicator	FTE supported by the projects
Results in June 2017	0
Social impact indicator	Number of beneficiaries concerned by the projects
Results in June 2017	1,385

Source: Île-de-France region. PROJECTS FINANCED BY THE GREEN AND SUSTAINABILITY LOAN 2016.  
Available at: <https://www.iledefrance.fr/mediatheque/region-idf-reporting-2016> [accessed on 31/07/2018].



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## CASE STUDY N°3: SUSTAINABILITY BOND, CITY OF PARIS

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Fact sheet	
Issuer	City of Paris
ISIN number	?
Issue date	November 2017
Maturity date	November 2034
Rating	AA/AA
Amount	320 million euros
Coupon	1.375%
Type	Sustainable Bond (Green and Social Bond Principles)

The City of Paris bond was named “Sustainable Bond of the year” by *Environmental Finance*, a media platform specialised in sustainable investments and green finance. It recognises the quality and durability of the reporting and the external validation process, detailed below

### Presentation of the issuer

The main mission of the City of Paris is to guarantee the wellbeing of its inhabitants. This is achieved through sustainable economic development. The City of Paris has both the jurisdictions of the city and of the department. The main fields of legal competence of the Parisian authority are:

- Social and sanitary aid
- Urban planning
- Primary and secondary school affairs
- Culture
- Environment
- Economic development
- Water and sanitation
- Cleanliness, including waste collection, sorting and recycling.

Before the 2017 issuance, the City of Paris issued a green bond in 2015 worth 300 million euros, named “Climate Bond” in the wake of COP21.

### Investor profiles

Investors interest rose to 1.3 million euros, of which 58% from foreign investors.<sup>32</sup> The City of Paris notes that the proportion of foreign investors is much greater than for traditional bonds, which indicates the attractiveness of sustainability bonds to a wider range of investors.

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<sup>32</sup>Sustainability bond of the year - City of Paris. 28th March 2018. Environmental Finance. Available at: <https://www.environmental-finance.com/content/awards/green-bond-awards-2018/winners/sustainability-bond-of-the-year-city-of-paris.html>

## Allocation of proceeds

The allocation of funds is reserved for projects which present:

- Environmental benefits:
  1. Clean transport
  2. Energy efficiency
  3. Renewable energy
  4. Adaptation to climate change.
  
- Social benefits:
  5. Access to essential services for disadvantaged populations
  6. Improvement in quality of life in disadvantaged neighborhoods
  7. Social and solidarity economy
  8. Social housing.

The choice of projects is in line with the urban policy which particularly favours investments in the “Urban Policy Priority Neighbourhoods” spread around 8 arrondissements: the 10<sup>th</sup>, the 11<sup>th</sup>, the 13<sup>th</sup>, the 14<sup>th</sup>, the 17<sup>th</sup>, the 18<sup>th</sup>, the 19<sup>th</sup> and the 20<sup>th</sup>, according to the strategy established by the City Contract in 2015.

The first selection of projects is made by the Finance and Procurement Department, in discussion with Municipal Councillors and operational teams. A dedicated committee is in charge of the final selection. It is made up of the General Secretariat, the Finance and Purchasing Department, the Agency for Urban Ecology and relevant teams.

Examples of financed projects (unknown proportions) are presented below:

Project content	Sector	Project amount
3 facilities for young children in the Urban Policy Priority Neighbourhoods	Improvement in the quality of life in disadvantaged neighborhoods	€17.6 M
Renovation of the EHPAD (housing establishment for dependent elderly persons) in Belleville	Promote access to essential services for disadvantaged populations	€17.5 M
Renovation of 300 heating facilities	Energy efficiency Reduce energy consumption	58 M€
Completion of the Davout pool	Energy efficiency Reduce energy consumption Improvement in the quality of life in disadvantaged neighborhoods	19 M€
Replacement of 544 diesel vehicles between 2015 and 2020 with NGVs (Natural Gas Vehicles) or electric vehicles	Clean transport Renewable energy Improvements in air quality	€76.4 M
Extension of the T3b tramway	Clean transport	€218 M
“Les Canaux” - a place dedicated to social and solidarity economy	Social and solidarity economy	€2.4 M

Vigeo, an extra-financial assessment firm which provided the second opinion, intervenes every year to validate compliance with the reference framework focusing on four areas: allocation of proceeds, procedures to evaluate and select projects, management of proceeds and reporting.

External verification of the allocation is based on an existing internal two-fold procedure which has been validated by Vigeo and which will therefore replace an audit. Firstly, to incur expenses, the City of Paris sends mandates (that is, payment orders for service providers) to the Public Accountant (*Direction Régionale des Finances Publiques*, (Public Finances Regional Directorate) DRFIP), which reviews each application using the attached supporting documentation (agreement, public tender document, service order, etc.). After verification, the Public Accountant makes the payment. Furthermore, the complete list of expenditure and revenue for the year is included in the Administrative Account, whose legality is monitored by the Prefect (the State representative in each French department). On this basis, the City can ensure a double external monitoring of the amounts actually spent as well as the precise use of proceeds.

## Social and environmental impact

The projects to be funded are defined according to the categories contained within the mandate of the City of Paris. Implementation, environmental and social objectives are related to each category.

For the environmental part, the projects and objectives are defined in the grid below:

Project categories	Definition	Subcategories	Objectives	Benefits for the environment
<b>1. Clean transport</b>	Projects to develop public transport and mode of transport with low emissions (bikes, electric vehicles, etc.)	<p><b>Public transport:</b> Rapid Transport System, extension of tramway lines, redevelopment of public space</p> <p><b>Alternative transport:</b> Bicycle Scheme</p> <p><b>Electric vehicles:</b> promote the development of electric vehicles for residents and professionals, a network of charging stations for electric vehicles and NGV</p>	Reduction in GHG emissions, thanks to the development of modes of transport with lower emissions	Slowing climate change --- Reduction of GHG emissions
<b>2. Energy efficiency</b>	Projects to reduce the energy use of buildings and street lighting, whilst maintaining the same level of service (existing or vs standard), including performance and energy-saving goals	<p><b>Buildings:</b> construction of energy-efficient buildings, thermal insulation of buildings (schools, social housing, nurseries, etc.)</p> <p><b>Street lights and signs:</b> replacement of existing energy-intensive equipment</p> <p>Renovation and maintenance of <b>heating systems (heating facilities and boilers)</b></p>	Energy savings	Slowing global warming --- Energy savings
<b>3. Renewable and/or recovered energy</b>	Projects to develop the production of renewable and/or recovered energy	<p><b>Production of renewable energy</b> (thermal or photovoltaic solar panels)</p> <p>Geothermal energy</p> <p><b>Energy recovery</b> (from the sewage system, data centres, etc.)</p> <p><b>Heating system</b></p>	<p>Increased production of renewable and recovered energy (EnR<sup>2</sup>)</p> <p>Reduction of GHG emissions thanks to the use of EnR<sup>2</sup></p>	Slowing global warming --- Reduction of GHG emissions and production of EnR <sup>2</sup>
<b>4. Adaptation of land to global warming</b>	Projects to reduce the impact of global warming, particularly urban heat islands, thanks to the extension of green spaces in Paris	<p>New vegetated surfaces: green public areas, vegetated roofs, façades and walls</p> <p><b>Tree plantation programmes</b></p>	Increase in vegetated surfaces and the biodiversity of Paris	Adaptation to global warming --- Reduction of GHG emissions

Adapted from: City of Paris. November 2017. Inaugural "Sustainable" issue. Available at: <https://api-site-cdn.paris.fr/images/96124> [accessed on 31/07/2018].

As far as social projects are concerned, the grid precisely specifies the population targeted, the types of projects and the expected outputs and outcomes.

<p><b>5. Access to essential services for the target populations</b></p>	<p><u>Population-cible :</u></p> <ul style="list-style-type: none"> <li>-Homeless people</li> <li>-Populations on a low income <sup>[2]</sup></li> <li>-Young people</li> <li>-Elderly people <sup>[3]</sup></li> <li>-People with disabilities</li> <li>-Single-parent families</li> </ul>	<p><b>Projects linked to the Parisian Pact against Exclusion:</b> reception centres for homeless people, centres for integration through employment, reception centres for dependent elderly people, support to single-parent families, child protection, prevention, health protection</p> <p><b>Accessibility for Persons with Reduced Mobility (PRM):</b> investments linked to the City's objective to make 40% of its social housing accessible to PRM by 2020, as well as targeting 3% of accessible housing.</p> <p><b>Projects linked to the "Elderly People in Paris" scheme:</b> such as the development of EHPAD (housing establishment for dependent elderly persons) structures in Paris.</p>	<p>Improve reception capacity</p> <p>Improve accessibility</p>	<p>Promote equal access to essential services ---</p> <p>Fight against social exclusion and inequalities ---</p> <p>Strengthen social cohesion and solidarity between territories and generations</p>
<p><b>6. Improvement in quality of life in disadvantaged areas</b></p>	<p>Projects to improve the quality of life in Urban Policy Priority Neighbourhoods, defined in the City Contract signed in 2015, and areas with the greatest socio-economic difficulties</p> <p><u>Target population:</u></p> <ul style="list-style-type: none"> <li>- Populations living in the Urban Policy Priority Neighbourhoods</li> </ul>	<p><b>Access to education, culture, leisure and sport:</b> investment in infrastructure for which the impact area includes a Priority Neighbourhood</p>	<p>Increase the network of education, culture, leisure and sports facilities</p>	<p>Fight against social exclusion and inequalities</p>
<p><b>7. Social and solidarity economy</b></p>	<p>Projects to generate jobs, socio-economic progress and autonomy</p> <p><u>Population-cible :</u></p> <ul style="list-style-type: none"> <li>-Unemployed people</li> <li>-Microbusiness and SMEs</li> </ul>	<p><b>Microfinance and micro-businesses:</b> projects to promote financing of micro-business and small and medium-sized enterprises, microfinance destined to Social and Solidarity Economy (solidarity businesses, SIAE (Structures for Integration through Economic Activity, etc.) <sup>[6][7][8]</sup>)</p>	<p>Expand the network of the Social and Solidarity Economy</p> <p>Create jobs</p>	<p>Promote the local development of the Social and Solidarity Economy</p>
<p><b>8. Social housing</b></p>	<p>Projects to increase the amount of social housing in order to meet the demands of Parisians</p> <p>Target population</p> <ul style="list-style-type: none"> <li>-Low-income populations</li> <li>-Parisian students</li> </ul>	<p>Investments contributing to achieve the annual production objective of 7000 to 7500 social housing units for the term of office (2015 - 2020)</p> <p>Investments in new student housing</p>	<p>Increase social housing</p>	<p>Promote access to housing for all ---</p> <p>Reduce insecurity</p>

Adapted from: City of Paris. November 2017. *Inaugural "Sustainable" issue*. Available at: <https://api-site-cdn.paris.fr/images/96124> [accessed on 31/07/2018].

In the reference framework, the City of Paris undertakes to annually publish information on:

- ESG performance according to the indicators described below
- Details on the allocation of funds and the projects financed
- Evaluation of the impact of each project, with the indicators presented below.

The impact of the projects will be evaluated in Environmental, Social and Governance (ESG) terms according to the following grid:

Areas	Criteria	Performance indicators per project	Performance indicators per bond
Environment	Environmental management	- Environmental certification - and/or environmental management system (action plans, EIA (Environmental Impact Assessment), ISO 14001) - and/or eco-design requirements (Yes/No)	- Share of projects including an environmental management programme (certification, action plans, eco-design, etc.)
	Energy and air-quality management	- Energy consumption - and/or energy efficiency (actual or estimated) - and/or integration of the energy issue into the project (parks and gardens)	
	Waste management	- Waste sorting (Yes/No)	
	Taking impact into account environmental	- Sorting and treatment of hazardous waste (Yes/No)	
Social	Social inclusion		- Total number of hours of social inclusion in public contracts - and/or share of public contracts (% of projects) with social inclusion clauses <i>Data collected at the Sub-Directorate of Procurement</i>
	Persons with Reduced Mobility (PRM)	- Project to make areas accessible for PRM and/or contribute to improving this (Yes/No) - For transport, social housing, parks and gardens	- Share of projects to increase accessibility for PRM and/or contribute to improving this (% of projects of consolidated in terms of the BOND) - For transport, social housing, parks and gardens
	Sustainable development of local territory	- Project incorporating information and/or systematic consultation(s) of the main users, the neighbourhood, if they are affected by the project (Yes/No)	
Governance	Social responsibility in terms of human rights or employment rights	- Health and safety requirements (for example, safety checks for workers on a construction site, health and safety awareness in the workplace, "product" safety datasheets, etc.)	- Number of health/safety accidents consolidated at a BOND level - Share of public contracts including environmental and/or social clauses (% of projects) <i>Data collected at the Sub-Directorate of Procurement</i>
	Business ethics		- Number of rulings against the City of Paris concerning business ethics or practices (for example, corruption) <i>Data collected at the Sub-Directorate of Procurement</i>
	Monitoring of internal control	- Project manager determined (Yes/No) - AND project audited at least once a year (Yes/No)	

Adapted from: City of Paris. November 2017. *Inaugural "Sustainable" issue*. Available at: <https://api-site-cdn.paris.fr/images/96124> [accessed on 31/07/2018].

For each category of eligible projects, the reference framework gives the indicative criteria which can be used for monitoring and reporting. The indicators suggested are both output indicators and environmental or social-impact indicators and are relatively superficial as regards the objectives. However, these criteria can be fine-tuned according to the project. For example, for social housing, the reporting includes the number of each type of housing unit built, according to the income cap required from beneficiaries. Close monitoring is carried out internally, particularly on a geographical level with target populations. In particular, the City of Paris monitors developments in the Urban Policy Priority Neighbourhoods. The first report on the sustainable bond is expected in the second half of 2018.

Project Categories	Sub-categories	Reporting indicator*	
1. Clean Transportation	Public transport	Passenger kilometers (i.e. cumulated distance travelled by passengers, in km)	Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced (tCO2e)
	Alternative transport	Distance of created cycle paths (km)	
	Electric vehicles	Number of created electrical terminals	
2. Energy efficiency	Buildings	Number of renovated housing	Ex-ante estimation of annual energy savings (MWh)
	Public lighting and signals		Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO2e)
	Renovation of heating systems		
3. Renewable energy	Renewable energy power plants (solar panels)	Ex-ante estimation of annual renewable energy produced (MWh)	Ex-ante estimation of annual Greenhouse Gas (GHG) emissions avoided (tCO2e)
	Geothermal energy	Ex-ante estimation of capacity of renewable energy plant(s) constructed	
	Energy recovery	Ex-ante estimation of annual renewable energy recovered (MWh)	
	Heating network	Delivered energy from heating	
4. Adaptation to climate change	New green areas	Total New surface of green areas opened to the public (m <sup>2</sup> ) Total surface of new green areas on buildings : green roofs, facades and green walls, etc. (m <sup>2</sup> )	
	Tree planting programmes	Total number of planted trees within Paris <i>intra muros</i> area	
5. Access to essential services	Projects linked to Parisian Pact against largescale exclusion	Nb of beneficiaries Nb of programs	
	Accessibility to people with reduced mobility	Nb of beneficiaries Nb of programs	
	Parisian Senior Program	Nb of beneficiaries Nb of programs	
6. Quality of life improvement in unprivileged area	Access to education, culture, leisure and sports	Nb of beneficiaries Nb of projects	
7. Social and Economic Inclusion	Microfinance and small businesses	Nb of MSMEs supported Nb of jobs preserved Nb of jobs created	
	Entrepreneurship enhancement	Nb of dwellings Nb of beneficiaries	
8. Social and Affordable Housing	Social housing	Nb of dwellings Nb of beneficiaries	
	Housing for Students	Nb of dwellings Nb of beneficiaries Nb of students	

\* Detailed methodologies and assumptions have been established by internal expertise from agents of the "Agence d'Ecologie Urbaine" of Paris accredited for Carbon Evaluation, and are available on Issuer's website.

Source: City of Paris. October 2017. *City of Paris Sustainability Bond Framework*. Available at: <https://api-site-cdn.paris.fr/images/96118> [accessed on 31/07/2018].

## CASE STUDY N°4: SOCIAL BOND, DANONE

Fact sheet	
Issuer	Danone
ISIN number	FR0013325172
Issue date	27th March 2018
Maturity date	27th March 2025
Rating	BBB+/Baa1
Amount	300 million euros
Coupon	1.000%
Type	Social Bond (Social Bond Principles)

### Presentation of the issuer

Danone is a leading global food company and is committed to bringing health through its activities.<sup>33</sup> The company focuses on dairy and vegetable-based products, water, child nutrition and medical nutrition. The business model aspires to achieve strong, sustainable and profitable growth in the long term. Danone is committed to the 17 Sustainable Development Goals of the United Nations.

Danone is a spearhead of sustainable finance. After having announced the introduction of ESG criteria into its credit line, it is the first multinational enterprise to issue a Social Bond, which marks the entrance of businesses onto the Social Bond market.

### Investor profiles

Demand reached over 700 million euros. French investors represented 41% of buyers, above Asians (25%) and German speakers (13%). Half of the allocation was taken by assets managers, a quarter by banks, with pension funds, insurers and official institutions sharing the balance.<sup>34</sup>

The issuance is said to have generated a strong interest among ESG investors.

### Allocation of proceeds

The funds are reserved for projects in the following sectors:

- Research & Innovation (R&I) for Advanced Medical Nutrition (40%)
- Social inclusiveness (25%)
- Responsible agriculture and farming (20%)
- Entrepreneurship Financing (10%)
- Quality healthcare and parental support (5%)

A third of the allocation will finance new projects and two thirds will refinance existing actions.

Projects are selected by the Sustainability Integration Committee (SIC) which is in charge of the integration of sustainable development into Danone's strategy and of their implementation. Every year, the selected projects are communicated to the Social Responsibility Committee, a committee within the Board of Directors in charge of supervising social-impact projects.<sup>35</sup>

<sup>33</sup> Source: Danone website. Available at: <https://corporate.danone.co.uk/en/discover/sustainability/better-health/we-are-dedicated-to-bringing-health-through-food-to-as-many-people-as-possible/> [accessed on 10/10/2018].

<sup>34</sup> Guillaume Benoit. 21st March 2018. Danone issued a "Social Bond", the first one issued by a business. Les Echos, no. 22660.

<sup>35</sup> Source: Danone. March 2018. Social Bond Framework. Available at: [http://danone-danonecom-prod.s3.amazonaws.com/user\\_upload/Investisseurs/Dette/Social\\_Bond/Social\\_Bond\\_Framework\\_final.pdf](http://danone-danonecom-prod.s3.amazonaws.com/user_upload/Investisseurs/Dette/Social_Bond/Social_Bond_Framework_final.pdf) [accessed on 31/07/2018].

## Social impact

In its reference framework, Danone undertakes to annually provide:

- A list and description of projects financed
- The amounts allocated to each eligible project/eligible category
- The total amount of non-allocated funds
- The percentage of project refinancing

The social benefits will be measured and reported on as follows. Danone already has programmes and systems in place to monitor its achievements. The indicators mainly cover social outcomes.

Eligible Project Categories	Danone Initiatives	Reporting indicators
Research & Innovation for Advanced Medical Nutrition	Utretch R&I Center for Advanced Medical Nutrition	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number of publication</li> <li>• Number of pattern</li> <li>• Number of clinical studies</li> </ul>
Social inclusiveness	Danone Ecosysteme Fund	<ul style="list-style-type: none"> <li>• Number of jobs created</li> <li>• Number of people professionally empowered</li> <li>• Number of women professionally empowered</li> <li>• Number of indirect beneficiaries</li> </ul>
	Livelihoods Fund for Family Farming	<ul style="list-style-type: none"> <li>• Number of people positively impacted</li> <li>• Number of beneficiaries – farms</li> </ul>
	Livelihoods Carbon Funds	<ul style="list-style-type: none"> <li>• Number of households equipped with efficient cook stoves</li> <li>• Number of people positively impacted since 2011</li> </ul>
	Danone communities	<ul style="list-style-type: none"> <li>• Number of beneficiaries (Upstream &amp; Downstream)</li> <li>• Number of beneficiaries with access to drinking water</li> <li>• Number of beneficiaries in the fight against malnutrition and poverty</li> </ul>
Responsible farming and agriculture	CPM Milk Supply	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> </ul>
	Danone US Pledge - non GMO Project	<ul style="list-style-type: none"> <li>• Number of Farmers involved</li> </ul>
Entrepreneurship financing	Danone Manifesto Ventures Health for Life Capital	<ul style="list-style-type: none"> <li>• Full Time Employees</li> <li>• Current Turnover</li> </ul>
Quality healthcare and parental support	Dan'cares	<ul style="list-style-type: none"> <li>• Percentage of employees covered</li> <li>• Number of countries covered by Dan'cares</li> </ul>
	Danone Global Parental Policy	<ul style="list-style-type: none"> <li>• Number of Countries which have implemented the Danone Global Parental Policy</li> <li>• Percentage of employees covered</li> </ul>

Source: Danone. March 2018. *Social Bond Framework*. Available at: [http://danone-danonecom-prod.s3.amazonaws.com/user\\_upload/Investisseurs/Dette/Social\\_Bond/Social\\_Bond\\_Framework\\_final.pdf](http://danone-danonecom-prod.s3.amazonaws.com/user_upload/Investisseurs/Dette/Social_Bond/Social_Bond_Framework_final.pdf) [accessed on 31/07/2018].







## APPENDIXES

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## APPENDIX 1: LIST OF SOCIAL BONDS ISSUED FROM 2012 TO MAY 2018 REFERENCED BY NATIXIS

ISSUER DESCRIPTION	TICKER	ISSUE DATE	CCY	AMOUNT OUTSTANDING	AMOUNT OUTSTANDING IN USD (CALC)	ISSUER COUNTRY NAME	MATURITY DATE	MATURITY (YEAR)	COUPON RATE
AIR LIQUIDE FINANCE	AIFP	15/10/2012	EUR	500 000 000	578 368 999	FRANCE	15/10/2021	9	2,125
MUENCHENER HYPOTHEKENBNK	MUNHYP	24/09/2014	EUR	300 000 000	347 021 400	GERMANY	24/09/2019	5	0,375
INTER-AMERICAN DEVEL BK	IADB	25/09/2014	USD	500 000 000	500 000 000	SNAT	25/09/2018	4	1,5
KUTXABANK SA	KUTXAB	22/09/2015	EUR	1 000 000 000	1 156 737 999	SPAIN	22/09/2025	10	1,25
INSTITUT CREDITO OFICIAL	ICO	12/04/2016	EUR	500 000 000	578 368 999	SPAIN	12/09/2018	2	0,1
BK NEDERLANDSE GEMEENTEN	BNG	13/07/2016	EUR	1 000 000 000	1 156 737 999	NETHERLANDS	13/07/2024	8	0,05
NATIONAL AUSTRALIA BANK	NAB	24/03/2017	AUD	500 000 000	369 003 690	AUSTRALIA	24/03/2022	5	3,25
INTL FINANCE CORP	IFC	30/03/2017	USD	500 000 000	500 000 000	SNAT	30/03/2020	3	1,75
COUNCIL OF EUROPE	COE	10/04/2017	EUR	500 000 000	578 368 999	SNAT	10/04/2024	7	0,125
NEDER WATERSCHAPSBANK	NEDWBK	07/06/2017	EUR	1 500 000 000	1 735 106 998	NETHERLANDS	07/06/2024	7	0,25
NEDER WATERSCHAPSBANK	NEDWBK	07/06/2017	EUR	500 000 000	578 368 999	NETHERLANDS	07/06/2032	15	1,25
KOMMUNALKREDIT AUSTRIA A	KA	12/07/2017	EUR	300 000 000	347 021 400	AUSTRIA	12/07/2021	4	0,375
INSTITUT CREDITO OFICIAL	ICO	13/07/2017	EUR	500 000 000	578 368 999	SPAIN	30/07/2021	4	0,1
NEDER WATERSCHAPSBANK	NEDWBK	29/08/2017	EUR	600 000 000	694 042 799	NETHERLANDS	29/01/2048	30	1,625
CASSA DEPOSITI E PRESTIT	CDEP	21/11/2017	EUR	500 000 000	578 368 999	ITALY	21/11/2022	5	0,75
AFRICAN DEVELOPMENT BANK	AFDB	21/11/2017	EUR	500 000 000	578 368 999	SNAT	21/11/2024	7	0,25
BAYERISCHE LANDESBODEN	BYLABO	22/11/2017	EUR	500 000 000	578 368 999	GERMANY	22/11/2027	10	0,625
BK NEDERLANDSE GEMEENTEN	BNG	12/12/2017	USD	750 000 000	750 000 000	NETHERLANDS	14/12/2020	3	2,125
COMMUNITY OF MADRID SPAI	MADRID	23/02/2018	EUR	1 000 000 000	1 156 737 999	SPAIN	30/04/2028	10	1,773
INTL FINANCE CORP	IFC	15/03/2018	AUD	300 000 000	221 402 214	SNAT	15/03/2023	5	2,7
DANONE SA	BNFP	26/03/2018	EUR	300 000 000	347 021 400	FRANCE	26/03/2025	7	1
COUNCIL OF EUROPE	COE	27/03/2018	EUR	500 000 000	578 368 999	SNAT	27/03/2025	7	0,375
NEDER WATERSCHAPSBANK	NEDWBK	27/04/2018	EUR	500 000 000	578 368 999	NETHERLANDS	27/04/2038	20	1,5
AFRICAN DEVELOPMENT BANK	AFDB	24/05/2018	EUR	1 250 000 000	1 445 922 499	SNAT	24/05/2028	10	0,875

Source : Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).

## APPENDIX 2: CATEGORIES OF ELIGIBLE PROJECTS FOR SOCIAL BONDS ISSUED FROM 2012 TO MAY 2018 REFERENCED BY NATIXIS

Issuer Description	Ticker	CCY	Original Amount Issued	Issue Date	Affordable basic infrastructure	Access to essential services	Affordable housing	Employment generation including through the potential effect	Food security	Socioeconomic advancement and empowerment
AIR LIQUIDE FINANCE	AIFP	EUR	500 000 000	15/10/2012		✓				
MUENCHENER HYPOTHEKENBNK	MUNHYP	EUR	300 000 000	24/09/2014			✓			
INTER-AMERICAN DEVEL BK	IADB	USD	500 000 000	25/09/2014		✓		✓		✓
KUTXABANK SA	KUTXAB	EUR	1 000 000 000	22/09/2015			✓			
INSTITUT CREDITO OFICIAL	ICO	EUR	500 000 000	12/04/2016				✓		✓
BK NEDERLANDSE GEMEENTEN	BNG	EUR	1 000 000 000	13/07/2016	No information available					
NATIONAL AUSTRALIA BANK	NAB	AUD	500 000 000	24/03/2017						✓
COUNCIL OF EUROPE	COE	USD	500 000 000	10/04/2017		✓	✓	✓		
NEDER WATERSCHAPSBANK	NEDWBK	EUR	500 000 000	07/06/2017			✓			
NEDER WATERSCHAPSBANK	NEDWBK	EUR	1 500 000 000	07/06/2017			✓			
KOMMUNALKREDIT AUSTRIA A	KA	EUR	500 000 000	12/07/2017	✓	✓	✓			
INSTITUT CREDITO OFICIAL	ICO	EUR	300 000 000	13/07/2017				✓		✓
NEDER WATERSCHAPSBANK	NEDWBK	EUR	500 000 000	25/08/2017			✓			
AFRICAN DEVELOPMENT BANK	AFDB	EUR	600 000 000	21/11/2017	✓	✓	✓	✓	✓	✓
CASSA DEPOSITI E PRESTIT	CDEP	EUR	500 000 000	21/11/2017				✓		✓
BAYERISCHE LANDESBODEN	BYLABO	EUR	500 000 000	22/11/2017			✓			
BK NEDERLANDSE GEMEENTEN	BNG	EUR	500 000 000	12/12/2017	No information available					
COMMUNITY OF MADRID SPAI	MADRID	USD	750 000 000	23/02/2018	✓			✓		✓
INTL FINANCE CORP	IFC	EUR	1 000 000 000	15/03/2018	✓	✓	✓	✓		
DANONE SA	BNFP	AUD	300 000 000	26/03/2018		✓		✓	✓	✓
COUNCIL OF EUROPE	COE	EUR	300 000 000	27/03/2018		✓	✓	✓		
NEDER WATERSCHAPSBANK	NEDWBK	EUR	500 000 000	27/04/2018			✓			
INTL FINANCE CORP	IFC	EUR	500 000 000	30/03/2017	✓	✓	✓	✓		
AFRICAN DEVELOPMENT BANK	AFDB	EUR	1 250 000 000	24/05/2018	✓	✓	✓	✓	✓	✓

Source : Natixis, Green & Sustainable Hub, Market Data (as of 31/05/18).







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