



2018/2019 Working Group Research

Terms of Reference:

The Green/Social Bond Principles (GBP/SBP) Working Groups are in a privileged position of having access to the most influential investors, issuers and underwriting banks with a sustainability focus, many of whom comprise the membership of the GBP/SBP, as well as to others who look to the GBP/SBP for leadership in matters relating to the sustainable capital markets.

A research working group would be able to capitalise on this access to broaden understanding of market drivers, disseminating findings via the ICMA Resource Centre and/or through direct publication.

Priorities for the working group include:

1 - Surveys and questionnaires: aimed at both the members of the GBP/SBP, more broadly to a wider market audience, or targeted at specific groups (for example by region; asset owners; asset managers; pension funds, corporate issuers etc).

One-on-one meetings and roundtables: organised to address a specific issue (see below).

2 - Call for Papers: specific studies potentially to be commissioned from academic institutions, sell-side / buy-side research houses, with support from members of the GBP/SBPs.

The objective would be to identify, thanks to the GBP/SBP Consultation and to the working group brainstorming, five key topics needing investigation and call for papers on them. The working group would make an effort to reach out to SBP/GBP members to enhance the universe of Universities and research entities that should be invited in this call for papers.

The working group could study the opportunity of organizing an award for the most useful piece of research every year on the priority topics identified for the year, as well as hosting a dedicated roundtable / event to present the findings.

3 - Resource Centre - Collation of existing research: members of the GBP/SBP are in constant receipt of research which would be a useful resource for market participants. To avoid overload, a system may have to be envisaged for selecting the most appropriate and useful research and systematically posting it on the website.

Topics to be considered:

It would be expected that the working group would discuss priorities based on the complexity of the research to be undertaken, as well as the perceived urgency of a topic.

Suggestions have included:

- A review of investor approach to **controversial sectors**
- **Green bonds Credit dynamics:** pricing, liquidity, execution patterns
- Understanding the investor analysis of **controversial fixed income products** such as subordinated bank capital
- Approach to **complex issuance processes**, such as green bonds in the context of acquisitions or liability management
- **Additionality in sustainable finance:** proofing a multi-faceted concept

- Baseline puzzle: finding the good starting line/perimeter
- Trends / trajectories: how to model BaU trajectories
- Claims/Attribution of the “delta” between what would have happened anyway and what happened as result of the investment
- Instruments to do so: test group, survey, consultation of beneficiaries, crowd-collecting
- what organisational dialogue and changes have stemmed from the decision to issue/invest in/underwrite Green Bonds
- where is there consensus on the concept of “additionality”
- **Falling short of its sustainable bond issuance promises:** what consequences?
 - Soft to hard commitments?
 - Reputational risks
 - Market risks: being blacklisted for next issuances
 - Legal risks
- **Social indicators:** uncharted waters
 - A pressing need for metrics
 - Capturing the “immaterial/ non-quantitative”
 - At what cost, with what robustness and methodology
- **OPEX eligibility** in green & social bonds: how and why allow their take-off
 - Opening the market for issuers that are non-CAPEX intensive

Working group coordinators:

- BNP Paribas
- European Bank for Reconstruction and Development (EBRD)
- Natixis

Working group members:

Amundi	CACIB
HSBC	SEB
Zurich Insurance	