



## *GBP/SBP Research Initiative*

# Summary of Investor Survey among GBP/SBP Buy-Side - Members & Observers

**June 2018**

*The information in this document has been provided by third-party sources and is intended for general information only (the "Information"), and is not intended to be and should not be relied upon as being legal, financial, investment, tax, regulatory, business or other professional advice. ICMA and the Green / Social Bond Principles are not responsible for the accuracy, reliability, currency or completeness of the Information. ICMA and the Green / Social Bond Principles do not represent nor warrant that the Information is accurate, suitable or complete and neither ICMA, its employees or representatives, nor the Green Bond Principles shall have any liability arising from, or relating to its use.*

## Acknowledgements

### Research Initiative Members:

**BNP Paribas**

**EBRD**

**Zurich Insurance**

This material was prepared by the GBP/SBP Research Initiative, conducted during H1 2018 on behalf of the GBP/SBP Executive Committee by three of its Members - BNP Paribas, EBRD and Zurich Insurance, with support from ICMA. The survey took the form principally of simple yes/no questions with a possibility to leave non-attributable comments. Further research would be beneficial to provide a more in-depth understanding of investor behaviour.

### Research Survey Respondents:

This group expresses **special thanks to the buy-side staff among GBP/SBP Member and Observer firms who responded** to the online survey providing the basis for this report. Among the 51 respondents representing most Member/Observer firms, the following kindly allowed us to reference their name:

ABN Amro Investment Solutions	Kommuninvest AB
Actiam	KTL
Allianz Global Investors	MainStreet Partners
Amundi Asset Management	Mikro Kapital
Axa IM	Mirova
BlackRock	National Australia Bank
BMO Global Asset Management	Nordic Investment Bank
BNP Paribas Asset Management	OFI Global / SNW Asset Management
Brown Advisory	Öhman
CaISTRS	Pension Boards - United Church of Christ
Candriam Investors Group	PGGM
CM CIC AM	Praxis Mutual Funds/Everence
Columbia Threadneedle	Raiffeisen Capital Management
Deka Group	TIAA Investments
DZ Bank	Union Investment
Fonds de Garantie	Wasmer, Schroeder & Company
Jupiter Asset Management	Wells Fargo
KfW	Zurich Insurance

## Survey Highlights

1. **The survey provides representative insights into the broad GBP/SBP buy-side community:** submissions were received from buy-side staff at 51 firms compared with 56 firms classified as investors in the community (some respondent firms are also issuers or underwriters).
2. **While demand for green bonds aligned with the GBP leads and features among most Members, there is relatively balanced demand across bond types - green/social/sustainable:** most (88%<sup>1</sup>) buy bonds aligned with the GBP. Buying of sustainability bonds (77%) and social bonds (71%) is not far behind.
3. **Investors apply a range of responsible investment strategies:** an average of 50% (range from 3% to 100%) of respondents' assets under management apply ESG/SRI filters or ESG integration strategies. Others pointed out that green/social/sustainability bonds fell into their impact or thematic investing strategies.
4. **The survey evidences the value attached to adherence by issuers to the Principles and the transparent earmarking of use of proceeds for projects providing environmental and social benefits:** The vast majority of respondents (74%) will consider buying bonds aligned with the Principles even if issuer ESG scores are below average. Nevertheless, many respondents impose minimum ESG ratings: The importance of exclusion criteria, ESG risk factors, and issuers' transition strategies were emphasized in this context.
5. **Alignment with the Principles is important, even among pure play investments:** 68% will not account for a bond from pure plays as green/social/sustainable, if not aligned with the Principles. Missing transparency on use of proceeds and the importance of impact reporting by pure plays were also noted.
6. **Standardised disclosure using GBP/SBP issuer and external review templates is overwhelmingly popular** (85% & 80% for respective templates) evidencing demand for consistent formats and comparable information.
7. **Impact is a leading priority for investors:** 70% require impact reporting, with comments suggesting this figure is tending to grow. A majority (57%) also look for more information on impact from issuers, although close to half (43%) are satisfied with existing impact reporting - notably as a starting point. Harmonisation of metrics and comparisons to baseline scenarios were deemed important.
8. **Exclusions of nuclear and fossil fuels matter:** 70% exclude green bonds with projects linked to nuclear energy, and 67% exclude green bonds linked to fossil fuel projects. Among those not systematically making such exclusions, some cited the importance of transition, as well as the relevance of geography and development stage. There was however some evidence of careful case-by-case due diligence on this matter.
9. **Dedicated funds are a significant but not dominant force in the green bond space,** while dedicated social/sustainable bond funds remain less established, reflecting relative stages of development: 47% have a dedicated green bond fund, vs. only 14% and 16% for social/sustainability bonds.

---

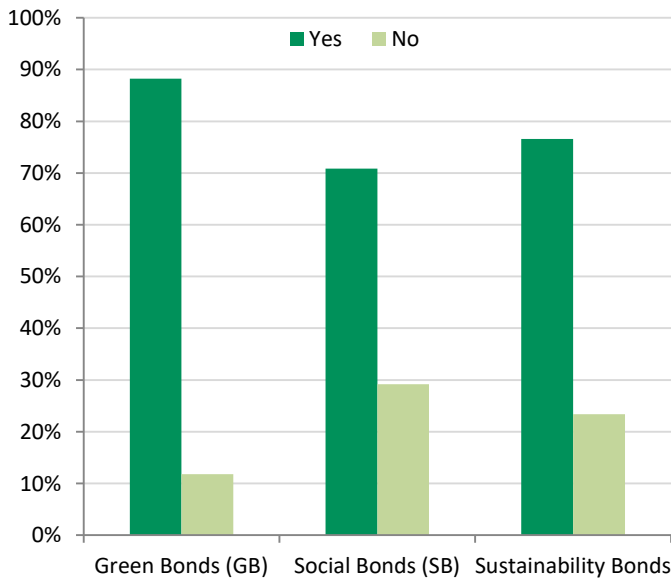
<sup>1</sup> Percentages calculated as a share of the number answering a given question; 80% or more of the sample answered questions permitting statistical evaluation

10. **Views on the financial value added of such bonds are relatively balanced:** a majority (64%) have not yet identified convincing research – but a substantial constituency (37%) have found convincing research regarding the financial value added of green/social/sustainable bonds, and some see improving evidence. Several remarked on pricing being mostly in line with conventional bonds. Comments indicated a wide range of research sources and types being used.
11. **While external reviews have a significant following, they are not yet formally required by the majority, something partly reflected in suggestions for improvements – and in the latest GBP/SBP ExCom initiatives:** A significant minority (37%) already require an external review, while a significant majority (63%) do not. Some of the latter nonetheless found reviews helpful. Suggestions for improvements included improved transparency and comparability, clarity on independence, and differentiation on green performance and use of impact indicators. Prior awareness of such concerns influenced the GBP/SBP ExCom’s decision to publish the new Guidelines for External Reviews, to which many Reviewers contributed, as well as a new template for disclosure of External Reviewer service profiles.
12. **Specific exposure targets for Principles-aligned bonds within broader portfolios do feature but only for a minority** (22% for green bonds, 15% for social/sustainable bonds). Reasons against setting targets include value considerations or client mandates.

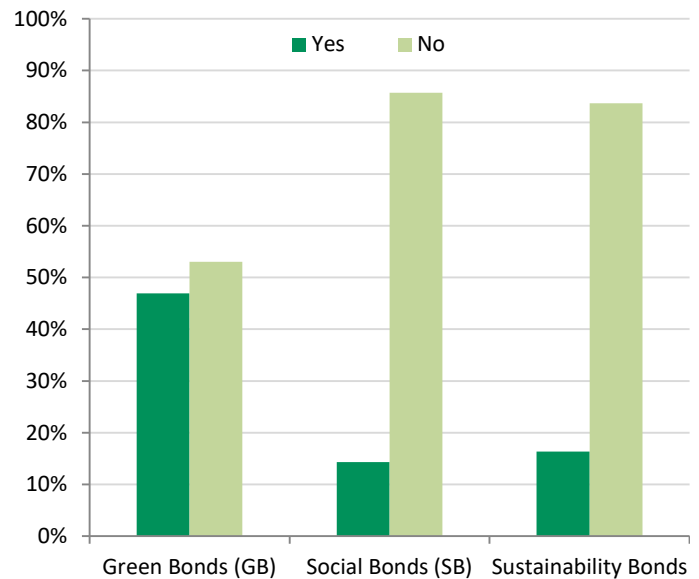
# Appendix

## Survey Results

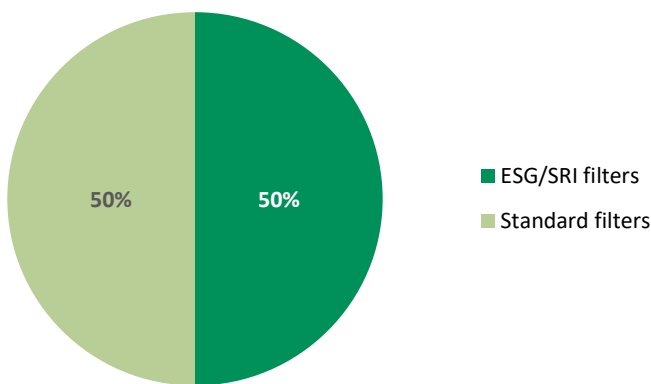
1. Do you buy bonds aligned with the Green Bond Principles (GBP), Social Bond Principles (SBP) and/or Sustainability Bond Guidelines (SBG)?



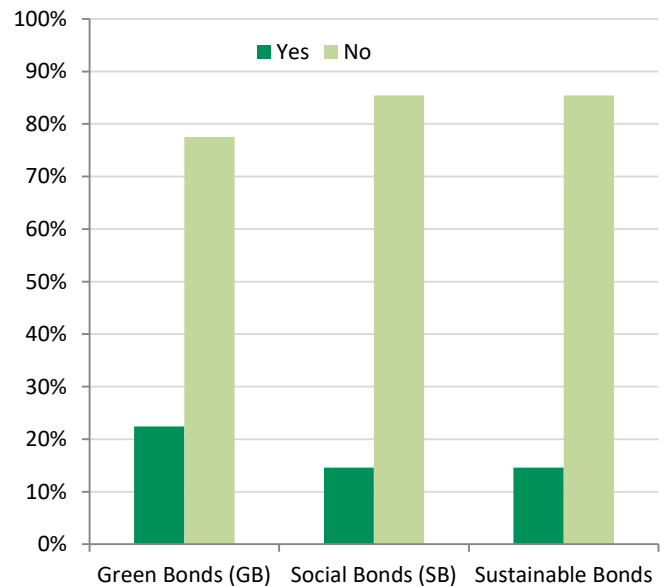
2. Dedicated Portfolios: Do you have a dedicated fund for:



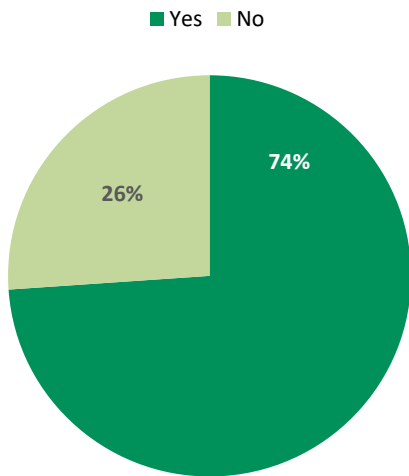
3. ESG allocation: What percentage of your AUM is subject to SRI/ESG filters or integration strategies?



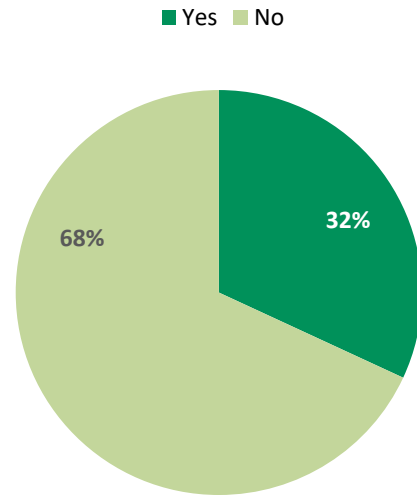
4. Target allocation: Do you have a target percentage or amount of your assets under management that is to be invested in the following?



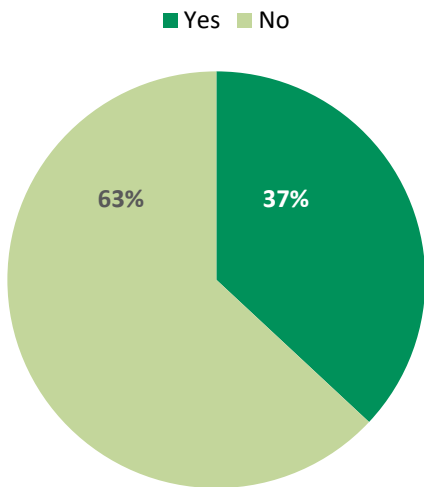
5. ESG score: Where you assess the issuer as having a lower than average ESG score, would you invest in their labelled (Green/Social/Sustainability) bond?



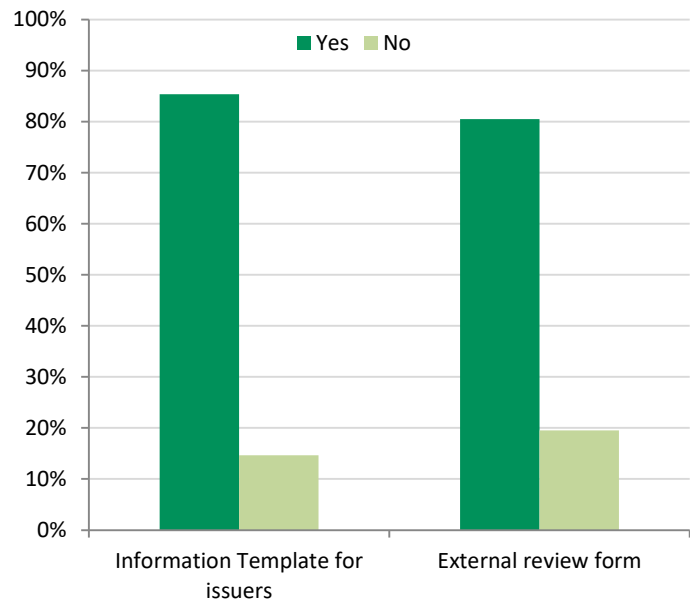
6. Pure play: If you invest in a bond issued by a pure play entity that does not follow the Green Bond Principles (GBP)/Social Bond Principles (SBP)/Sustainability Bond Guidelines (SBG), would you account for it as a Green/Social/Sustainability bond?



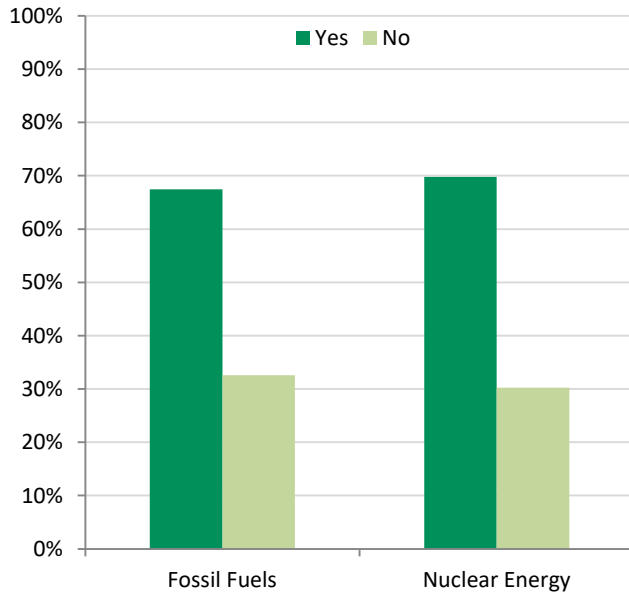
7. External reviews: Do you require an external review of the bond and/or framework?



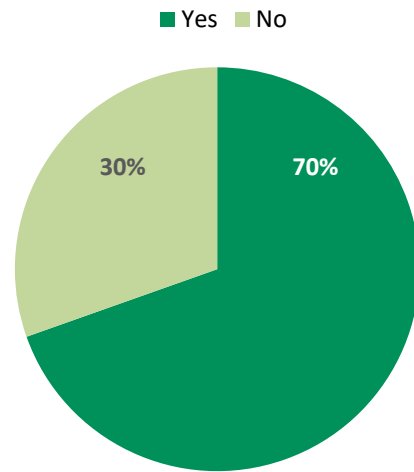
8. Reporting: Do you find the Principles' reporting templates useful?



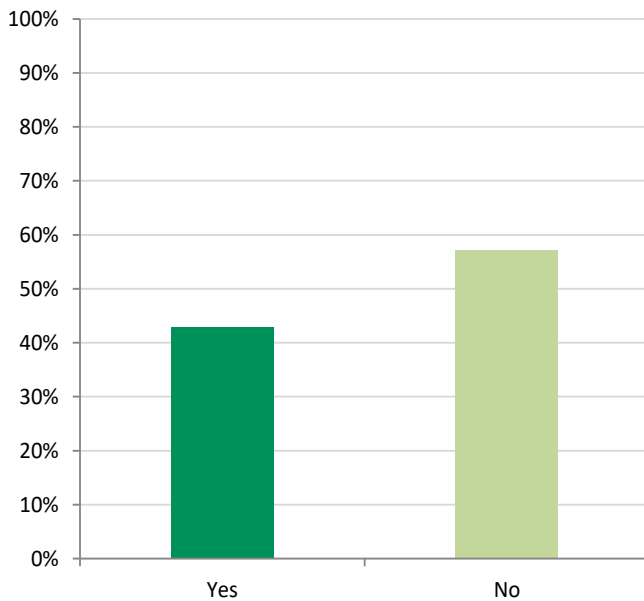
9. Exclusions: If you invest in Green Bonds, do you exclude those with projects linked to:



10. Impact reporting: Do you have a requirement to report information on the environmental/social impact and/or risks of your portfolio?



11. Are you receiving sufficient impact information from Green Bond issuers?



12. Value: Have you identified convincing research / evidence regarding the financial value added of green/social/sustainability Bonds?

