

# **Social Bonds**

Easy come, easy go?

10/05/2023

# Authors & other relevant publications



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## Center of Expertise & Innovations: Publications

[EU Social Taxonomy Proposal: simpler and meaningful but half-way through](#)



[The EU Social Taxonomy Draft: promising buildings blocks](#)

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# Social bonds – could they die on our watch?

Key questions addressed in a recent panel

Environmental  
Finance

ESG in Fixed Income EMEA  
2023

- Was 2021 the **apex** of the social bond market?
- Is the market simply undergoing **deep transformations**? If so, which ones?
- Are social bonds fit for “**ordinary times**” or only for **turbulent ones**?
- Is the social bond format **exclusive** and requires or leads issuers to waive other bond formats?
- Are **Use-of-Proceed** and **Sustainability-Linked** formats competing against each other?
- Is it a matter of social spending/investment identification, or of lack of volumes?
- Could social matters be better captured through **KPIs** at **issuer-level**?
- Is the market impeded by **impact evaluation challenges**, lack of **standardization** or **social washing scrutiny**?
- Why is the social bond market so **concentrated**, little diversified with few non-financial corporates?

## Moderator



**Cédric Merle**  
Head of Center of Expertise & Innovation  
Natixis CIB Green & Sustainable Hub

## Panelists



**Isobel Edwards**  
Executive Director/Vice President – Green,  
Social and Impact Bonds,  
Goldman Sachs Asset Management



**Felix Grote**  
Head of Long-Term Funding  
Council of Europe Development Bank



**Jarek Olszowka**  
Head of Sustainable Finance IBD,  
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**Anna Stawowy**  
Treasurer,  
DKB

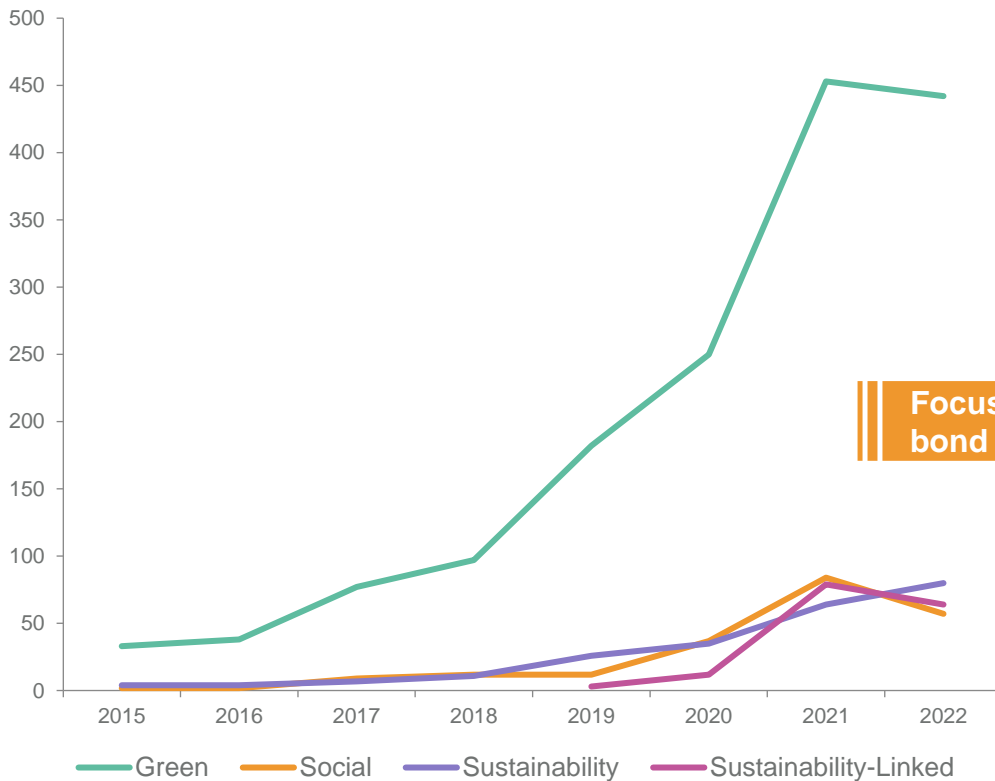
# Zooming on the EU GSSS bonds market...

...A general slowdown of issuances, emphasized for social bonds

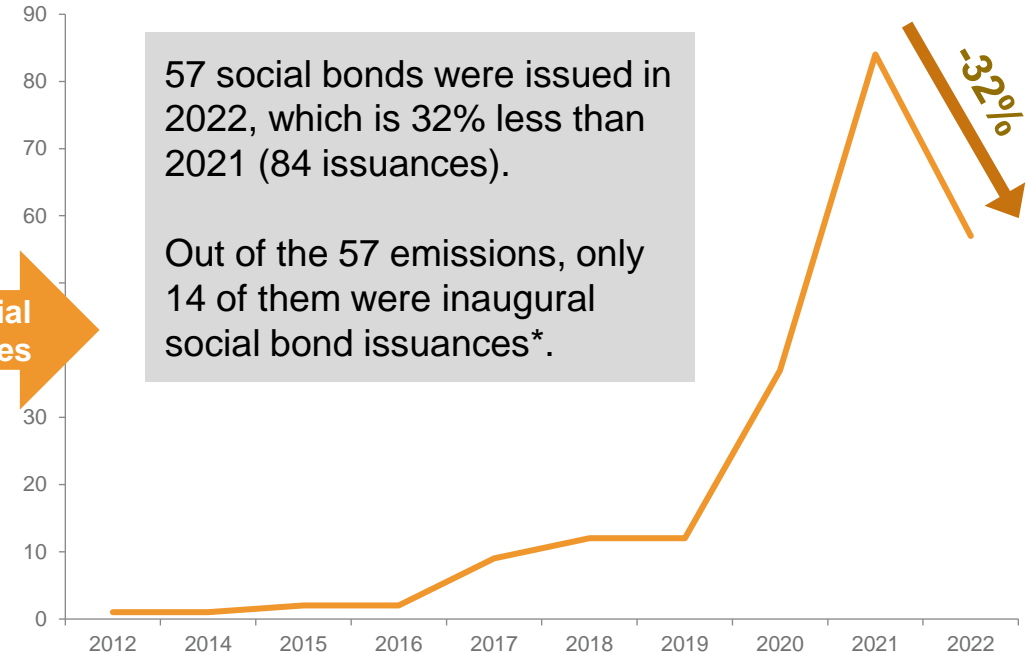
**Graph: Evolution of GSSS bonds issuances**  
(number of issuances)

**Graph: Evolution of social bond issuances**  
(number of issuances)

Scope of analysis: EUR GSSS emissions (2015-2023)



Focus on social bond issuances



\*Most of them stemming from FIGs (10), including Berlin Hyp AG, Crédit Mutuel SA and Citigroup, followed by 4 SSAs and one corporate

Source: Natixis Green & Sustainable Hub's Internal Market Data

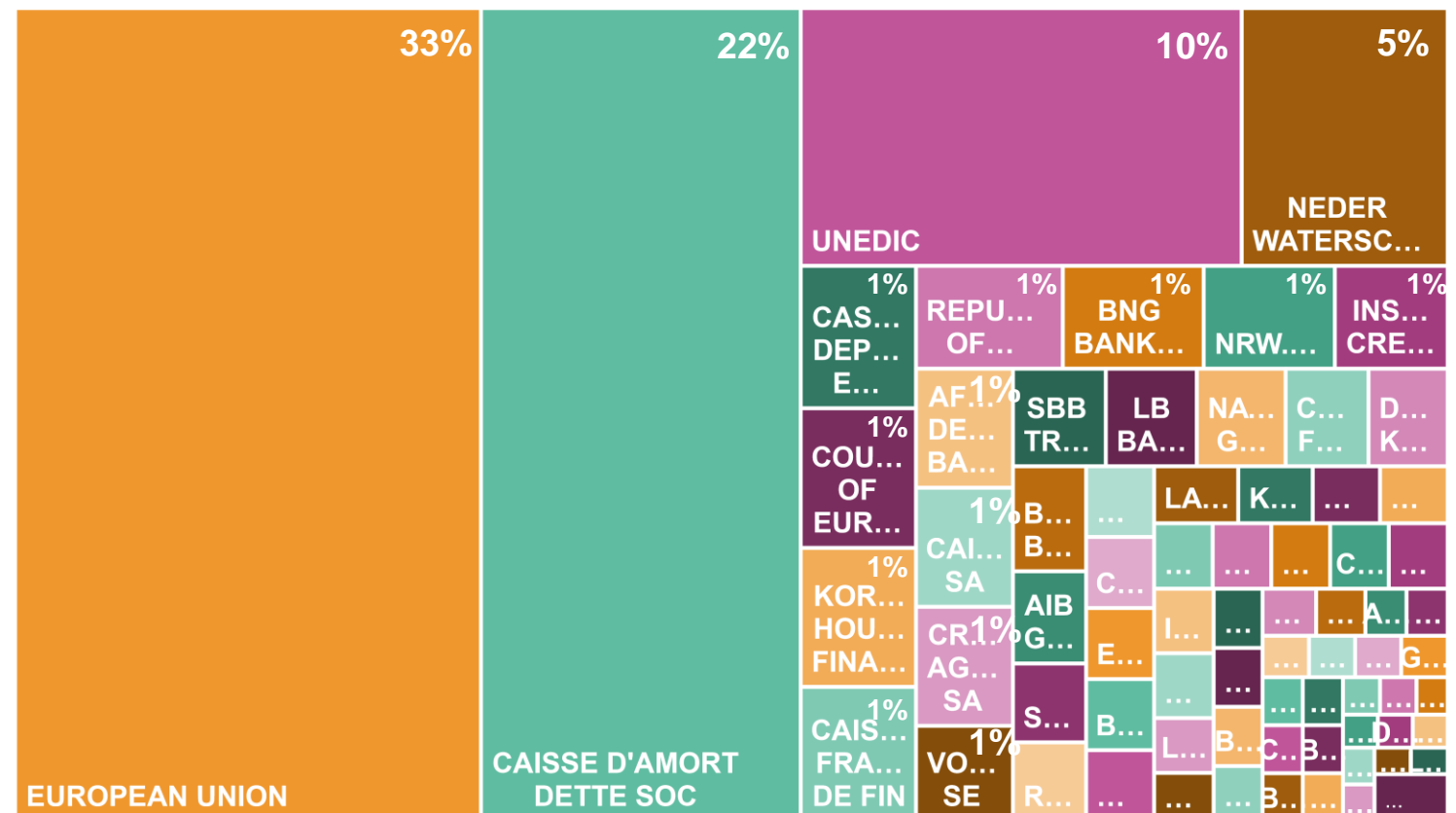
# The concentration of the social bond market

## A strong presence of a handful issuers

The social bond market is much more concentrated than the green bond market: **3 issuers represented 65% of social bond issuances.** In contrast, 72 green bond issuers represented 65% of issuances.

Scope of analysis: EUR social emissions (2015-2023)

Graph: The concentration of the euro social bond market in total issued volume



### A stalled diversification

- **Corporate sector** with a strong social component have little if any issuers (e.g., Food & Beverage)
- **Only 10 non-financial corporates** have issued in the social bond format
- **Only 2 of them** (SBB treasury and Motability) have issued at least twice

Source: Natixis Green & Sustainable Internal Market Data

# The eligible social categories

## According to ICMA's Social Bond Principles

*Graph: The 6 different categories according to the ICMA social bond principles*

- 1 **Affordable basic infrastructure** (e.g. clean drinking water, sewers, sanitation, transport, energy)
- 2 **Access to essential services** (e.g. health, education and vocational training, healthcare, financing and financial services)
- 3 **Affordable housing**
- 4 **Employment generation**, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
- 5 **Food security and sustainable food systems** (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)
- 6 **Socioeconomic advancement and empowerment** (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

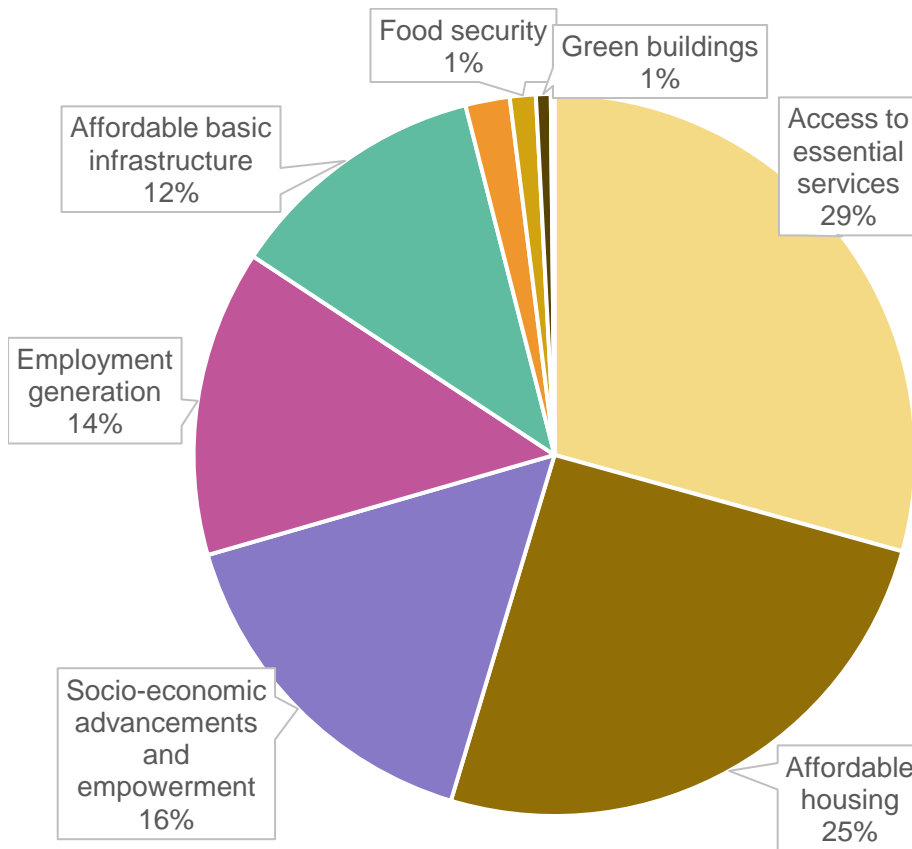
# The split of social issuances per category

And the divergence with the estimated allocation

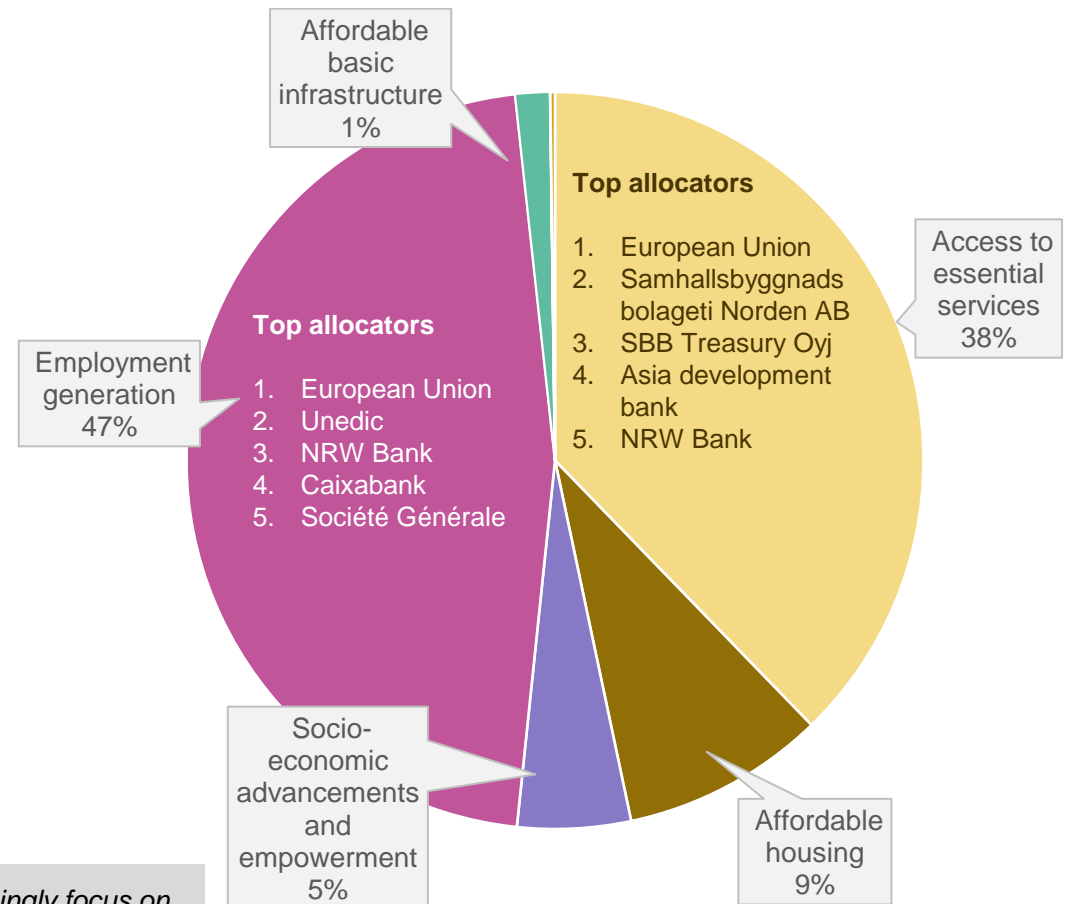
**Hypothesis:** When the granularity of proceeds were not mentioned, we supposed that the allocated sum was equally divided between the proceeds concerned. Out of all bonds issued in euro, only LGX only collected data on 118 bonds

Scope of analysis: EUR Social emissions (2015-2023)

Graph: split of social issuances per eligible categories



Graph: The estimated allocation of proceeds to each eligible category



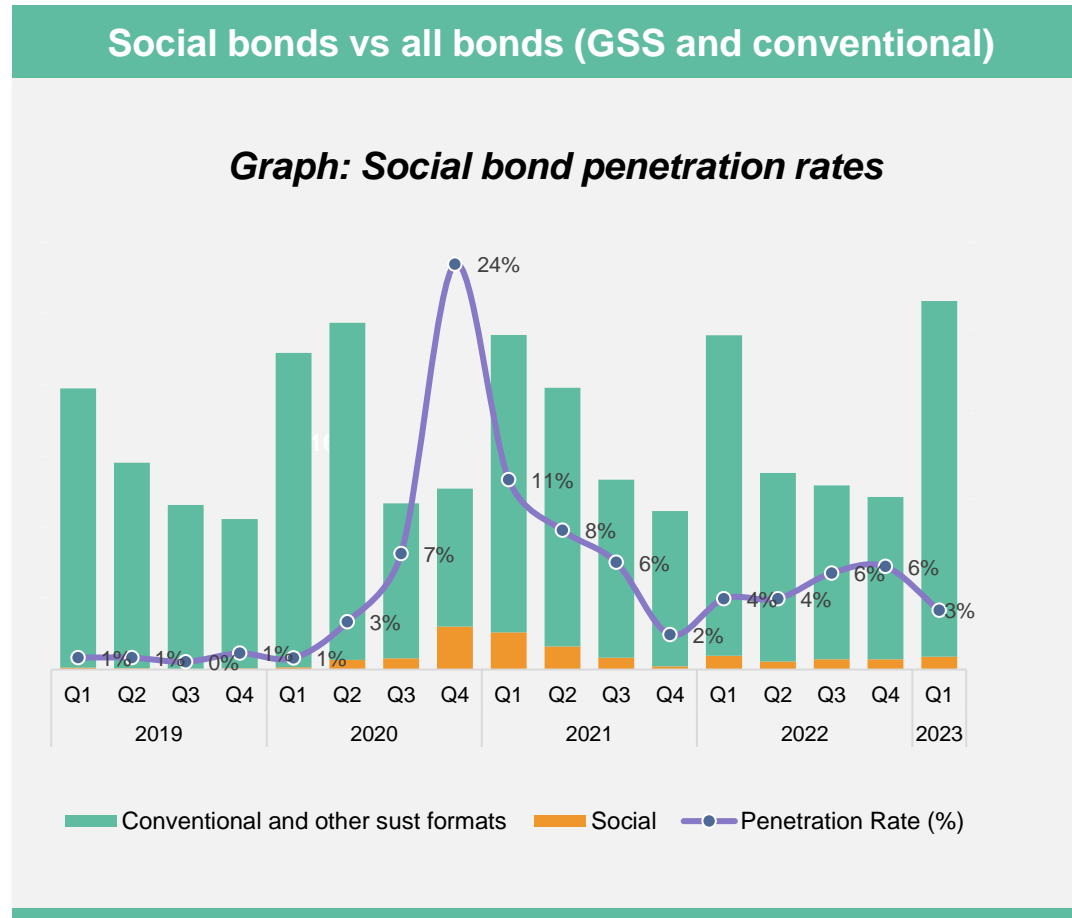
**SSAs issuances** unsurprisingly focus on targeting employment generation and access to essential services. For example, the EU represents 94% of access to essential services allocation.

Source: LGX

# Penetration rates in euro issuances

Social bonds issuances are responding to the conjuncture

Scope of analysis: EUR GSSS emissions (2015-2023)



The **social bond penetration** rate reached an all-time peak in **Q4 2021** in the EUR market (24%), and sharply decreased afterwards.



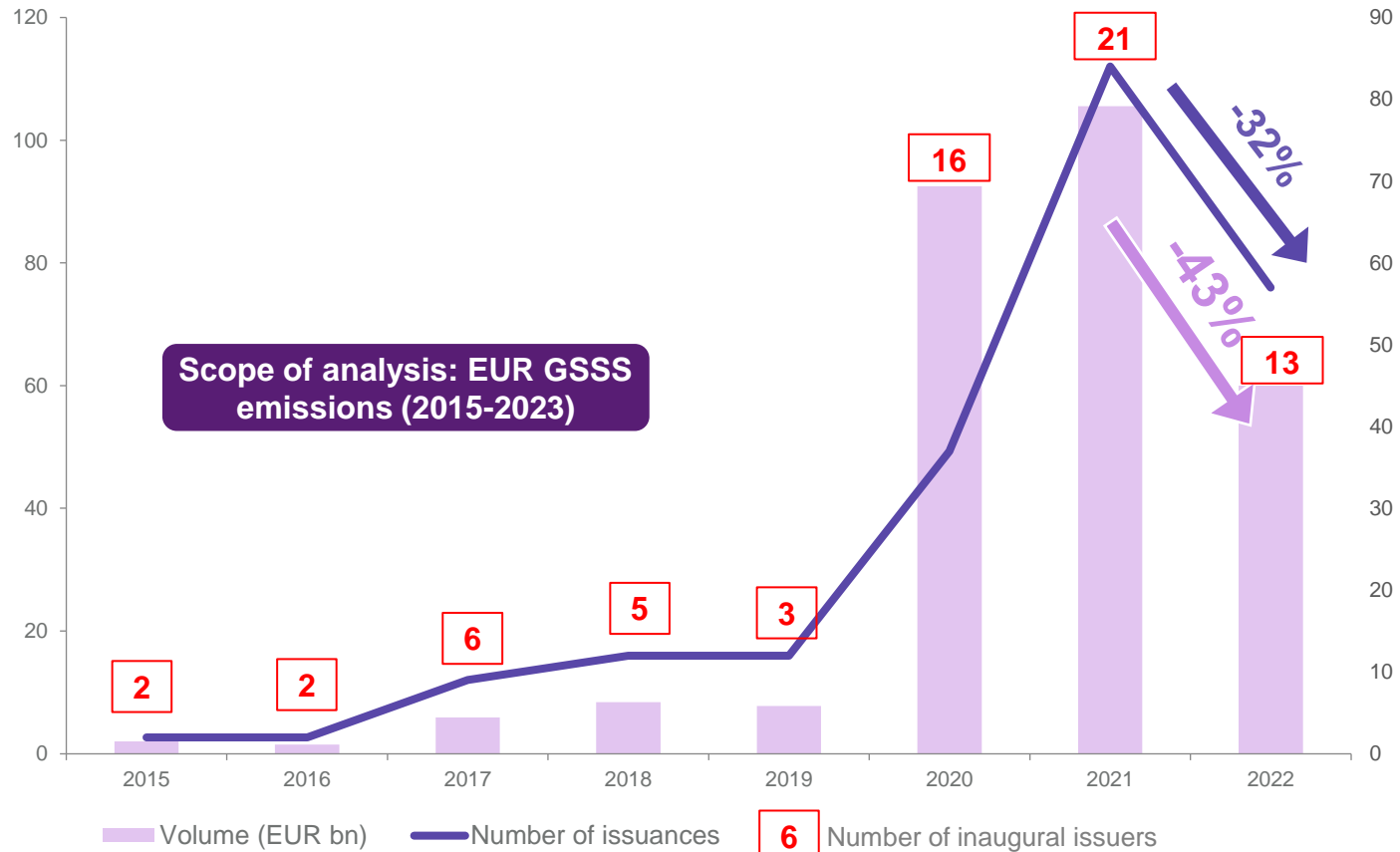
# A high counter-cyclicality and elasticity to crisis

A decline in number of issuances and larger drop in volumes

Graph: Comparison between the drop in the number of social bond emission and the volumes issued

The total volume of emissions **dropped by 43%** from 2021 (105bn€) to 2022 (60bn€)

The number of social bonds yearly issuers is relatively stable (36 in 2021 vs. 32 in 2022), they just issue **lower volumes less often**



Source: Natixis Green & Sustainable Hub's Internal Market Data

# Arbitrages between issuance types?

Can formats co-exist?

Scope of analysis: Global  
GSSS emissions (2013-2023)

Table: the distribution of issuers across bond formats

	Green bonds issuers	SLB issuers	Social bonds issuers	Sustainable bonds issuers
Green bond issuers	1,813	60	87	106
SLB issuers		264	4	8
Social bond issuers			244	40
Sustainable bond issuers				455

**These 4 issuers are:**

- The Republic of Chile
- Korian SA
- Toyobo
- Berlin Hyp AG

Only Korian SA's SLB included a social KPI

**Note:** there are no issuers which have issued all types of GSSS bonds.  
6 issuers have issued green, sustainable and social bonds (*African Development bank, Asian development bank, société générale, Japan int'l coop agency, Community of Madrid, Inter-American Invest co*)

As of today, **60 issuers** have issued green bonds as well as Sustainability-Linked Bonds.

Source: LGX

# The social KPIs used in SLBs

Scope of analysis: Global  
GSSS emissions (2015-2023)

A focus on diversity and health

Table: Some examples of KPIs used in SLBs

Affordable Homes	Good Health and Well-Being	Education	Employment opportunities		
<p><b>london&amp;quadrant housing trust</b></p> <p>Number of new homes built, acquired and let, with at least 50% of these provided as “affordable” housing</p>	<p><b>teva</b></p> <p>Number of regulatory submissions across six key therapeutic areas</p> <p><b>NOVARTIS</b></p> <p>Flagship programs Patient Reach</p> <p><b>NGE</b></p> <p>Accident Frequency Rate</p> <p><b>Elekta</b></p> <p>Increase access to radiotherapy in underserved markets by increasing the installed net base of linear accelerators (linacs) with 825 units.</p> <p><b>SANOFI</b></p> <p>Provision of essential Medicines in Low and lower-middle income countries</p>	<p><b>KORIAN</b></p> <p>Proportion of staff members participating in qualifying training programs</p> <p><b>Schneider Electric</b></p> <p>Number of underprivileged people trained in energy management</p>	<p><b>Yrkes Akademin</b></p> <p>Share of previously unemployed participants in work 3 months after course end</p>		
<p><b>Diversity &amp; Inclusion</b></p>					
<p><b>Schneider Electric</b></p> <p>Gender diversity from hiring to front-line managers and leadership teams</p>	<p><b>suzano</b></p> <p>Percent of women in leadership positions</p>	<p><b>tamarack valley ENERGY</b></p> <p>Indigenous representation as percentage of workforce</p>	<p><b>NGE</b></p> <p>Number of women among building site managers</p>	<p><b>aegea</b></p> <p>Percentage of leadership positions occupied by black employees</p>	<p><b>SPiE</b></p> <p>Share of women in key management positions (%)</p>

NB: this is only a sample of social KPIs used in SLBs, it is not exhaustive

# Social themes across bond types

Social themes used in UoP and Sustainability-Linked formats do not overlap

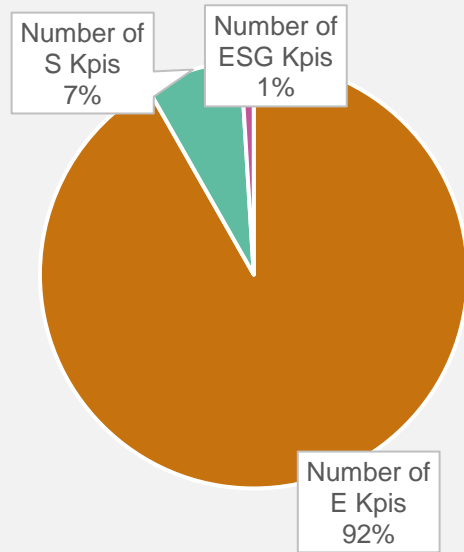
Scope of analysis: EUR GSSS emissions (2015-2023)

## Social KPIs in Sustainability-Linked Bonds

Graph: Share of each type of KPIs in SLBs issuances

The theme of social KPIs	Count
Diversity	8
Health	7
Work accident prevention	3
Other	2
Training/Upskilling	1

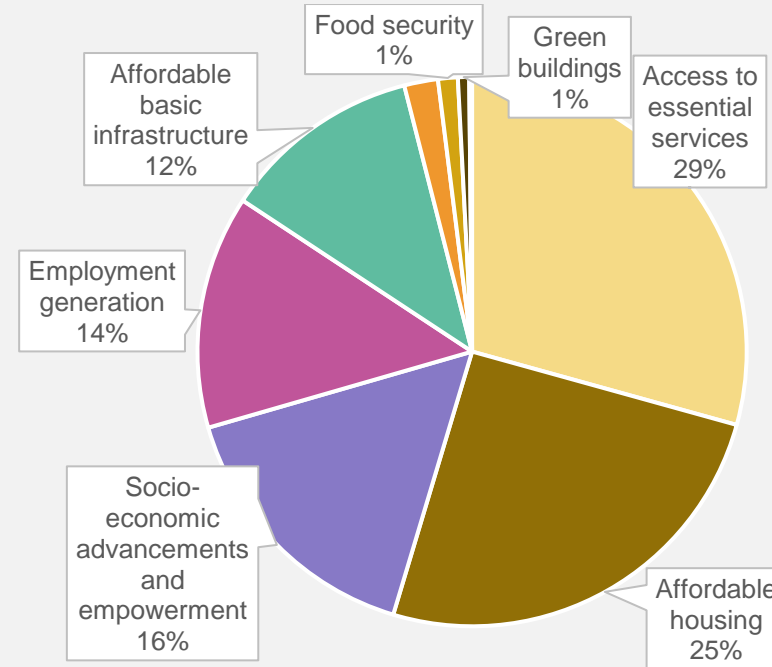
Since January 2019, **168 SLBs** have been issued in EUR from 103 issuers. Out of them, only 14 SLBs (from 12 issuers) make use of Social KPIs



It is noteworthy to mention that most of these SLBs with at least one social KPI mainly came from corporates, representing 92% of the value of those 14 SLBs. This differs with the social Use-of-Proceeds format, dominated by SSAs (94% of volume issued) and only counting 10 corporates.

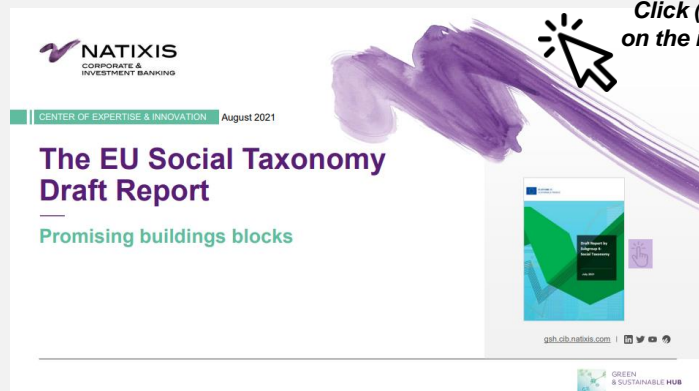
## Social eligible categories in Social UoP bonds

Graph : split of social issuances per eligible categories



# Green & Sustainable Hub Social expertise

## Center of Expertise: Publications



## Articles

[Social bonds: easy come and easy go?](#)

[EU Social Taxonomy Proposal: simpler and meaningful but half-way through](#)

[State of the Green, Social and Sustainable Sovereign Bonds markets, what is next?](#)

[The EU Social Taxonomy Draft: promising buildings blocks](#)

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# GREEN & SUSTAINABLE HUB

## Newsletter

### ▶ EDITORIAL

#### Wrapping up 2022 and welcoming 2023

The Green & Sustainable Hub (GSH) is delighted to present its best wishes for 2023 and takes the opportunity to draw lessons from 2022. Before starting the new year, we looked back on the most important milestones within the green and sustainable finance landscape.

[READ MORE](#)

### ▶ MARKET WATCH

#### Air France – KLM € 1 bn inaugural sustainability-linked bond

On January 9th, 2023, Air France-KLM successfully placed its first sustainability-linked bonds, for a nominal amount of EUR 1 billion, linked to the company's target to reduce its well-to-wake scope 1 and 3 jet fuel greenhouse gas (GHG) emissions per revenue tonne kilometer (RTK) by 2025, compared to a 2019 baseline, as part of its 2030 SBTi approved trajectory.

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#### Renew Power US\$1bn Green Loan “round-the-clock” hybrid power project financing

Renew Power has successfully closed a US\$985m-equivalent Green Loan to finance round-the-clock renewable energy projects in the States of Rajasthan, Maharashtra and Karnataka, India.

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### ▶ INVESTORS

#### ESG integration in private debt: Towards Data Template Convergence?

From Sep – Dec 2022 we conducted a series of meetings with private debt investors focusing on ESG integration to better understand their related objectives, strategies, tools and resources. Clearly, data collection, harmonization, standardization, analysis, and reporting represent both a critical driver and a primary constraint in terms of further ESG integration by private debt investors into their investment strategies.

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### ▶ REGULATION

#### ECB's avenues to intensify climate action in quest “of punch”

Monetary policy tightening, responding to 2022's inflationary spike, could hinder the green transition. Interest rates and raw material price increase create new barriers to low-carbon investments. ECB's own goal to align with the Paris agreement adds up to the complexity to maintain price stability without hampering efforts to transition to a low carbon economy.

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### ▶ TRENDS

#### Climate is dead, long live biodiversity

2022 ended with COP15 propelling the world on the path to halt and reverse biodiversity loss. 2023 is set to be a decisive year for biodiversity as many agenda coalesce to make biodiversity the pivotal sustainability theme of the year. Will sustainable finance undergo necessary transformations to allow biodiversity-related considerations to become mainstream?

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