



The
Social Bond
Principles



The
Sustainability Bond
Guidelines



GBP/SBP Social Bonds Working Group

Summary of the Survey of GBP/SBP Members - Investors

March - April 2020

Research survey respondents

The Social Bond Working Group conducted a targeted investor survey between 2 March 2020 and 15 April 2020. The group would like to express special thanks to the staff of the 36 investor firms who kindly took the time to respond to the survey¹.

Survey objectives

This investor survey aimed to understand investor demand for social bonds. It focused on collecting information on (1) investor knowledge of social bonds, (2) the current investor base of social bonds and (3) investor expectations of social bond issuances, including reporting.

In order to acquire as much information as possible, questions with multiple answers were asked. Respondents were also asked to rank certain statements in terms of importance with regards to certain issues. This allowed the possibility of understanding the importance and/or priorities of certain topics over others.

Survey Highlights

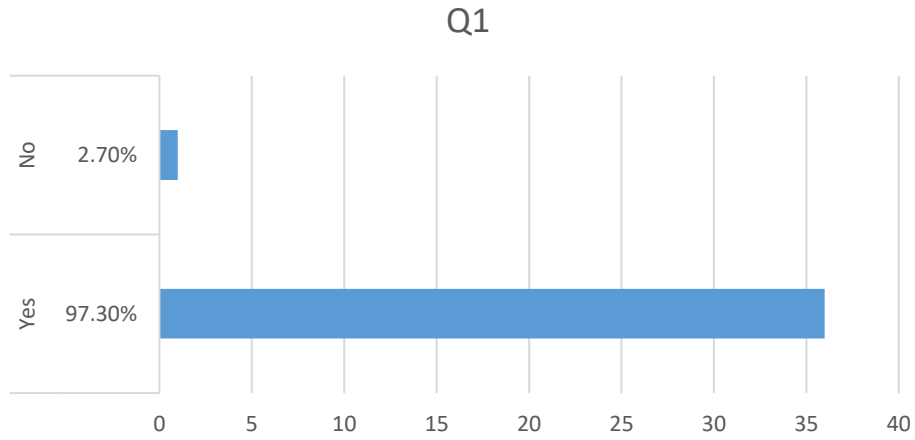
- 1. The vast majority of respondents are familiar with social bonds, with a significant number of respondents already invested in Social Bonds:** 97% of respondents replied that they are familiar with the social bonds concept based on the ICMA Social Bond Principles with 81% of the respondents already invested in social bonds. *It's important to note though that this survey was sent mainly to current members of the GBPs and SBPs and as such should not be representative of the overall investor knowledge of Social Bonds.*
- 2. For those invested in social bonds, most of the respondents indicated that they're invested through their ESG/SRI and thematic funds, while there is still an important number of respondents highlighting that they are invested via their mainstream funds.** Dedicated social bond funds are still a small minority – only 9% of respondents have a dedicated Social Bond Fund. Some respondents have also indicated their plans to create social bond funds.

¹ Please note that the survey does not reflect the changes that may be caused by the ongoing COVID-19 crisis to the social and sustainability bond market.

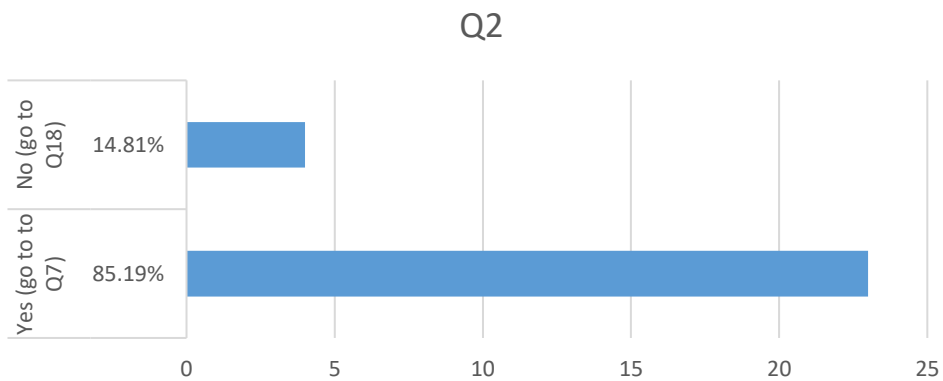
- 3. Social bonds, however, still represent a small portion of their overall fixed income AuM and total investments in Green, Social and Sustainability Bonds:** 63% of respondents say that Social Bonds only represent less than 1% of their total fixed income AuM. While, 59% of respondents say that Social Bonds represent less than 5% of their investments in Green, Social and Sustainability Bonds.
- 4. Respondents cite the lack of issuer diversity and insufficient issuance volumes as the principle reasons why they don't invest more in social bonds and/or don't have a dedicated social bond fund.** Lack of client demand and current fit of Social Bonds with their overall ESG/SRI funds were also common reasons why respondents don't set up a dedicated Social Bond Fund. Another reason cited was the need to build credibility in the social bond market (e.g. taxonomy).
- 5. In terms of outstanding issuance volumes in the market needed to launch a social bond fund, most respondents replied they would like to see a social bond market within the €350-500 billion size range.**
- 6. Most respondents mentioned that the project categories of "employment generation" and "affordable basic infrastructure" were their point of focus in case of a dedicated social bond funds.** Some respondents commented that all types of social projects are important as long as they are justified to address a specific social need and/or target population.
- 7. On target population and social issues, respondents underlined the importance of transparency on the target population, social issues addressed and intended social outcomes while the lack of sufficient information on the latter is characterised as an impediment to invest.** The need to have transparent information on the overall social strategy of the issuer and how the social bond fits within this strategy, was also cited as an important factor to take into account.
- 8. On impact reports, respondents pointed to the importance of reporting actual or expected impact annually while it is also stressed that not reporting impact annually would lead to the disqualification as social bonds for some respondents.**
- 9. On investors' own impact reports, several indicated that they report on impact.**

Appendix: Survey Results

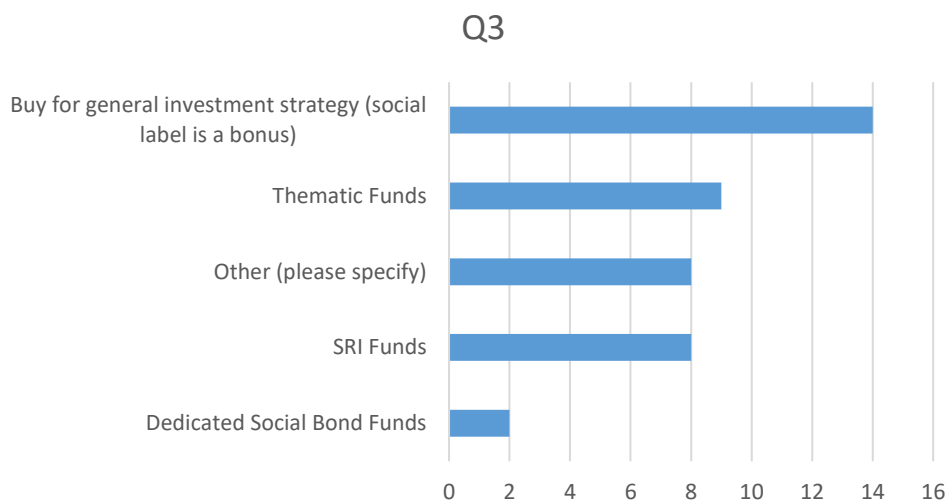
Q1. Are you familiar with the social bonds concept based on the ICMA Social Bond Principles?



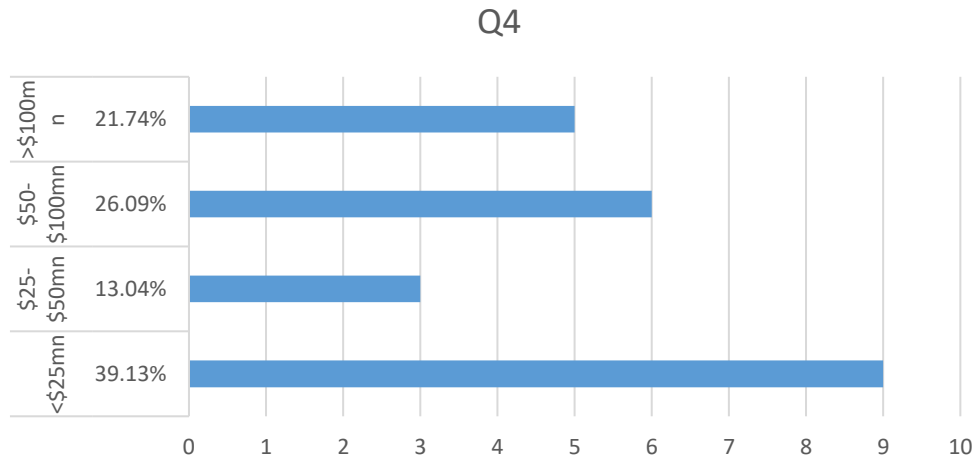
Q2. Are you invested in social bonds?



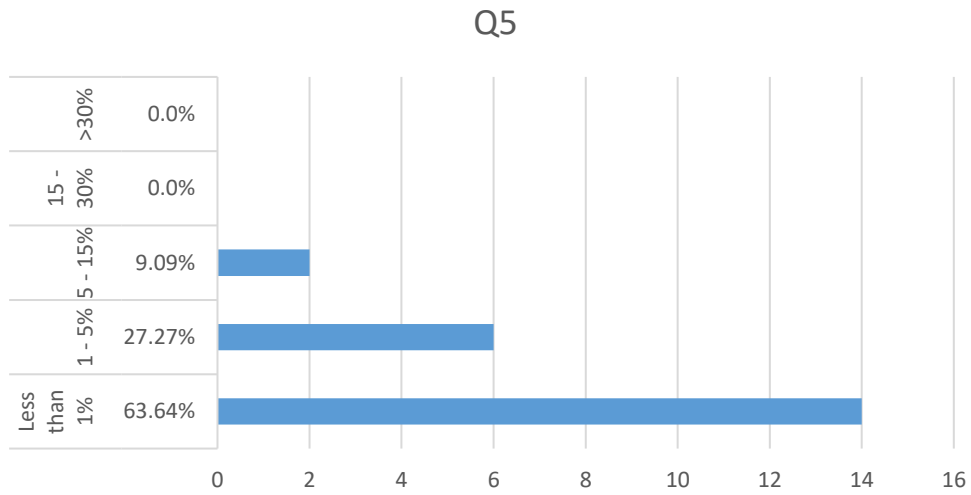
Q3. If **yes** to Q2 *Are you invested in social bonds?* Where do social bonds fit into your investment strategy? (Please click all that apply)



Q4. How much have you invested so far in social bonds?

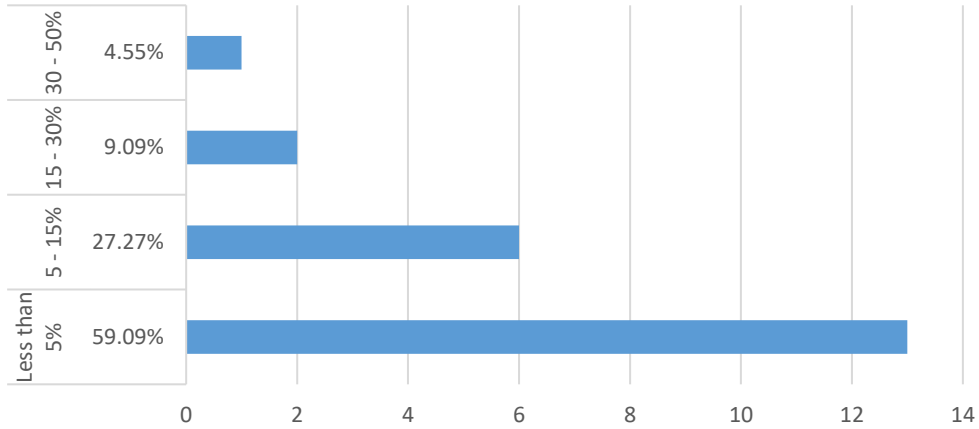


Q5. What percentage of your overall AuM (in fixed income) are invested in social bonds?

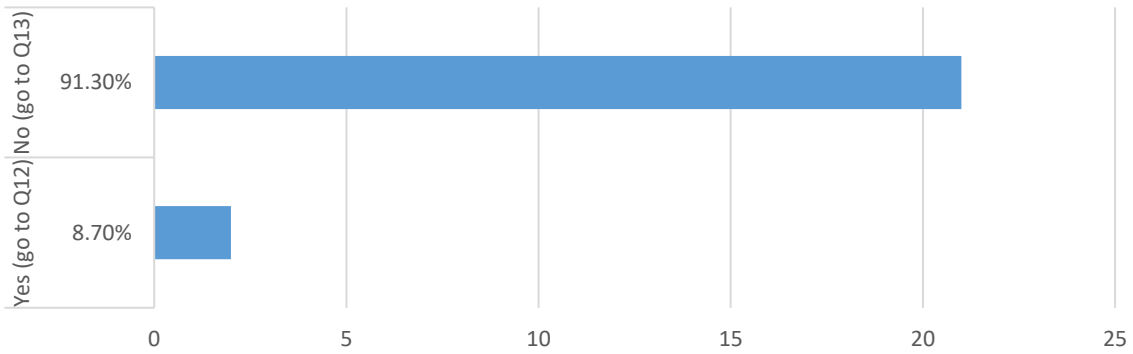


Q6. What % of your Green, Social and Sustainability Bonds investments are social bonds?

Q6



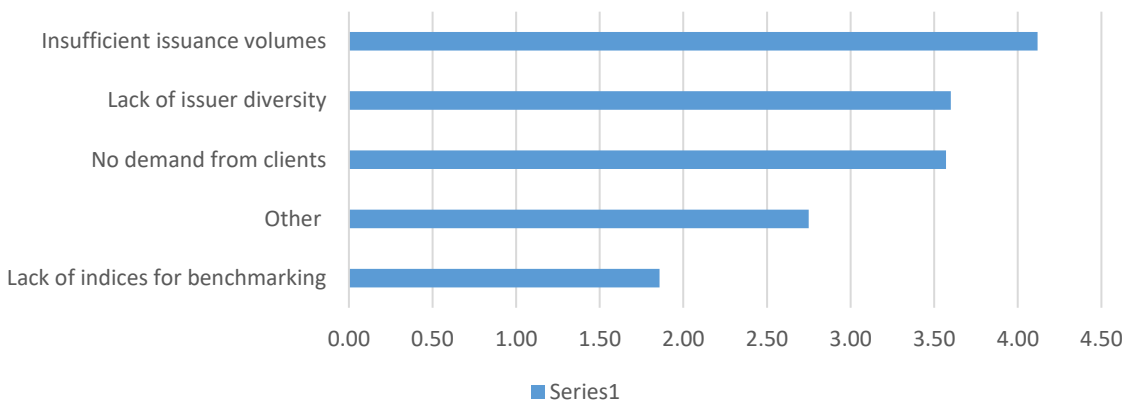
Q7



Q7. Do you have a dedicated social bond fund?

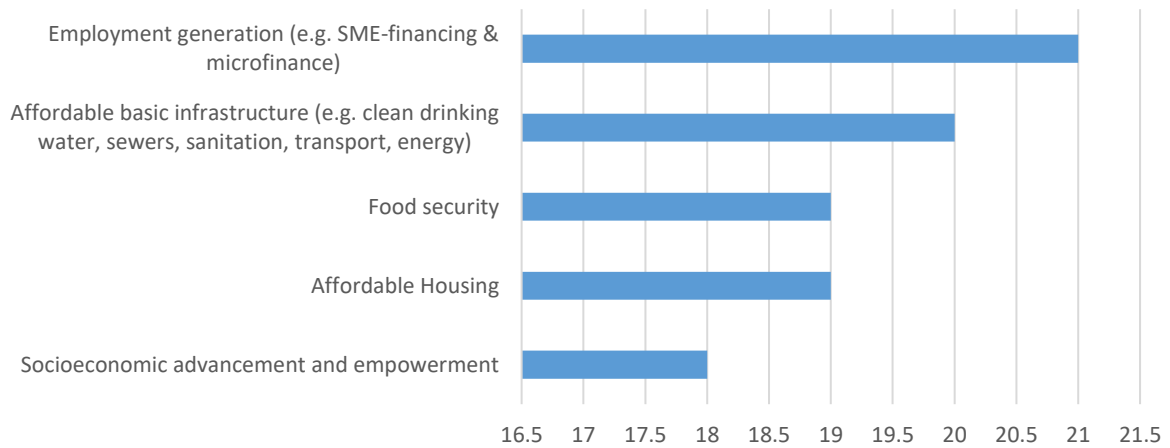
Q9. If no to Q7, please rank the reasons why (1 being the most important).

Q9 (Weighted Scoring)



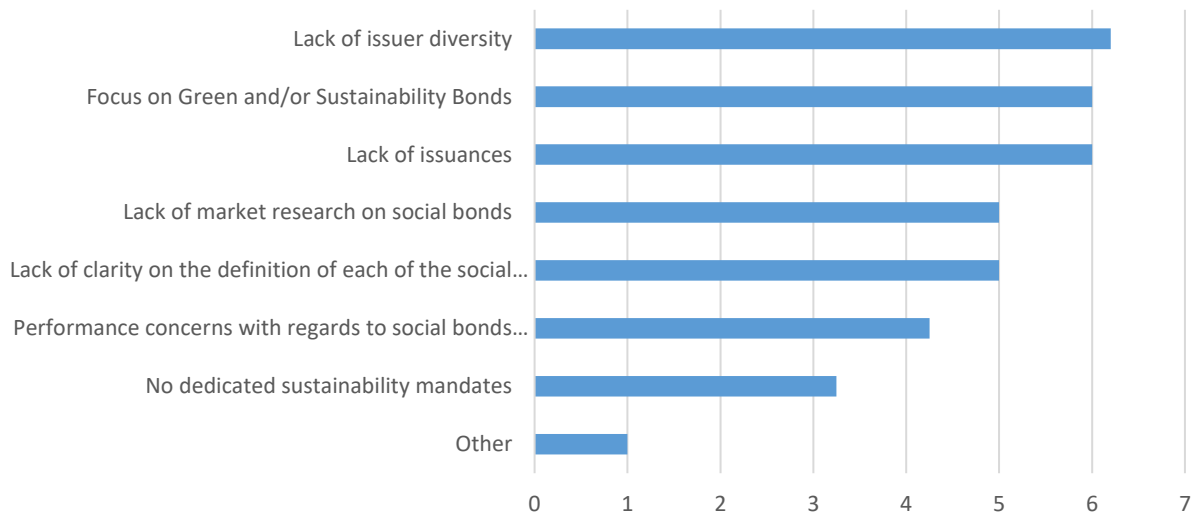
Q12. If you have a social bond fund or were going to set-up a social bond fund, which projects would you focus on (check all that apply)?

Q12



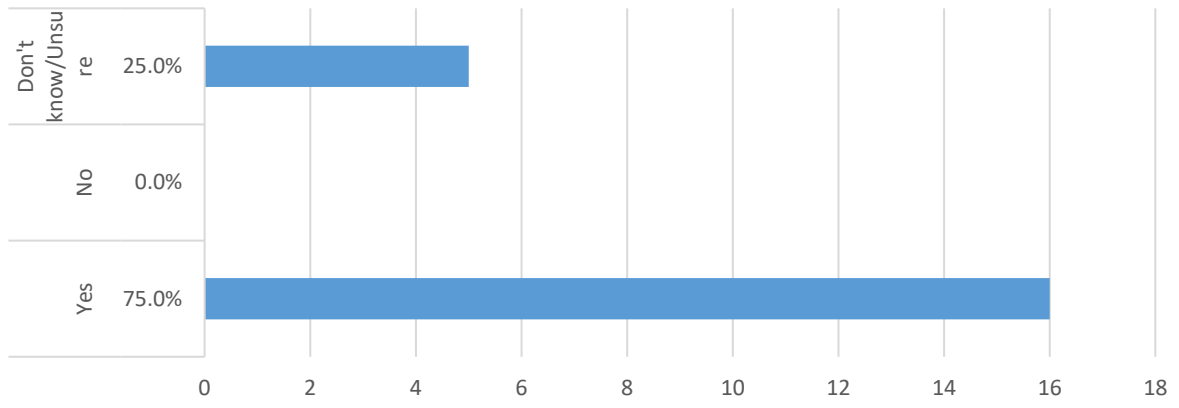
Q13. If no to Q2 *Are you invested in social bonds?* Please rank the reasons why (1-7, 1 being the most important)?

Q13 (in weighted scoring)



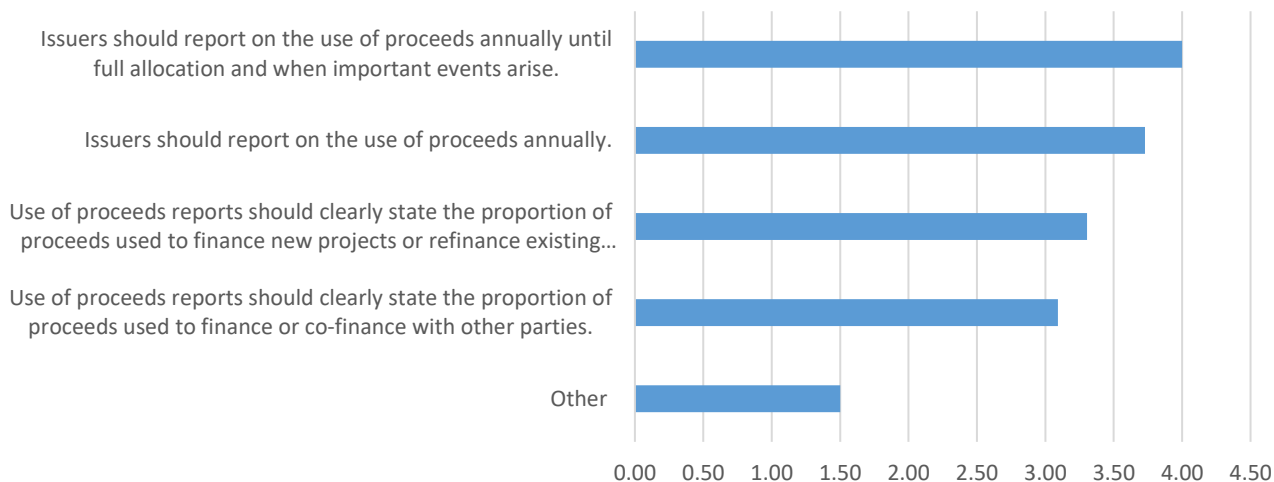
Q14. If the external reasons are addressed (e.g. definition of social, market research, etc.), would you invest in social bonds?

Q14



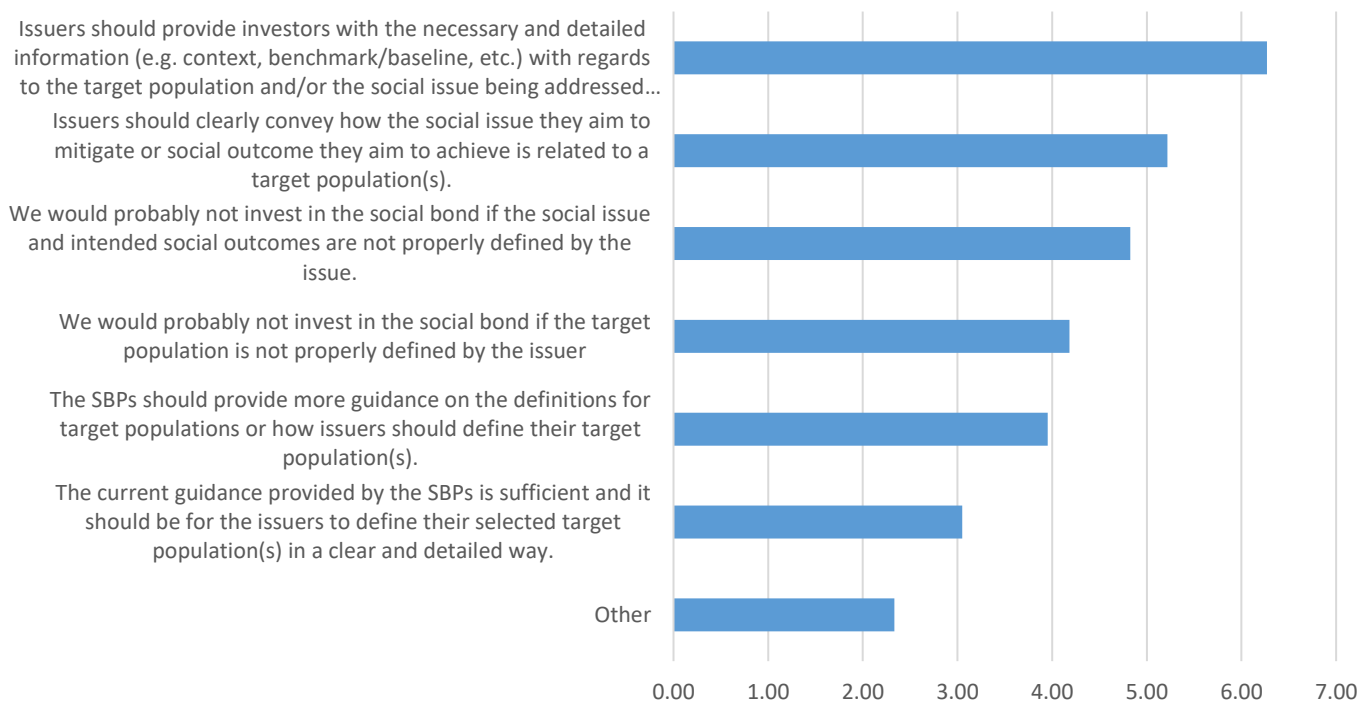
Q15. Use of Proceeds: Please choose the statements that most apply to you, as investors, and rank their level of importance (1 being the most important).

Q15. (in weighted scoring)



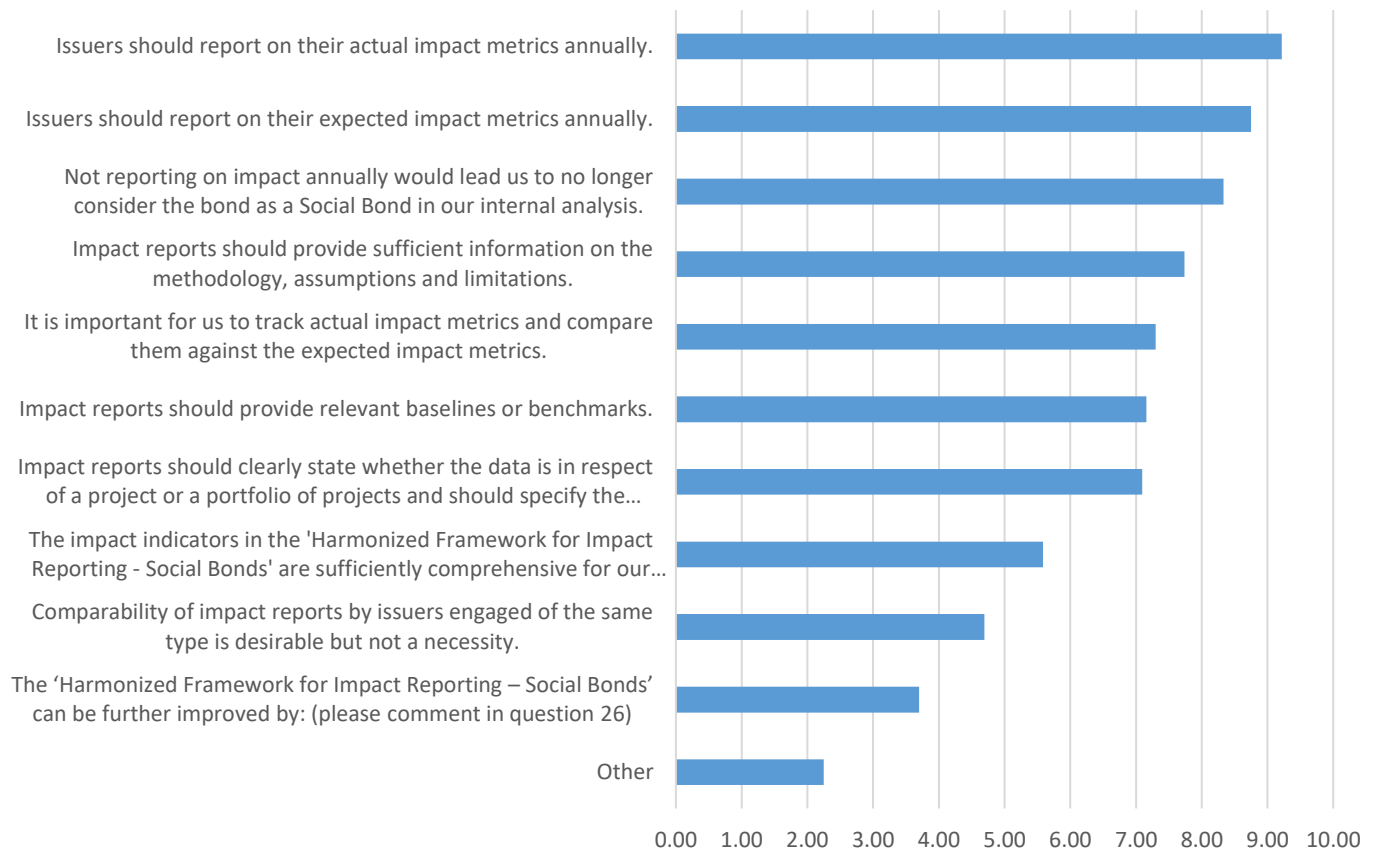
Q16. Target Population & Social Issue: Please choose the statements that most apply to you, as investors, and rank their level of importance (1 being the most important).

Q16 (in weighted scoring)



Q17. Impact Reports: Please choose the statements that most apply to you, as investors, and rank their level of importance (1 being the most important).

Q17 (in weighted scoring)

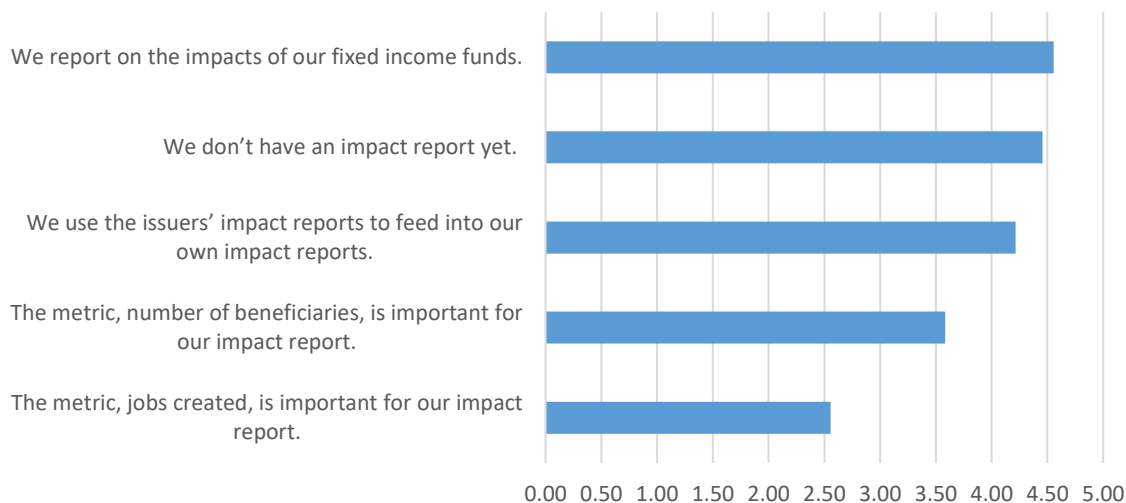


The 'Harmonized Framework for Impact Reporting – Social Bonds' can be further improved by:

- Providing detailed information on the beneficiaries/target population, by specific characteristics such as income level/gender/race/ethnicity etc. as well as case studies. Impact reporting with KPIs ideally available in excel format for investors. Encourage efforts to capture depth of impact, not just the scale via reach (e.g. increased incomes, improved educational attainment etc.) Currently reporting prioritises reach over quality of intervention.
- As target population and outcome definitions are applied by more issuers across different sectors, methodologies and impact reporting will need to adjust.
- Evolving the use of proceeds categories, provide case studies, and methodologies to establish baseline comparisons.
- A comprehensive understanding of social indicators, to be split in outreach, outcome and impact indicators

Q18. Investors' Impact Reporting: Please choose the statements that most apply to you, as investors, and rank their level of importance (1 being the most important).

Q18 (in weighted scoring)



Q19. Can you provide us with a link to your impact report?

- https://am.lombardodier.com/files/live/sites/am/files/news/AM_news/2019/July/20190729/2018%20LO%20Funds%20-%20Global%20Climate%20Bond%20Impact%20Report%20%20FINAL%20locked.pdf
- <https://www.mspartners.org/company/about-us/impact-reports/>
- Every monthly report factsheet of our Green Bond Fund mentions the avoided tons of CO2 per M invested.
- We report on the impact of our funds (all asset classes) yearly through our "Acting as a Responsible Investor" https://www.mirova.com/sites/default/files/2019-07/MirovaImpactReport2018_0.pdf (pp. 15-18 for fixed income) Additionally, every two months we also provide this information for our equity and fixed income funds managed by our Paris team through the publication "Creating Sustainable Value". The latest one is here <https://www.mirova.com/sites/default/files/2020-01/ENMirovaAlpha3.pdf> (p. 21 for fixed income)
- <https://www.zurich.com/sustainability/responsible-investment/impact-investment>