

2020 - A RECORD YEAR FOR IMPACT ISSUANCE, LIKELY TO BE REPEATED IN 2021

SYDNEY: – 19 January 2021: A record \$500bn¹ in impact bond issuance was added to the market in 2020, an increase of 60% on the \$313bn issued in 2019. This increase could easily be repeated in 2021, which would take the overall market close to \$2 trillion by the end of the year, according to a review by Insight Investment, a leading global asset and risk manager.

Government-related issuance, at \$260bn, accounted for more than half of 2020's total issuance, driven by pandemic-related bonds. Financials, with \$121bn added, led issuance from the corporate sector and became the first of this set to exceed the \$100bn mark for annual issuance. Utilities continued to build a rapidly deepening pool, adding \$57bn, up 18% on 2019. Other sectors fell back: by 50% in consumer staples and 35% in energy. Most issuance originated from France which at 18% of the overall total was almost twice that of the next nearest countries - Germany and then the US - both with approximately 10% added. In Asia Pacific, South Korea, Japan and China accounted for 12% of collective issuance, in 6th, 7th and 10th place respectively. Issuance in the UK, in 15th place below Luxembourg, may gain impetus from the Government's recently announced plans to issue a green gilt.

Joshua Kendall, Head of Responsible Investment Research and Stewardship, said: "Impact bonds can help the investors align with their non-financial objectives, but rigorous due diligence is vital to avoid the risk of 'greenwashing'." In 2020, approximately 10% of impacts evaluated by Insight received a 'red' score and 40% a 'green' score."

In 2020, green bonds remained the biggest impact bond category, at 53% of issuance, but the rise of social bonds was striking, marking an almost nine-fold increase to \$161bn in issuance (from \$18bn in 2019), propelled by the global response to Covid-19. Issuance in sustainability-linked bonds increased by 67% on 2019. Insight anticipates a similar total impact bond issuance for 2021, albeit with lesser volumes in social issues, made up for by increases elsewhere, particularly sovereign debt and steady growth in corporate sectors.

Kendall added: "More broadly, fixed income investors might consider the extent to which they are acting to influence the structure of new issuance. Corporates can be receptive to direct engagement and feedback. Also, for asset owners such as pension funds, the nature of fixed income investing requires the long-term management of sustainability issues. There is great opportunity to incorporate impact objectives within mandates."

Ends

¹Figures shown in USD. All data sourced from Bloomberg. Currency conversion could result in a significant impact on the figures shown.

Insight Investment is a leading asset manager focused on designing investment solutions to meet its clients' needs. Founded in 2002, Insight's collaborative approach has delivered both investment performance and growth in assets under management. Insight managed A\$1.3 trillion as at 30 September 2020 across liability-driven investment, fixed income & currency, global multi-asset and absolute return and specialist equities². Insight Investment is owned by BNY Mellon, a global leader in investment management and investment services with US\$2 trillion in assets under management (as at 30 September, 2020).

[Insight takes responsible investment seriously](#). In our view, it is as an essential part of managing risk and deciding whether an investment is fair value. We were a founding signatory to the UN-supported Principles for Responsible Investment (PRI) in 2006 and have been systematically integrating environmental, social and governance (ESG) issues in our research process for more than a decade. Where we identify material ESG risks, we engage to better understand the issues. In 2020, Insight was awarded A+ ratings by the PRI for strategy and governance, and for the integration of responsible investment-related issues across our fixed income business.³ We believe this reflects our ongoing commitment to integrating responsible investment practices across all aspects of our business.

More information about Insight Investment can be found at: www.insightinvestment.com

² As at 30 September 2020. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Figures shown in AUD. FX rates as per WM Reuters 4pm spot rates. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIL), Insight Investment Management (Europe) Limited (IIMEL) and Insight North America LLC (INA), each of which provides asset management services.

³The PRI, launched in 2006, is an independent organisation that works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. More details are available at www.unpri.org/. [Click here](#) for further details

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