



GBP/SBP Research Working Group

Summary of the Survey of GBP/SBP Members - Underwriters

July 2019 – August 2019

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

ABN Amro	Mitsubishi UFJ Morgan Stanley Securities Co
ANZ	Mizuho Securities Co. Ltd.
Axis Bank Ltd	Morgan Stanley
Banca IM	MUFG
BBVA	National Australia Bank
CastleOak Securities L.P.	Natixis
Commerzbank AG	NatWest Markets
Crédit Agricole CIB	Nomura Japan
Daiwa Capital Markets Europe	Nomura UK
Daiwa Securities Co. Ltd.	Nordea
DekaBank	OP Corporate Bank plc
Deutsche Bank	Rabobank
DNB Bank ASA	SMBC Nikko

Survey Highlights

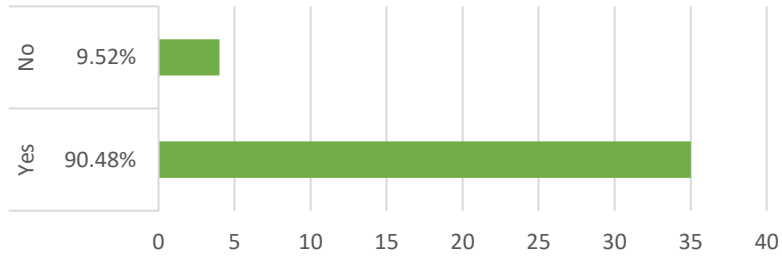
- 1. Internal organisation for GSS bond issuance:** The vast majority of the respondents (90%) have a dedicated team working on GSS bond issuances while 60% of the respondents underline that these teams also work on other assets such as loans, equity, IPOs, etc.
- 2. Activities relating to GSS bonds:** The vast majority of the respondents (84%) report on the volume of GSS bonds underwritten. In addition, 60% of the respondent organisations are GSS bond issuers and 56% are GSS bond investors apart from their underwriting activities.
- 3. Taxonomy of green projects for underwriting green bonds:** Most of the respondents (57%) do not use an internal taxonomy of green projects for their underwriting activities. In this respect, most respondents refer to GBP SBP as best market practice and their basis for underwriting activities while a few also mention the relevance of the CBI standards and the upcoming EU Taxonomy.
- 4. Impact of GSS bond activities on the overall organisation:** The vast majority of the respondents (94%) observe increased awareness of ESG risks and opportunities within their organisations due to GSS bond underwriting activity. 88% of the respondents also indicate that their GSS bond underwriting activity contributed to the development of their institution's sustainable business.
- 5. Transition bonds:** 53% of the respondents indicate that they are working on the new concept of transition bonds.
- 6. Support of underwriters for the development of GSS bond markets and broader sustainable finance:** The respondents see themselves supporting the GSS bond market in various ways. Most typically, this includes their involvement in market governance via ICMA (notably the GBP working groups) and other initiatives such as CBI. Some respondents also refer to their GSS issuances and underwriting activities helping new issuers to come to the market as well as increasing internal and client awareness about sustainability. Group-level sustainable finance commitments and development of green taxonomies were also mentioned in this context. Lastly, some institutions refer to their efforts to expand the outreach of GSS bonds to EMs and some Asian countries.
- 7. Top motivations for the respondents to underwrite GSS bonds:** The respondents widely endorse motivations such as highlighting the importance of sustainable finance, helping issuers access new markets, deepening their own organisations' understanding of sustainability, and deepening the dialogue between investors and issuers while the latter seems to be slightly a priority motivation for a few. A few other respondents also referred to the business angle and client demand/satisfaction along with co-benefits such as increasing issuer awareness about GSS and wider sustainability.
- 8. Interactions between GSS underwriters and issuers:** The vast majority of the respondents (91%) find there is a more in-depth dialogue between issuer of GSS bonds and underwriters compared with plain vanilla bonds. Also, most underwriters use the investor diversification argument as well as the positive impact on issuer's sustainability strategy and positive marketing to bring potential GSS bond issuers to the market.

- 9. Internal organisation:** Compared with regular bond issuance, the respondents mostly point to issuers' sustainability teams as well as external sustainability consultants as new teams which they are working with in GSS bond issuance.
- 10. Impact of GSS issuance on issuers:** Almost all the respondents (97%) find that repeat GSS bond issuers are more transparent regarding their strategy and investments vs. plain vanilla bond issuers. Also, a vast majority of the respondents noticed changes to GSS bond issuers' business models/organisations as they issue GSS bonds. More specifically, higher transparency and disclosure that come with an increased awareness towards wider sustainability strategy as well as enhanced interaction between different teams within the same organisation on sustainability matters are the main changes brought in by GSS bond issuance according to the respondents.
- 11. Green structuring activity for inaugural bond issuance:** Asset identification and selection for the UoPs, advice on SPO, technical aspects on thresholds and metrics, and lack of international standards are referred as the main challenges concerning green structuring activities for an inaugural issuance.

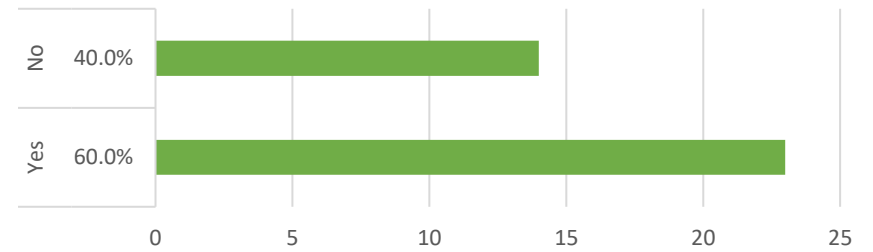
Appendix

Survey Results

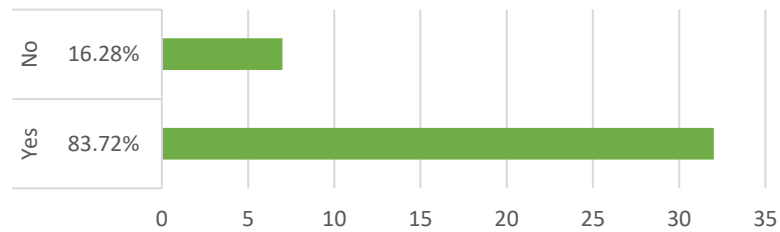
Q1. Do you have a dedicated team working on GSS Bond issuance?



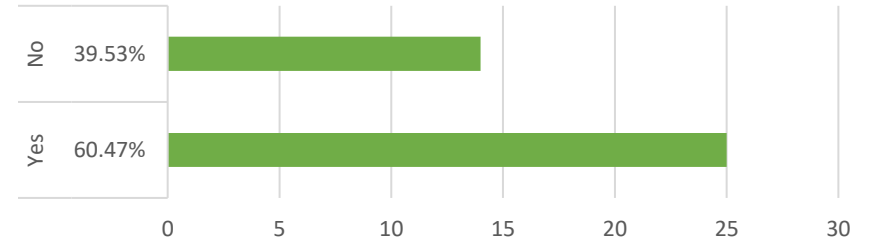
Q2. If yes, is this team also working on other asset classes (loans, equity, IPO, etc.)?



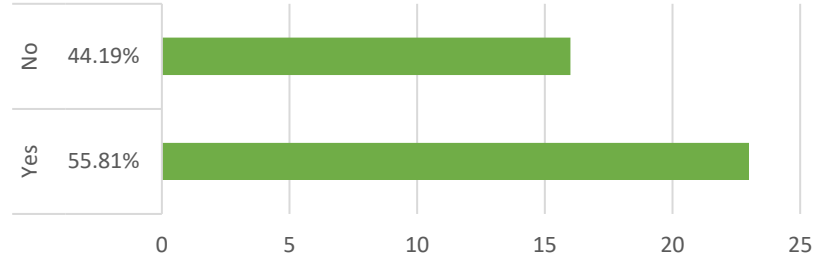
Q3. Is your institution reporting on the volume of GSS Bonds it underwrites?



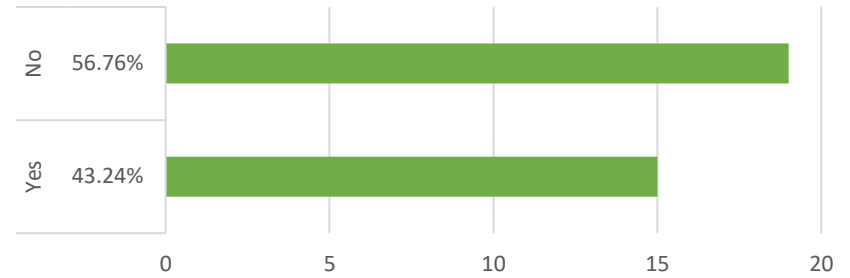
Q4. Is your institution also an issuer of GSS Bonds?



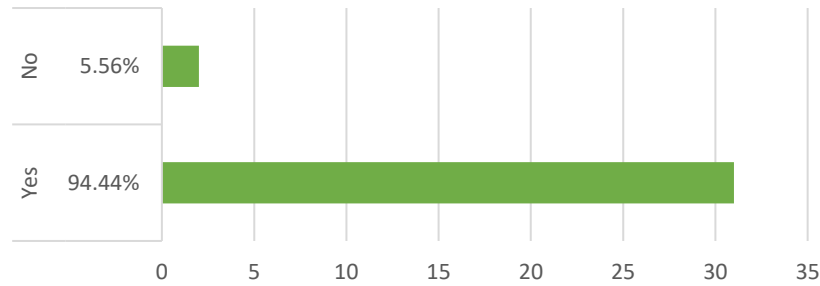
Q5. Is your institution also an investor of GSS Bonds?



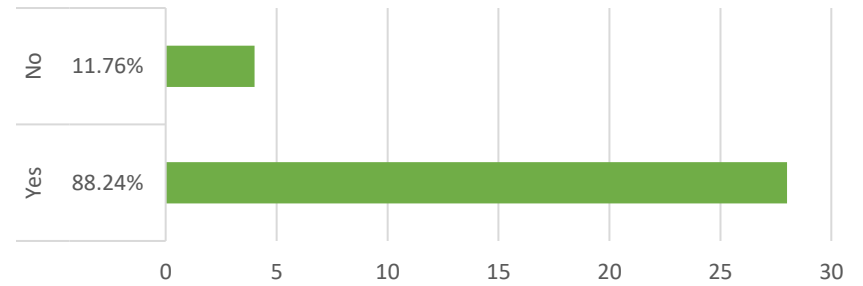
Q6. Do you have an internal taxonomy of Green projects, which you use when underwriting Green Bonds?



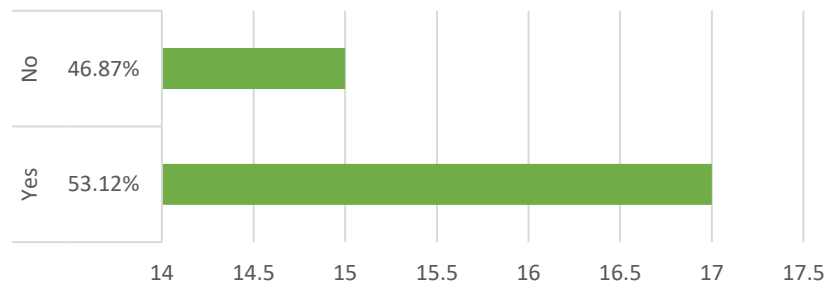
Q7. Has your GSS Bond underwriting activity led to an increased awareness of ESG risks and opportunities within your institution?



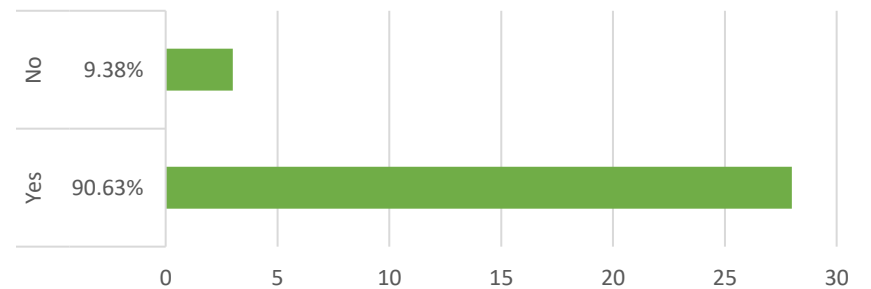
Q8. Has your GSS Bond underwriting activity contributed to the development of your institution's sustainable business?



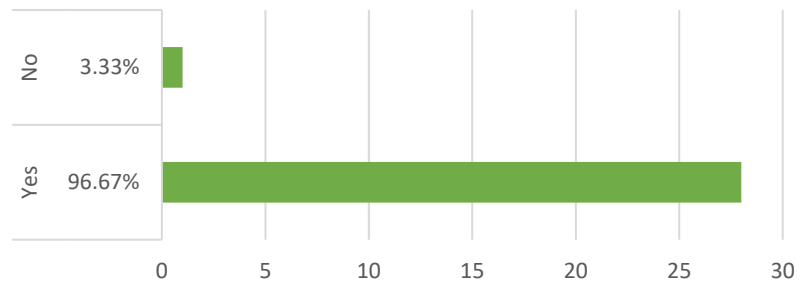
Q9. Is your institution working on the new concept of Transition Bonds?



Q10. Is there a more in-depth dialogue between issuers of GSS Bonds and underwriters than for regular bond issues?



Q11. Are repeat GSS Bond issuers more transparent regarding their strategy and investments, vs non GSS Bond issuers?



Q12. Have you noticed changes to issuers' business models/organisation as they issue GSS Bonds?

