GBP/SBP Research Working Group

Summary of the Survey of GBP/SBP Members - Investors

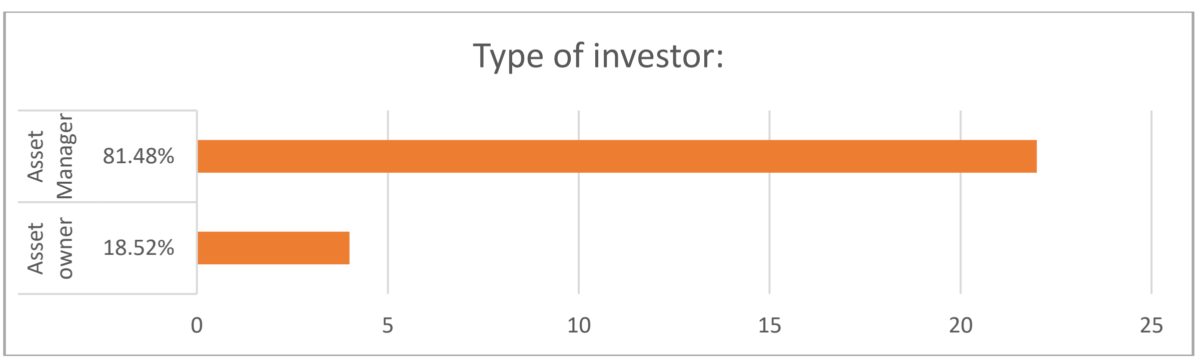
July 2019 – August 2019

Acknowledgements

On behalf of the Research Working Group, coordinated by BNP Paribas, EBRD and Natixis, the GBP SBP Secretariat conducted a survey from 16 July to 21 August 2019 among the GBP SBP Members to evaluate the benefits of the Green, Social or Sustainability (GSS) Bond Market and to get a better understanding of the related organisational changes and strategies pursued by the issuers, the investors and the underwriters.

Among the **26 respondents**, the following kindly agreed to have the name of their company listed:

1919 Investment Counsel	Mirova
ACTIAM N.V.	PGGM
Amundi AM	PIMCO
AXA IM	PineBridge Investments
La Banque Postale AM	Raiffeisen Capital Management
BNY Mellon Wealth Management	Sage Advisory
British Columbia Investment Management Corporation (BCI)	SEB Investment Management AB
Brown Advisory	Swiss Reinsurance Company
California State Teachers Retirement System	Symbiotics SA
CANDRIAM	Union Investment
Erste Asset Management	Wasmer Schroeder
Jupiter Asset Management	Zurich Insurance Group
KfW	



Survey Highlights

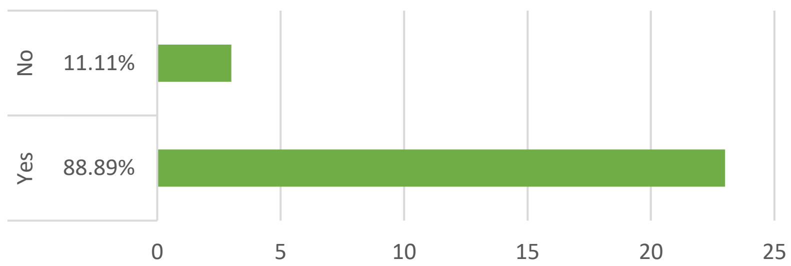
1. **The vast majority of respondents indicate that they have defined targets/portfolio/strategies to invest in GSS bonds**: More than 88% of the respondents have specific GSS bonds investment targets/strategies or dedicated green bond funds in place while 77% of the respondents also underlined that their policies include investing in social and sustainability bonds.
2. **Reporting on GSS bonds holdings:** Almost all the respondents report internally on the volume of their GSS bonds holdings (i.e. 96%) while a clear majority (65%) also report on such information externally. Reporting on the impact appears to be less common with 57% of the respondents doing so internally and only 46% externally. Main reasons include difficulty in aggregating impact data due to diverging methodologies and assumptions used by issuers, absence of automation in data sourcing, etc. However, as few pointed out, there is general appetite to report more on the impact and that a creation of a centralised data centre for impact may prove to be useful.
3. **Analysis for GSS bonds investments:** The vast majority of respondents (92%) have a defined list of criteria for analysing GSS bonds (e.g. such as GBP compliance, CBI certification, eligible categories, share of financing vs. refinancing). There is however no common approach among the respondents on which team(s) is (are) to carry out such analysis as a matter of internal organisation; they may mandate their ESG teams or portfolio managers or adopt a joint approach where ESG teams work together with portfolio managers and credit analysts. Also, 76% of the respondents indicate that they meet issuers frequently to discuss their GSS bonds issuance plans. ESG teams and portfolio managers/credit analysts engage collaboratively in roadshow meetings in the case for most respondents.
4. **Alignment between earmarked proceeds with issuers' overall strategy footprint:** The vast majority of the respondents (84%) assess the coherence and consistency between earmarked proceeds and the overall strategy and footprint of issuers, which points to the materiality of such assessment to the investment decision.
5. **Impact of GSS bonds investment on overall approach to ESG investing:** The majority of respondents (68%) indicate that GSS bond investment impacts their overall approach to ESG investing, while the respondents' feedback was not conclusive on whether their engagement in GSS bond strategies/portfolios has a substantial influence on bringing additional business/clients.
6. **Motivations for investing in GSS bonds**: While the ultimate motivation for most GSS investors is the environmental and social impact and economic transition with a focus on climate change mitigation, other motivations emerged, such as higher transparency on the use of proceeds and driving issuers towards the sustainability route. A few organisations also referred to the risk management perspective, fiduciary duty and additional data availability from GSS products.
7. **Transition Bonds:** Most respondents indicated that they are in early discussion on transition bonds for the moment. A few indicated that this new label is not needed based on the argument that GBP SBP already covers transition projects. As far as the majority are concerned, they are supportive of the establishment of a new label if effective environmental benefits are proven.

8. **Interaction with GSS bond issuers**: A clear majority of the respondents (69%) note improvement on issuers' ESG performance once they start issuing GSS bonds while 60% of the respondents also observe changes in the issuers' business models/organisations. More specifically, most respondents underline that GSS bond issuance leads to increased transparency on sustainability related information. This comes together with changes in the internal processes and development of/alignment with broader sustainability objectives beyond GSS issuance as a result of investor engagement. Also, almost all respondents find repeat issuers more transparent regarding their green / social strategy and investments, vs. non GSS bond issuers by noting also that those issuers seek respondents' views on their frameworks and reporting.

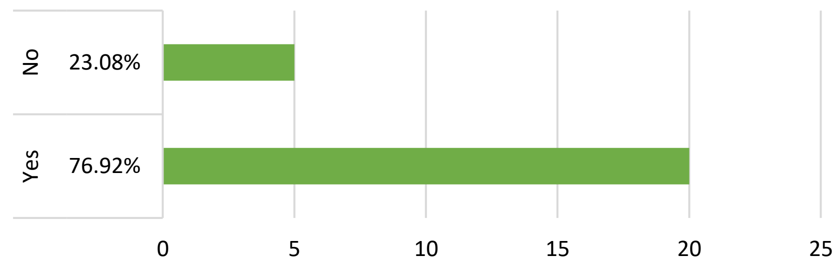
Appendix

Survey Results

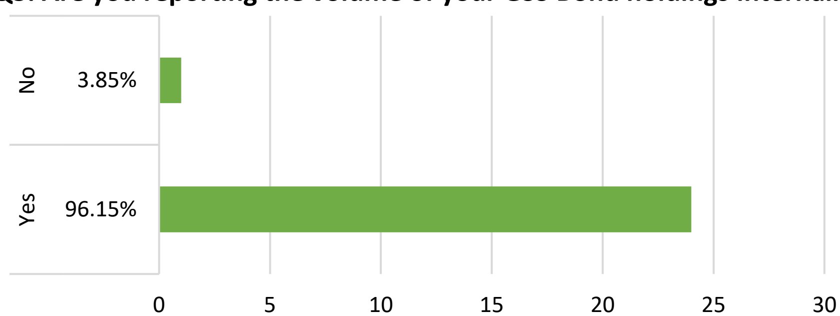
Q1. Do you have defined targets/portfolio/strategies to invest in GSS Bonds?



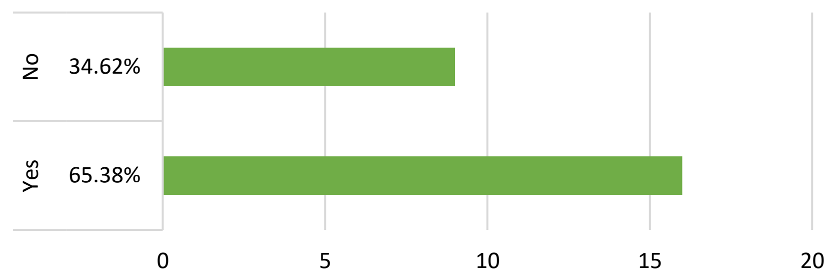
Q2. Are Social and Sustainability bonds included in these investment policies?



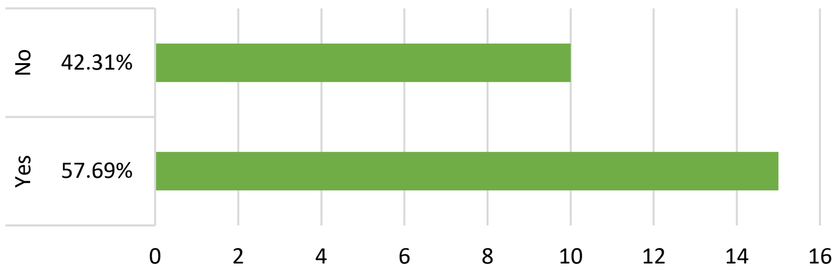
Q3. Are you reporting the volume of your GSS Bond holdings internally?



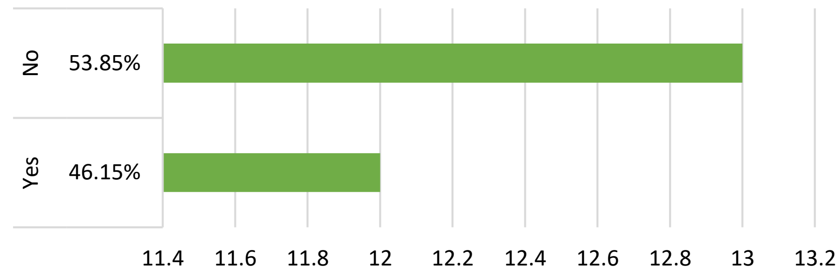
Q4. Are you reporting the volume of your GSS Bond holdings externally?



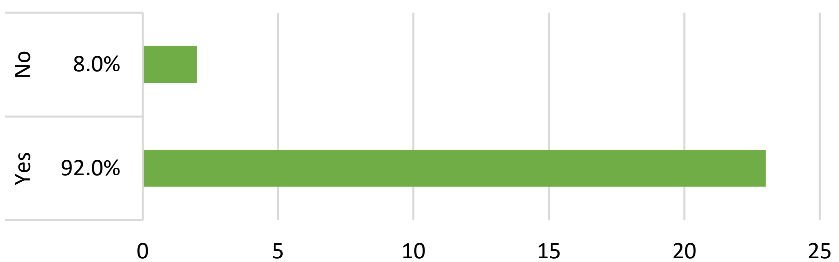
Q5. Are you reporting on the outputs and/or impacts of your GSS Bond holdings internally?



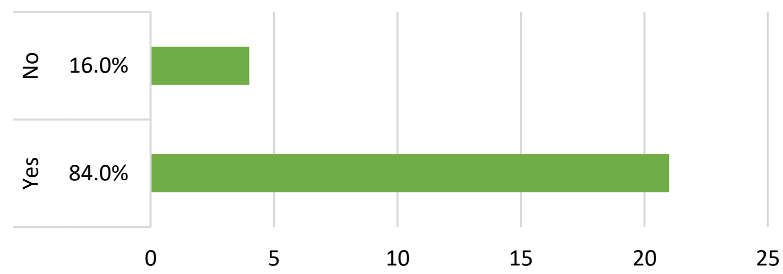
Q6. Are you reporting on the outputs and/or impacts of your GSS Bond holdings externally?



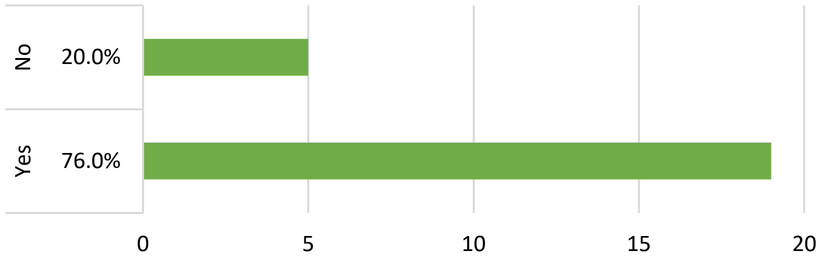
Q7. Do you have a defined list of criteria for your analysis of GSS Bonds (such as GBP compliance, CBI certification, eligible categories, share of financing vs. refinancing, granularity of the eligible categories of proceeds, location criteria, outcomes thresholds for relevant categories, proceeds management and dedicated governance, granularity of reporting commitments, third opinion, EU Taxonomy, etc.)?



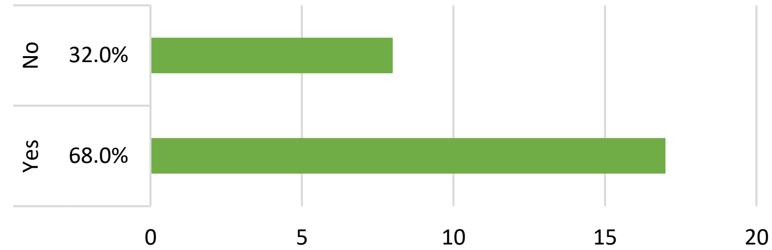
Q8. Do you assess the coherence and consistency between earmarked proceeds and the overall strategy and footprint of the issuer?



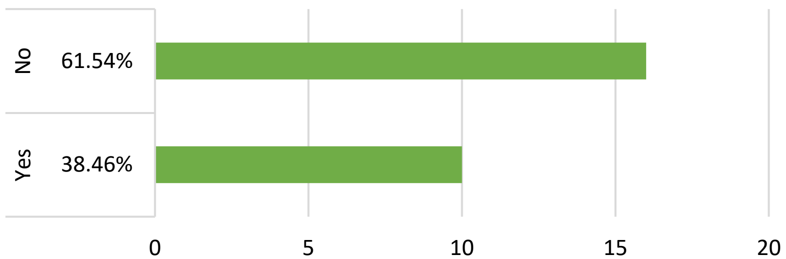
Q9. Do you frequently meet issuers to discuss their GSS Bond issuance plans?



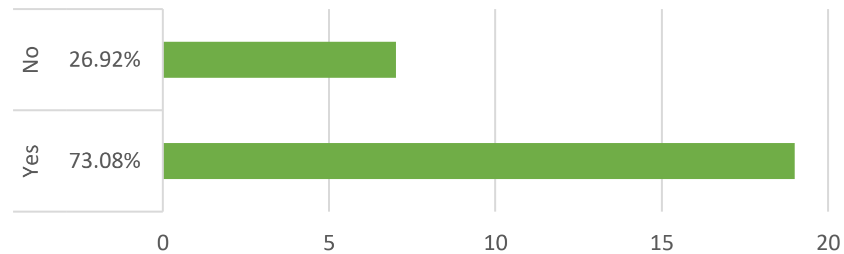
Q10. Has your GSS Bonds investment influenced your overall approach to ESG investing?



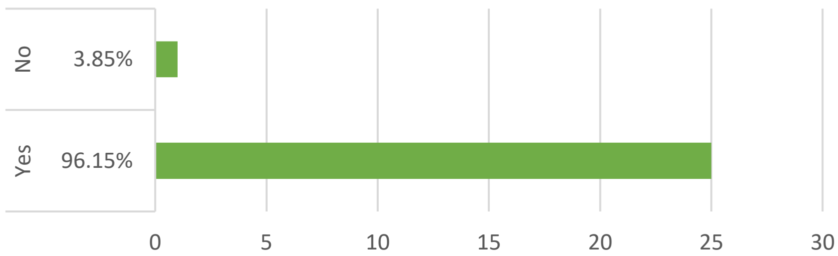
Q11. Is your institution working on the new concept of Transition Bonds?



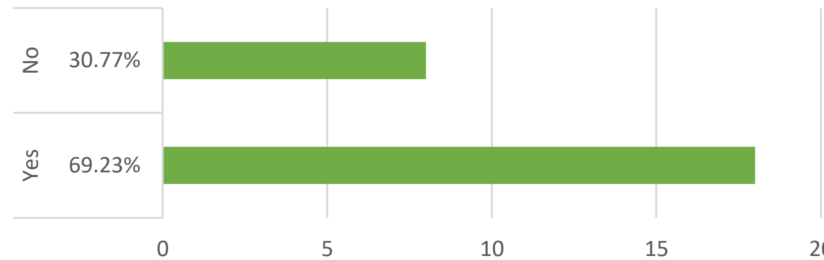
Q12. Are repeat issuers seeking your views on their Green Bonds framework and reporting?



Q13. Are repeat GSS Bond issuers more transparent regarding their green / social strategy and investments, vs non GSS Bond issuers?



Q14. Have you noted any improvement in issuers' ESG performance once they start issuing GSS Bonds?



Q15. Have you noticed changes to issuers' business models/organisation as they issue GSS Bonds? How are you assessing these changes?