



Sustainable Stock Exchanges



SSE Consultative Group Call – Q2

27 May 2020: 9AM and 4PM CEST (Geneva)

SSE Team

- Anthony Miller, Moderator
- Rita Schmutz, Tech Support
- Francesca Jaworska, Tech Support

Guest Speakers

- LuxSE: Paul Chahine
- LSE: Sara Lovisolo & David Harris
- IFC: Elena Panomarenko & Denise Odaro



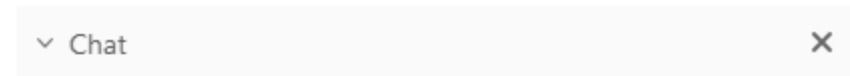
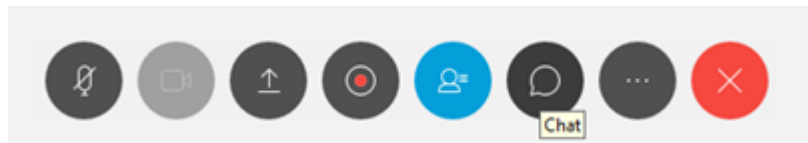
Agenda

1. SSE introduction to COVID-19 response bonds
2. Guest speakers on COVID-19 response bonds from:
 - London Stock Exchange (LSE)
 - Luxembourg Stock Exchange (LuxSE)
 - International Finance Corporation (IFC)
3. Q&A and exchange updates
4. SSE updates - Global Dialogue and other plans for 2020

*Please feel free to share ideas, feedback, updates and questions
at any point during the call
(via chat function or via audio connection)*

Housekeeping

- Please keep your microphone muted when you are not participating in the discussion.
- During the presentations, you can ask questions at any time by using the chat function. We'll make sure these get answered during the Q&A.

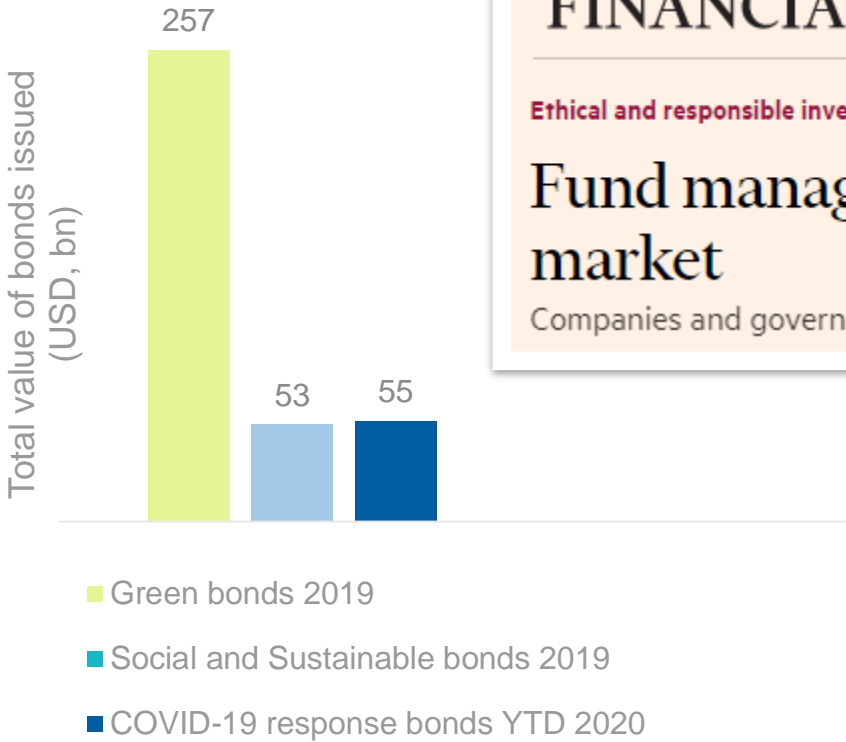


Rise of C19 bonds boosts social bonds

19 May, 2020
S&P Global
 Market Intelligence

Social bond surge appears here to stay as COVID-19 crisis shifts funding needs

"Greater emphasis on social finance and sustainable development will likely be one of the lasting outcomes of the coronavirus crisis,"
 - *Matthew Kuchtyak, AVP-Analyst at Moody's*



FINANCIAL TIMES

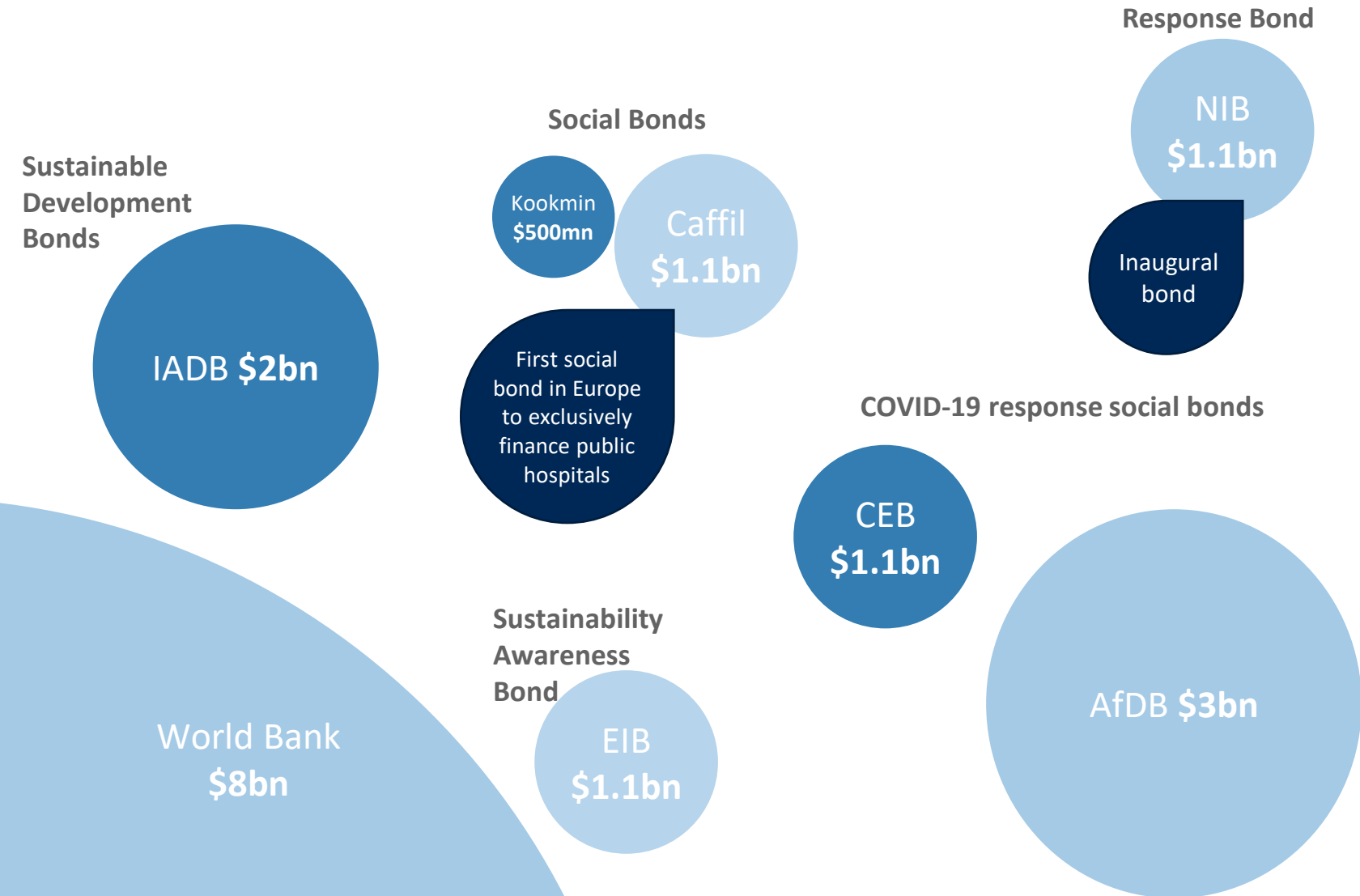
Ethical and responsible investment

Fund managers pile into \$65bn Covid-19 bond market

Companies and governments rush to issue debt to help ease the effects of the pandemic

"The present crisis is going to power the concept of sustainability and social bonds," -
Aldo Romani, Head of Sustainability Funding at EIB's capital markets.

Issuers of C19 bonds



Issuers of C19 bonds



- \$1.25bn issue is Pfizer's **first ever sustainability bond**.
- Proceeds will manage environmental impact, improve access to medicines + support efforts against the pandemic and strengthen health systems in low-middle income countries.

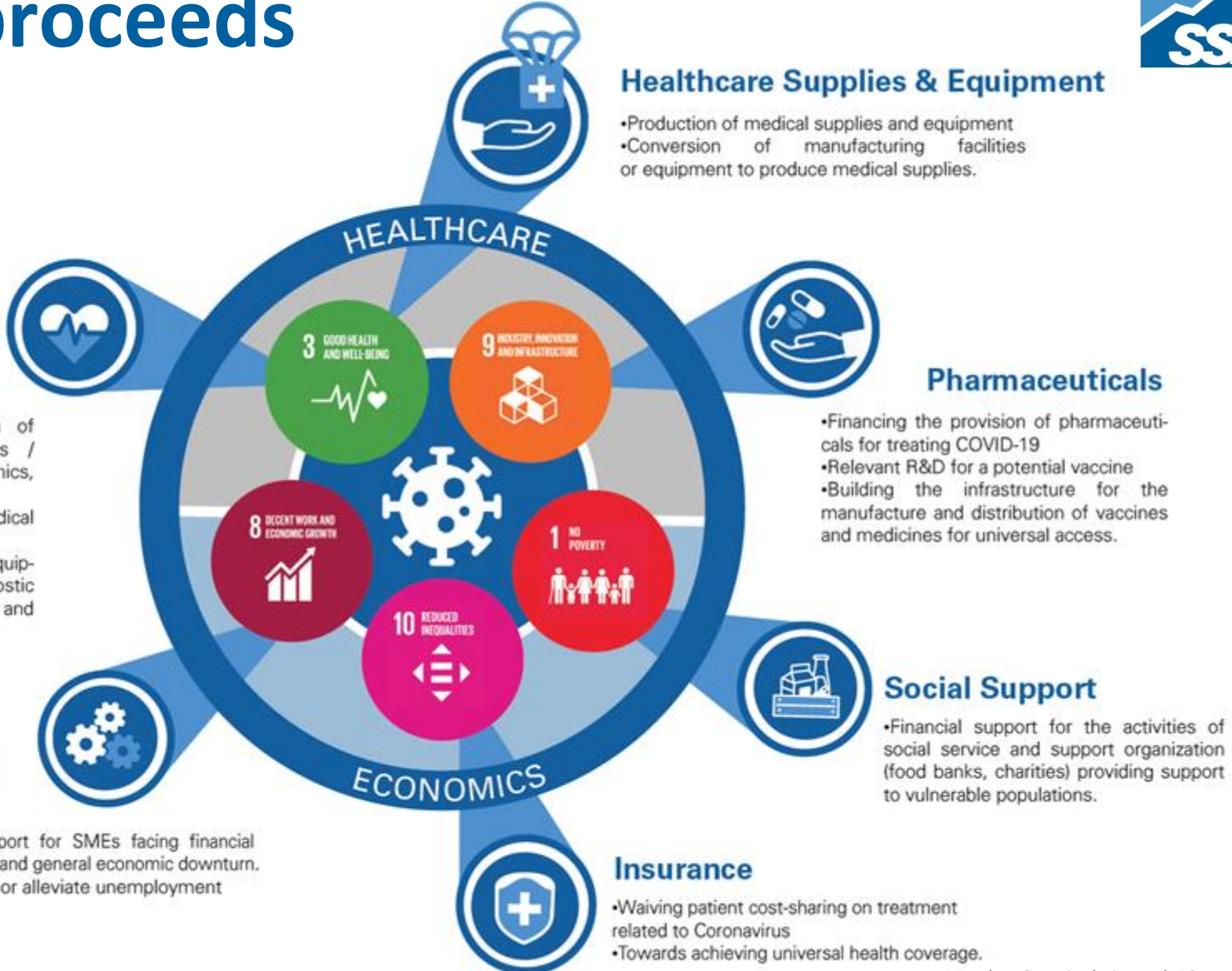


- Planned **\$559mn pandemic response bond** in early June.
- A sustainability bond targeted at ESG investors.
- Proceeds to help SMEs, as well as non-coronavirus related sustainable purposes.



- **\$1bn COVID-19 bond**.
- Funds lending to hospitals, nursing facilities and healthcare manufacturers.

Use of proceeds



Healthcare Services

- Development or expansion of accessible medical services / infrastructure (hospitals, clinics, etc.) to increase capacity.
- Hiring and training of medical personnel.
- Procurement of medical equipment (tests & diagnostic equipment, masks, gloves) and pharmaceuticals.

Impacts of SMEs on Employment

- Loans or other financial support for SMEs facing financial stress as a result of lockdowns and general economic downturn.
- Projects designed to prevent or alleviate unemployment

Healthcare Supplies & Equipment

- Production of medical supplies and equipment
- Conversion of manufacturing facilities or equipment to produce medical supplies.

Pharmaceuticals

- Financing the provision of pharmaceuticals for treating COVID-19
- Relevant R&D for a potential vaccine
- Building the infrastructure for the manufacture and distribution of vaccines and medicines for universal access.

Social Support

- Financial support for the activities of social service and support organization (food banks, charities) providing support to vulnerable populations.

Insurance

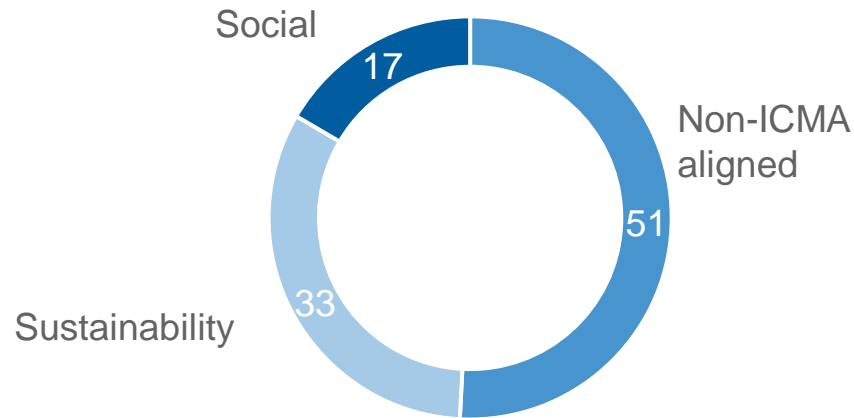
- Waiving patient cost-sharing on treatment related to Coronavirus
- Towards achieving universal health coverage.

Source: UNCTAD based on Sustainalytics and IFC

Based on Sustainalytics and IFC.

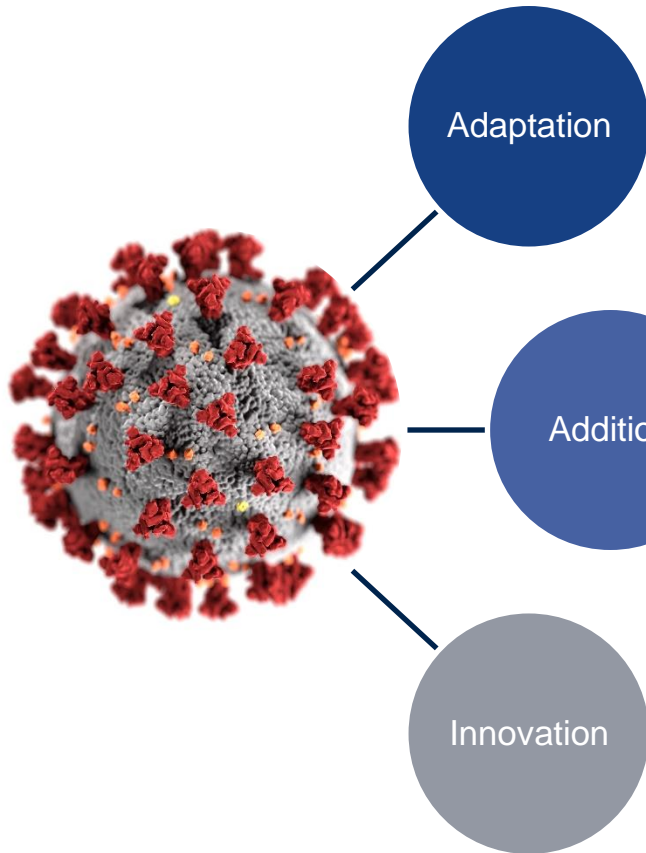
Frameworks used for C19 bonds

Percentage of COVID response bonds that are aligned with ICMA SBPs or SBGs.



- The existing green and social bond principles and sustainability bond guidelines are immediately applicable to COVID-19 response bonds.
- While a number of COVID-19 response bonds have been issued in line with ICMA Social Bond Principles, ICMA has also offered further support and guidance for COVID bonds.

Frameworks used for C19 bonds



- **AfDB & CEB**
- Adapted the language from their **existing** social bond framework to apply to the COVID-19 context.

- **EIB, World Bank, IADB**
- Added a COVID-19 element to their **existing** sustainability bonds.

- **NIB**
- Developed a **new** Response Bond framework

Council of Europe Development Bank

\$1.1bn Response bond

Issued within Social Inclusion Bond framework which has been adapted so financing can be extended to the health sector.

European Investment Bank

\$1.1bn Sustainability Awareness Bond (first issued 2018). Eligibility for the bond proceeds has been extended to support national health authorities.

Nordic Investment Bank

\$1.1bn Response Bond

The use of a newly developed framework means the bond does not benefit from second-party opinion, nor is it aligned with the SBPs.

What are stock exchanges doing?

Fee-waivers



London
Stock Exchange Group

- For bonds that fund essential services (healthcare, sanitation) or support employment.
- And meet the eligibility criteria for LSE's Sustainable Bond Market.



LUXEMBOURG
STOCK EXCHANGE

- For social and sustainable debt instruments identified as COVID-19 response bonds.



Nasdaq

- (Nordics) For bonds which explicitly and exclusively finance projects that alleviate the negative economic and health effects of the pandemic.

Expert presentations



- How can stock exchanges support issuers of COVID-19 response bonds?
- What will be the impact of COVID-19 bonds on the wider social and sustainability bond market?

Speakers:





London

Stock Exchange Group

LSEG Covid-19 response

Sustainable

Bond Markets

UN SSE Webinar, 27 May 2020



Financing sustainability at a time of crisis

We strongly believe that social and sustainability bonds with use of proceeds aligned to funding essential services such as healthcare, water and sanitation, supporting employment, or with a link to the relevant UN Sustainable Development Goals can have a role to play in directing capital to initiatives that will help mitigate the impact of COVID-19.

Such instruments could help issuers in both developed and developing countries unlock funding for a wide range of critical projects in both the short and long term.



Creating an enabling environment

FIXED INCOME PULSE

London Stock Exchange supporting issuers of social and sustainability bonds that mitigate the impact of the COVID-19 pandemic

3 April 2020



Admission fees for social and sustainability bonds that aim to mitigate the impact of COVID-19 with relevant use-of-proceeds waived for 3 months

Applies to bonds that are admitted to London Stock Exchange, and meet the eligibility criteria for the Sustainable Bond Market's social or sustainability segments

Fees have also been waived by Borsa Italiana.

References

- ICMA Covid-19 guidelines
- SDGs



A transaction from Italy

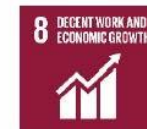
Covid-19 Social Response Bond from the Italian national promotional bank, CDP. Two tranches (3 and 7 years) for a total of €1bn.



The Proceeds of the issue will be focused on fighting the Covid-19 emergency as well as sustaining the recovery of Italian economy and communities. The initiatives to be financed may include, among the others:

-  Helping corporates, mainly SMEs, accessing banking and financial services, also through direct lending
-  Providing Local Authorities with financial support in their efforts related to healthcare, social and economic measures
-  Financing the construction, development, maintenance or renovation of healthcare facilities, medical equipment and technologies for the improvement and protection of public health

Given the emergency situation, this issuance is expected to contribute to a **broad range of SDGs**, in particular:



114 instruments are now listed on Borsa Italiana's Sustainable Bond segments, **+18 YTD**.

Raising capital for African countries

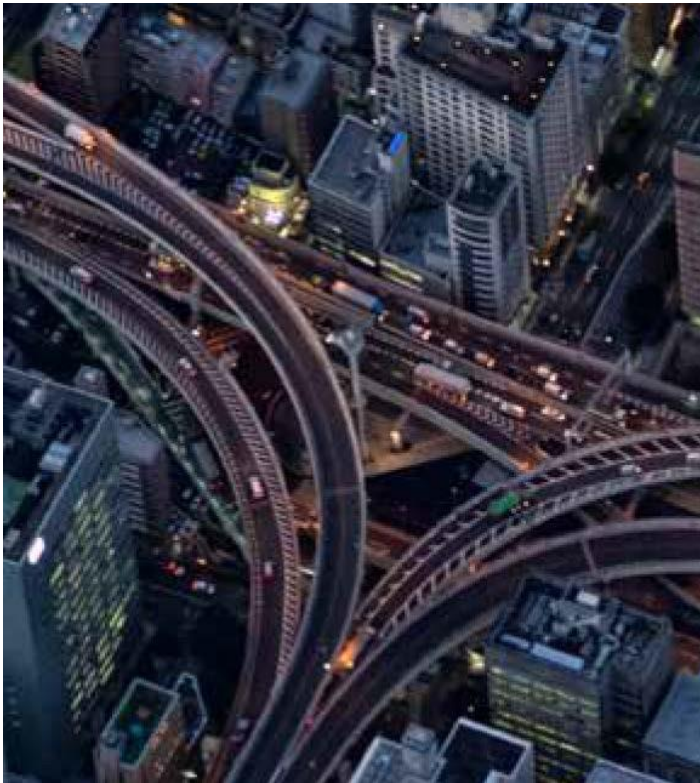
Source: www.afdb.org



The proceeds will be utilised towards enhancing access to essential services, supporting healthcare, employment, water and sanitation to mitigate the impact of the pandemic. The bond attracted orders of more than \$4.6 billion from central banks and institutional investors.

The President of the African Development Bank, Akinwumi Adesina, said: *“We are proud to announce that our first listing on London Stock Exchange is a social bond. This is only the beginning of a stronger partnership between the African Development Bank and London Stock Exchange. We will mobilize all we can on the capital market to fight the coronavirus in Africa.”*

The road ahead



Source: Navigating the Green Finance Landscape, LSEG

Build Back Better will require long-term investments

Blended finance – private finance backed by public guarantees – will be key to meeting the funding challenge: public finance alone won't be enough

Green investments will help the recovery phase, also achieving social objectives



Luxembourg Green Exchange

Social Bonds in the context of Covid 19:
Opportunities vs. Challenges and role of
Stock Exchanges

UN SSE CONSULTATIVE WORKING GROUP WEBINAR

LGX: Filling a market gap

2016

Creation of the world's first green exchange



LUXEMBOURG
GREEN EXCHANGE

2020



700+ securities
denominated in 32 currencies



Launching LGX Academy to boost Sustainable Finance Education

Social Bonds Market: Current Status & Challenges



Relatively new: in 2017

EUR 29 billion

Philanthropy Dilemma

Less issuers than green bonds

Lack of Investors interest

Mainly public issuers

Lack of adequate market infrastructure

Target population boundaries



ICMA Social Bond Working Group-SBWG” 2019-2020

Objective “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

Unlabelled



Announcement

- Public announcements
- Described use-of-proceeds
- GSS Bond framework
- Standard alignment
- External Review

Self-labelled



Use of proceeds

- Public announcements
- Described use-of-proceeds
- GSS Bond framework
- Standard alignment
- External Review

Verified



ICMA aligned

- Public announcements
- Described use-of-proceeds
- GSS Bond framework
- Standard alignment
- External Review

Unlabelled bonds

Social & Sustainability bonds

4 Green, Social and Sustainability Bonds in the context of Covid 19 : Opportunities vs. Challenges

Covid 19 Bonds: Market opportunity for Social Bonds

**29
bonds**

Since the start
of the crisis

**\$60bn
raised**

By the 29 COVID-19
issuances

**Social &
Sustainability**

bonds as preferred
instrument for the
crisis

\$100+ bn

Projected Social &
Sustainability bonds
for 2020

COVID-19 related bonds

| | | | | | |
|-------------------------------|--------------|-------------------------------|----------------|--------------------------------|---------------|
| | | Internat. Finance Corp. (IFC) | AUD 200 | Kookmin Bank | \$500 mill. |
| | | Internat. Finance Corp. (IFC) | \$1 billion | BPIfrance | €1.5 billion |
| African Development Bank | \$3 billion | Cassa Depositi et Prestiti | €1 billion | Republic of Austria | €7.5 billion |
| Inter-American Dev. Bank | \$2 billion | World Bank | \$ 8 billion | The Bavarian government | €3 billion |
| European Investment Bank | €1 billion | Government of Indonesia | \$ 4.3 billion | State of Israel | €200 mill. |
| Council of Europe Dev. Bank | €1 billion | Asian Development Bank | \$ 4.5 billion | Republic of Indonesia | \$4.3 billion |
| Nordic Investment Bank | €1 billion | Government of Luxembourg | €2.5 billion | Agence Francaise de Dév. | €1.5 billion |
| Nordic Investment Bank | SEK4 billion | Pfizer | \$ 1.25 bill. | Ireland National Treasury | €6 billion |
| European Investment Bank | SEK3 billion | Government of Paraguay | \$ 386 mill. | ICO - Instituto de Credito Of. | €500 mill. |
| Internat. Finance Corp. (IFC) | SEK3 billion | Government of Guatemala | \$ 299 mill. | | |
| African Development Bank | SEK2.5 bill. | | | | |
| Getinge | SEK1 billion | | | | |

13

ON



March

April

May

Covid 19 Social Bonds: AfDB & ICO illustrations



AFRICAN DEVELOPMENT BANK



Instituto de Crédito Oficial

Framework & External Review

September 2017

March 2020

COVID-19 related use of proceeds

To provide support and finance to countries and businesses to help curb the spread of the coronavirus (Covid-19) in African communities and overcome the challenges caused by this outbreak in those communities.

In particular, the Issuer intends to allocate proceeds to projects that mitigate the economic and social impacts of the COVID-19 pandemic in Spain and which satisfy the eligibility criteria of the Issuer's Social Bond Framework.

Target population

African populations, including, but not limited to:

- ✓ Living below the poverty line
- ✓ Excluded and/or marginalized populations and/or communities
- ✓ Vulnerable groups
- ✓ Undereducated; Underserved; Unemployed

Including, but not limited to:

- ✓ SMEs in line with European Union's standards
- ✓ Hospitals/ Healthcare (open to all population)
- ✓ Senior healthcare centres/homes
- ✓ Eligible beneficiaries according to socio-economic requirements set by regional governments

Eligible Categories

Including, but not limited to:

- ✓ Affordable basic infrastructure
- ✓ Access to essential services
- ✓ Access to financing and financial services
- ✓ Employment generation
- ✓ Food security

Including, but not limited to:

- ✓ SMEs Lending
- ✓ Socioeconomic advancement and empowerment
- ✓ Social Housing
- ✓ Access to essential services
- ✓ Affordable basic infrastructure

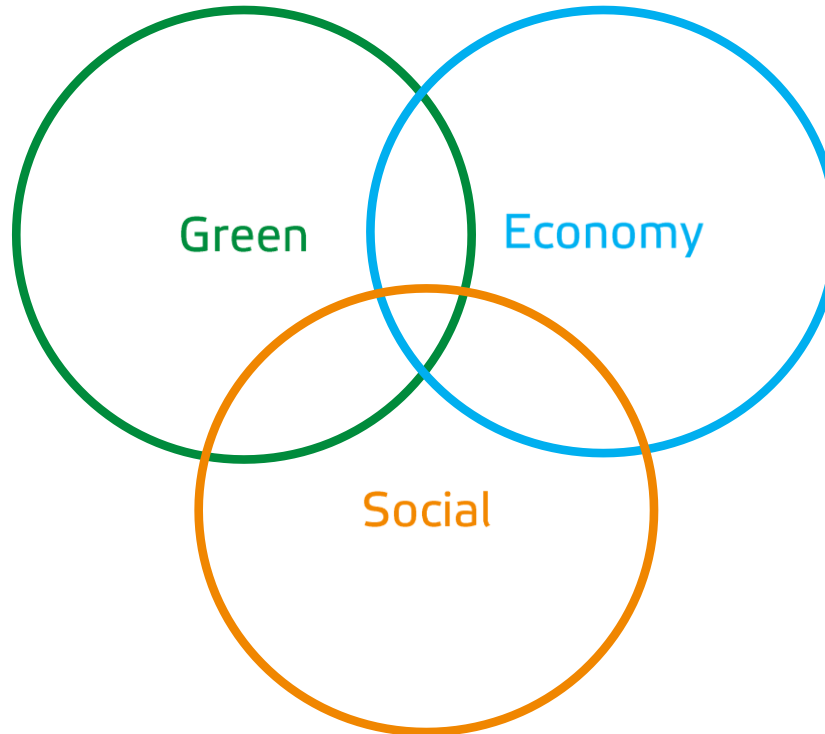
Social Bond Principles aligned

Social Bond Principles aligned

Innovative Solutions for Sustainable Recovery

Green Bonds:

- Green Infrastructure
- Green recovery for developing economies



Social & Sustainability Bonds:

- Proven Resilient Instruments
- Sustain Companies
- R&D for health solutions

Thank you



Paul Chahine

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The background of the slide features two hands, one larger than the other, cupping a globe of the Earth. The hands are painted with a map of the world, with blue for oceans and various shades of green, yellow, and brown for continents. The globe is positioned in the center, held gently by the palms of the hands.

IFC & SOCIAL BONDS

SSE Webinar

Elena Panomarenko

Esohe Denise Odaro

May 27, 2020

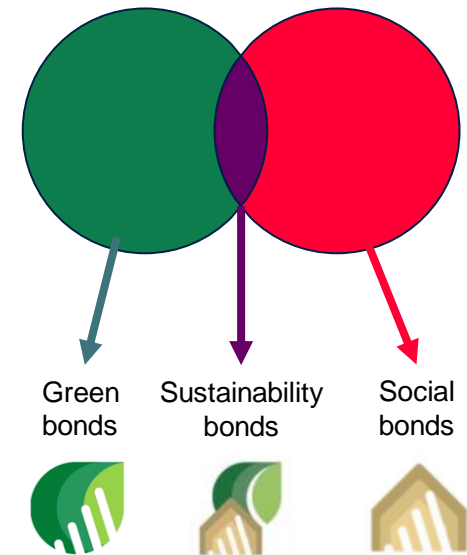
What is a Social Bond?

- Simply put, a social bond is a bond instrument where the borrower commits to exclusively use the proceeds to finance or re-finance social projects. A social project is one that aims for positive socio-economic outcomes for those in need of it.
- The market defines social bonds as “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).”*
- Social bonds must align with the **Social Bond Principles** as published by the International Capital Market Association (see section 2).



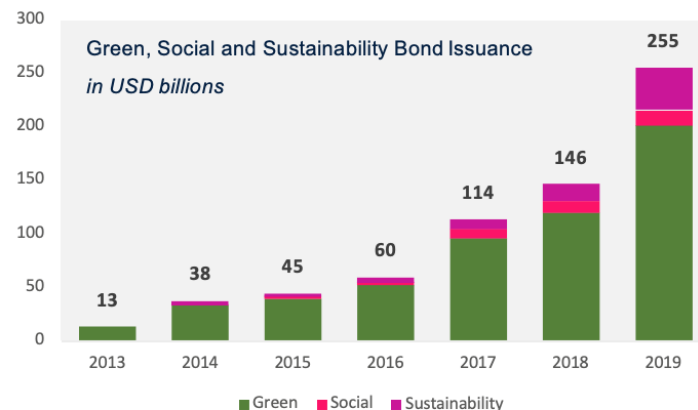
How do Social Bonds differ from Sustainability Bonds?

- Certain social projects may also have environmental co-benefits and green projects may have social co-benefits. Where social bonds finance/refinance social projects, sustainability bonds are bonds where the proceeds will be exclusively applied to finance or refinance a combination of both green and social projects.
- The classification of a bond as a social bond or sustainability bond should be determined by the issuer based on its primary objectives for the underlying projects.
- The four components of the Green Bond Principles and Social Bond Principles and their recommendations on the use of external reviews and impact reporting also apply to sustainability bonds.

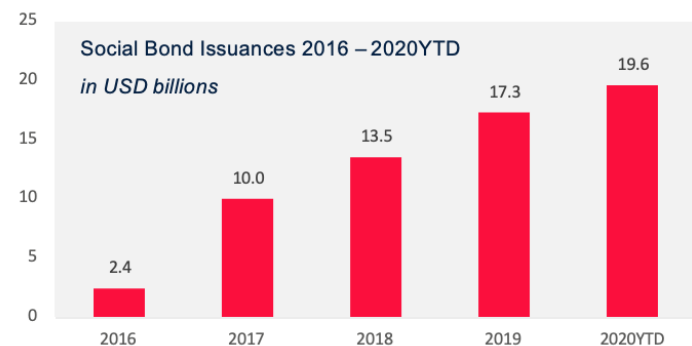


State of the Social Bond Market

- Social bond issuance is growing rapidly, not least due to the COVID-19 crisis, though the development of the market is still in its nascent stages compared to the green bond market.
- Primary supply is driven by multilaterals, sub nationals and financial institutions. The first corporate to bring a social bond to the market was Danone in 2018.
- In 2019, total global issuance for social bonds was USD 17.3 billion. Issuance volume in the first four months of 2020 has already surpassed the volume issued in the full year of 2019. This sharp increase is driven in a large part by institutions issuing social bonds in response to the COVID-19 crisis.
- The disproportionate high growth of social bonds is expected to continue in 2020 and the market expects to see further diversification in terms of issuer types.



Source: Bank of America, 2020



Source: Dealogic

The Social Bond Principles

What are the Social Bond Principles?

The Social Bond Principles (SBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the social bond market by clarifying the approach for issuance of a social bond. They were published by the International Capital Market Association (ICMA) in 2018 and updated in 2020.

IFC was a co-author of the SBP and has chaired the Social Bond Working Group.

Why are the SBP Important?

The SBP are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible Social Bond; they aid investors by promoting availability of information necessary to evaluate the positive impact of their social bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

4 components:

- 1. Use of proceeds:** (criteria for) use of proceeds should be clearly defined
- 2. Process for project evaluation and selection:** projects should be assessed for eligibility and selected carefully
- 3. Management of proceeds:** issuer has to appropriately manage the funds and ensure that they are only used to finance eligible projects
- 4. Reporting:** issuer is expected to report on the expected impact of projects eligible to be financed with the proceeds
External review to confirm alignment of social bond issuances to the key features of the SBP though not mandatory, is advised

IFC as a Social Bond Issuer

- IFC has been a pioneer of the social bond market and one of the largest global issuers of social bonds in public and private markets and in various currencies and tenors. In addition to IFC's Green Bond Program which was launched in 2010, IFC's Social Bond Program was launched in 2017 and aligns with the SBP.
- IFC's social bonds offer investors the opportunity to support SBP eligible IFC projects and select IFC projects from IFC's Banking on Women and Inclusive Business portfolios, which benefit under-served populations in emerging markets including women and low-income communities with limited access to essential services such as basic infrastructure, finance etc.
- **In March 2020, IFC issued a \$1 billion social bond in response to IFC's COVID-19 \$8 billion response package. With a final order book of over \$3.4bn, the deal was very well received in the market and is a testament to investors being keenly interested in supporting the alleviation of social issues.**
- On an annual basis, Treasury's Funding & Investor Relations prepares an annual report for social bond investors that reports on the expected impact of projects that are eligible to be financed with social bond proceeds. We also map each project to the SDGs.
- IFC has played a leading role in drafting the Social Bond Principles and as chair of ICMA's Social Bond Working Group, which has published documents such as:
 - [Working Towards a Harmonized Framework for Impact Reporting for Social Bonds](#)
 - Impact Reporting: Additional Q&A *(to be published in June)*
 - [A High-Level Mapping to the SDGs](#)
 - Case Studies *(to be published in June)*

As of March 31, 2020,
IFC has issued over
\$2.8 billion through 33
social bonds.

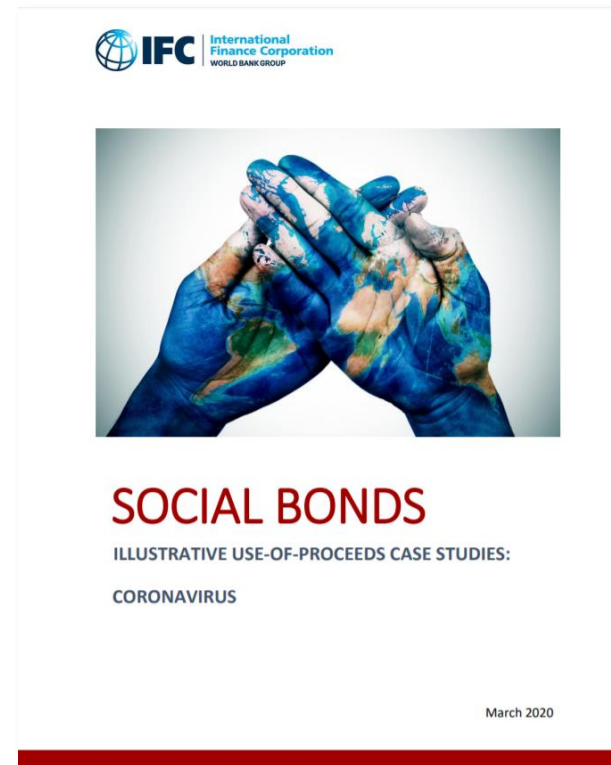
IFC's FY19 Social Bond Impact Report



IFC Illustrative Case Studies: COVID-19

- End of March 2020, IFC Funding & Investor Relations made available illustrative case studies of eligible social projects that address the socio-economic impact of the corona crisis.
- These illustrative examples can include:
 - COVID-19 related healthcare, medical research and the development of a vaccine;
 - Investment into additional medical equipment and manufacturing facilities to produce more health and safety equipment and hygiene supplies;
 - Specific projects designed to alleviate unemployment generated by the crisis.
- These projects should especially target specific groups directly impacted by the virus outbreak, although they may also seek to support a wider population affected by the economic crisis.

Read the illustrative case studies [here](http://www.ifc.org/socialbonds): www.ifc.org/socialbonds





CONTACT

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Q&A and exchange updates



- Questions for the speakers on how you can introduce social / sustainability bonds in your market?
- Other actions your exchange is taking to respond to the COVID-19 pandemic?
- Other sustainable finance updates: new ESG reporting guidance, products, events, training, publications...? Let us know!



Unmute your mic to ask a question.



Send us a question using the chat function.

SSE Secretariat Updates – Global Dialogue



Takes place within



2020 SSE Global Dialogue

📅 7 DEC, 2020

📍 Abu Dhabi - United Arab Emirates

SSE Secretariat Updates



5 GENDER EQUALITY



In 2020 we had 95 exchanges planning “Ring the Bell” events with 73 events implemented despite the disruption caused by the pandemic.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



New online ESG guidance database: <https://sseinitiative.org/esg-guidance-database>

13 CLIMATE ACTION



New research coming on carbon intensity of markets

17 PARTNERSHIPS FOR THE GOALS



- **SSE Global Dialogue (7 Dec in Abu Dhabi)**
- **More training activities planned with IFC**
- **New research coming on derivative exchanges.**



Sustainable Stock Exchanges



The SSE Welcomes:
QUESTIONS | FEEDBACK | INVOLVEMENT

Thank you!

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