

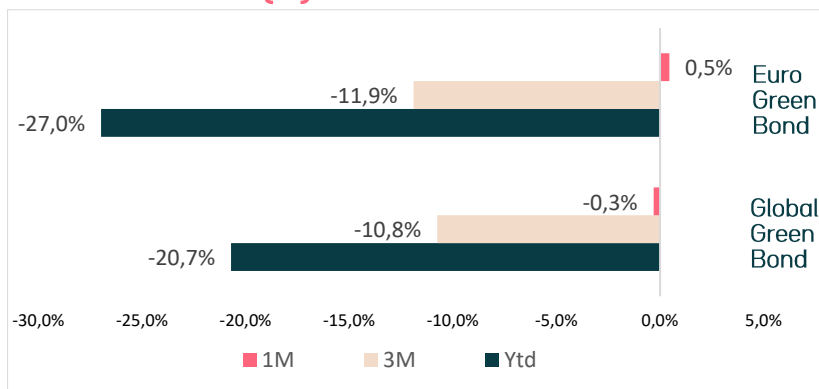
### • Figure of the month

12

\$12 billion of new Sustainability Linked Bond issuances in October 2022. By comparison, this figure was \$13 bn in Q3, which demonstrates the good momentum met in October. Since the start of the year, the total volume of SLB transactions has been \$87 billion.

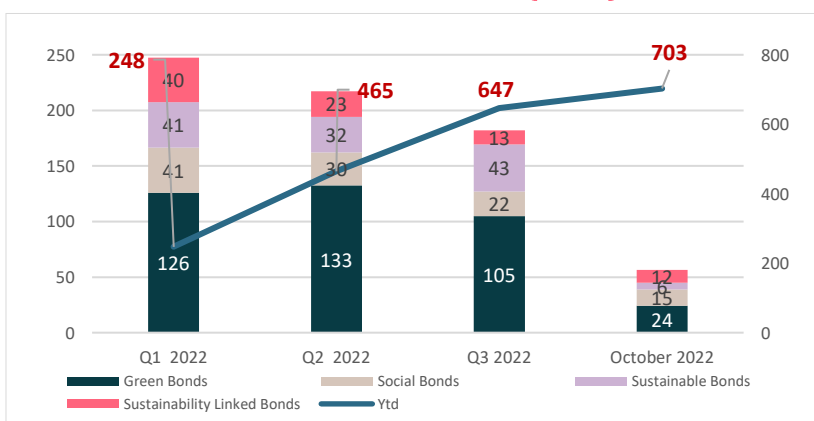
### • Dashboard

#### Market returns (%)



Data as of October 31st 2022 - Sources : Bloomberg MSCI Euro Green Bond Index et Bloomberg MSCI Global Green Bond Index

#### Sustainable issuances evolution (\$ Bn)



Sources : Bloomberg / Ostrum AM - Data as of October 31st 2022

### • Topic of the month

#### SOVEREIGN BONDS: SUSTAINABILITY IS NOT AN OPTION ANYMORE

As COP27 is taking place, ten years have passed since the first climate-aligned bond issuance from Supranationals before we see the first sovereign issuers finally coming to the sustainable bond market. A couple of years later, the share of sovereign issuers came from around 4 % at the early stage of 2019 to almost 8 % at mid-2022, driven by social bond issuances due to the COVID-2019 pandemic and inaugural green transactions from European countries (Germany, Italy and Sweden). Latin America has also been particularly active with green bond issuances that doubled in two years, to more than USD 30 bn in mid- 2021. Today, Chile is the largest issuer of all types of sustainable instruments in LATAM with around USD 35 bn outstanding sustainable bonds, representing a fourth of its whole outstanding bonds.

#### Which obstacles?

For use-of-proceeds bonds (green, social and sustainability), sovereign issuers often face the hardship to precisely define the perimeter of eligible green or social expenditures within their national budget and the commitment to use the proceeds for such allocation. This might be due to the fungibility requirements for sovereigns when issuing debt, which conflicts with the earmarking of use-of-proceeds bonds.

#### Exploring new tools

Sustainability-linked bonds might be a solution for sovereign issuers as it does not bind to use the proceeds for specific green or social expenditures. As long as the sustainability performance targets and the associated contractual terms are respectively incentivizing and sufficiently binding, it might be an efficient tool to finance the realization of a sovereign' mid and long-term sustainability objectives.



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## ADDITIONAL NOTES

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