Group Economics – Financial Markets & Sustainability Research

ABN AMRO ESG Investor Survey – 2H 2025

25th September 2025

ABN·AMRO

Key take-aways

1 ESG Investor Profile and Behaviour

- Most ESG-dedicated investors manage either Article 8 or Article 9 funds.
- Article 9 funds usually either invest on ESG bonds and/or conduct a screening of the issuer's ESG strategy prior to investment.
- Green bonds remain the dominant label that investors are allowed to invest in, followed by social and sustainable bonds.
- Investors prefer use-of-proceeds bonds, such as green and transition bonds, over SLBs for "companies in transition".
- Most investors assess biodiversity when investing in green bonds, although the assessment is often limited.
- Investors prioritize financial returns over ESG impact in their strategies.

2 Investment Screening

- The majority of investors see the ICMA (Green Bond) Principles as the most relevant standard used when assessing ESG bonds, followed by the EU Green Bond Standard, which has become increasingly important over the years.
- ESG strategy and ESG risk ratings are the most relevant criteria for investors when analyzing ESG instruments.
- 1/3 of the investors does not have a specific preference for SPO provider. Of those that do have one, Sustainalytics and ISS ESG remain the preferred choice.
- Investors have multiple uses for ESG ratings, and the majority uses MSCI and Sustainalytics ESG ratings to complement their own analysis.

3 "Use of Proceed" ESG Bonds

- There is a strong preference of investors towards bond-by-bond reporting and annual reporting until bond maturity.
- Data quality remains the main issue preventing the growth of the green bond market.

4 Sustainability-Linked Bonds (SLB)

- Most investors favor SLBs with a coupon step-up but are increasingly open to other financial structures. Flexibility on the 25bps coupon step-up has grown, likely driven by the recent decline in rates.
- Assessing the comparability and ambition level of targets remains the main challenge for the SLB market.
- Fewer investors view SLBs as suitable for companies in transition.

5 Greenium

- The willingness to accept a greenium has significantly dropped over the years, but increases if the issuer is new to the green bond market or has a proven track record in reducing carbon emissions.
- Investors justify the greenium due to the positive climate impact of green bonds and as a hedge against volatility.

6 Regulation

- The majority of ESG investors do not give preferential treatment to EU GBS and still require ICMA alignment.
- With reduced ESG disclosures under the EU Omnibus proposal, over half of respondents will rely more on third-party ESG data providers, while 43% will directly request missing data from companies.
- Most investors did not rename their funds due to ESMA guidelines.

1 ESG Investor Profile and Behaviour

Majority of the respondents are portfolio managers from asset management firms; responses focused on North-Western Europe

This ESG survey includes:

66

Investors

From across:

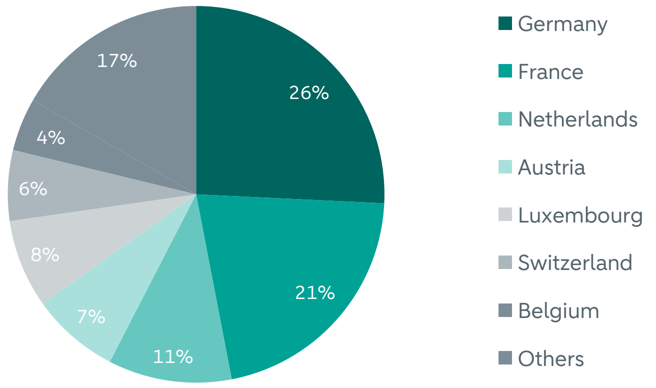
17

countries

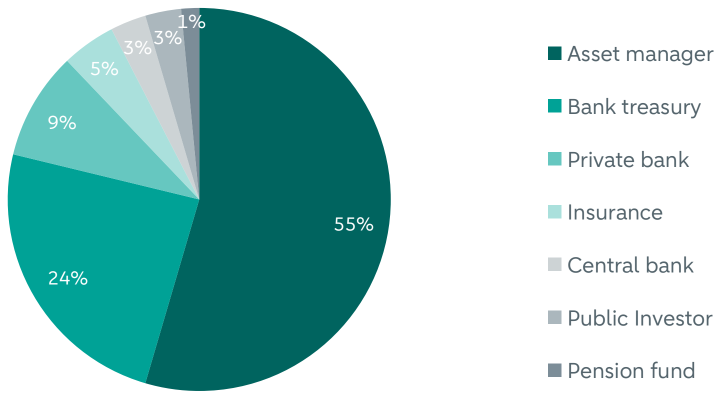
ABN AMRO - ESG Investor Survey 2H 2025

- ABN AMRO conducts an annual survey among investors to better understand their dynamics, investment behaviour, preferences and screening criteria for fixed income ESG investing.
- The survey had a total of 66 respondents, with the majority coming from Germany, France and The Netherlands, which together account for nearly 60% of the responses.
- Most investors who responded to the survey are asset managers, which also typically manage the majority of dedicated ESG bond funds compared to other investor types.
- The largest share of respondents are portfolio managers (73%), followed by ESG analysts and strategists (17%).

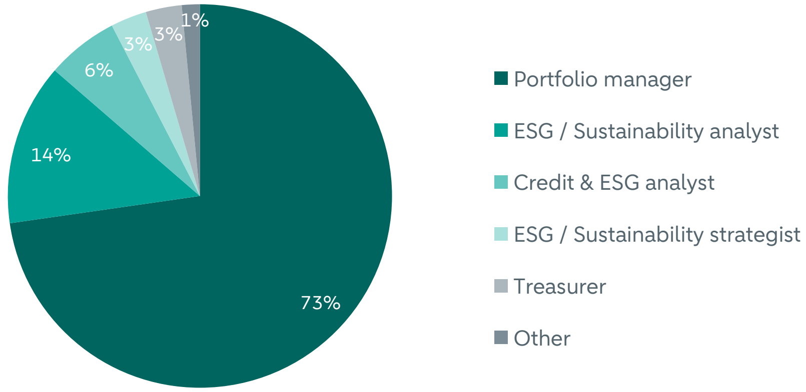
Responses focused on North-Western Europe, Germany leading



Large share of respondents are AMs followed by Bank treasuries



Largest share of respondents are Portfolio Managers

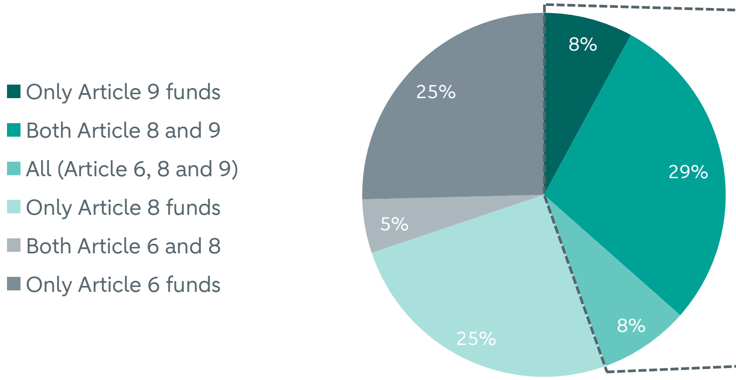


Source: ABN AMRO Analysis

Most respondents have either Article 9 or 8 funds; the majority of Article 9 funds can only invest in ESG bonds

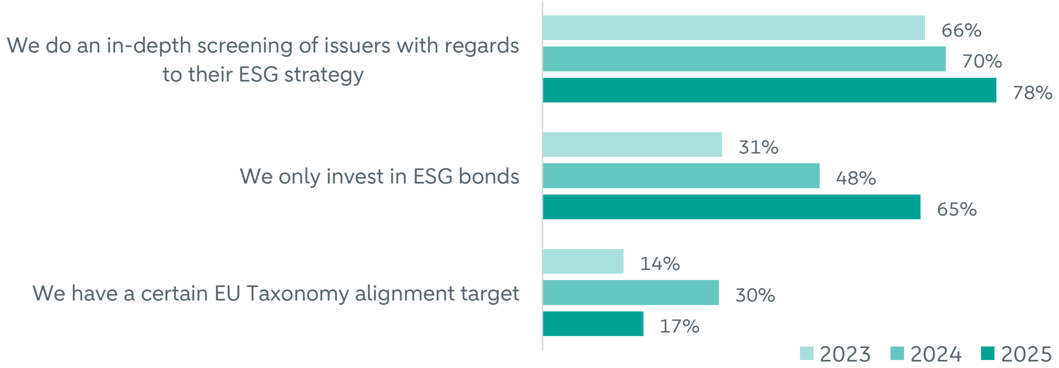
Almost half of the respondents manage Article 9 funds

Q. How are your ESG funds classified?



Investors apply different investment criteria in Article 9 funds

Q. Which one of the below more closely describes the investment criteria of your Article 9 fund?



- In accordance with the SFDR, investors are required to classify their funds based on the sustainability objective of the products. Article 9 funds are considered to have the highest level of "greenness" and must explicitly target sustainability objectives. In contrast, Article 6 do not incorporate ESG factors into their investment processes.
- Almost half of the respondents manage Article 9 funds (44%), in line with last year's results (45%). Within this group, 8% manage only Article 9 funds, and 29% manage both Article 8 and 9 funds. This is slightly less compared to last year, indicating that this year's survey has a lower participation of exclusively ESG-dedicated investors.
- Meanwhile, a quarter of the respondents has only Article 8 funds, and a small percentage has both Article 8 and funds with no ESG incorporation (Article 6). Overall, 75% of the respondents manage funds that are to some extent sustainable (either Article 8 or 9).

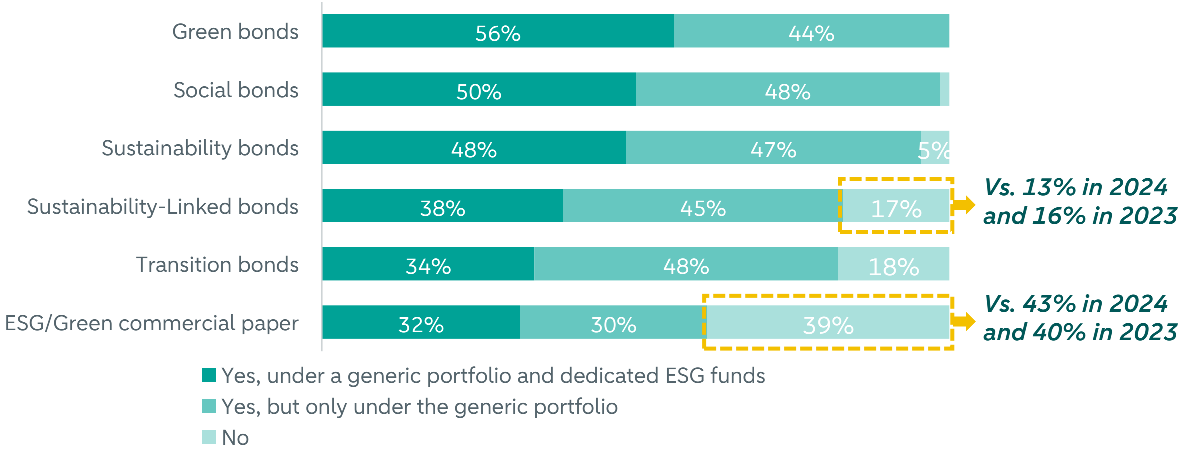
- Zooming into Article 9 funds' strategies, a significant majority of respondents (78%) conduct an in-depth screening of issuers based on their ESG strategy. In other words, they evaluate the sustainability of their investments by assessing the issuer's overall profile, rather than relying solely on the bond's label.
- Moreover, a growing number of institutions are restricted to investing only in ESG-labelled bonds. According to our survey, this share has more than doubled over the last two years, from 31% in 2023 to approximately two thirds of the respondents now.
- In contrast, we see that investors are now putting less focus on the EU Taxonomy alignment of their funds. The percentage of respondents that manages funds with a Taxonomy alignment target decreased to nearly half, compared to last year's results (17% now vs. 30% in 2024).

Source: ABN AMRO Analysis

UoP bonds remain widely accepted by investors; Biodiversity plays a limited role in green bond investments

Nearly all investors can buy "use of proceed" ESG bonds

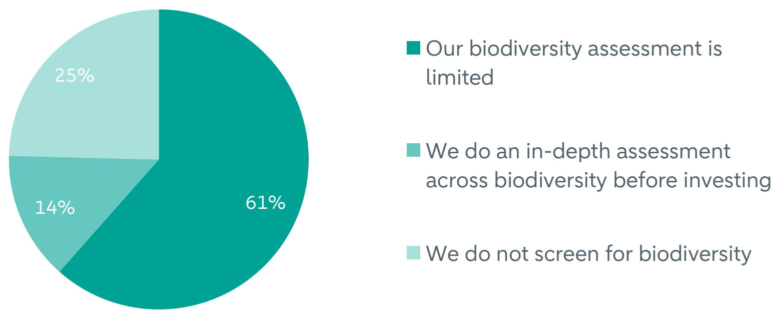
Q. Does your institution mandate allow for investments in any of the following ESG labelled instruments?



- The vast majority of respondents are allowed to invest in "use of proceed" (UoP) ESG labelled bonds. Green remains the preferred instrument, with 100% of investors indicating they can invest in them, closely followed by social (98%) and sustainability bonds (95%).
- The share of investors allowed to invest in Sustainability-Linked bonds (SLBs) has remained fairly stable over the last two years. This year, 17% of respondents reported that they are not allowed to invest in this type of instrument in either their generic or ESG-dedicated portfolios (vs. an average of 15% in the previous surveys).
- ESG/green commercial paper (CP) remains the least popular ESG instrument, with 39% of respondents indicating they cannot invest in it. This compares to the 43% of last year's survey and 40% before that. The limited acceptance of this instrument may stem from minimum duration requirements, rather than concerns about ESG factors, or even the perception that ESG CP is an ALM management tool rather than an impact tool.

Most investors incorporate some biodiversity considerations into their investments

Q. To what extent do you consider biodiversity when investing in green bonds?



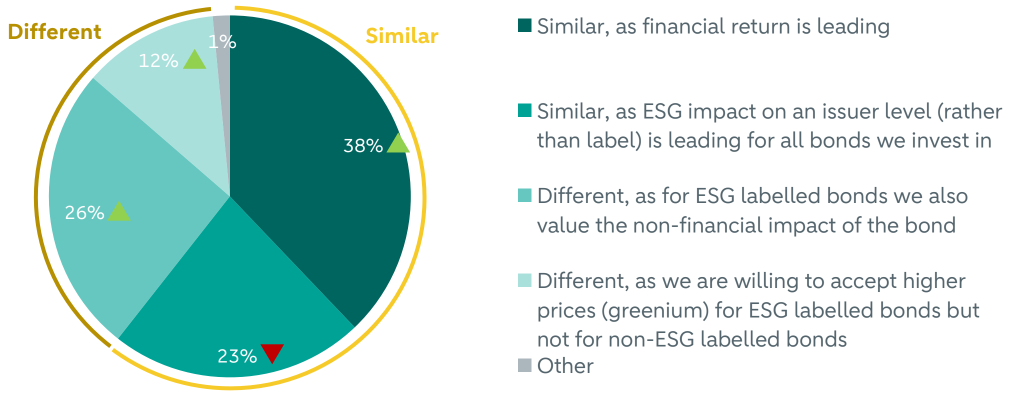
- The topic of biodiversity has been growing in importance in recent years, as regulators, governments and other institutions increasingly recognize the economic sector's dependency on nature and its ecosystems. However, the complexity of the topic makes it challenging to know how to properly measure biodiversity risk, which is essential for better managing financial flows – redirecting them away from activities that are harmful to nature, towards those that make less harm.
- 75% of the respondents indicate that, when investing in green bonds, they conduct some level of assessment on biodiversity. However, for the majority, that assessment is still limited in scope. On the other hand, 14% of investors mention that they are able to perform an in-depth assessment across biodiversity before investing.
- In contrast, one quarter of the respondents indicate that they do not take biodiversity into consideration in their investment screening.

Source: ABN AMRO Analysis

Investors remain focused on financial returns over ESG impact

Almost 40% treats ESG and non-ESG differently in non-dedicated ESG portfolios

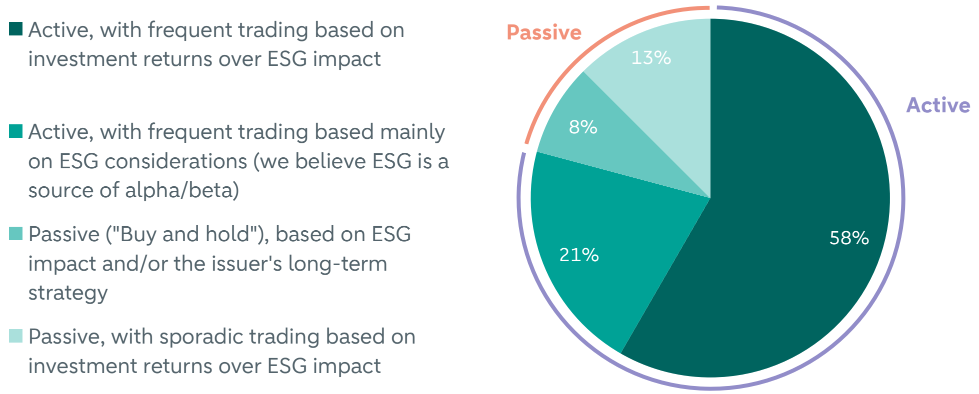
Q. How do you treat ESG vs non-ESG bonds in your general (non-dedicated ESG) portfolios?



- Our survey indicates that 61% of investors do not distinguish between ESG and non-ESG labelled bonds in their general portfolios.
- While they do not differentiate by the label of the bond, 23% does take into account the issuer's ESG impact on a broad level, while 38% focuses on financial returns, and that is independent of the label of the bond.
- Moreover, almost 40% of the respondents indicate that they differentiate between ESG and non-ESG labelled bonds in their general portfolio. That is a slight increase from the 34% of last year's survey. Differentiation occurs mainly through investors attributing value to the non-financial impact of ESG bonds.
- A small share of the respondents (12%) claims they are willing to accept a greenium when investing in ESG labelled bonds, being that the distinctive factor to non-ESG bonds. Further analysis on the willingness of investors to accept a greenium can be found on page 21.

Most ESG funds have an active strategy focused on investment returns

Q. Which one of the below best describes the investment profile of your dedicated ESG funds?[1)]



- The survey reveals that 79% of the respondents with dedicated ESG funds manage them through an active strategy, compared to 72% last year.
- 71% of the respondents that manage ESG dedicated funds claim that they focus on financial returns rather than ESG impact. Out of these, 58% have an active strategy and 13% a passive strategy.
- In contrast, for those that prioritize ESG considerations in the investment strategies of the ESG dedicated funds, 21% has an active strategy based on the conviction that ESG can be a source of alpha/beta and 8% has a passive strategy based on achieving ESG impact in the long-term. The latter refers mainly to "buy and hold" investors.
- As such, the results undermine the idea that most ESG funds have a "buy and hold" approach.

1) Answers disregard respondents that do not have an ESG fund

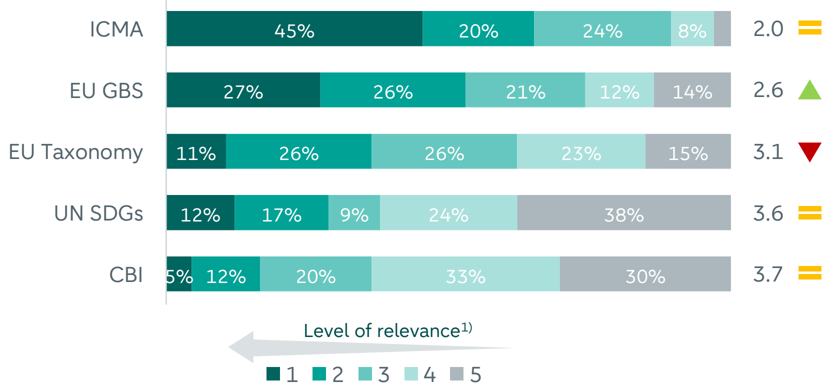
Source: ABN AMRO Analysis

2 Investment Screening

ICMA is still the most relevant standard in the ESG bond market; 60% of the funds align with the EU PAB criteria

Most investors rely on alignment with ICMA to assess ESG instruments

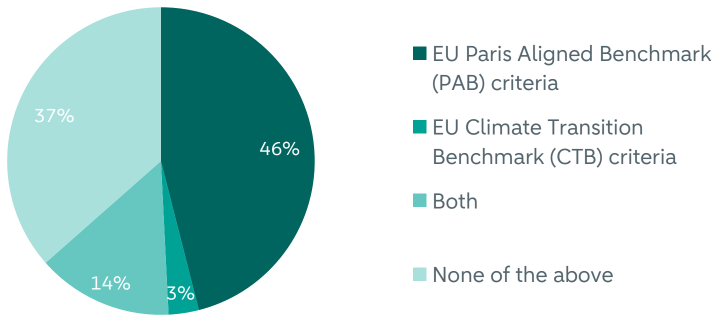
Q. What is for your institution the most relevant external standard when assessing ESG instruments? 2)



- Most investors consider the ICMA (Green Bond) Principles as the most relevant standard for assessing ESG investments. Similar to last year's results, 45% indicate that this is their preferred standard (vs. 47% last year).
- Following its implementation at the end of 2024, the EU Green Bond Standard (EU GBS) now ranks second in terms of relevance, with 53% choosing it as their first or second preferred option, up from 29% last year. Still, EU GBS still does not receive preferential treatment by investors, as we further elaborate on page 23.
- The relevance of EU Taxonomy has declined, with only 11% selecting it as the most relevant standard, down from 27% in 2024. With its recent implementation, the EU GBS builds on the EU Taxonomy by adding features like mandatory transparency and external reviews, which might help explain investors' rising preference for the EU GBS over the EU Taxonomy.
- Meanwhile, there is still a significant number of investors (12%, vs. 11% in 2024) that selected the UN Sustainable Development Goals (UN SDGs) as their preferred standard, reinforcing that they remain key to some investors.

The majority of funds aligns with either the EU PAB or CTB criteria

Q. Which of the following criteria do your ESG funds align with?



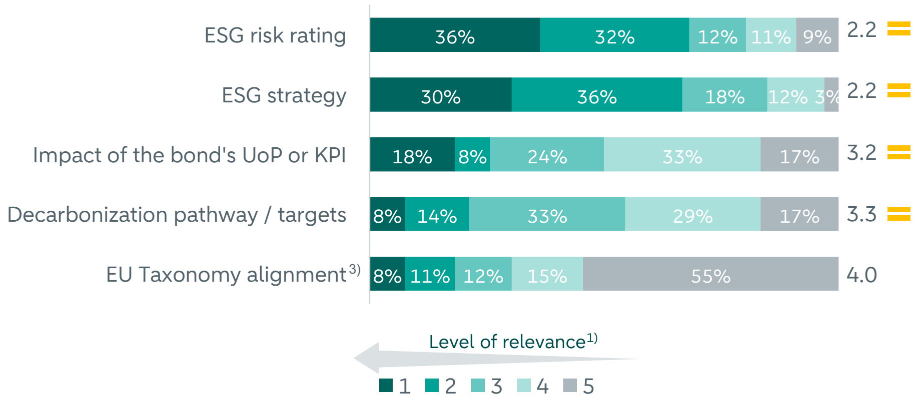
- The PAB (Paris-Aligned Benchmark) and CTB (Climate Transition Benchmark) criteria were established by the EU to guide investors in aligning their portfolios with a decarbonization trajectory. Since the implementation of the ESMA guidelines, funds carrying an ESG or sustainability-related terms in their name have to apply specific PAB or CTB exclusion criteria (depending on whether the fund is purely green or transition focused).
- Nearly half of the respondents to our survey manage ESG funds that align with the EU Paris Benchmark criteria, which has more ambitious thresholds than the CTB. A smaller share (14%) manage funds that align with both the PAB and the CTB criteria. A minority of 3% of funds align with just the CTB criteria.
- Around 37% of the investors do not align with neither criteria, in line with 25% of our respondents indicating that they do not have ESG funds. The difference is then likely driven by ESG funds that do not carry an ESG or sustainability-related term in their name, implying they have no requirement to follow these benchmarks.

1) Figures on the right-hand side of the chart indicate the weighted average
2) Arrow indicates position change vs. last year's survey
Source: ABN AMRO Analysis

Investors’ key focus is the issuer’s ESG strategy and rating; Increasing share of investors do not have a criterion to evaluate decarbonization targets

Investors keep focus on ESG strategy and ESG risk ratings

Q. When analysing ESG instruments, which of the following criteria would you judge as most relevant? 2)

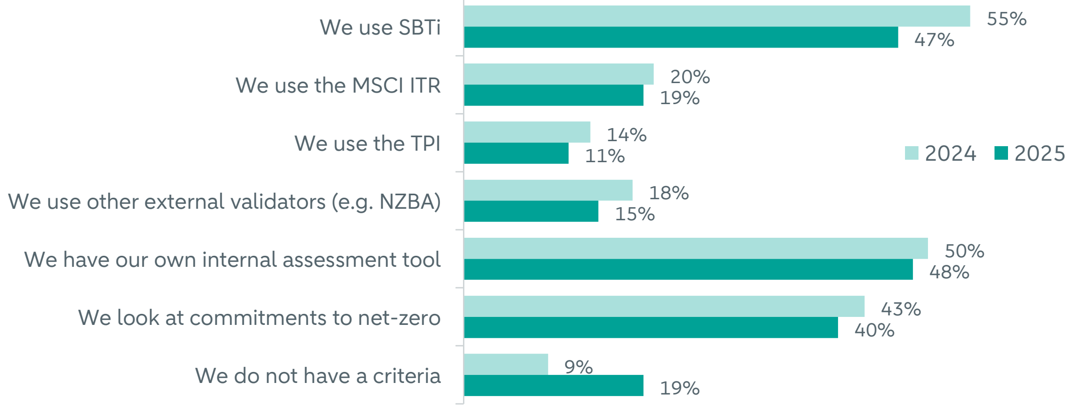


- ESG risk rating and ESG strategy remain the most relevant criteria when analysing ESG instruments from a weighted average perspective. However, a higher share of investors selected ESG risk rating as the most relevant one (36% vs 30% for ESG strategy). The share of investors that see ESG risk ratings as the most relevant criteria has been on a steady rise over the years, from 18% in 2023, to 20% in 2024 and 36% now.
- Examining the impact of the bond’s use of proceeds (UoP) or KPI remains the third most relevant criterion for investors when evaluating ESG instruments, followed by analysing the issuer’s decarbonization pathways and/or targets.
- EU Taxonomy has been selected by investors as the least relevant criteria. This aligns with our findings that most investors still see EU GBS alignment as a “nice to have” (see page 23).

1) Figures on the right-hand side of the chart indicate the weighted average
2) Arrow indicates change vs. last year’s survey
3) No data from 2024 available
4) TPI = Transition Pathway Initiative. NZBA = Net-Zero Banking Alliance (UNEP FI)
Source: ABN AMRO Analysis

More investors no longer assess decarbonization targets

Q. Please specify your institution's criteria to evaluate decarbonization pathways / targets of issuers, if you have one. (Multiple answers allowed) 4)

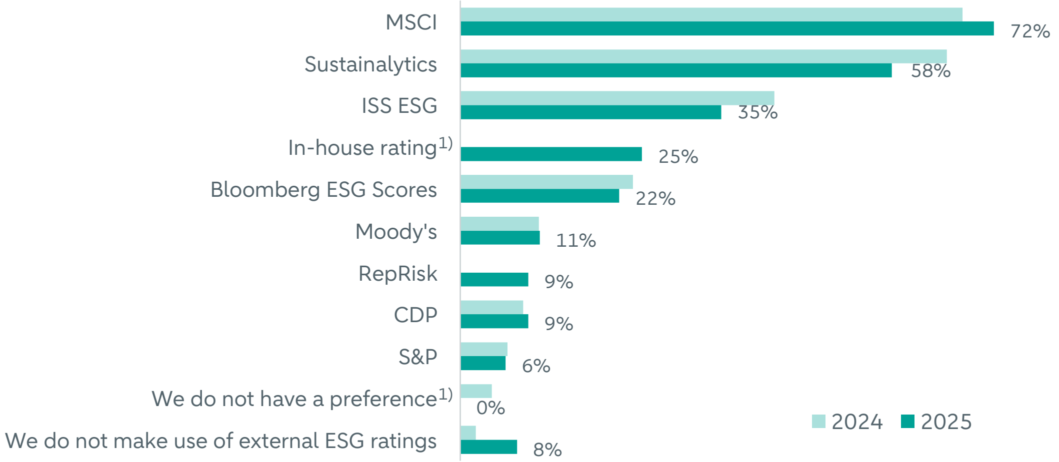


- More investors indicate they do not have criteria to evaluate decarbonization pathways and/or target of issuers (19% now vs 7% in 2024). One could speculate that a potential reason for this is the reallocation of internal resources away from long-term climate transition assessments into more short-term concerns (interest rates, inflation), who have gained priority amid a rollback of climate ambitions, particularly in the US. This is further supported by a declining share of investors selecting decarbonization pathway and/or targets as their preferred method for analysing ESG instruments, dropping from 20% in 2024 to 8% now (see chart on the left).
- Among investors that do have a criteria to evaluate decarbonization pathways and/or targets, most indicated that they rely on the Science-Based Targets initiative (SBTi) and MSCI Implied Temperature Rise (ITR). Together, nearly 70% of respondents indicate they make use of these external tools.
- The share of investors with an internal assessment tool to evaluate targets has remained relatively stable over the years, with nearly half of the respondents indicating they have such a tool.

MSCI and Sustainalytics as the most commonly used providers for ESG ratings; most investors use ESG ratings to acquire the data behind it

MSCI and Sustainalytics ratings used by two thirds of respondents

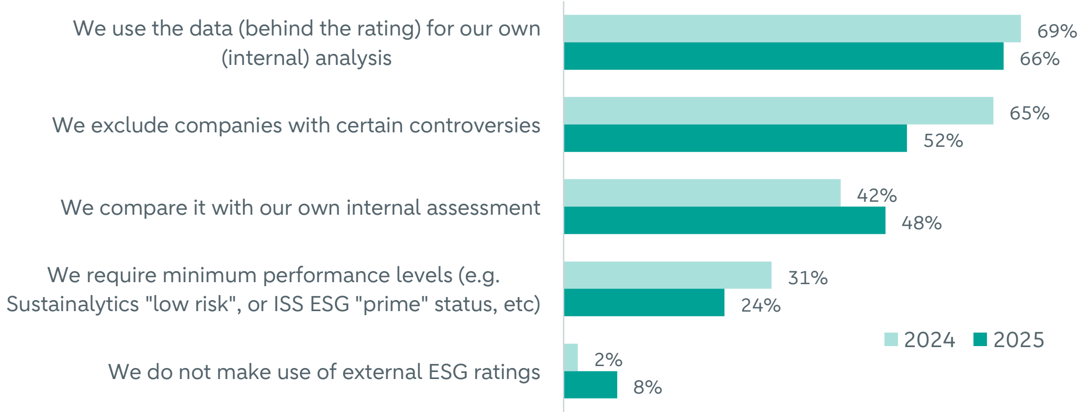
Q. Which ESG rating provider(s) do you use? (multiple answers allowed)



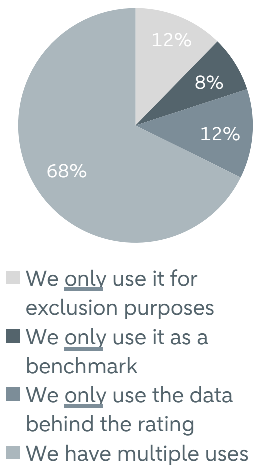
- Most of the respondents to our survey indicated that they use either MSCI and/or Sustainalytics' ESG risk ratings, with a slightly increasing preference towards MSCI over the years. The wide-spread use of these ratings may be attributed to the strong reputations that these providers have built over the years within the investment community. Sustainalytics is known for a wide coverage, while MSCI is recognized for its robust index offerings and extensive ESG data.
- The least used ESG rating providers are CDP and S&P. The low usage of these ratings may stem from their requirement for companies to submit lengthy questionnaires. As a result, not all companies fully participate in the process, which can result in data gaps.
- Overall, the survey indicates that all respondents have a clear preference for specific ESG rating providers. Furthermore, a rising share (8% now vs 2% in 2024) does not make use of external ESG ratings. This may indicate that more investors rely on internal ESG ratings rather than external ones (25% of respondents use internal ESG ratings[1]).

Most investors don't use ESG ratings at 'face value' but rather as an additional tool

Q. How does your organization use external ESG ratings? (Multiple answers allowed)



- ESG ratings have multiple purposes for investors. Only a minority of 32% of respondents have indicated they use them for exclusively only one reason.
- Overall, most respondents indicated that they use ESG ratings so that they can access the data behind the rating to do their own analysis.
- Investors are increasingly using ESG ratings not solely as an exclusion criterion, but rather as an input for a more through and holistic assessment of issuers' ESG credentials. Only 12% of the respondents use ESG ratings <u>only</u> for exclusion purposes[2] (vs 17% last year).
- Nevertheless, controversies exclusion remains key for a significant share of investors. 52% of the respondents said they still rely on ESG ratings' controversy assessments to decide on potential exclusions (down from 65% last year).



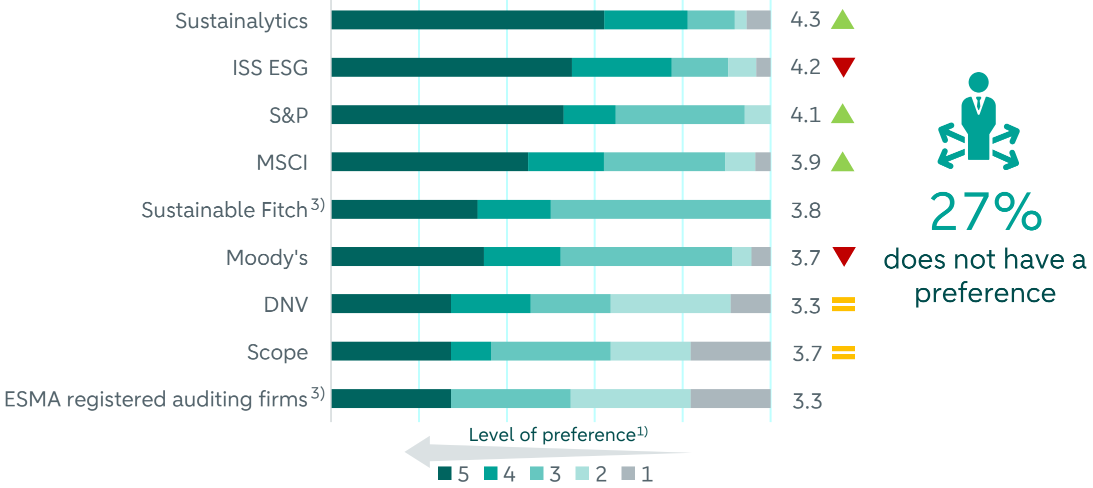
1) No data for 2024 available
2) Exclusion of issuers that are either involved in certain controversies and/or that do not meet certain minimum rating levels.

Source: ABN AMRO Analysis

Sustainalytics, ISS and S&P as most preferred SPO providers by investor

Sustainalytics and ISS are the preferred SPO providers

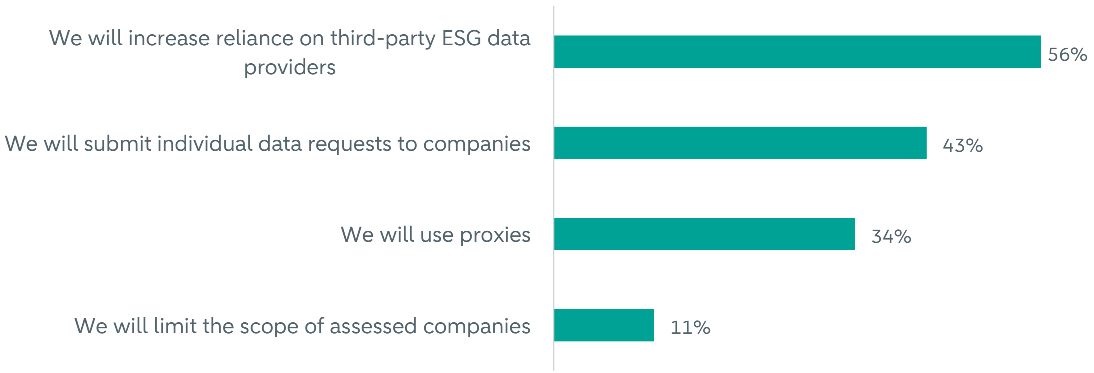
Q. Please indicate your preferred Second Party Opinion (SPO) providers for the assessment of ESG bonds.[2)]



- The share of respondents that indicate they do not have a preference when it comes to a Second Party Opinion (SPO) provider has been on a steady rise over the years, moving from 20% in 2023, to 24% in 2024 and 27% now.
- Of those that do have a preference, Sustainalytics and ISS ESG remain the preferred choice, widely accepted due to their strong reputations within the investment community. This is followed by S&P and MSCI, who have grown in preference over the last years. Meanwhile, there is a declining preference for Moody's.
- DNV is also steadily climbing the ranking, with 27% of investors selecting it as the preferred SPO provider, compared to 8% last year and 0% the year before that.
- ESMA registered audit firms are the least preferred SPO provider, likely reflecting the novelty around audit firms being able to provide SPOs.

Investors will rely on data providers to fill data gaps that arise from the Omnibus

Q. As the EU Omnibus proposals will likely reduce availability of ESG disclosures, how will you address the reduced data availability? (Multiple answers allowed)



- As the EU Omnibus proposal will reduce the availability of ESG disclosures, more than half of the respondents to our survey indicated that they will more strongly rely on third-party ESG data providers to address the reduced data availability.
- That is followed by 43% of the investors claiming they will rely on directly requesting the missing data to companies.
- 34% indicated that they will rely on proxies, followed by only a small minority of 11% claiming that they will limit the scope of assessed companies.

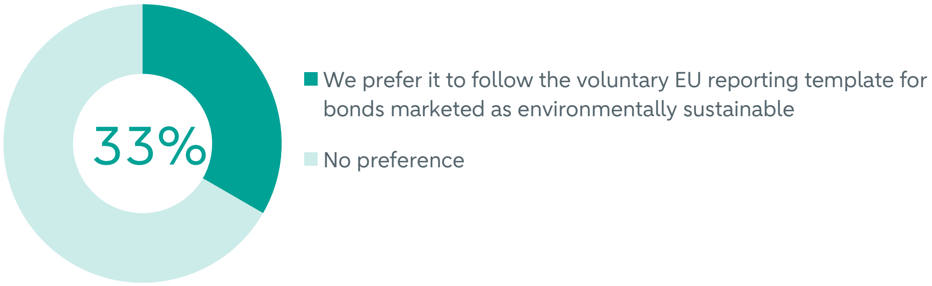
1) Figures on the right-hand side of the chart indicate the weighted average
2) Arrow indicates change vs. last year's survey
3) No data from 2024 available
Source: ABN AMRO Analysis

3 “Use of Proceed” ESG bonds

Investors have clear expectations in terms of green bond reporting, but have not yet embraced the voluntary EU reporting templates

Investors prefer bond-by-bond reports, published annually until bond maturity that follow the ICMA Harmonized Framework

Q. What is your preference with regards to impact and allocation reporting of "use of proceeds" ESG labelled bonds?



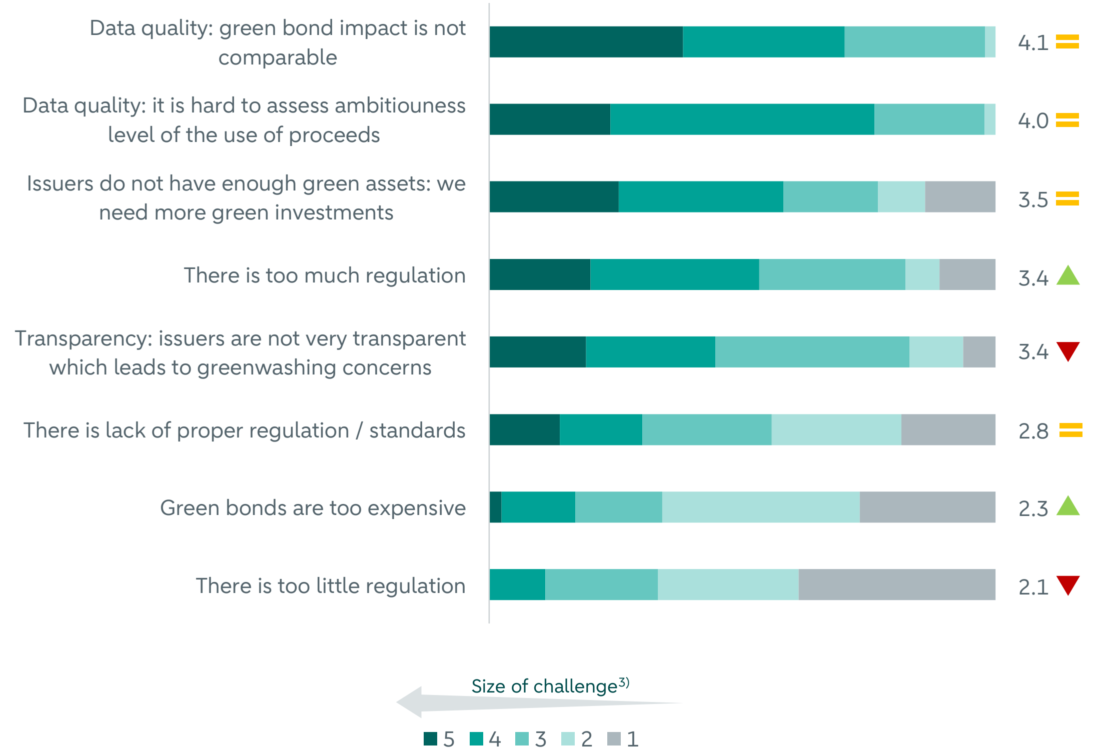
- Investors have historically favoured detailed bond-by-bond reporting over the more common portfolio basis reporting in “use of proceed” allocation reports.
- Similarly, when asked about annual reporting, more than 60% of the respondents indicate that they have a preference towards annual reporting until bond maturity.
- An increasing share of investors prefer issuers to do post-issuance reporting aligned with the ICMA Harmonised Framework, up to 54% this year compared to 44% last year.
- Finally, only one third of investors have indicated that they would like issuers to make use of the voluntary EU reporting templates for bonds marketed as environmentally sustainable. The small share could be a result of the EU having only disclosed templates for post-issuance disclosure, but not yet for pre-issuance[1]. Furthermore, these templates are relatively new and therefore likely less known by investors, particularly when in comparison to more well-established frameworks, such as the ICMA Handbook for Harmonized Impact Reporting.

1) Expectations were for a draft to be released by Q2 2025.
Source: ABN AMRO Analysis

Data quality remains the main issue preventing the growth of the green bond market

Data quality and lack of comparability are still biggest challenges for green bonds

Q. What are, for you, still the biggest challenges in the green bond market?[1,2)]



- Our survey indicates that most of the respondents currently view the lack of comparability of green bond impact as one of the biggest barriers harming the growth of the green bond market. Next to that, the difficulty in assessing the ambitiousness of use of proceeds (UoP) has been selected by a large share of investors as either the first or the second biggest barrier for the market. Both factors indicate that data quality remains the biggest issue within the green bond market. These findings are aligned with last year's survey.
- In addition, the lack of green assets/investments has been mentioned by respondents as one of the top three barrier to the growth of the green bond market. This has steadily ranked as top three barrier over the last years.
- Data issues and lack of green assets/investments remain among the top 3 barriers selected by investors, similar to last year's survey.
- Interestingly, the lack of transparency and consequently greenwashing concerns are less of an issue for investors compared to last year. That also ties to the fact that less investors perceive that the green bond market has "too little regulation". In fact, more investors now view increasing regulation as a barrier. As such, while regulation might have assisted with reducing transparency issues, it also resulted in investors now feeling that it has become excessive.
- In comparison to last year's survey, the share of investors that judge that the amount of current regulation as being "too much" has increased. This could be attributed to the implementation of the EU GBS in 2025.
- Alongside a decrease in the number of investors accepting a greenium, as shown on page 21, we see that more investors now view green bonds pricing as a barrier to the market, in comparison to last year.

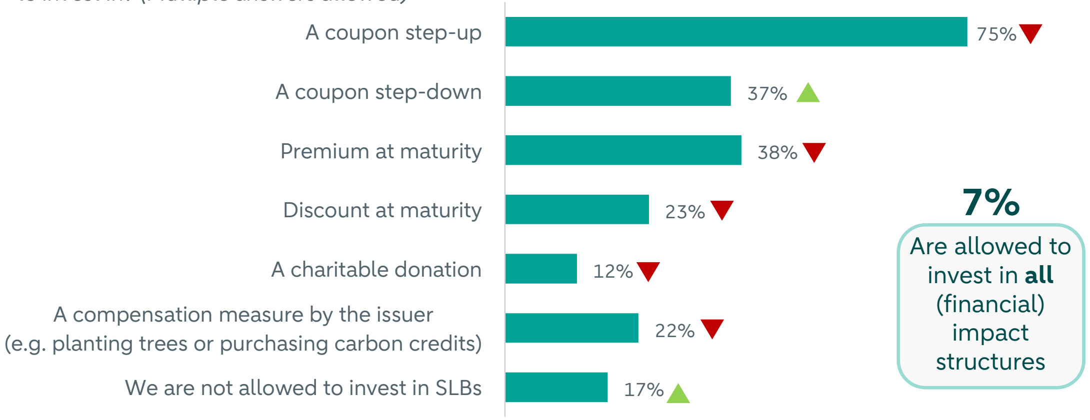
1) Figures on the right-hand side of the chart indicate the weighted average
2) Arrow indicates change in position vs. last year's survey. If no arrow = not an option in last year's survey
3) A smaller number indicates a bigger / more significant challenge
Source: ABN AMRO Analysis

4 Sustainability-Linked Bonds (SLB)

Investors still want coupon step-ups, but with no standardized size

Most investors are still only allowed to buy SLBs with coupon step-up

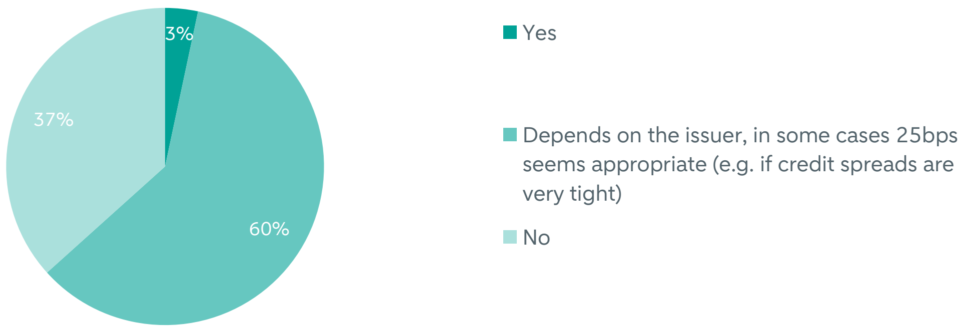
Q. When considering SLBs, which (financial) impact linked to the bond would your institution be allowed to invest in? (Multiple answers allowed)[1)]



- Our survey indicates that most investors (75%) are allowed to invest in SLBs with coupon step-up structures, while 37% indicate they can invest in SLBs linked to coupon step-downs and 38% in those offering a premium at bond maturity.
- The share of investors open to options beyond only coupon step-ups has risen. Last year, 30% of the respondents indicated they were *exclusively* allowed to invest in SLBs with coupon step-ups, compared to 25% now.
- Only a minority of 7% is indifferent regarding the financial impact structure of the SLB, as their institution does not have any investment restriction.

Most investors are flexible in terms of the size of the coupon step-up

Q. Do you still think that the "standard" 25bps coupon step-up is still sufficient and deemed as financially material?



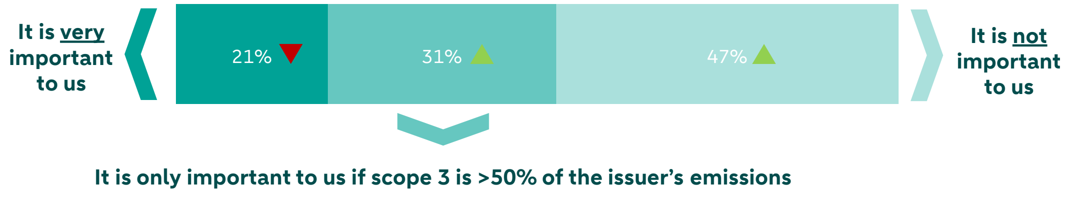
- Over 60% of respondents are now flexible on the size of the coupon step-up, noting that the "standard" 25bps can be sufficient depending on the issuer (vs. 37% in 2024).
- This marks a shift from last year, when half of the respondents deemed the 25bps step-up as not financially material due to rising rates. The shift likely reflects the recent decline in rates. Nonetheless, 37% of respondents still consider the 25bps step-up insufficient in the current environment.

1) Arrows indicate if the share has increased or decreased vs last year
Source: ABN AMRO Analysis

No clear consensus whether targets should include scope 3 emissions; SLB less suitable for sectors with limited share of green assets, but in transition

Still no consensus around the importance of including scope 3 emissions in targets

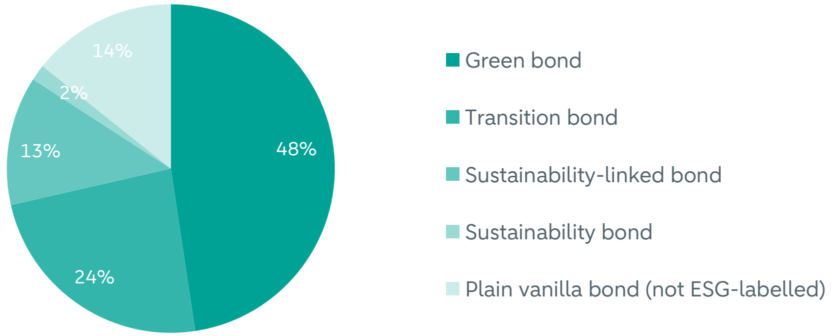
Q. How important is it that scope 3 GHG emissions are included in the SLB's KPIs? 1)



- Nearly half of the investors perceive scope 3 included in KPIs to not be so important (47%), followed by 31% saying it is only important if it represents a significant amount of the issuer's emissions. The latter represents a small increase in comparison to last year's survey, whereby 28% of the respondents indicated scope 3 in KPIs is only relevant if it represents more than 50% of the issuer's emissions.
- Only 21% of respondents express their preference for having scope 3 emissions included in KPIs, regardless of the share they represent in the issuer's total emissions. This marks a decrease from the 31% who considered it very important in last year's survey.

Investors encourage high emitting companies to make use of the green bond label

Q. For a company operating in a high-carbon emitting sector or possessing a high-carbon emitting footprint, which ESG instrument do you consider most appropriate for issuance?



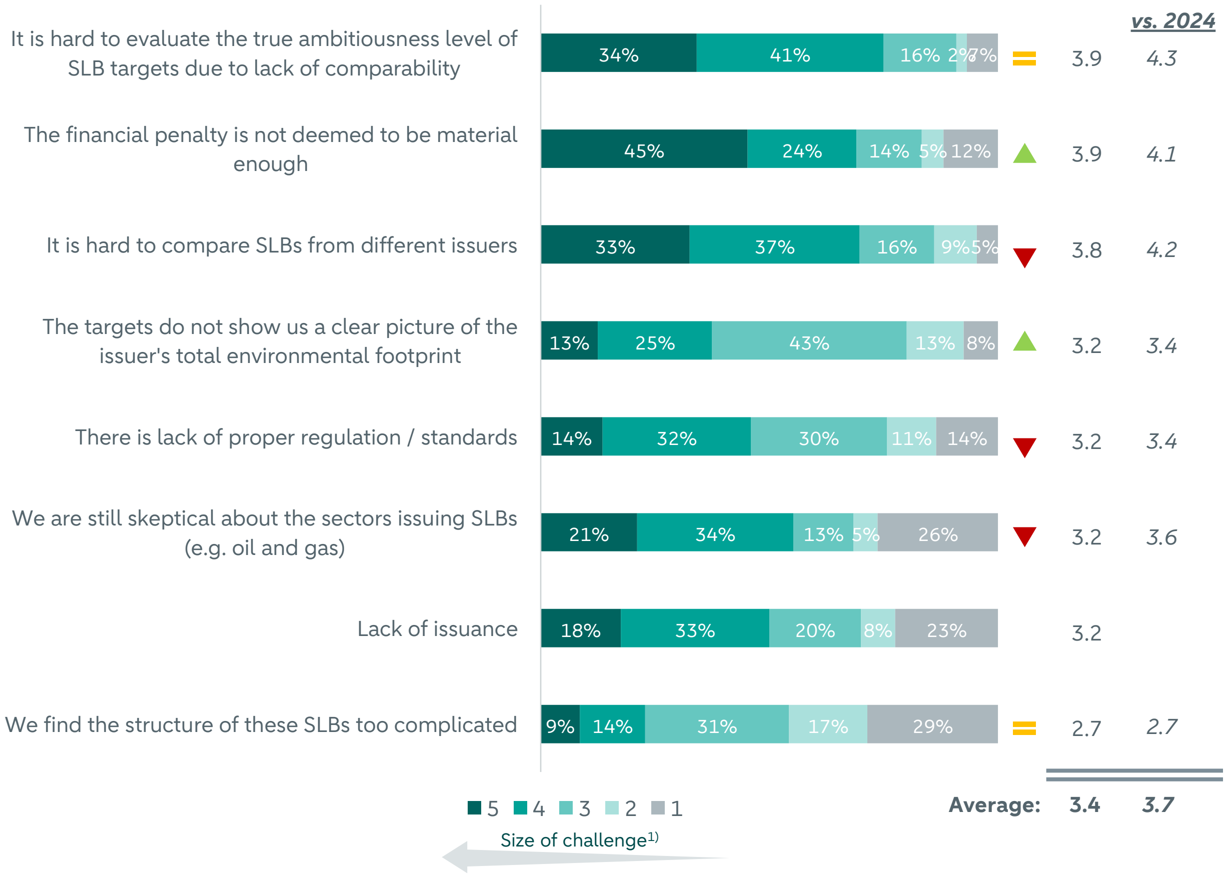
- Nearly half of the respondents indicate that they support issuers to make use of the green bond label if the company is operating in a high-carbon emitting sector or has a high-carbon emitting footprint. This is followed by 24% indicating that a transition bond would be most appropriate and 13% indicating the SLB as most appropriate. The strong support for a use-of-proceed instrument could indicate that the EU Commission has been successful in promoting the adoption of the EU Taxonomy and the EU GBS for transition investments.
- In a comparative basis, the share of respondents that selected SLB as an appropriate instrument in this case has reduced sharply vs last year, from nearly 43% to 13% now.
- In line with previous surveys, only a small minority of 14% indicates that high emitting companies or companies operating in a high-carbon emitting sector should not use an ESG instrument but rather rely on plain vanilla instruments.

1) Arrows indicate if the share has increased or decreased vs last year
Source: ABN AMRO Analysis

Assessing comparability and ambition of targets still seen as the main challenge for the SLB market

Investors see the challenges in the SLB market as less significant compared to 2024

Q. What are, for you, still the biggest challenges in the Sustainability-Linked bond (SLB) market? [2]



- Our survey indicates that the biggest barrier to the growth of the Sustainability-Linked Bond (SLB) market remains the structure of these instruments. Most respondents cite that it is still very hard to evaluate the ambitiousness of SLB KPIs, which makes it hard for them to judge whether issuers are as strongly committed to ESG as they claim. That is even though most instruments receive a Second-Party Opinion (SPO) from an independent party. This brings into question to what extent investors find these (SPO) assessments truly reliable, and what the true value-added of an SPO for an SLB is.
- In comparison to last year's survey, the lack of materiality of the SLB financial penalty has become a more intrinsic issue, being voted as the 2nd largest challenge in the SLB market, from a weighted average perspective. As such, the issue related to investors perceiving that the step-up amount linked to the SLB (and triggered in case the issuer does not meet its pre-defined sustainability targets) is not material enough has become more pronounced.
- Interestingly, these results somehow contradict findings shown on page 17, where over 60% of respondents are now flexible on the size of the coupon step-up, while last year, half of the investors were unsatisfied with the "standard" 25bps coupon step-up.
- However, across all challenges, we identify a noticeable reduction in the weighted average, implying that investors are consistently seeing those challenges as less severe in comparison to previous years. That is a sign of a market that is maturing, with solutions having been found to deal with these challenges. At the same time, SLB issuance has been lagging previous years, which brings into question whether that is due to lower investor acceptance or just issuer-specific challenges.
- Furthermore, issues with targets that are not representative of the issuer's total environment footprint are also highly ranked as one of the biggest challenges in the SLB market. That also ties to results show on page 18, where 47% of the investors mention scope 3 as not being relevant in KPIs, against 53% saying there might be some relevance on it.
- Overall, investors indicate that the biggest challenge for the development of the SLB market is the structural characteristics of these instruments, rather than concerns about the market overall lack of issuance and/or regulation.

1) Figures on the right-hand side of the chart indicate the weighted average
2) Arrow indicates change in position vs. last year's survey. If no arrow = not an option in last year's survey
Source: ABN AMRO Analysis

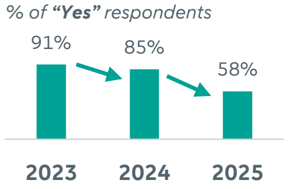
5 Greenium

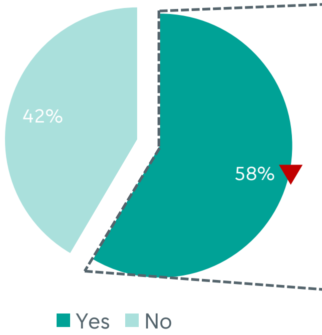
ABN·AMRO

Investors are less receptive to Greenium on ESG bonds

Respondents willing to accept a greenium has dropped significantly

Q. Are you willing to accept a greenium for ESG labelled bonds?



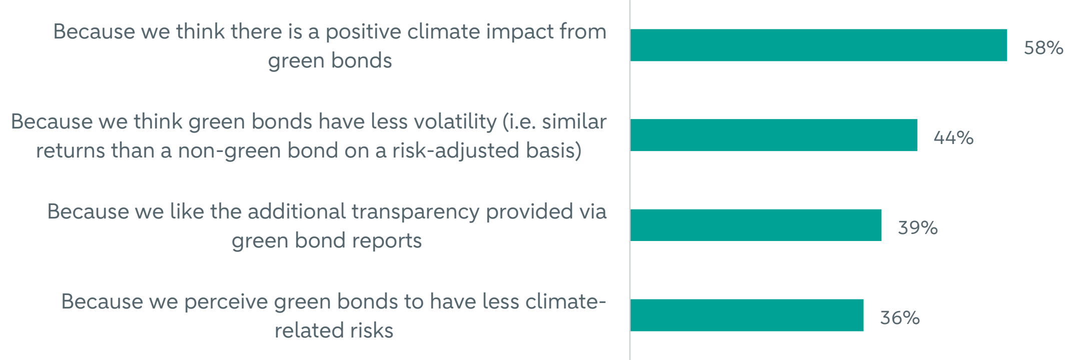


- 58% of the respondents indicate that they are willing to accept a greenium on ESG bonds, down from 85% last year and 91% the year before. That indicates an annual downward trend, implying perhaps that investors are becoming more sceptical about the higher cost involved in investing in green bonds. Alternatively, as this year's survey has lower participation of dedicated ESG investors (see page 5), one could also say that the greenium is less accepted by non-ESG dedicated investors (more on this below).
- From those respondents that indicate they are willing to accept a greenium, 58% said that they do so as they perceive green bonds to have a positive climate impact. That is followed by 44% saying that the greenium is justified given that green bonds provide a hedge against volatility.
- The share of respondents willing to accept a greenium increased from ca. 60% to around 75% if the green bonds issuer meets one of the following criteria : (i) is new to the green bond market, (ii) has a proven track record in reducing carbon emissions, or (iii) demonstrates potential for high ESG impact / emission reductions. The latter reinforces that the primary reason why investors accept a greenium is positive climate impact from green bonds.

Source: ABN AMRO Analysis

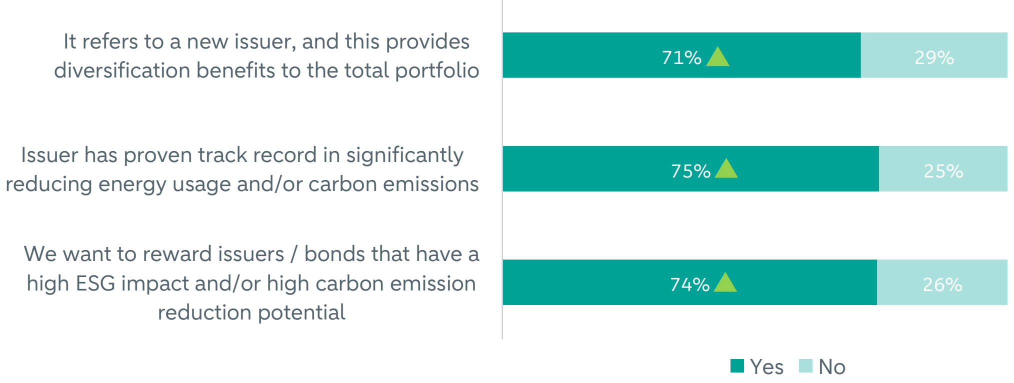
Most investors justify the greenium due to the positive climate impact of green bonds

Q. Why are you willing to accept a greenium? (Multiple answers allowed)



Most investors willing to accept a greenium under these scenarios

Q. Given the foreseeable market conditions (weak economic backdrop, continued tight monetary policy by central banks) would you be willing to accept a primary/secondary greenium in the following circumstances:

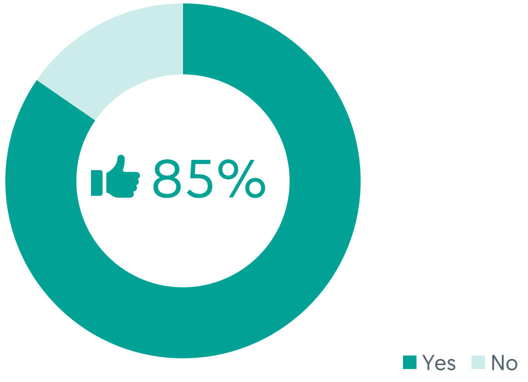


6 Regulation

Majority of ESG investors don't give preferential treatment to EU GBS and still require ICMA alignment

85% of investors require ICMA alignment on top of EU GBS Factsheet

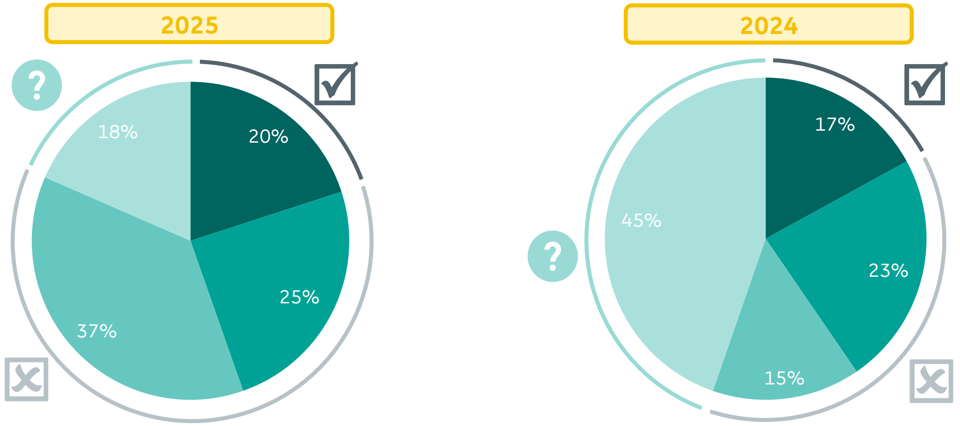
Q. Do you consider it important for European Green Bond issuances to also demonstrate alignment with the ICMA Principles? (e.g., as confirmed by an external reviewer or ICMA components included in the factsheet)?



- 85% of the respondents indicated that, on top of meeting the requirements for issuance of European Green Bonds (green bonds that align with the EU GBS), issuers should also demonstrate alignment with the ICMA Green Bond Principles.
- That highlights how the ICMA Principles remain a necessary pre-requirement for all green bond issuers, while the EU GBS seems to have mostly occupied the "nice to have" space (see chart on the right).

Most investors will not give preferential treatment to EU GB labelled bonds

Q. What is your approach to the EU Green Bond Standard (EU GBS)?



- Nearly 62% of the respondents do not give preferential treatment to bonds that align with the EU GBS ("EU GB labelled bonds").
- This highlights that most investors still see EU GBS alignment as a "nice to have", rather than a firm requirement when deciding to invest in green bonds.
- Nearly 40% has also not adjusted their internal analysis process to incorporate EU GBS requirements.
- 18% remain unsure on how to deal with EU GB labelled bonds, reflecting a "wait and see" approach due to the standard's novelty. However, However, this is a notable decrease from 45% last year.
- Only a minority of 20% said that they would prefer EU GB labelled bonds over purely "ICMA-aligned" green bonds.

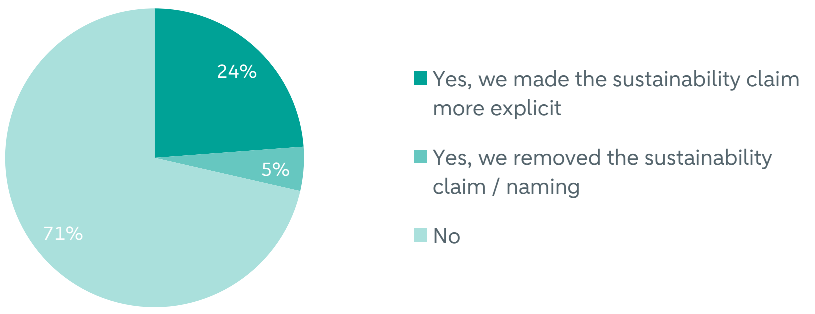
- We give preferential treatment to EU GB labelled bonds (i.e. we prefer to have bonds with this label in our portfolios)
- We incorporated some of the EU GBS requirements into our internal analysis, but we do not differentiate between EU GB labelled and regular green bonds
- We do not give any preferential treatment to EU GB labelled bonds and we did not change our internal analysis process
- We are not sure yet whether to give any preferential treatment to EU GB labelled bonds

Source: ABN AMRO Analysis

Majority of investors didn't rebrand funds due to the ESMA rules and are unsure about an increased flow towards ESG funds

Most respondents did not rebrand funds due to ESMA guidelines

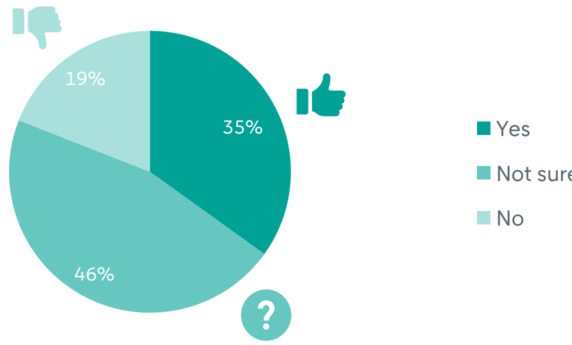
Q. In the last 12 months, have you changed the name (or strategy) of your ESG funds due to the ESMA guidelines?



- Last year, ESMA published the final version of its guidelines on funds' names using ESG or sustainability-related terms. The report established that "if a fund has any ESG-related words in its name, a minimum proportion of 80% of its investments should be used to meet the sustainable investment objectives [of the fund]".
- That led to some funds deciding to change either the name (or the strategy) of their fund in order to meet the new ESMA requirements. Funds had until May this year to comply with these requirements.
- The majority of our survey's respondents (71%) did not have to rebrand their ESG funds in response to the new guidelines.
- However, almost a quarter of respondents had to make the sustainability claim of their ESG funds more explicit to remain compliant with ESMA rules. Moreover, a minority of 5% actually removed the sustainability claim/naming of the fund.

35% expect to see more inflows into ESG funds versus conventional funds

Q. In the next 6 months, do you expect to see more inflows into your dedicated ESG funds over your conventional funds?



- An important contributor to the demand for ESG bonds is the inflows into dedicated ESG funds over conventional funds. However, almost half of the respondents to our survey (46%) are unsure on whether they expect to see more inflows over the next 6 months towards ESG funds.
- Nonetheless, 35% of investors indicate that they do expect to see a higher inflow in the coming months. That is slightly higher than last year, where only 29% expected higher inflows.
- On the other hand, a slightly smaller number of investors (19%) do not expect higher inflows towards their dedicated ESG funds, in line with last year.

Source: ABN AMRO Analysis

Get in touch!

The ESG survey is a collaboration across Financial Markets Research and Sustainable Markets (DCM)

Sustainable Markets team

Dick Ligthart
Director
dick.ligthart@nl.abnamro.com

Flora Mile
Senior Associate
flora.mile@nl.abnamro.com

Financial Markets Research

Larissa de Barros Fritz
Senior Fixed Income Strategist
larissa.de.barros.fritz@nl.abnamro.com

Filipa Tomás
Associate
filipa.de.carvalho.tomas@nl.abnamro.com

ABN·AMRO

Disclaimer

This presentation has been prepared by ABN AMRO Bank N.V. ("**ABN AMRO**") exclusively for the benefit and internal use of you to serve for discussion purposes only. This presentation is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by ABN AMRO. This presentation is proprietary to ABN AMRO and may not be disclosed to any third party or used for any other purpose without the prior written consent of ABN AMRO.

The information in this presentation reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. ABN AMRO's opinions and estimates constitute ABN AMRO's judgement and should be regarded as indicative, preliminary and for illustrative purposes only. In preparing this presentation, we have relied upon and assumed, without independent verification thereof, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of you, if any, or which was otherwise reviewed by us.

No representation or warranty express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by ABN AMRO (or any of its respective directors, officers, employees, advisers, agents, representatives and consultants) as to or in relation to, the accuracy or completeness of this presentation or any further written or oral information made available to you or your advisers. ABN AMRO expressly disclaims any and all liability which may be based on the information contained in this presentation, errors therein or omissions there from. In particular, no representation or warranty is given as to the accuracy of any information (financial or otherwise) contained herein, or as to the achievement or reasonableness of any forecasts, projections, management targets, prospects or returns. In addition, our analyses are not and do not purport to be appraisals of the assets, stock or business of the company. Even when this presentation contains a type of appraisal, it should be considered preliminary, suitable only for the purpose described herein and not to be disclosed or otherwise used without the prior written consent of ABN AMRO. The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects. ABN AMRO makes no representations as to the actual value which may be received in connection with a transaction nor the legal, tax or accounting effects of consummating a transaction.

This presentation does not constitute a commitment by ABN AMRO to underwrite, subscribe for or place any securities or to extend or arrange credit or to provide any other services. This presentation has not been registered or approved in any jurisdiction.