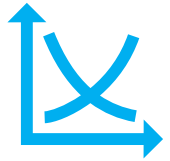


# ESG in fixed income: opportunities and challenges

Moderated by: Carmen Nuzzo, Head of Fixed Income, PRI

# Today's agenda



- ESG in fixed income: setting the scene



- Panel discussion: focus on APAC



- Q&A

## Barriers to ESG integration in fixed income

- Asset class complexity
- Lack of voting rights
- Limited research



Source: PRI

## Drivers to ESG integration in fixed income



- Risk management
- Client demand
- Opportunities
- Fiduciary duty
- Regulatory pressures

Source: PRI

## Main risks for fixed income investors

- Inflation
- Policy rate
- Credit risk
- Liquidity

Source: PRI

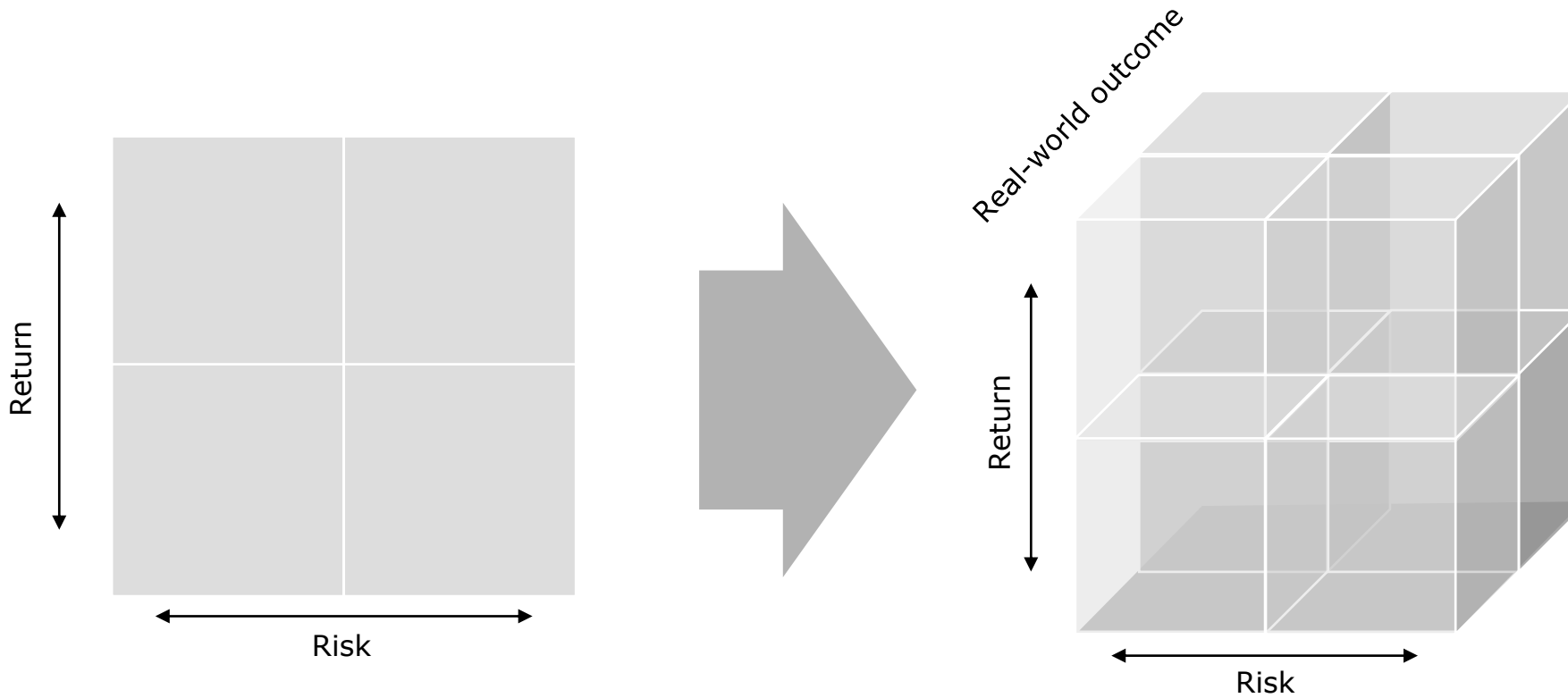
## Approaches to ESG consideration in fixed income

	INTEGRATION	SCREENING	THEMATIC
Gives a more complete picture of the risks and opportunities faced by an issuer	•		
Is applicable to investors that have no interest in considerations outside of their risk-return profile	•		
Largely about managing downside risk	•		
Can fit within existing investment processes	•	•	•
Restricts investment in certain industrial sectors, geographic regions or individual issuers, typically for ethical reasons		•	•
Non-financially material ESG factors or ethical considerations are incorporated into investment decisions		•	•
Directs capital towards issuers or securities that contribute to environmental or social outcomes			•
Largely about identifying opportunities			•

This table gives a broad overview of some of the differences between the major types of ESG incorporation. It is not a detailed or exhaustive classification.

Source: PRI

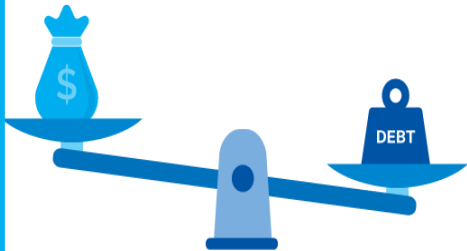
## Adding a new dimension to investment: the 3 Rs



Source: PRI

## PRI fixed income current workstreams

Credit risk and  
ratings initiative



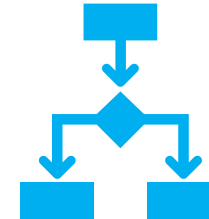
Sovereign  
debt



Sub-sovereign  
debt

Municipal bonds  
\$\$\$

Securitised  
products



Source: PRI



## ESG integration in APAC region (2019)

- Australia
- China
- Hong Kong
- India
- Japan
- Singapore

Source: CFA Institute and PRI



# ESG in fixed income: opportunities and challenges

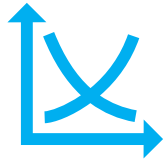
## Panellists

**Katherine Han**, Head of ESG Research, Harvest Fund Management

**Doreen Saik**, Senior Corporate Analyst, Emerging Markets Debt – Corporates, Neuberger Berman

**Moderated by: Carmen Nuzzo**, Head of Fixed Income, PRI

## Areas to explore



- Drivers and barriers of ESG integration in fixed income in APAC



- Data availability and disclosure



- Issuer engagement

## Key takeaways

- Broaden fixed income analysis *beyond* traditional indicators
- Develop a more *systematic* and rigorous approach to ESG integration
- Rethink your approach to *ESG engagement* as a bondholder

## Thank you: stay up to date

- Review FI resources on [www.unpri.org/fi](http://www.unpri.org/fi)



- Register for upcoming webinars and events at [www.unpri.org/events](http://www.unpri.org/events)



- Email [FI@unpri.org](mailto:FI@unpri.org)



# Investing with SDG outcomes

## A five-part framework

Moderated by: Shelagh Whitley, Director of ESG & SDGs, PRI

# Investing with SDG outcomes

## Panellists

**Claudia Kruse**, Managing Director, Global Responsible Investment and Governance, APG Asset Management

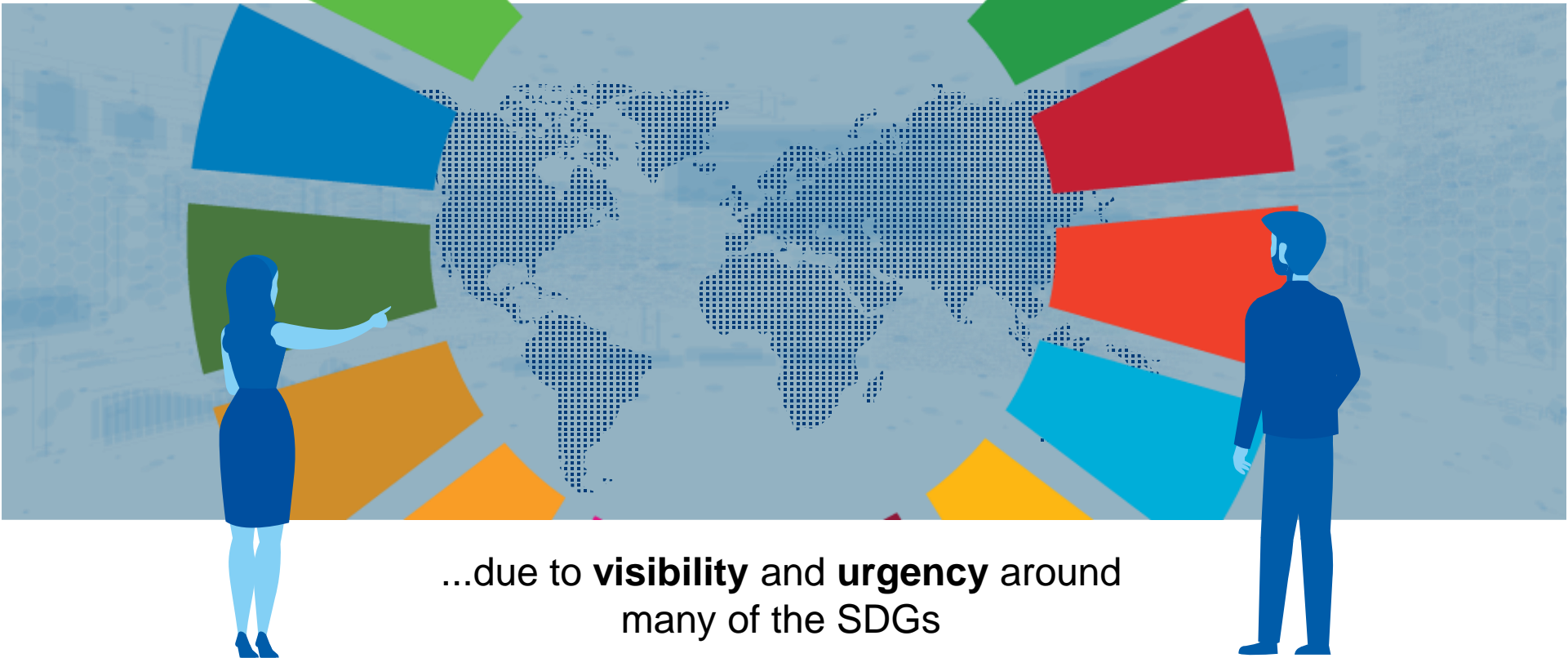
**Alex Rowe**, Portfolio Manager, Nomura Asset Management

**Moderated by: Shelagh Whitley**, Director of ESG & SDGs, PRI

## Expectations on investors are changing

Environmental and social issues threaten our economies, portfolios and the world we live in

The way investors are expected to respond to these issues has changed...

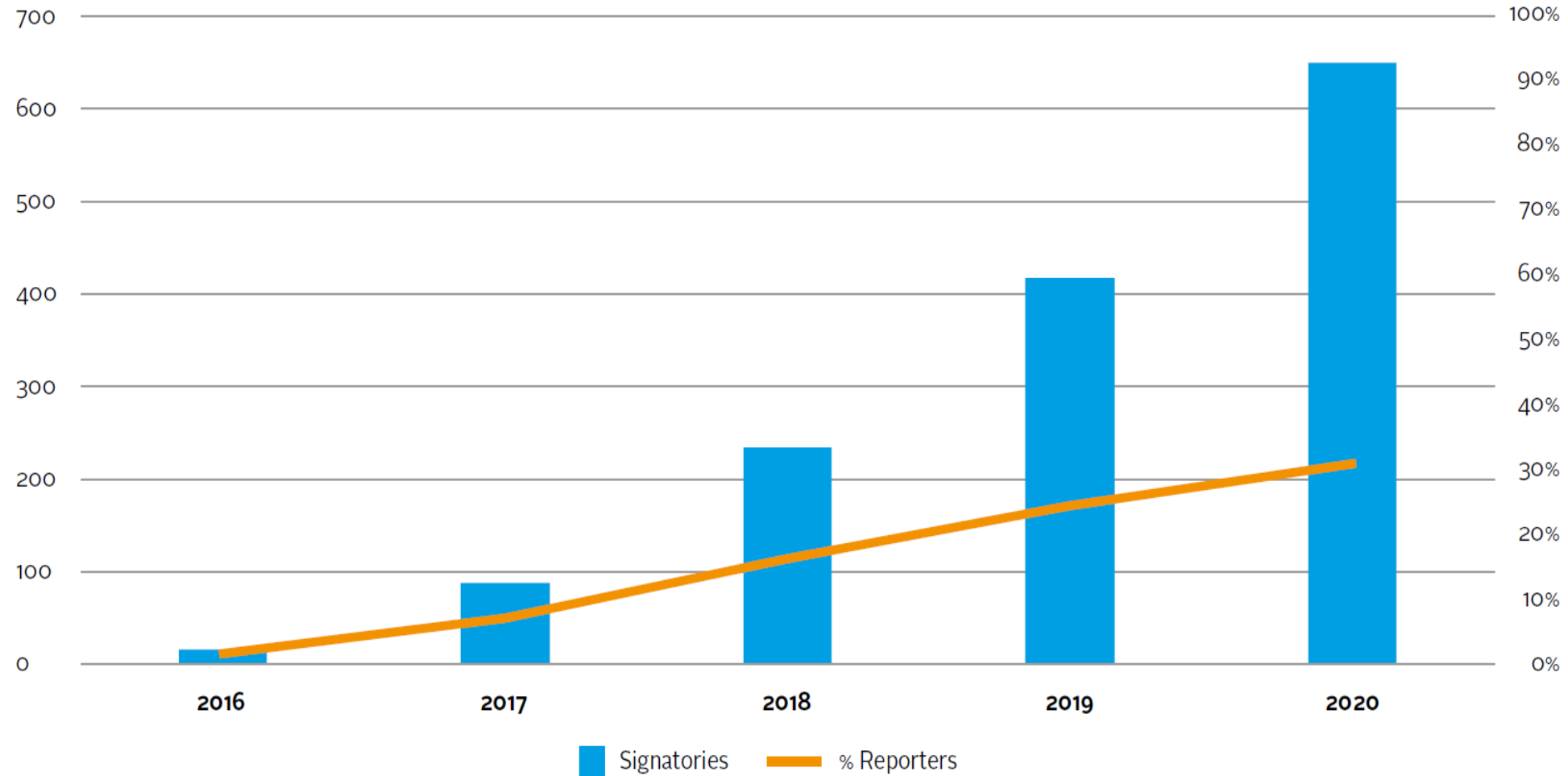


...due to **visibility** and **urgency** around many of the SDGs



## Growing interest in SDGs by investors

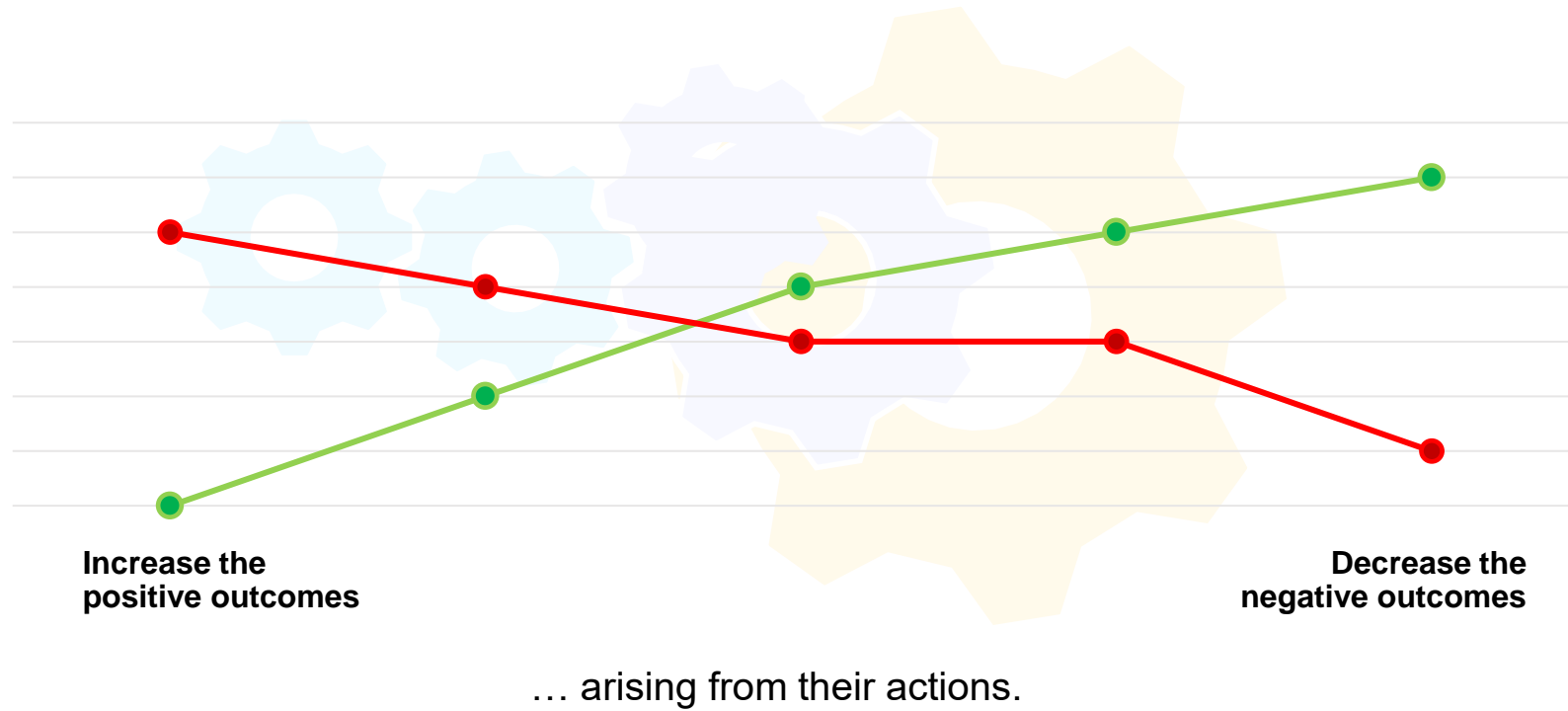
Number of signatories (and percentage of reporters) mentioning SDGs in reporting to the PRI, 2016-2020



# Shaping positive and negative outcomes

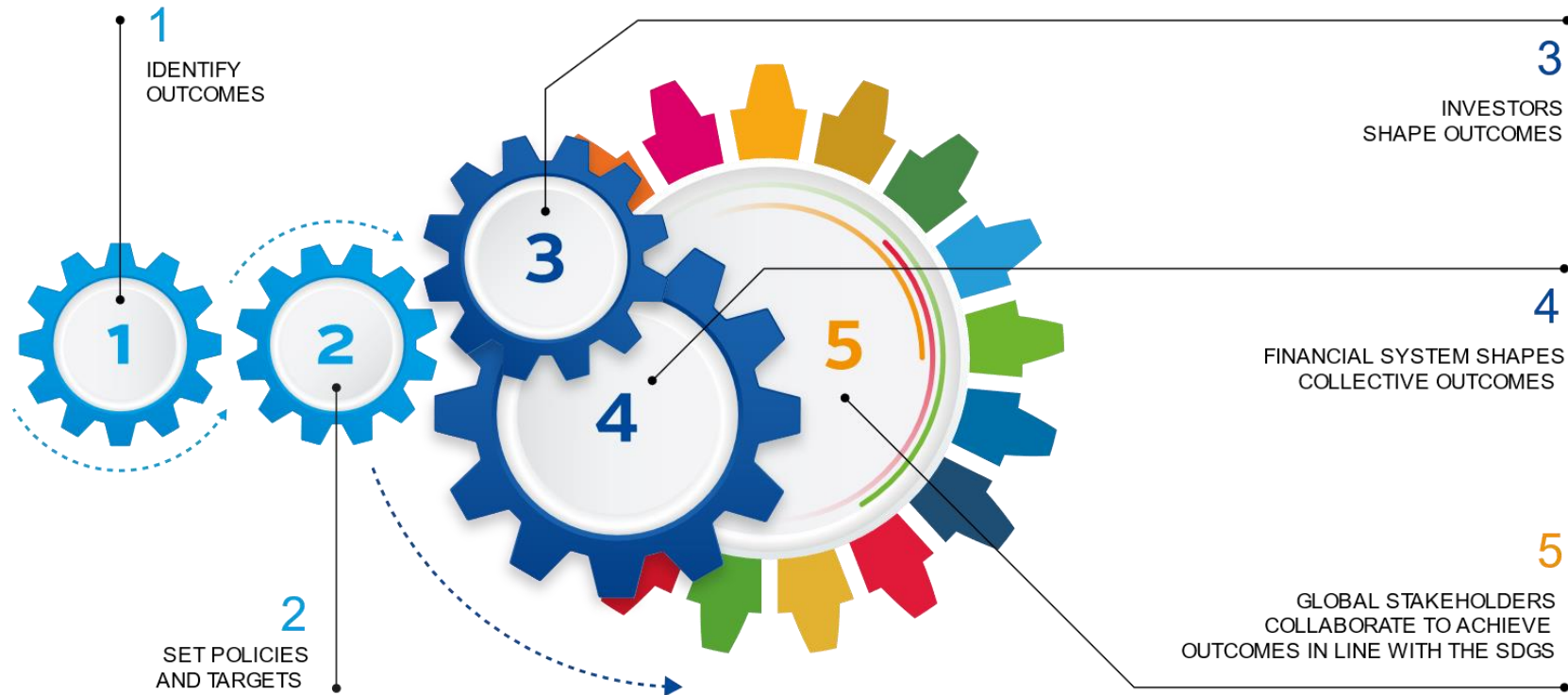
Investors must understand that all their actions shape outcomes in the world

To help meet the SDGs, investors must understand how they can...



## A five-part framework for investors

Understanding the real-world outcomes of investments, and shaping those outcomes in line with the SDGs



## Next steps: supporting signatories moving forward

The PRI will provide further guidance for signatories to shape SDG outcomes

This is only the beginning in bringing together thinking on ESG risks and opportunities with the potential to shape SDG outcomes.

The PRI will provide guidance across the framework:



**through case studies and working groups;**



**on investment decisions, stewardship and wider engagement;**



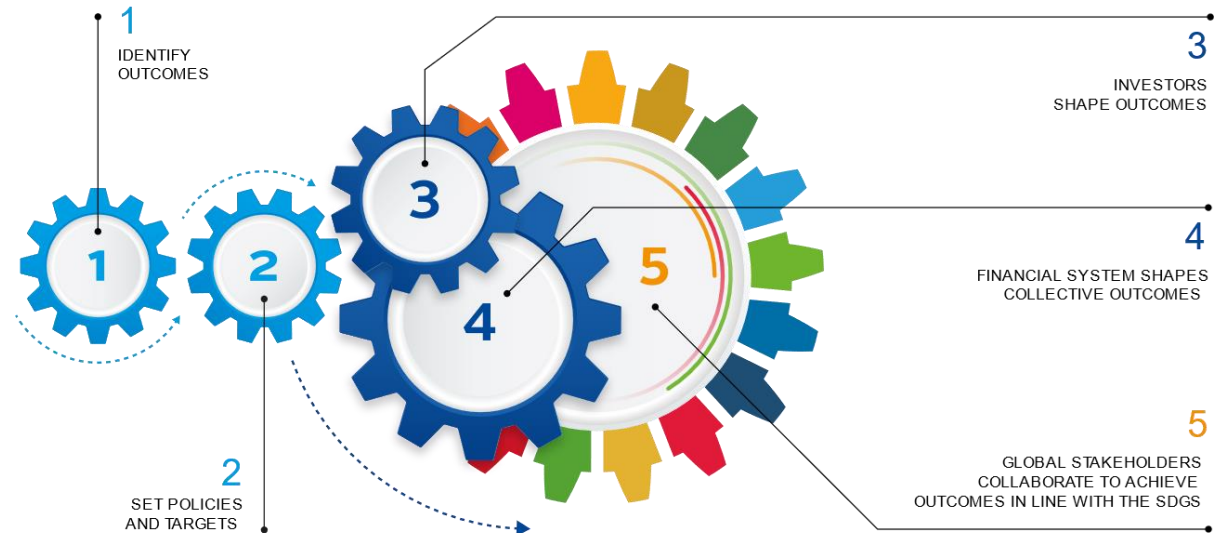
**on disclosure and reporting.**







[www.unpri.org/sdg-outcomes](http://www.unpri.org/sdg-outcomes)

## Discussion: Identifying outcomes (Part 1) and Setting policies and targets (Part 2)

- Do you have a policy in place on sustainability outcomes (linked to SDGs, Climate, Human Rights, or other specific outcomes)?
  - If so, how did you gain internal support?
- Have you identified outcomes and / or set specific targets to decrease negative outcomes as well as increase the positive?
  - If so what are they?
- What tools and framework did you find useful?



# Establishing Impact Goals Aligned with the UNSDGs

ESG Statement	Environment		Society	
	Climate Change	Natural Capital	Access to Healthcare	Social Responsibility
				
Impact Goals	<b>Mitigate Climate Change:</b> Keep global warming to below 2°C	<b>Mitigate Natural Capital Depletion</b>	<b>Eliminate Communicable Disease</b>	<b>Global Access to Basic Financial Services</b>
			<b>Mitigate the Obesity Epidemic</b>	<b>Global Access to Clean Drinking Water</b>
Key Performance Indicators	Global Renewable Energy Output	Material Consumption per Capita	Deaths due to HIV, TB and Malaria	Percentage of population who are Unbanked
	Atmospheric CO <sub>2</sub> Levels			
	Global Carbon Emissions per Capita	Global Annual Tree Cover Loss	Obesity related Death Rate	Percentage of Global Population with Access to Safe Drinking Water
Alignment with the UN SDGs	<b>SDG 7.2</b> Increase the mix of renewable energy <b>SDG 7.3</b> Double global energy efficiency	<b>SDG 12.2</b> Achieve the sustainable management and efficient use of raw materials	<b>SDG 3.3</b> By 2030, end epidemics of AIDS, Tuberculosis and Malaria <b>SDG 3.4</b> Reduce mortality from non-communicable diseases	<b>SDG 1.4</b> By 2030, ensure all have equal rights to economic resources <b>SDG 6.2</b> Achieve universal access to clean water



## Discussion: Shaping outcomes – including through collaboration (Parts 3, 4 and 5)

- What levers / actions are you using to achieve targets / objectives set out on sustainability outcomes – i.e. through stewardship, capital allocation, policy engagement?
- Are you collaborating with others to achieve the specific targets you have set on sustainability outcomes, or more broadly on tools that are relevant across the financial system?
- What types of actors are you collaborating with, other investors, other stakeholders including NGOs, international organisations etc.?

