

2020/2021 Working Group Social Bonds

Terms of reference

Overall Objective: The chief objective of the Social Bonds Working Group (SBWG) is to accelerate the development of the social bond market through the consolidation and promotion of the Social Bond Principles, and the establishment of a market forum for potential Social Bond issuers, investors, and market participants.

Objectives for 2020-2021: Over the past year, the working group has successfully published updates to several documents related to ICMA's efforts to develop the social bond market, such as the Social Bond Principles (SBP). The aim over the next year is to **(i)** conduct market intelligence to further identify the hurdles to growth of social bonds issuances **(ii)** review and refine the SBP as needed; **(iii)** develop the Social Bond market infrastructure; and **(iv)** promote Social Bonds with investors, issuers and policymakers.

(i) Conduct Market intelligence

- Last year, a survey of investors was conducted, following the one of issuers the year before: a reconciliation between the two surveys will need to be performed. In-depth interviews can also be ran to identify specific challenges/opportunities.
- Moreover, building upon the work of the Case Study sub-Working Group, an expansion of the case study collection can be envisaged with the addition of Covid-19-related issuances and a specific focus on regional or jurisdiction specificities to support social bond issuances in the most promising markets.
- The use of Social Bonds as a key financing instrument to combat the socio-economic consequences due to the COVID-19 pandemic could be closely monitored and assessed with the goal of highlighting the market shift and change of scale.
- KPIs included in the Covid-19-related issuance will be reviewed to identify potential further improvements to the working list of impact indicators in the Harmonized Framework for Impact Reporting.

Deliverables: Reconciliation of issuer-investor surveys. Expansion of Case Study collection. Expansion of sample indicators in the Harmonized Framework for Impact Reporting.

(ii) Review and refine SBP as needed

- The SBWG will consider whether further refinements to the SBP project categories and/or target populations are needed in light of the recent uptick in Covid-19-related issuances. Moreover, considering the need to encourage corporates to embrace the social bond format (the lack of issuer diversity is one of the main obstacles for investors), the current SBP Social Project Categories could be expanded to better reflect the type of projects that corporates might focus on.
- Investors' expectations and issuers' best practices regarding the communication around the process applied to identify and manage potentially material social and environmental risks associated with the projects will also be discussed.

Deliverables: Potential updates to the SBP following the points above.

(iii) Develop Social Bonds Market infrastructure

- Despite improvements during last year, the “market infrastructure” for social bonds is still not adequate to support the growth of the market.
- The lack of harmonization between KPIs used by different SPO providers was identified as a hurdle for issuers. The SBWG envisages analyzing the criteria/KPIs used by SPO providers to publish a document explaining these criteria and listing minimum/ideal criteria that SPO providers should use to guarantee a social bond program is aligned with the SBP.

Deliverables: Potential updates to the Guidelines for Green, Social and Sustainability Bonds External Reviews.

(iv) Promotion of Social Bonds

- Podcasts/videos/articles on the deliverables and on social bonds in general to be posted on the ICMA website.
- Providing recommendations to the ExCom about potential engagement topics with the EU for the Social part of Sustainable Taxonomy/Social Bond Standard.

Deliverables: Recommendations for engagement with EU. Publication of podcast/videos/articles with members of the group.

Working Group Coordinators:

- Amundi
- BNP Paribas

Working Group Members:

Actiam	Hogan Lovells Lee & Lee	OP Corporate Bank
Axa IM	HSBC	Ostrum
Bank of America	IADB	Rating and Investment Information
Barclays	Impact Investment Exchange (IIX)	SEB
BBVA	ING	Santander CIB
BlackRock	Instituto de Crédito Oficial (ICO)	SFIL/CAFFIL
BNP Paribas AM	IFC	SMBC Nikko Capital Markets
Cassa depositi e prestiti S.p.A. (CDP)	Japan Credit Rating Agency	Société Générale
Citi Bank	JP Morgan	Stockholm Environment Institute
Climate Bonds Initiative	Luxembourg Stock Exchange	Sustainalytics
Council of Europe Development Bank	Mainstreet Investment Partners	Symbiotics
Crédit Agricole CIB	Mirova	TD Bank
Daiwa	Mizuho International	Threadneedle Asset Management
Deutsche Kreditbank AG (DKB)	Moody's	UN Women
Development Bank of Japan	Morgan Stanley	UNICEF Luxembourg
EBRD	Natixis	Union Investment
European Stability Mechanism	Nomura Securities	VIGEO-Eiris
Goldman Sachs AM	Nordea	World Bank
Goldman Sachs International	NIB	

