

RBI Sustainable Finance Survey Results

Shining a Light on Organisations' ESG targets, Processes and Financial Flows

June 2021

Raiffeisen Bank International

A Sustainable Bank for Sustainable Clients



RBI held a Sustainable Finance Survey in May 2021 to shine a light on how the rapidly changing ESG environment impacts organisations in the CEE/SEE/CIS region along with asset managers who invest into it. RBI is committed to promoting environmentally friendly technologies and is a pioneer in sustainable banking in Austria, Germany, CEE and beyond.

Signatory of:



PRINCIPLES FOR
RESPONSIBLE
BANKING

RBI is the first Austrian banking group committing to the UN Principles for Responsible Banking



RBI Group ranks No.1, both in terms of No. of transactions & volume, as Sustainable Bond Bookrunner in its home countries (Austria + CEE) in H1 2021*

RBI is the largest Austrian issuer of green bonds. Sustainable Finance knowledge is provided by an ESG Competence Centre which spans RBI's network and provides sustainable finance expertise across CEE.

RBI Group Capital Markets provides a full ESG product offering, including ESG-linked derivatives as well as helping clients achieve their ESG objectives through ESG-engagement and analysis.

Raiffeisen Research was one of the first research houses to develop its own ESG scoring model. It provides comprehensive ESG coverage including a separate ESG analysis section within single company coverage.



As a leading provider of sustainable investment solutions Raiffeisen Capital Management is committed to comprehensive, substantial and integral sustainability.



As a pioneer in the field of structured products, RCB is committed to sustainability. For us, this means that both the issuer and the underlying asset should be valued according to objective and transparent criteria.

* Source: RBI, Bloomberg, Bloomberg League Tables, Region: Eastern Europe and Austria, Instrument: Green / Social / Sustainable Bonds, Period: 2020 & 2021 YTD. ²

RBI Sustainability Survey - Facts

Target



Define the state of play of Sustainable Finance in the CEE/SEE/CIS region and its future direction

Data collection style



Online Questionnaire

Target population



- Asset Managers that are based in/invest into CEE/SEE
- Banks (CEE/SEE)
- Corporates
- Sovereigns

Sample size



340 Responses in total: 85 asset managers, 72 banks, 10 sovereigns
173 Corporates: 106 CEE/SEE non-EU, 61 EU-CEE/SEE

Fieldwork



May 2021

Survey leaders

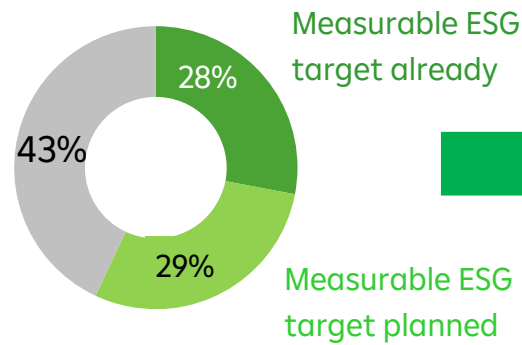


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Sustainability is rapidly gaining importance across CEE/SEE

RBI Sustainable Finance Survey results

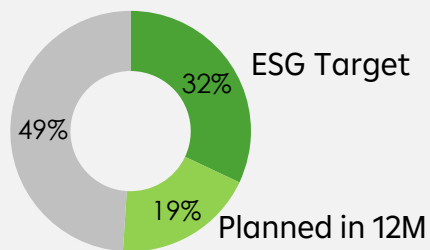
**340
respondents
from CEE/SEE**



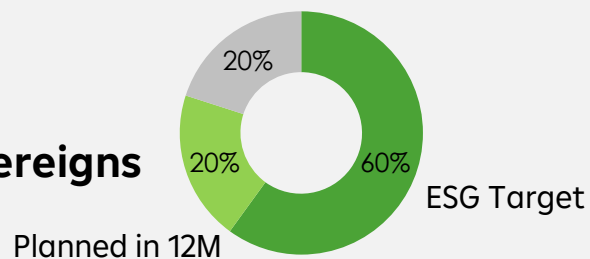
**Institutions' ESG targets
define their internal
processes, third party
needs and ESG related
financial flows**

Issuer measurable ESG targets

Corporates

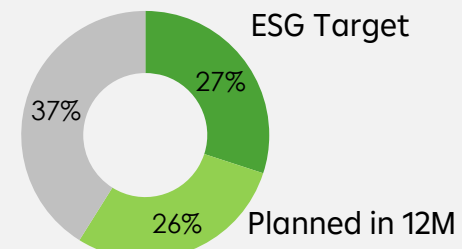


Sovereigns

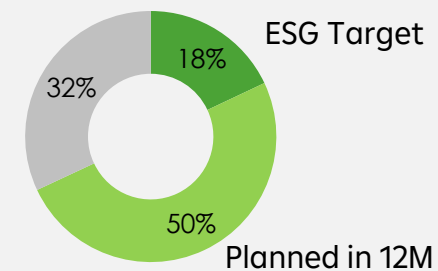


Investor & bank measurable targets

Asset managers



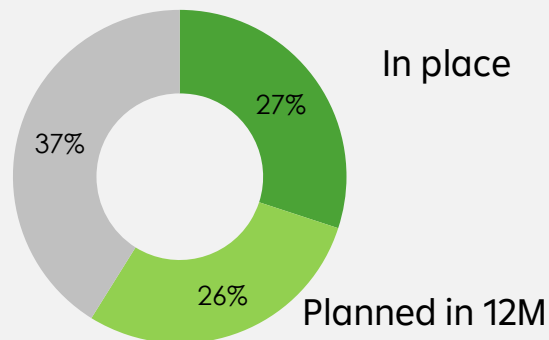
Banks



Key Findings from an Asset Manager Perspective

Asset manager (invests into, or is based in CEE/SEE)

Do you have measurable ESG Targets in place?



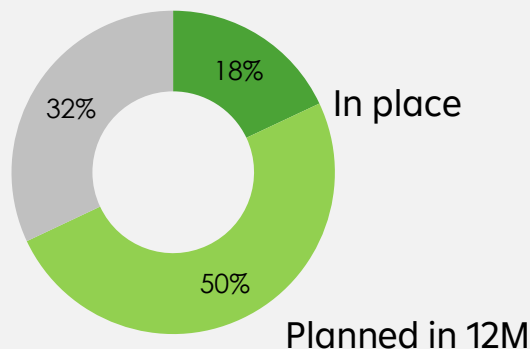
- **Targets:** Asset managers (AM) are focused on implementing measurable sustainability targets: Collectively circa 60% of AM either already have a measurable target, or plan one. Fewer AM located in CEE/SEE have set sustainability targets than EU-WE.
- **ESG mandates:** AM with targets have a significantly higher share of ESG mandates and expect significant further increases in ESG mandates. >80% of funds run by respondents with targets are expected to be under ESG mandates by end 2022. CEE/SEE have a lower share of ESG mandates but also expect rapid growth.
- **ESG scoring:** AM that already have a target most often use proprietary ESG scores, whilst those considering targets are split between proprietary and third-party scores..
- **ESG scoring implications:** >50% have a minimum ESG score below which they don't invest, whilst 50% of AM's scores impact portfolio weights. Circa 50% have investment processes that give a portfolio weight uplift to green/social bonds, though >50% don't adjust for income levels
- **ESG fund flows:** Regulation + end investor ethical demand are perceived as key drivers of ESG inflows, rather than risk/return. AM with targets expect % inflows to be strongest in dark-green funds, whilst those considering targets in light green. EM HY and EM local currency are consistently ranked across regions as the most difficult asset classes to source "dark green" assets in.
- **Transition:** Current ESG investing frameworks are not considered well suited to facilitating environmental transition. Clear environmental targets, harmonised transition bond frameworks and incentives from supranationals are considered helpful to support "brown" to "green" transition.

Detailed asset manager results start on page 16

Key Findings from a CEE/SEE Bank Perspective

CEE/SEE Bank

Do you have measurable ESG Targets in place?



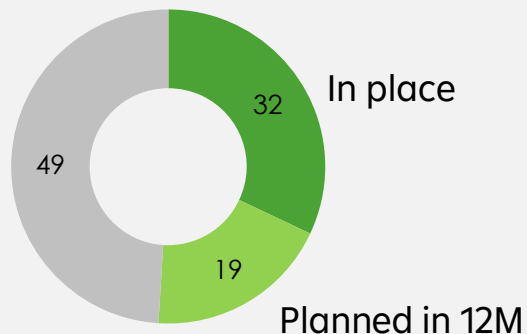
- **Target preparations:** A lower proportion of CEE/SEE banks have measurable sustainability targets in place than other sectors, but 50% of survey respondents say their bank is considering implementing a target in the coming 12 months.
- **Obstacles:** Banks with (or considering) targets were considerably more likely to cite "ability to model/predict key ESG indicators for the long-term" as an obstacle to achieving their targets than those without targets. ESG data availability from clients and lack of a global taxonomy were the second and third most frequently cited target obstacles overall.
- **ESG scoring:** Banks that do not have measurable sustainability targets were much less likely to use ESG scoring, whilst banks which already have (or are considering) a target were more likely to use proprietary scoring (though the sub-sample size is small here).
- **Credit risk decisions:** Banks which already have targets are more likely to incorporate ESG into credit risk decisions by evaluating the decision's contribution to overall ESG targets.
- **Issuance:** Around 1/4 of banks considering implementing targets in the coming 12M are considering issuing ESG related debt, whilst more than 50% of those already with targets in place are considering issuing ESG related debt

Detailed bank results
start on
page 34

Key Findings from a Corporate Perspective

Corporate

Do you have measurable ESG Targets in place?



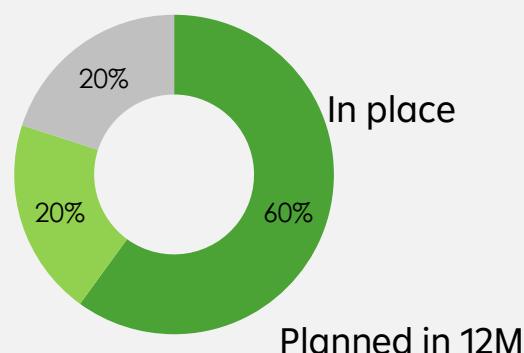
- **Targets:** 32 % of Corporates have at least one measurable sustainability target, with automobiles, pharma, agriculture, food & beverages and consumer durables sectors having the highest share of companies with targets.
- **Region:** EU countries in CEE/SEE are currently more likely to have measurable ESG targets than non-EU CEE/SEE (39% v 27%)
- **ESG Projects:** 50 % of corporates plan major ESG projects in the coming 12 months with energy, retail and materials sectors having the most ambitious plans.
- **Support:** Corporates most often cited "support with ESG finance" when asked how banks could support their ESG objectives, with ESG data in second place for non-EU corporates and ESG regulatory support for EU-CEE/SEE companies.
- **ESG financing:** Companies with (or considering) ESG targets are 2-times more likely to consider ESG financing within the next 12 months than those without targets. Only slightly above 10 % of respondents already have an ESG rating in place, but a clear trend towards increased ESG financing, with green loan and green bonds in particular focus.
- **"Brown" to "green" transition:** Companies already with measurable sustainability targets in place perceive the "market mechanism" (i.e. cheaper financing for companies that transform) could support transition, with regulatory relief the second most popular response.

Detailed Corporate
results start on
Page 41

Key Findings from a CEE/SEE Sovereign Perspective

Sovereign

Do you have measurable ESG Targets in place?



- **EU:** 50% of sovereign responses were from CEE/SEE EU members and 50% non-EU CEE/SEE/CIS.
- **Target:** 6 out of 10 of the sovereign respondents have a green house gas emissions target, whilst 2/10 are considering one.
- **Issuance:** Sovereigns' perceived likelihood of issuing ESG related financing in the next 12M was polarized, with only a low correlation with measurable targets. 3 sovereigns gave a relatively high likelihood of issuing ESG related debt (7 out of 10), one a likelihood of 5 out of 10 and the others a likelihood of 2 or lower.

- **ESG financing type:** Green bonds were the number one choice for those sovereigns that already had measurable sustainability targets in place. Only 1 sovereign has issued or will issue ESG local currency ESG related debt whilst 1 other sovereign is considering local currency issuance.
- **Obstacles to achieving targets:** Sovereigns with targets cite human resource constraints, costs and technology as obstacles to achieving measurable targets.
- **Bank support to ESG goals:** Sovereigns with targets put slightly more emphasis on banks supporting them with investor engagement, with the second most frequent responses ESG financial and regulatory advisory
- **Sustainability-linked debt:** Sovereigns that already have targets put a higher weight on financing cost and broadening issuance from use-of-proceeds issues as factors that could motivate sustainability-linked debt issues.

Detailed sovereign results start on page 57

Reforestation Project in Dross, Waldviertel, Austria. RBI paid for a tree for every Sustainable Finance Survey response



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Asset Manager and Bank Survey Response Summary

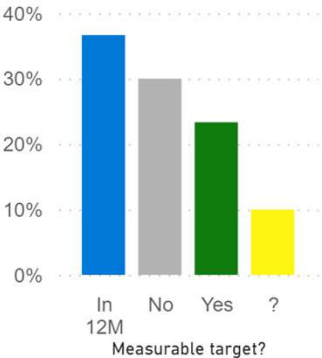
Asset Manager & Bank Summary: Targets & Obstacles

Survey Highlights1

Asset managers excluding insurers

Measurable targets

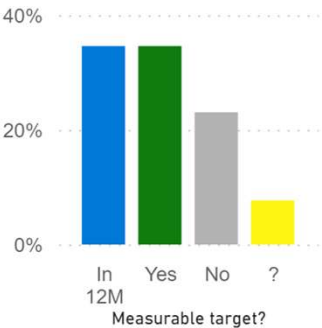
Asset managers ex insurance



A minority of surveyed **asset managers** (ex insurers) have already established **measurable** sustainability targets across all regions, but: (i) **regional differentiation** is significant. (ii) A high number of surveyed assets managers **plan to implement** measurable sustainability targets in the coming 12 months.

Insurers

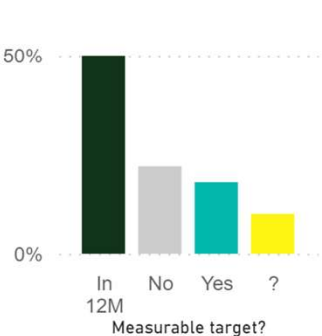
Measurable target: Insurers



A higher proportion of surveyed **insurers** have already implemented measurable sustainability targets and taken together **70%** either **currently** have targets or **plan to implement** them in the next 12 months (compared to 60% for AM ex insurers). One caveat is the sample size is smaller and geographically more concentrated for insurer respondents.

Banks

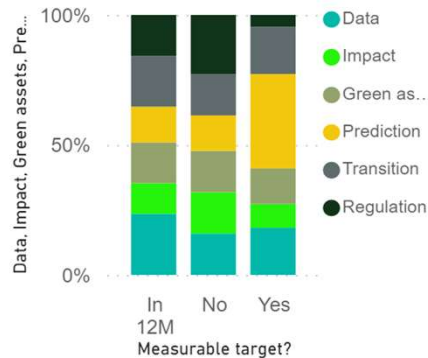
Measurable target: Banks



Surveyed **banks** had a slightly lower portion of respondents who already had measurable sustainability targets, but the highest proportion of those considering implementing targets in the coming 12 months, seeing a cumulative 68% either with a target or planning one.

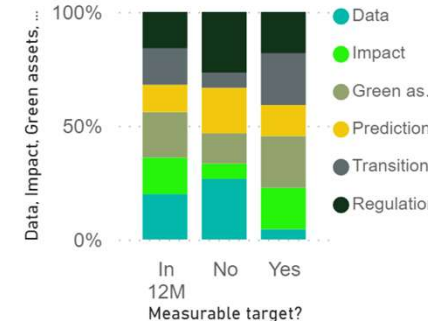
Obstacles to achieving targets

Obstacles: Asset managers, ex ins



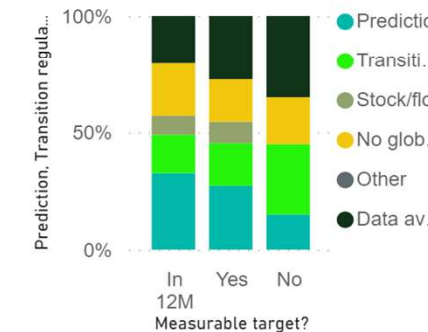
Asset managers (excluding insurers) who already have measurable sustainability targets were significantly **more likely to cite "tools to predict long-term environmental implications from different company or sovereign actions"** as an obstacle to meeting their targets. Asset managers who are considering implementing a target in the next 12 months most often cited **"lack of timely data to track sustainability goals."** Lack of **"dark green"** or **"too few transition"** assets had relatively common response rates across target readiness levels.

Obstacles: Insurers



Insurers with targets were most likely to cite lack of **"dark green"** (23%) or **"transition assets"** (also 23%) as obstacles to achieving their measurable targets, whilst those considering targets in the next 12 months had relatively equal response rates across obstacles.

Obstacles: Banks



Banks with targets or considering targets within the next 12 months were considerably more likely to cite **"ability to model/predict key ESG indicators for the long-term"** than those without targets, whilst client data availability was considered a bigger topic for banks without targets than those with.

Asset Manager & Bank Summary: Frameworks & Tools

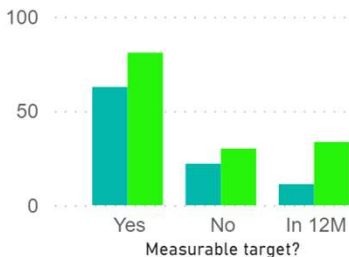
Survey Highlights

Asset managers excluding insurers

ESG frameworks

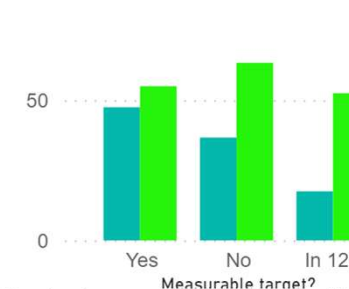
Avg ESG-integration+impact % of funds

● Avg end 2020 ● Avg end 2022



Avg ESG integration+ impact % funds

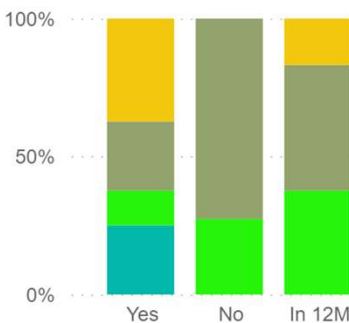
● Avg end 2020 ● Avg end 2022



Insurers

Plans to set up a green/social bond framework in 12M

● In place ● Likely ● Not likely



Banks

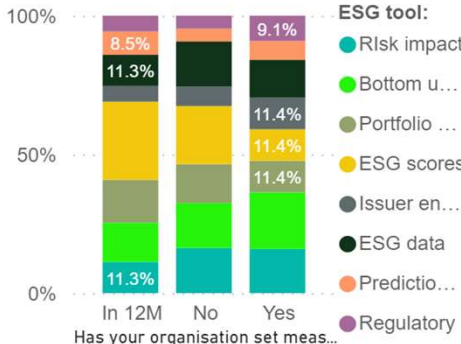
Asset managers (ex insurers) that already have in place measurable sustainability targets have a higher % of funds managed under ESG or sustainable/impact mandates and expect the portion of such mandates to rise a further circa 20pct to 80% of total by end 2022. In short, the greater the number of AM targets implemented the more profound the impact on patterns of demand for assets.

Insurers with measurable targets currently in place are also those with the highest share of ESG assets currently under management, though end 2022 ESG % of total fund expectations are relatively similar across all ESG target readiness levels (possibly related to the smaller sample size).

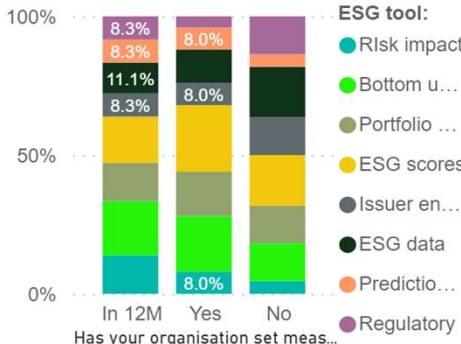
Banks with measurable ESG targets already in place are more likely to have an **ESG bond framework** already in place or consider it likely or very likely to do so in the coming 12 months (75% of total), whilst only 50% of banks considering implementing measurable targets perceive it likely or very likely to implement a framework in the coming 12 months.

Tools to achieve targets

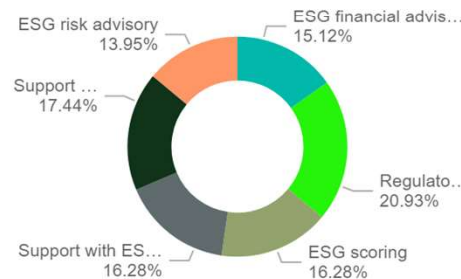
Sell-side ESG inputs: Split by AM target



Sell-side ESG inputs: Split by insurer target



Third party ESG inputs: banks



Asset managers responses to what sell-side inputs are best able to support investor's ESG investment processes were relatively evenly spread, but "bottom-up ESG news/analytics" was a clear favourite for funds considering measurable targets in the coming 12M. Regional differences are significant with ESG scoring the most popular CEE-EU input, but in EU-WE "tools and analysis to support long-term environmental scenarios" came a close second to "ESG portfolio analysis".

Insurers put the highest weight on sell-side ESG scores in terms of third party inputs (for those insurers already with targets in place), whilst ESG data was considered alongside this in joint first place for insurers considering implementing targets.

Bank responses to what third-party inputs are best able to support ESG objectives were relatively evenly spread too, with regulatory advisory in first place (considerably higher ranked than for asset managers)

Asset Manager & Bank Summary: ESG Scoring

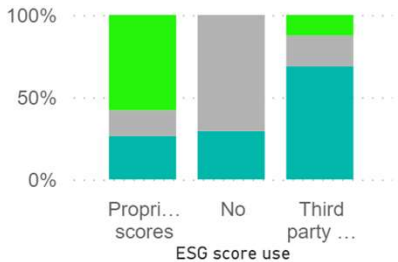
Survey Highlights

Asset managers excluding insurers

ESG scoring

Avg ESG-integration+impact % of funds

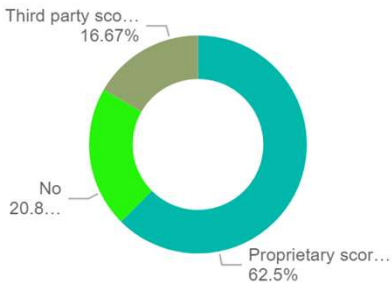
● In 12M ● No ● Yes



Asset managers (ex insurance) that principally use **proprietary ESG scoring processes** were nearly 60% made up of those already with targets, whilst nearly 70% of those using third party scores were considering implementing measurable sustainability targets in the coming 12 months.

Insurers

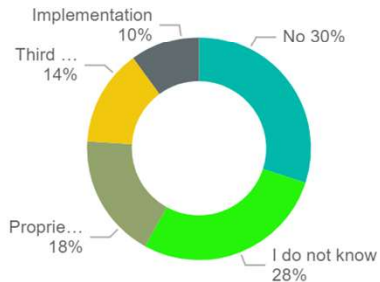
Avg ESG-integration+impact % of funds



More than 60% of surveyed insurance companies use proprietary ESG scores

Banks

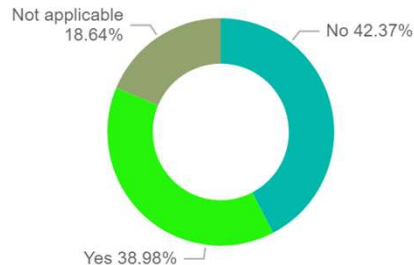
ESG scoring for credit appraisal?



The split of usage between third party and proprietary scoring is relatively balanced for **banks**.

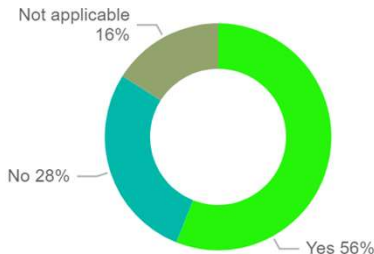
ESG scoring details

Minimum ESG score threshold, below which do not invest:
Asset manager



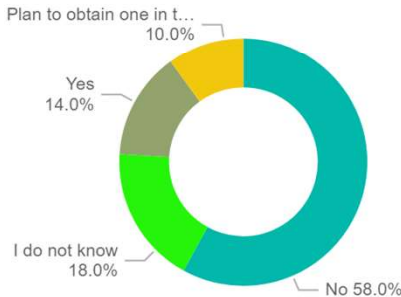
Circa 40% of **asset managers (ex insurers)** have a minimum ESG score threshold below which they don't invest.

Minimum ESG score threshold, below which do not invest:
Insurer



A higher proportion of insurers have ESG score thresholds below which they do not invest

Does your bank have an ESG rating?



Only a low percentage of **bank** respondents had an ESG rating (EU-WE), whilst the majority did not (mainly CEE/SEE)

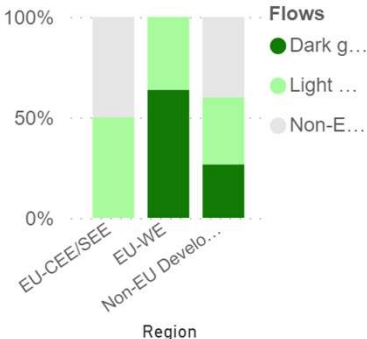
Asset Manager & Bank Summary: Flows

Survey Highlights

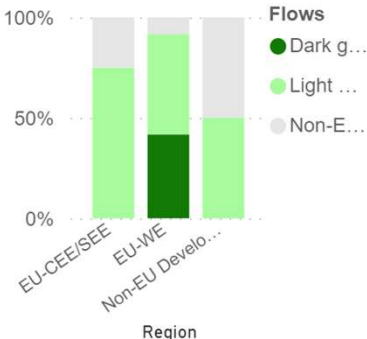
Asset managers excluding insurers

ESG related flows

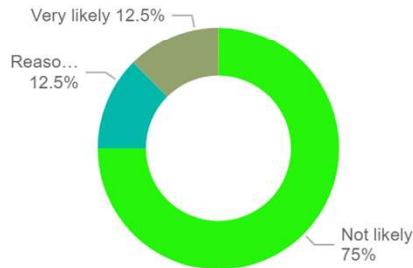
Expected flows next 12M: AM



Expected flows next 12M: Insurance



Issue an ESG related bond



Banks

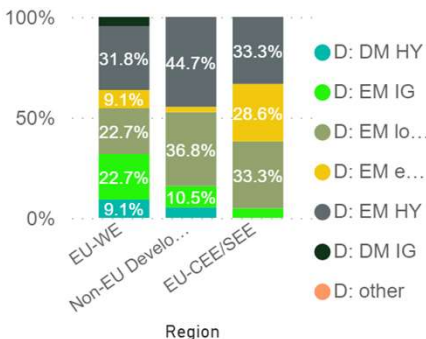
Regional variation with respect to the expected mix of fund flows is significant with EU-WE asset managers (ex insurance) expecting significant further % increases in dark green fund inflows, whilst EU-CEE/SEE and Non-EU developed showing larger inflows into light green funds

Insurers have a similar regional split to asset managers, with EU-CEE/SEE located expecting light-green inflows, but EU-WE a greater portion of dark green

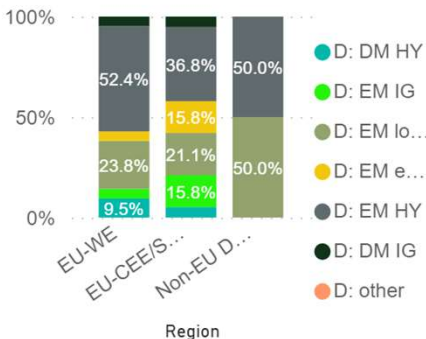
Around 1/4 of banks considering implementing a measurable target in the coming 12M were considering issuing ESG related debt issuance.

ESG assets

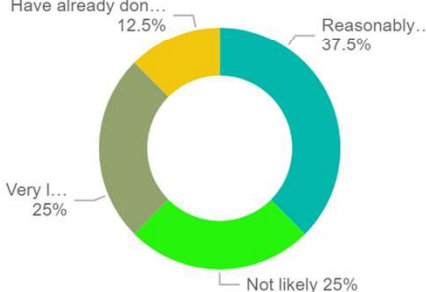
Difficulty sourcing ESG assets: AM



Difficulty sourcing ESG assets: Insurance



Issue an ESG related bond



EM HY is consistently ranked across regions as the most difficult asset class to source "dark green" assets.

EM local currency is also seen as difficult to source "dark green" assets in especially for non-EU developed markets (dominated by UK and US investors where local currency EM demand tends to be high).

EM HY is ranked across regions as the most difficult asset class to source "dark green" assets for insurers.

More than 50% of banks with measurable targets already in place were very or reasonably likely to issue an ESG bond in the coming 12M (though the sample size is small, warranting caution)

Asset Manager Responses

Asset Manager: Investment Mandate

Asset manager question (AM): Please specify your main investment mandate type (more than one answer possible)

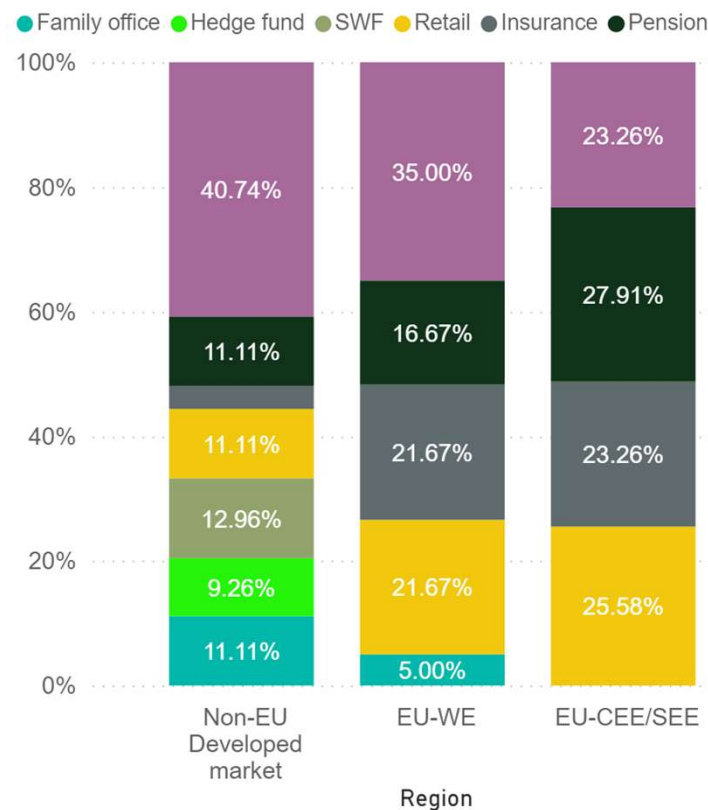
- Survey respondents were broadly distributed across investor mandates, with **institutional mandates** the largest respondent group in developed markets and **pension mandates** the largest in EU-CEE.

- **Insurance mandates** were well represented in EU-WE and EU-CEE/SEE regions, with **retail** mandates also showing high response rates in EU-WE and EU-CEE/SEE.

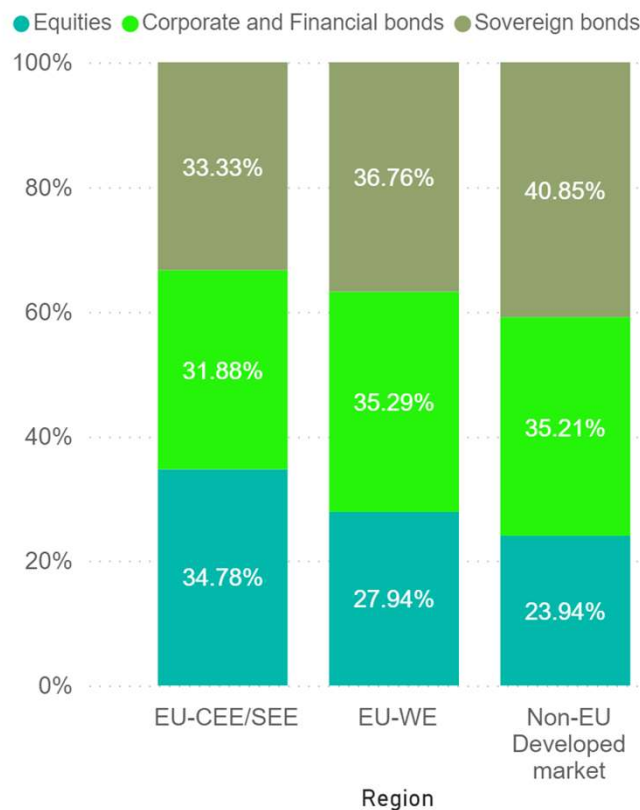
AM: What assets do you mainly invest in (more than one answer possible)?

- Survey responses were relatively evenly distributed across **sovereign bond**, **corporate/financial bond** and **equity** investors with many investing in more than one asset class.
- In terms of investor's geographical focus, the majority have an **Emerging Markets** or **Emerging/Developed** split with a smaller portion focusing only on **developed markets**.

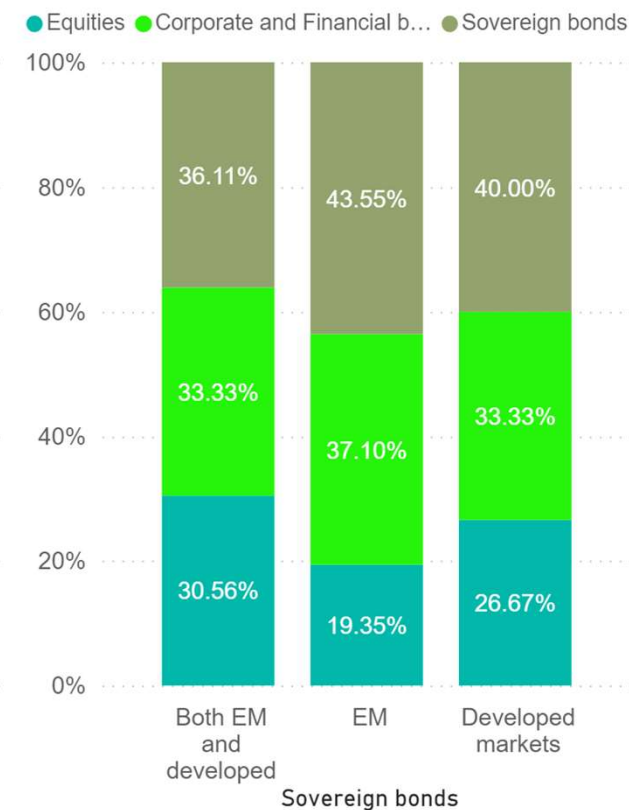
Main investment mandate by type



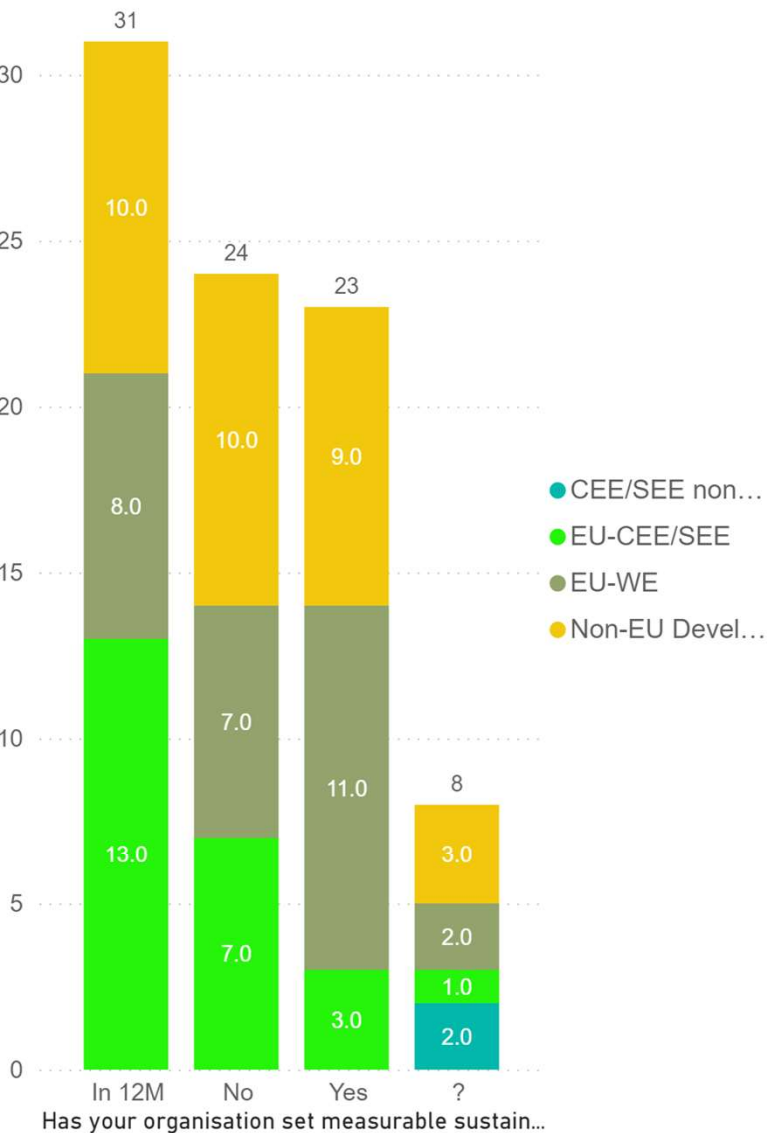
What assets do you mainly invest in?



What assets do you mainly invest in?



Measurable sustainability target



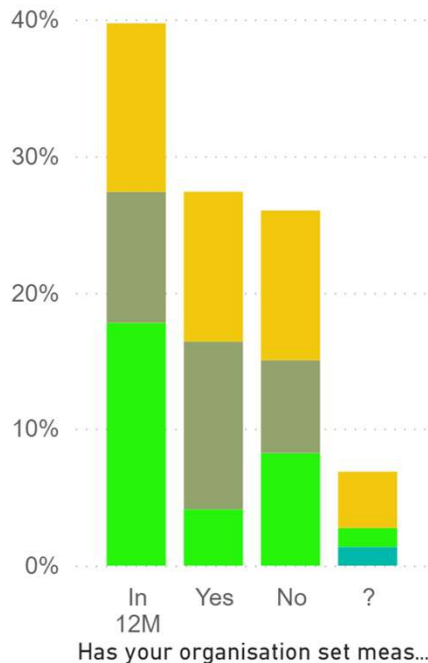
AM: Has your organisation set measurable sustainability targets?

Measurable sustainability targets are a fast moving work in progress, with just over 1/4 of overall asset manager respondents currently having a target in place, but over 1/3 of those that don't expecting their organisation to establish one in the coming 12 months.

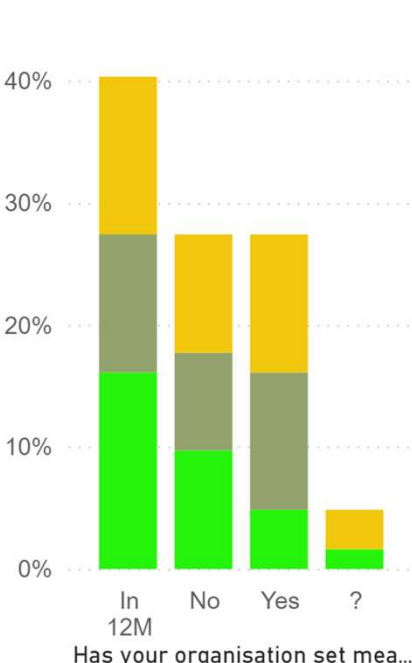
Regional differences were significant, however, with nearly 40% of EU-Western European countries having a target in place already and a further 28.5% expecting to put one in place in the coming 12M, compared to only 12% of CEE-EU asset manager respondents currently having a target in place.

Action is high on the CEE-EU asset manager agenda however with 53% of respondents expecting their company to implement a measurable sustainability target in the coming 12 months. Just over 1/4 of surveyed non-EU developed market asset managers already have measurable sustainability targets in place, but just under 1/3 are looking to implement them in the coming year.

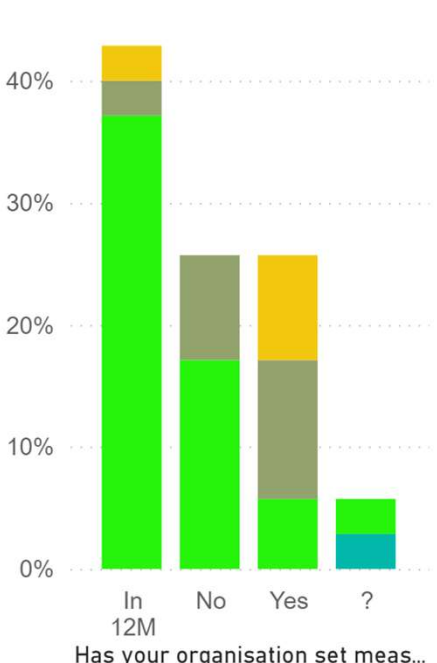
Sovereign bond investor targets



Corp/Fin bond investor target

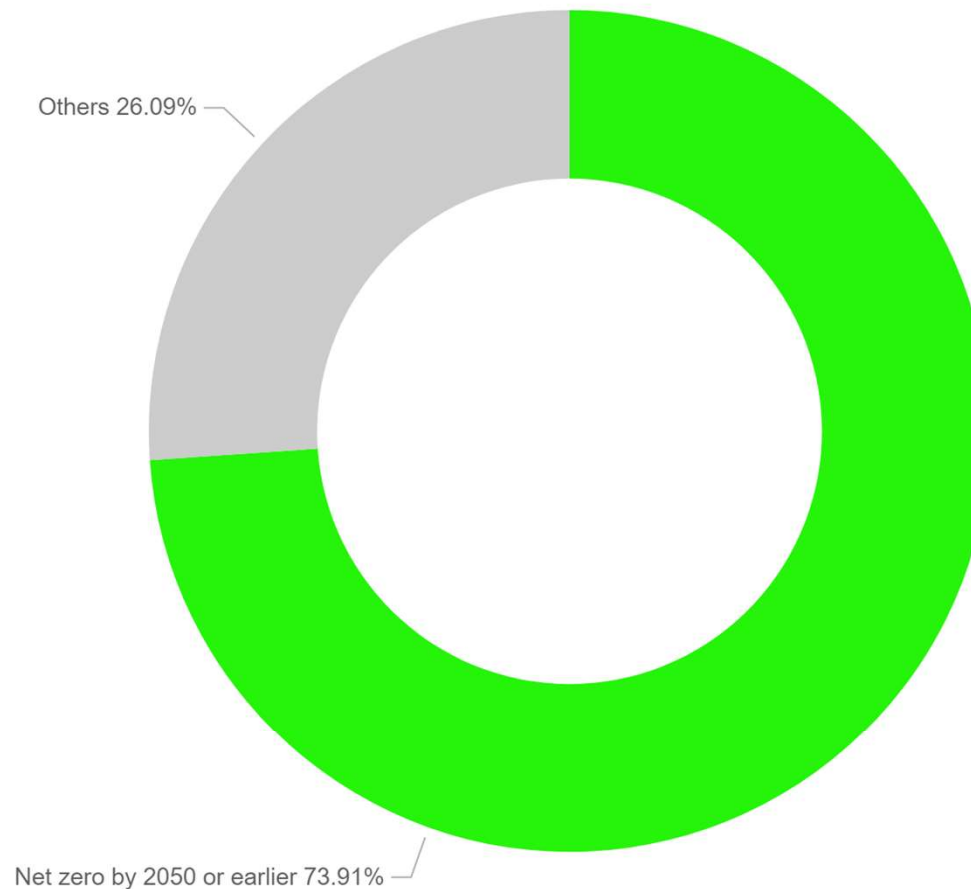


Equity investor targets



Asset Manager: Target Details

Specified measurable sustainability target



AM: If you currently have a measurable sustainability target please specify it.

- **Net zero GHG emissions by 2050 asset managers initiative** was the most frequent response provided in terms of measurable targets, though there are geographical differences.

- **Measurable targets are currently more diverse within Western-EU countries**, with 75% of survey respondents in non-EU developed markets who already have a target following the Net-Zero GHG by 2050 Asset Managers Initiative (though the number of respondents is relatively small here, widening the confidence interval)

Asset Manager: Obstacles

AM: What do you consider the largest obstacles are to achieving your long-term sustainability goals (more than one answer possible)?

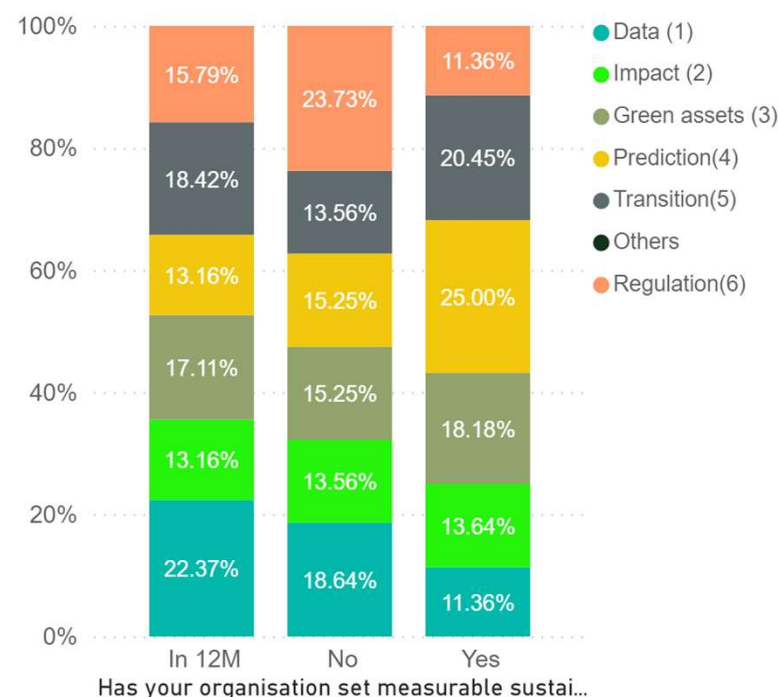
- Investor's who already have a sustainability target (e.g. zero net GHG emissions by 2050) saw the most significant obstacle to achieving their target as the need for **"better tools to predict the long-term environmental implications from sovereign or company actions"** with **"Too few possibilities to invest in products which facilitate transition from brown to green in my investment universe"** cited as the second most frequent obstacle for investors already with a target. At the other end of the spectrum investors with a target didn't perceive lack of timely sustainability data a key constraint.

- In contrast, those investors **considering implementing a target in the coming 12M** considered **timely sustainability data** the key constraint and **"too few possibilities to invest in products which facilitate transition from brown to green"** as the second largest constraint.

- From a regional perspective, **CEE-EU** investors perceive **"unclear regulation"** is the key constraint to achieving sustainability targets.

What do you consider the largest obstacles to achieving your long-term sustainability goals?
Responses as a % of each bar's total. See key below for full explanation of perceived obstacles to achieving target. Grouped by:

Asset manager sustainability target



Region of asset manager



Data (1) = Lack of timely data to track sustainability goals. **Impact(2)** = Lack of ability to impact behaviour of corporate, financial or sovereign invest in. **Green assets (3)** = lack of dark green assets to invest in. **Prediction(4)** = need for better tools to predict long-term environmental implication of company or sovereign actions. **Transition (5)** = too few possibilities to invest in transition products. **Regulation (6)** = unclear regulation

Asset Manager: ESG Scoring

AM: Do you use ESG scoring as part of your investment process?

-- 44% of surveyed asset managers rely on proprietary ESG scoring, whilst 31% don't currently use scoring.

-- **Asset managers who already have a sustainability target are much more likely to use proprietary ESG scoring methodologies** (see first chart)

-- **Asset managers who are considering implementing a sustainability target are slightly more likely to use third party ESG scores**, whilst those without targets (and no aim to establish one) are most likely to not use ESG scoring at all.

- **In terms of how scoring and targets differ by investment mandates:**

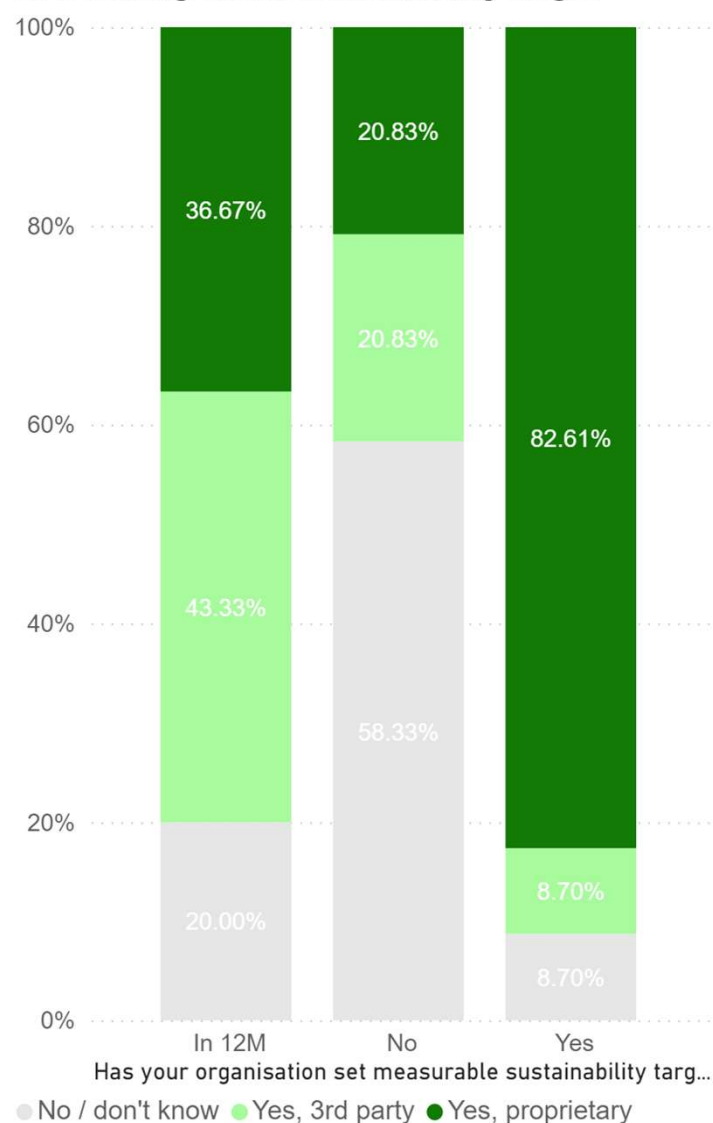
-- **Insurance mandates** are more likely to use proprietary ESG scoring, according to the survey results

-- Asset managers with **Pension mandates** with sustainability targets were very likely to use proprietary ESG scores, whilst those considering implementing them in the coming 12M were also more likely to use proprietary ESG scoring than 3rd party.

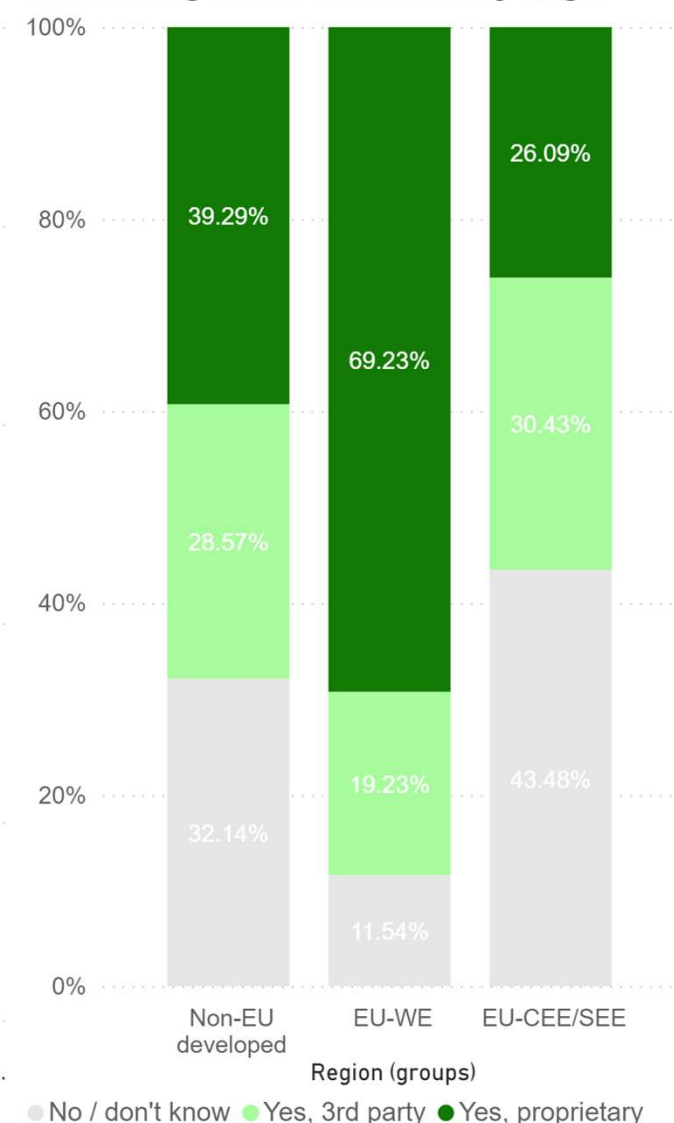
-- **Institutional mandates** with targets already are very likely to use proprietary ESG scoring, whilst those considering establishing targets are slightly more likely to use third party.

-- Slightly more than 50% of **Retail** mandates reported using proprietary ESG scoring, with slightly more than 1/4 using third party.

ESG scoring versus sustainability target



ESG scoring versus sustainability target



AM: ESG scoring portfolio implications

ESG scores are integrated into investment processes in different ways by investors:

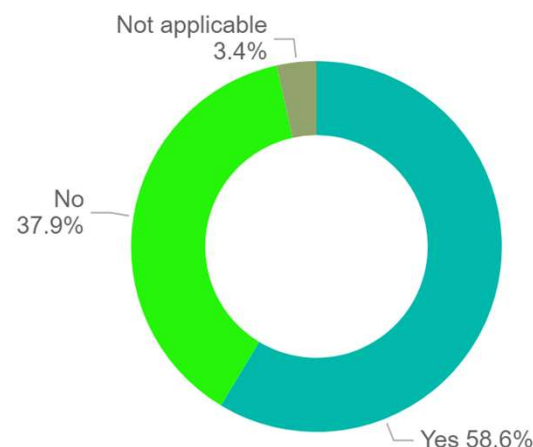
Survey respondents who **currently use** ESG scores as part of their investment process (proprietary scores or third party):

- >50% exclude portfolio positions for issues below a **lower score threshold**
- Roughly 50% of respondents's ESG scores **impact issue weights** in portfolios
- Roughly 60% **do not** adjust ESG scores for **income levels** (circa 25% do)
- Just under 50% of investors give **green/social bonds** for an issuer a higher weight (than non-green/social issues)

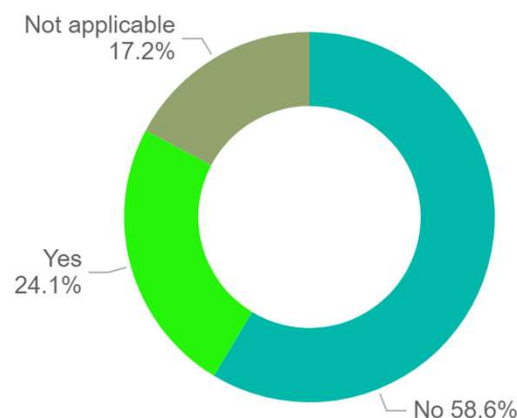
Geographically:

- 85% of **EU-WE** investors who use ESG scoring do not invest below a minimum ESG score threshold in their portfolios, but "only" circa 1/3 of EU-WE investors' scores impact portfolio weights
- In contrast roughly 3/4 of **non-EU developed market** investors' ESG scores impact portfolio weights, but with a lower portion additionally having a minimum score threshold for index inclusion
- **EU-CEE/SEE** investors are somewhat closer to non-EU developed investors than EU-WE, with a larger portion not using minimum ESG thresholds, but ESG score determination of portfolio weights

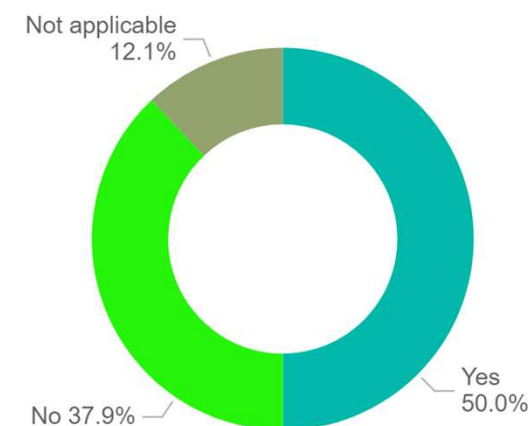
Min ESG score threshold, below which do not invest



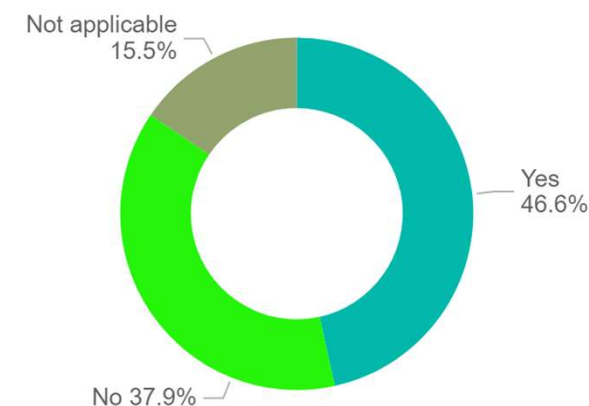
ESG score adjust for income level?



ESG score impact issue weight in portfolio?



Green/social bond receive higher ESG score for given issuer?



Asset Manager: Exclusions Policy

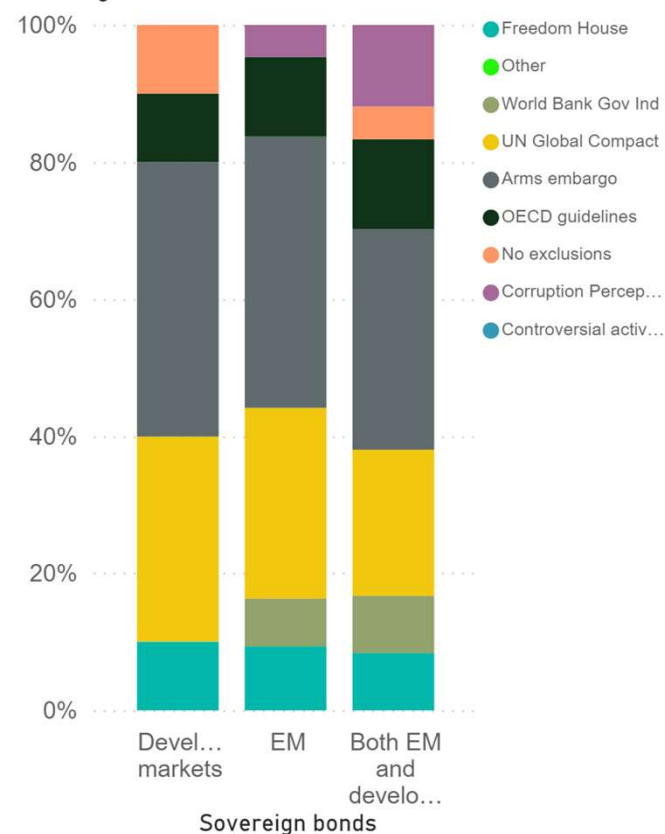
AM: If you have an investment exclusions policy please indicate which of the following are relevant as sources to determine it (more than one answer possible):

- Unsurprisingly the **corruption perception index** and **arms embargoes** were listed as the most frequent determinants of portfolio exclusions.

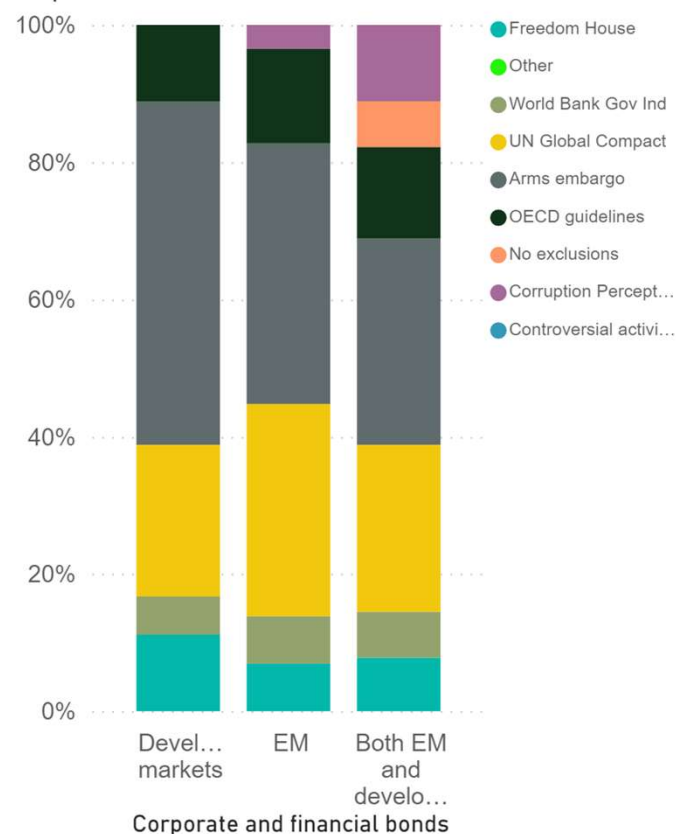
Additionally, investor asset and market focus (EM v DM) determined which exclusions were more prevalent:

- EM equity investors had higher weights on OECD exclusions guidelines
- Developed markets sovereigns and corporates/financial bond investors most frequently mentioned arms embargoes as the main exclusion factor
- Sovereign bond investors had a relatively broad set of exclusions inputs (perhaps unsurprisingly given the indicators tend to be sovereign focused)

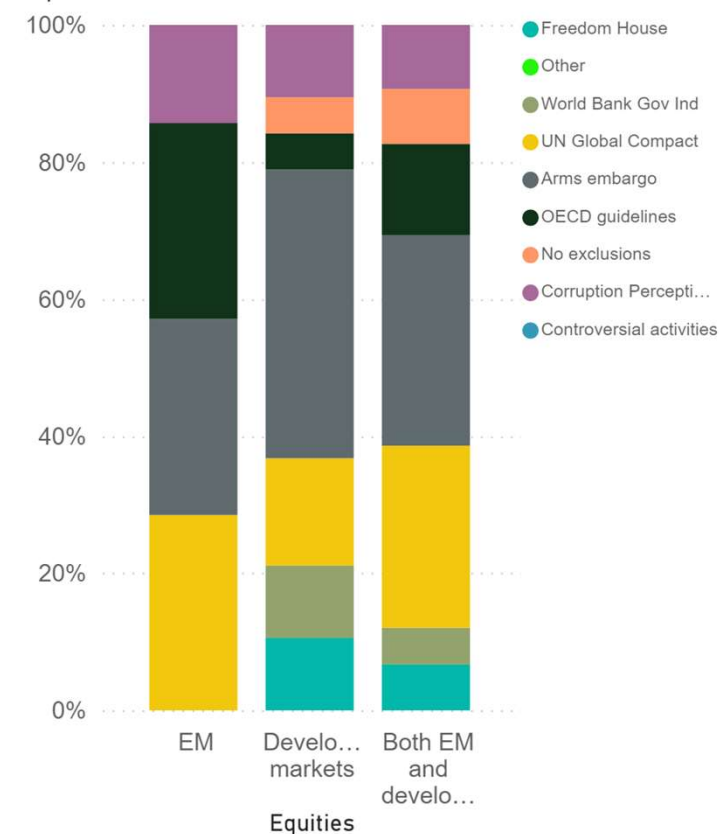
Sovereign bond investor: exclusions drivers



Corporate/financials exclusions drivers



Equities: exclusions drivers

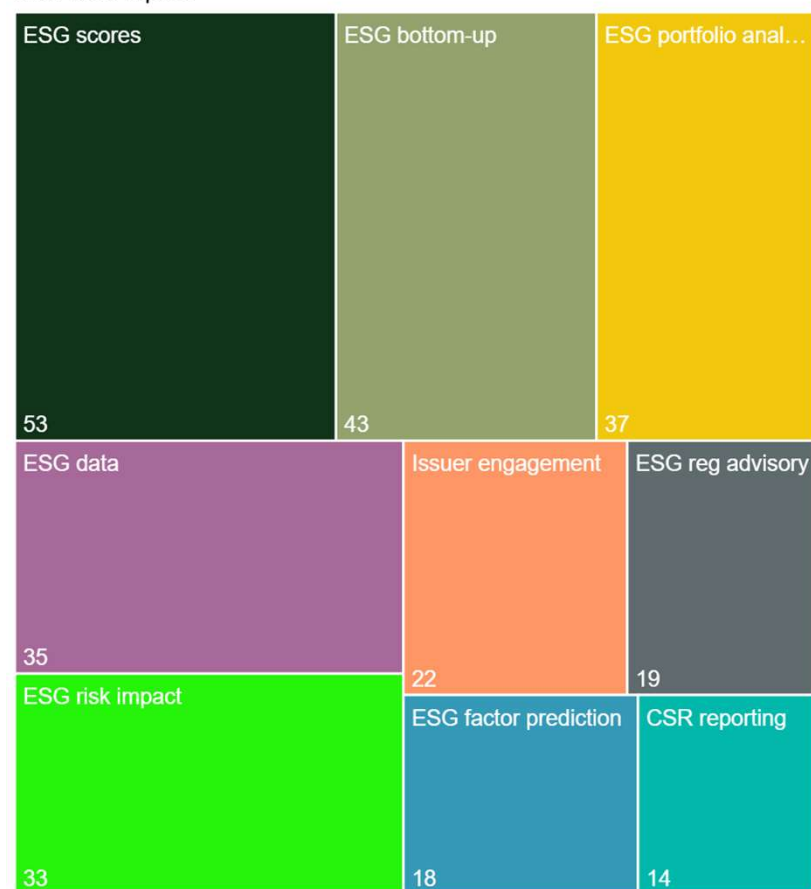


Asset Manager: Third Party ESG Inputs

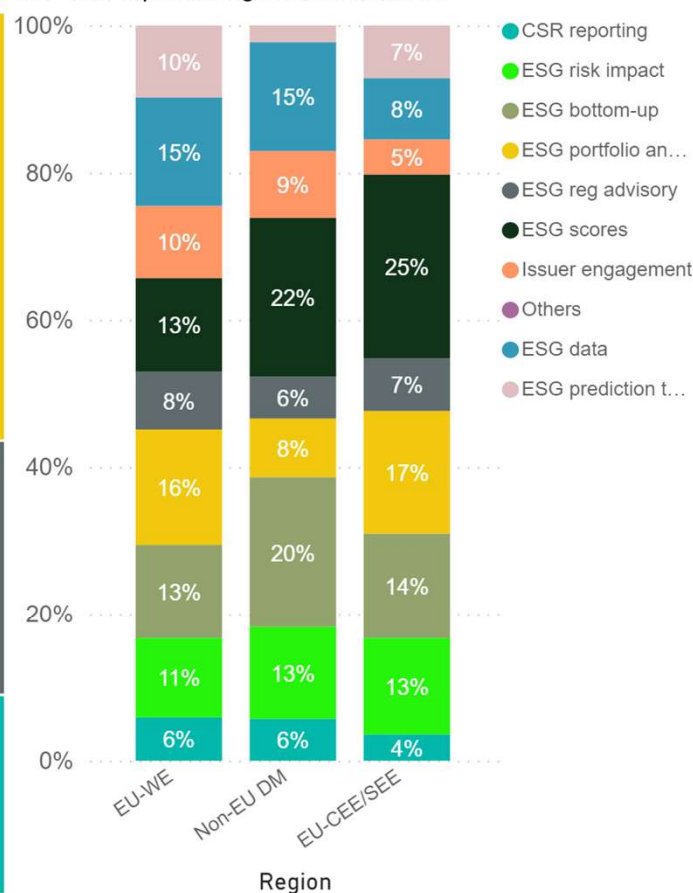
AM: What sell-side inputs do you perceive are best able to support investors' ESG investment processes (more than one answer possible)?

- Survey answers were relatively diffuse, with sell-side inputs for **ESG-scoring** and **ESG bottom-up news/analytics** topping responses, but **ESG portfolio analysis** and **ESG data** and **ESG risk impact** inputs also scoring highly
- **EU-WE** survey responses were very evenly distributed with **tools and analysis to support long-term environmental scenarios** at the portfolio level coming in second place, nearly at the same level as first placed **ESG portfolio analysis**
- **EU-CEE/SEE** survey responses in contrast saw **ESG scoring** as the most popular sell-side input, with **portfolio analysis** second

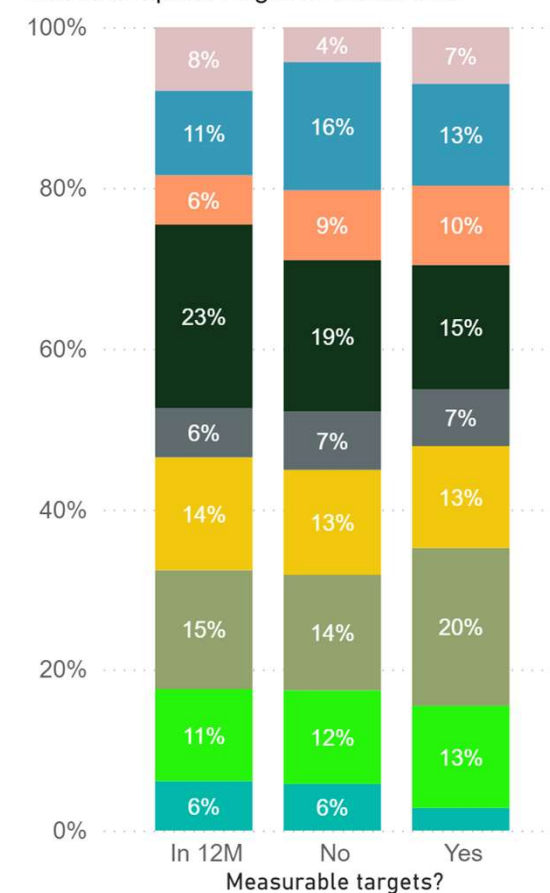
Sell-side inputs



Sell-side inputs: Regional breakdown



Sell-side inputs: Regional breakdown



Asset Manager: ESG Transition

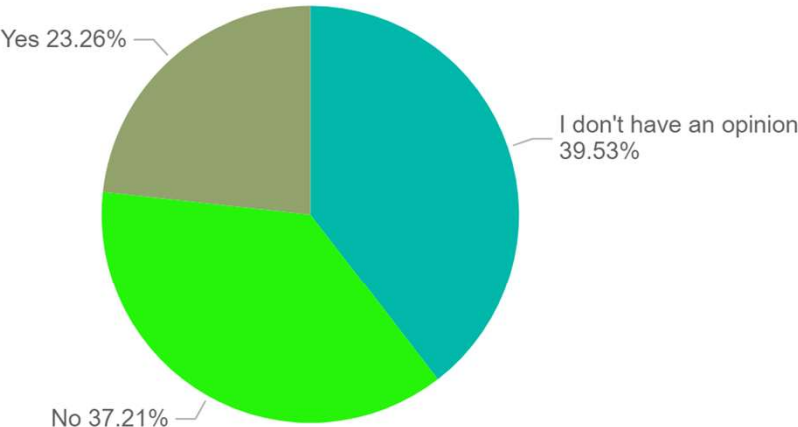
AM: Do you perceive that current ESG investing frameworks are well suited to facilitating environmental transition financing of EM corporates and governments (e.g. reducing emissions of bigger polluters etc)?

- A majority of investors who have an opinion on the topic **do not perceive the current ESG investing framework is well suited to facilitate environmental transition**

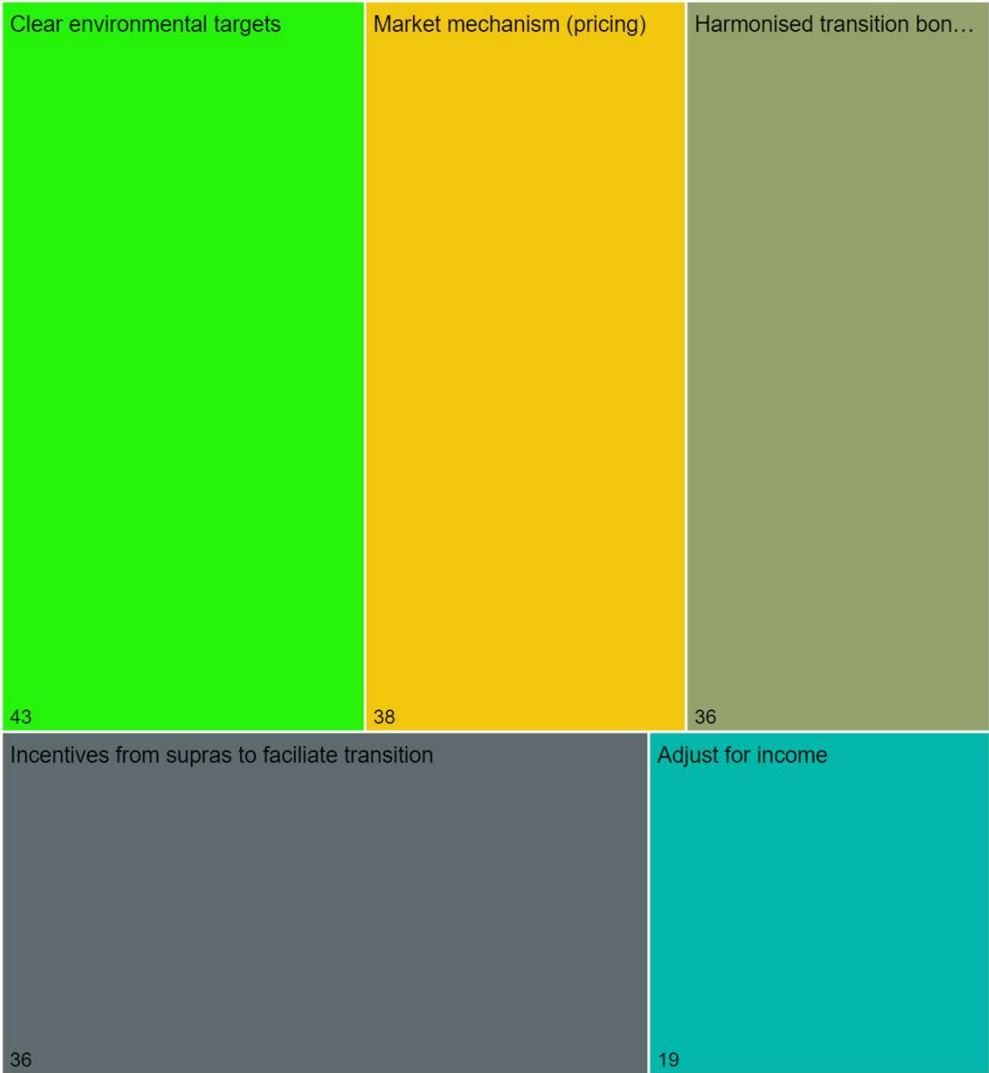
AM: What do you think would help facilitate financing of EM ESG transition (improvement in ESG factors), more than one answer possible?

- Investors who perceive the current ESG finance framework is **not well suited** to facilitate transition see **clear environmental targets, harmonised transition bond frameworks and incentives from supras** to facilitate transition as key to transition progress
- Investors who don't perceive the current ESG framework stymie's transition see **market pricing, clear environmental targets, incentives from supras and harmonised transition bond frameworks** as helpful

Do you perceive that current ESG finance frameworks are well suited to finance transition from brown to green



What do you think could facilitate transition?

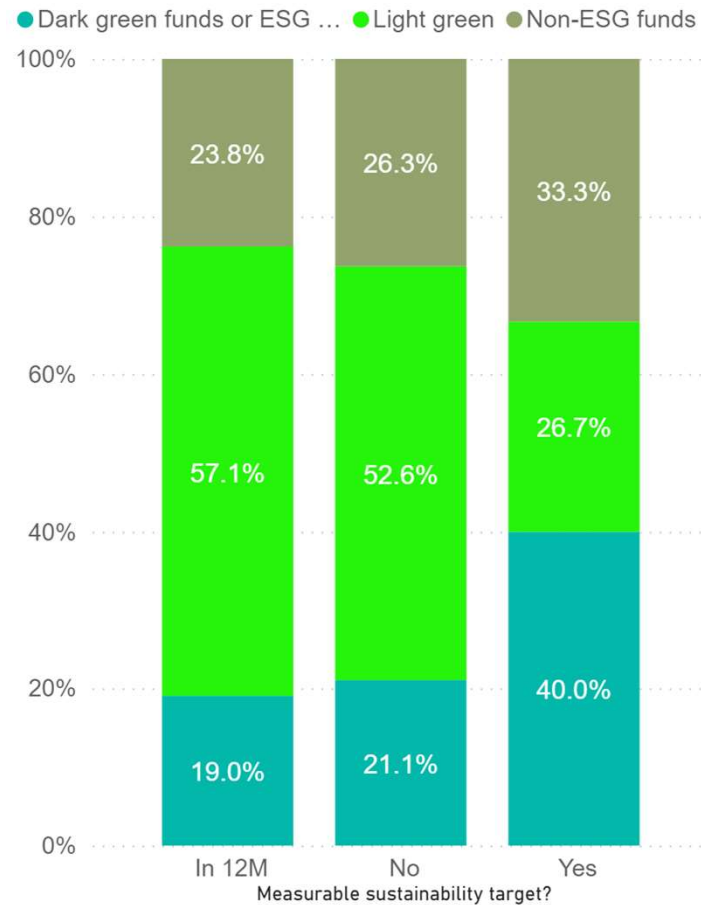


Asset Manager: Fund Flows

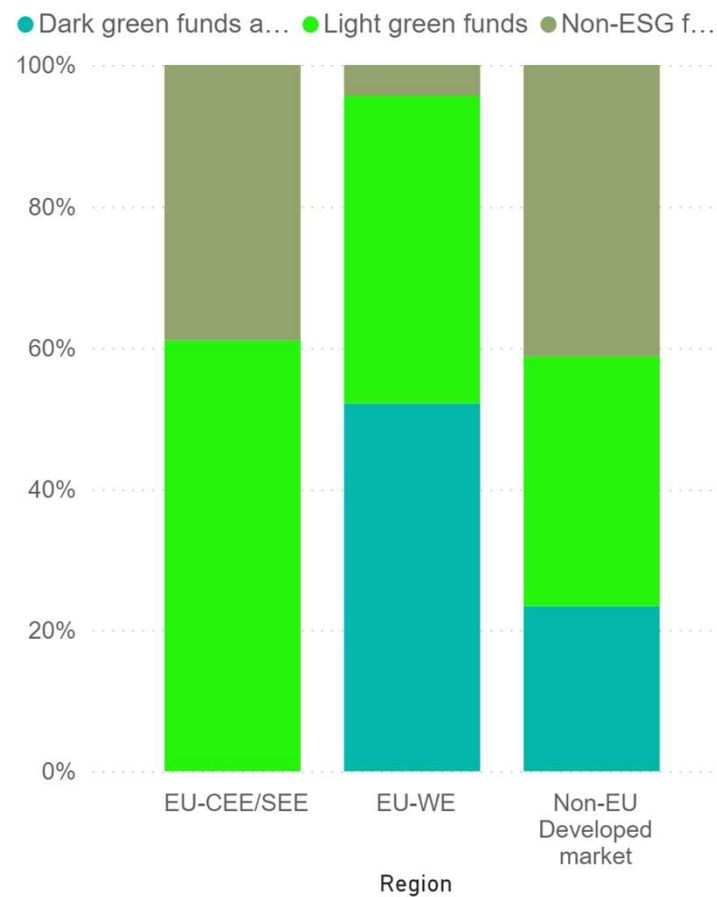
Asset Manager: Fund flows

- **Light green funds** flows are the highest frequency response for expected fastest fund inflow (% change) in the coming 12M, there is however significant regional variation
- **EU-WE** investors are roughly equally optimistic on **light green** and **dark green** fund inflows (% change)
- **EU-CEE/SEE** and **non-EU developed markets** are more polarised between **green inflows** and **non-ESG** inflows
- the majority of investors expect demand for **KPI or ESG-ratings linked investment products** to grow in EM

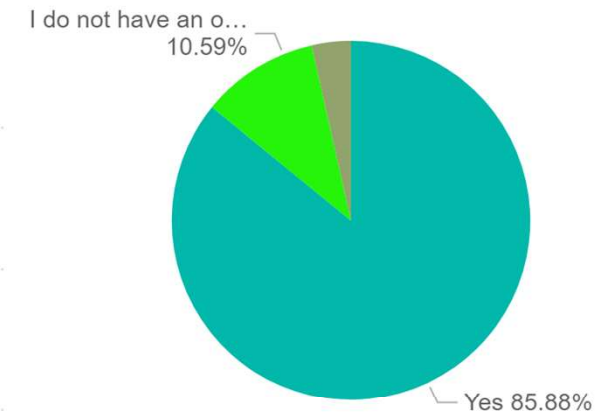
Where do you expect fund inflows in your own investment mandates to be fastest in the coming 12 months?



Where do you expect fund inflows in your own investment mandates to be fastest in the coming 12 months?



Do you expect demand for KPI or ratings linked products to grow?



Asset Manager: Drivers of ESG Flows

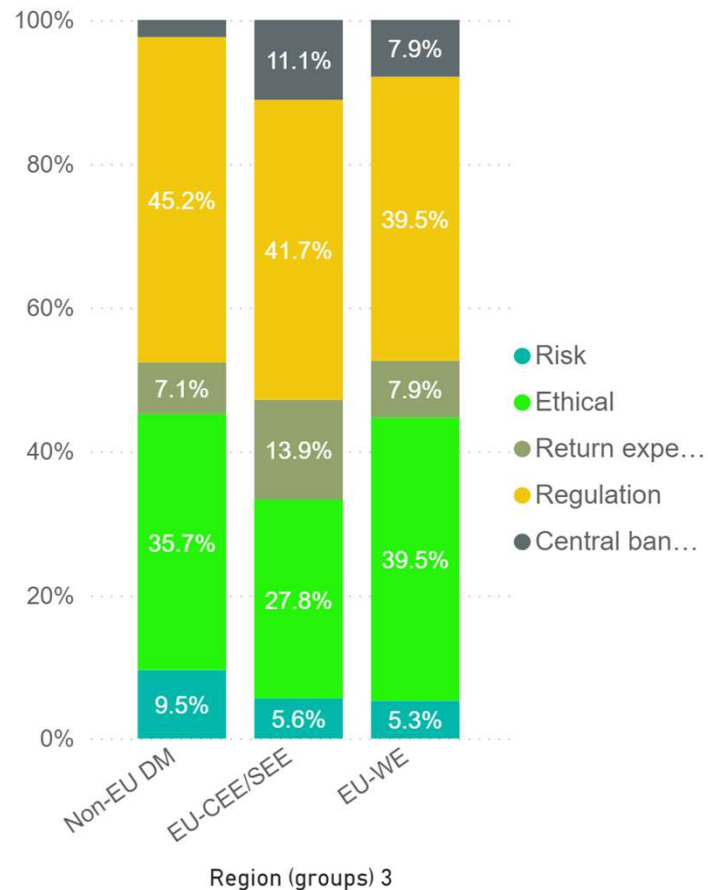
AM: What do you consider are the top 2 drivers of ESG related fund flows (please make up to 2 choices)?

- "Regulation (i.e. more ESG funds are created given disclosure regulatory changes)" and "end investor demand for ethical investment exposure" are most frequently cited as the top 2 drivers of ESG related fund inflows across asset classes

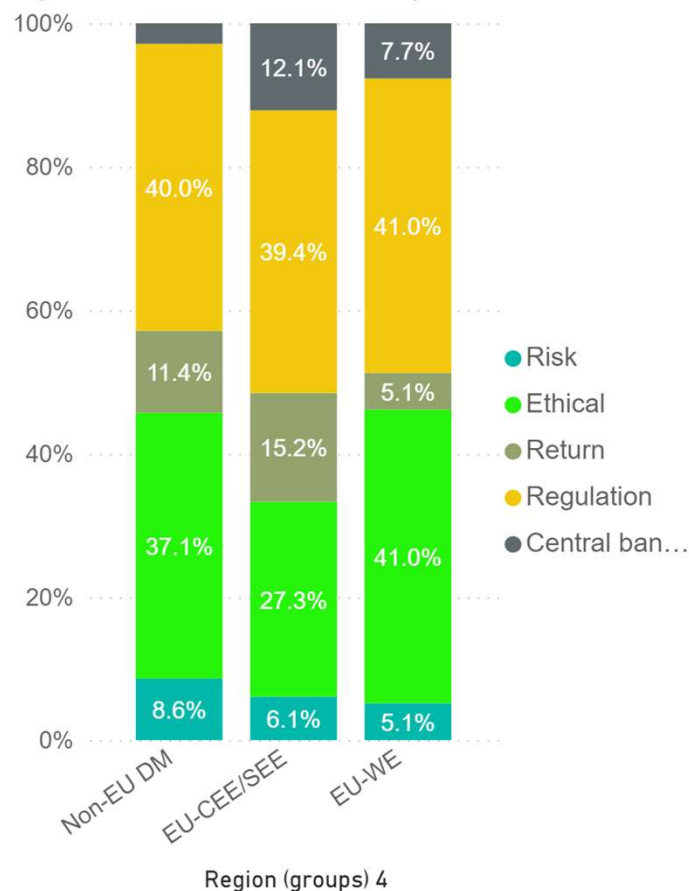
- **Risk** has a higher weight in developed market (non-EU) equities, but the sub-sample size is small in that case widening confidence intervals

- In short, risk/return factors are not generally cited as key factors driving ESG fund growth.

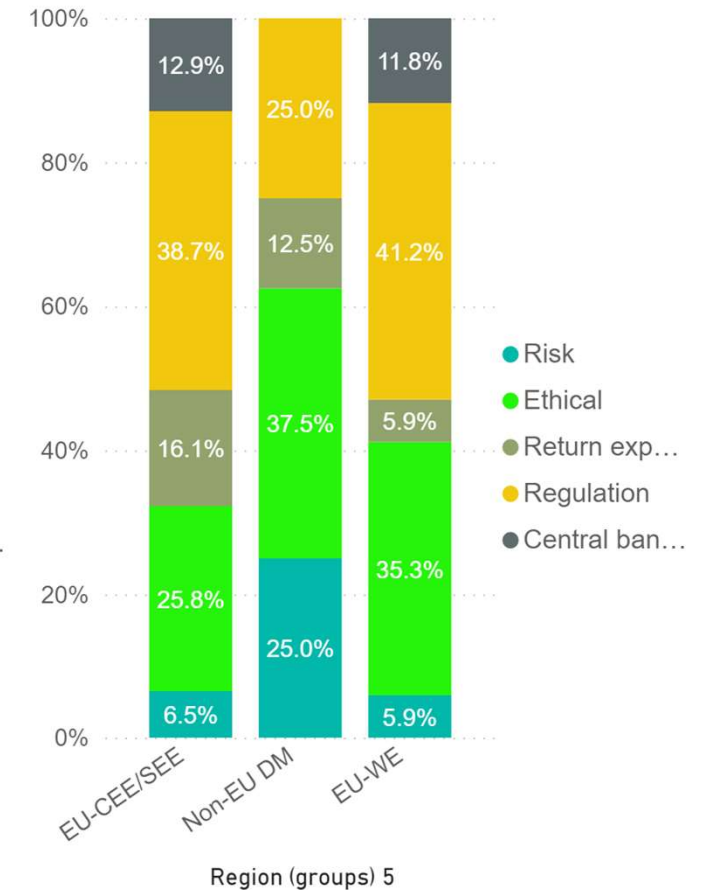
Top 2 perceived drivers of ESG fund inflows: Sovereign bonds



Top 2 drivers of ESG fund inflows: Corps/Fin bonds



Top 2 drivers of ESG fund inflows: Equities

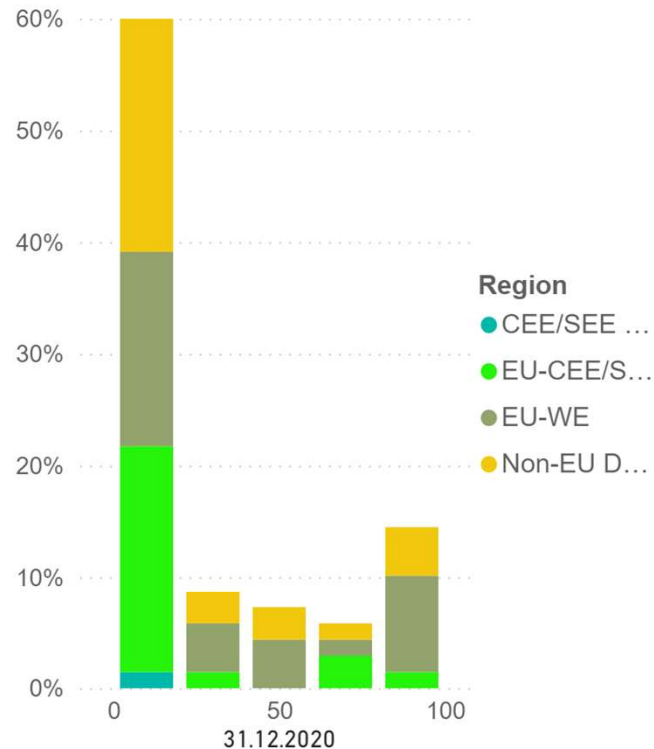


Asset Manager: ESG Mandates % of Total

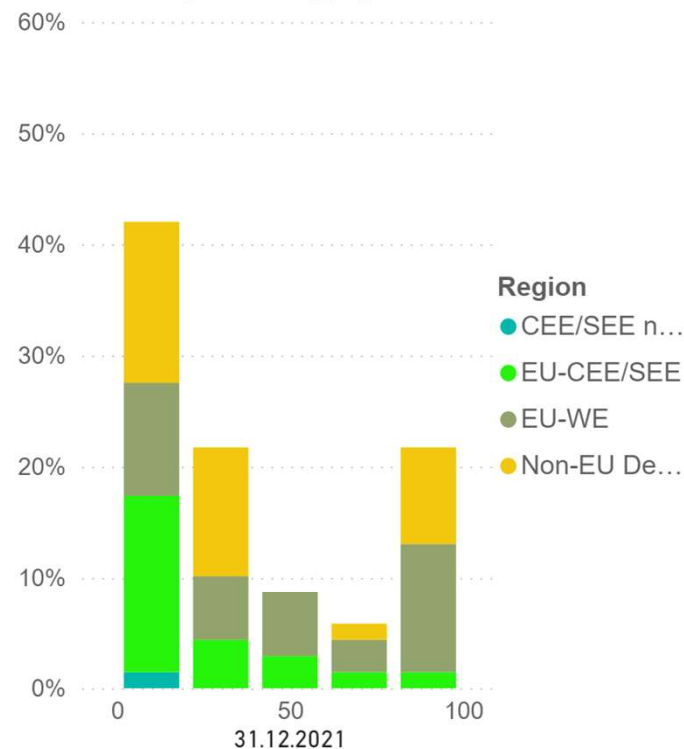
AM: Roughly what cumulative portion of your relevant funds emerging markets funds followed or is expected to cumulatively follow an ESG integration (i.e. ESG inputs into the investment process) and, or, impact/sustainable strategy:

- the proportion of funds following ESG integration and impact/sustainable strategies is expected to consistently rise in the coming 2y
- the proportion of funds that have **>80% of their funds managed under ESG strategies roughly doubles from 15% in 2020 to 30% end 2022**
- For **EU-WE** the proportion of funds that have >80% of their funds managed under ESG strategies also roughly doubles but from a higher **24% in 2020 to 44% end 2022**
- Progress in **EU-CEE/SEE** is also in the right direction, but the % of survey respondents saying they expect **>80% of their funds to be ESG integration or impact/sustainable by end 2022 is a lower 17%**

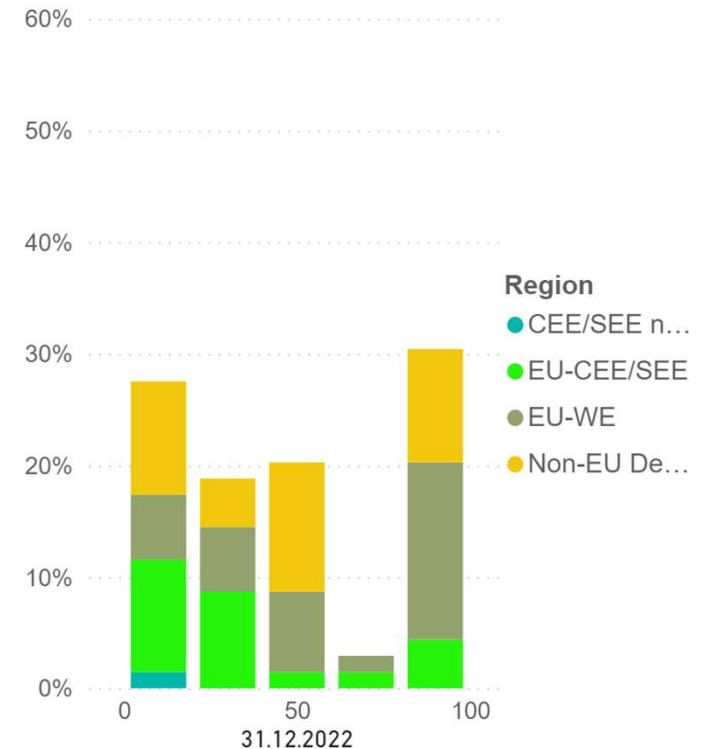
Portion of EM funds following an ESG integration or sustainable/impact strategy end 2020



Portion of EM funds following an integration or sustainable/impact strategy by end 2021



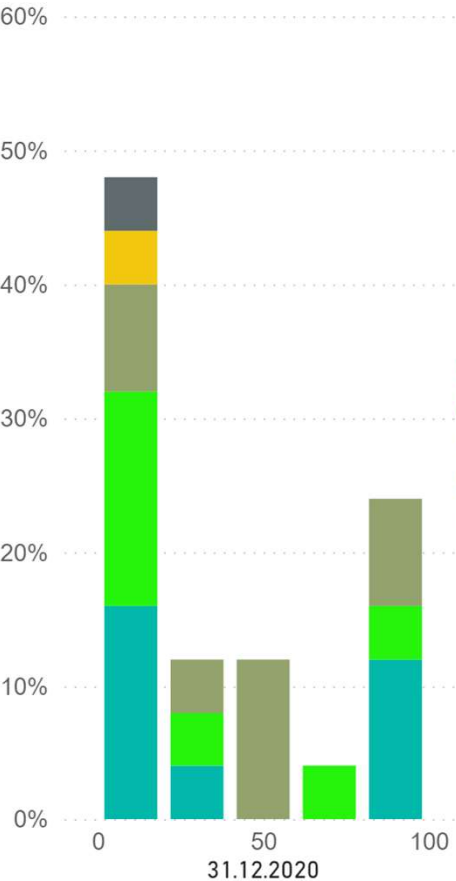
Portion of EM funds following an integration or sustainable/impact strategy by end 2022



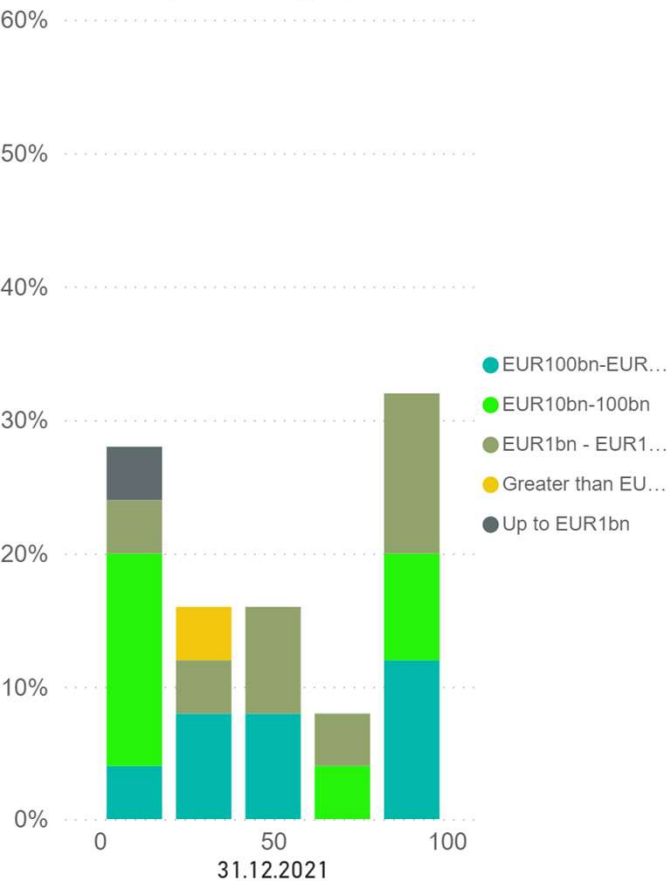
Asset Manager: ESG Mandates % of Total: Western Europe

Roughly what cumulative portion of your relevant funds emerging markets funds followed or is expected to cumulatively follow an ESG integration (i.e. ESG inputs into the investment process) and, or, impact/sustainable strategy. Charts below show results for EU-Western Europe.

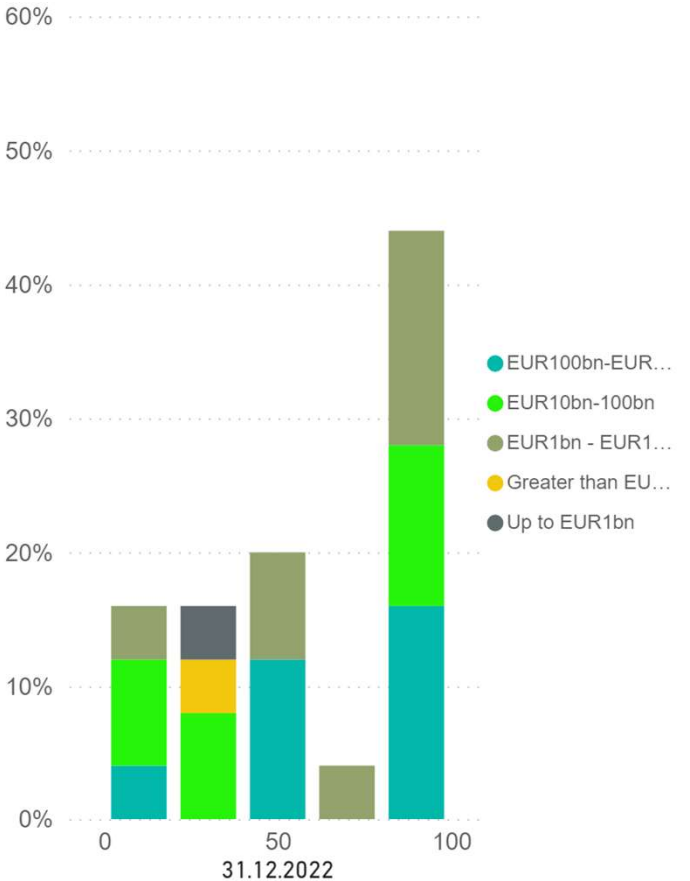
Portion of EM funds following an ESG integration or sustainable/impact strategy end 2020



Portion of EM funds following an integration or sustainable/impact strategy by end 2021



Portion of EM funds following an integration or sustainable/impact strategy by end 2022

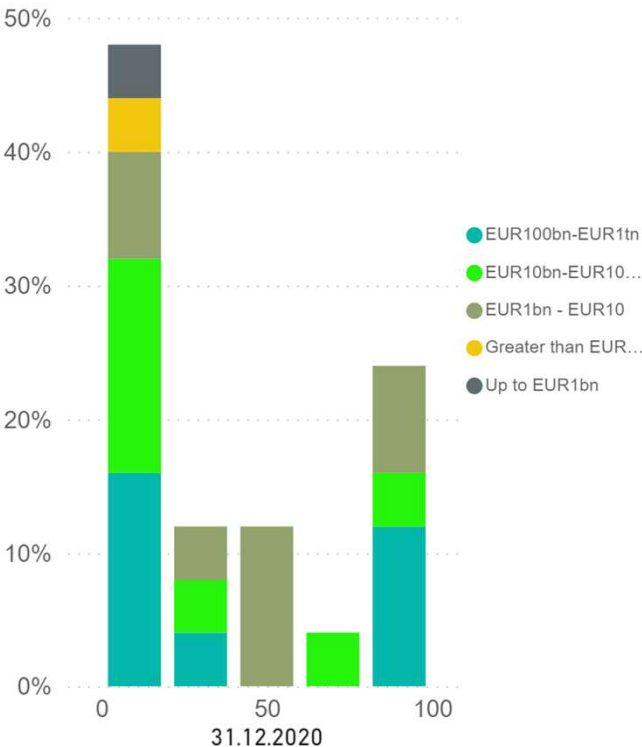


Asset Manager: ESG Asset Demand

Roughly what cumulative portion of your relevant funds emerging markets funds followed or is expected to cumulatively follow an ESG integration (i.e. ESG inputs into the investment process) and, or, impact/sustainable strategy. Charts below show results for EU-Western Europe.

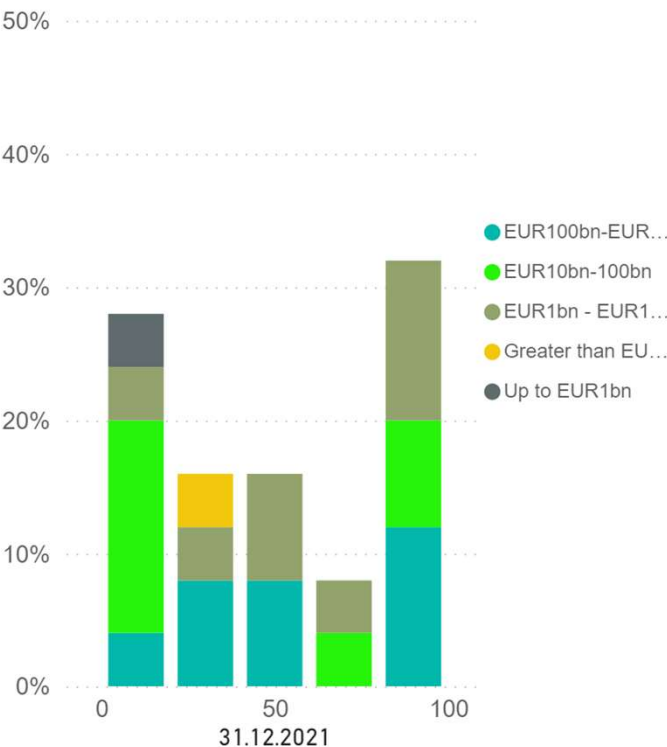
Portion of EM funds following an ESG integration or sustainable/impact strategy end 2020

60%



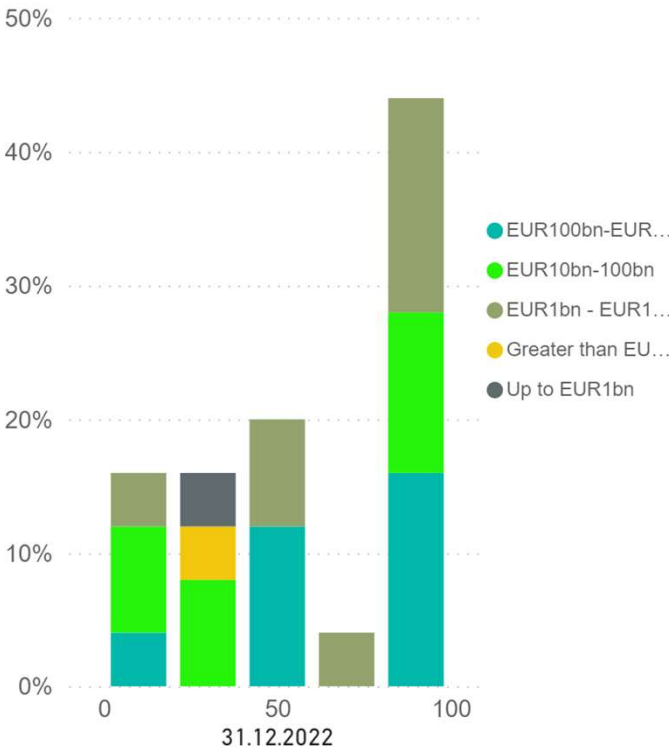
Portion of EM funds following an integration or sustainable/impact strategy by end 2021

60%



Portion of EM funds following an integration or sustainable/impact strategy by end 2022

60%



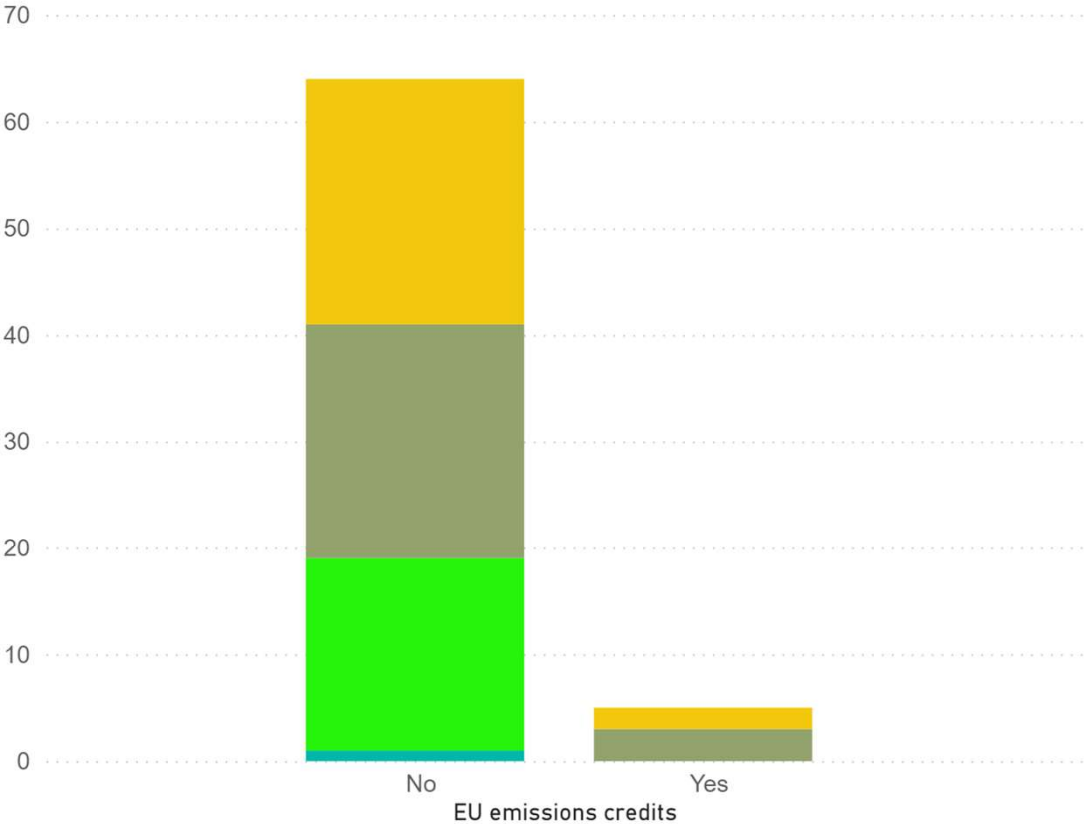
Asset Manager: EU GHG Emissions and Deriatives

Asset manager question:

- Asset manager interest in EU emissions and ESG-linked derivatives is relatively low within the real money dominated survey sample.

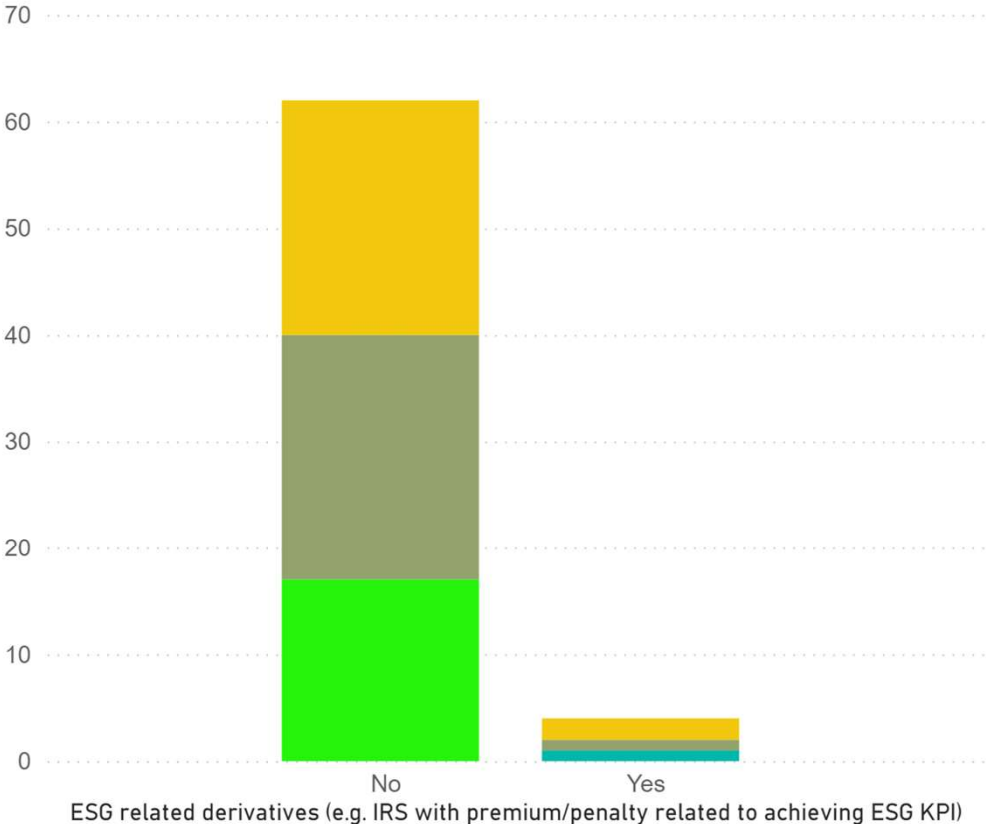
Do you trade, or have your considered setting up to be able to trade: EU emissions

Region CEE/SEE non-EU EU-CEE/SEE EU-WE Non-EU Developed market



Do you trade, or have your considered setting up to be able to trade: EU related derivatives

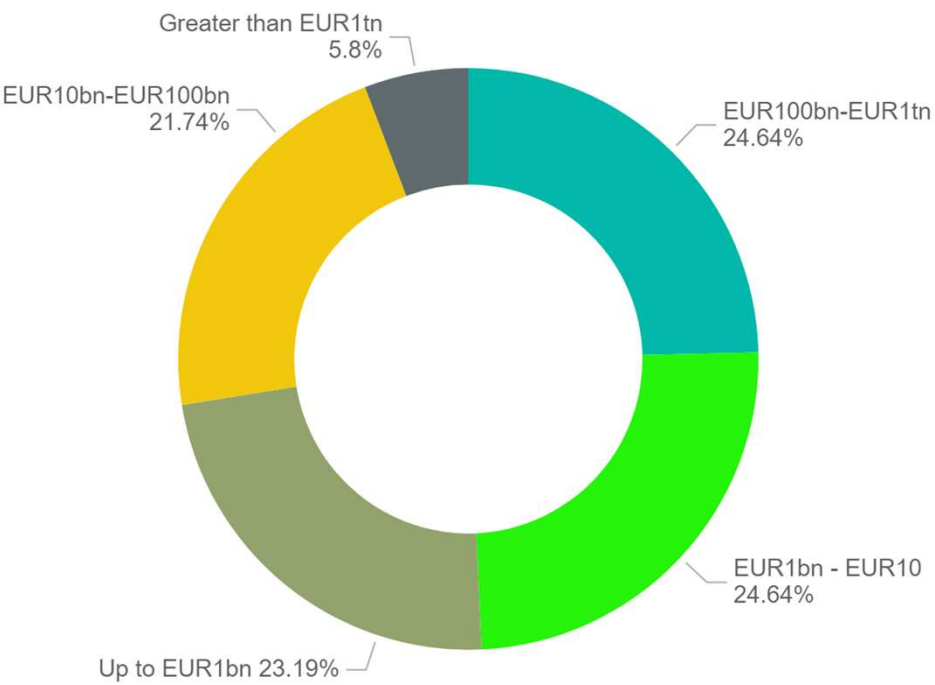
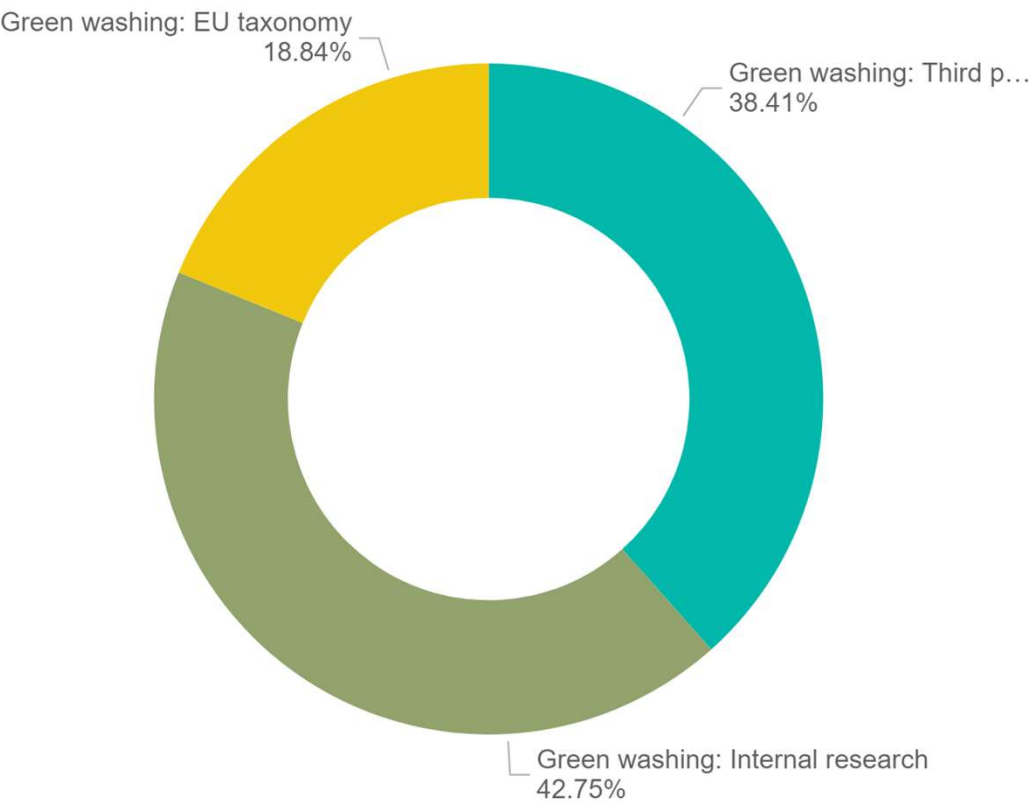
Region CEE/SEE non-EU EU-CEE/SEE EU-WE Non-EU Developed m...



Asset Manager: Greenwashing avoidance and AUM

AM: How do you seek to avoid greenwashing in your portfolio (more than one answer possible)?

AM: Please select the approximate AUM of your overall company

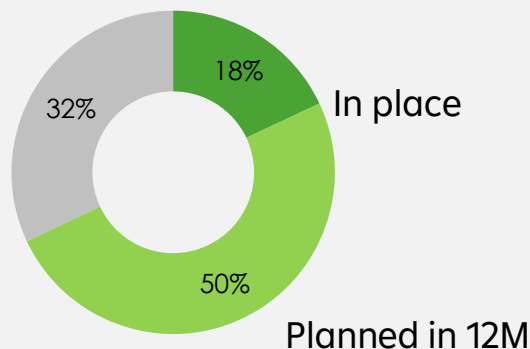


Bank Survey Responses

Key Findings from a CEE/SEE Bank Perspective

CEE/SEE Bank

Do you have measurable ESG Targets in place?



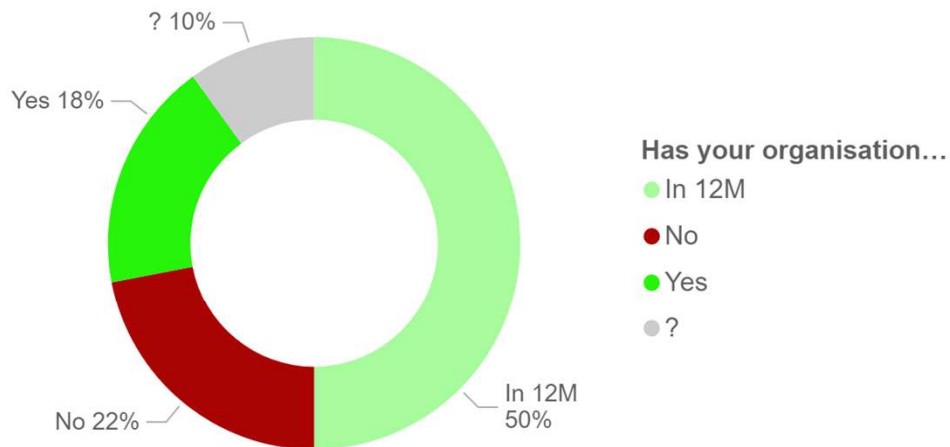
- **Target preparations:** A lower proportion of CEE/SEE banks have measurable sustainability targets in place than other sectors, but 50% of survey respondents say their bank is considering implementing a target in the coming 12 months.
- **Obstacles:** Banks with (or considering) targets were considerably more likely to cite "ability to model/predict key ESG indicators for the long-term" as an obstacle to achieving their targets than those without targets. ESG data availability from clients and lack of a global taxonomy were the second and third most frequently cited target obstacles overall.
- **ESG scoring:** Banks that do not have measurable sustainability targets were much less likely to use ESG scoring, whilst banks which already have (or are considering) a target were more likely to use proprietary scoring (though the sub-sample size is small here).
- **Credit risk decisions:** Banks which already have targets are more likely to incorporate ESG into credit risk decisions by evaluating the decision's contribution to overall ESG targets.
- **Issuance:** Around 1/4 of banks considering implementing targets in the coming 12M are considering issuing ESG related debt, whilst more than 50% of those already with targets in place are considering issuing ESG related debt

Bank Responses: Targets

Banks: Has your organisation set measurable sustainability targets?

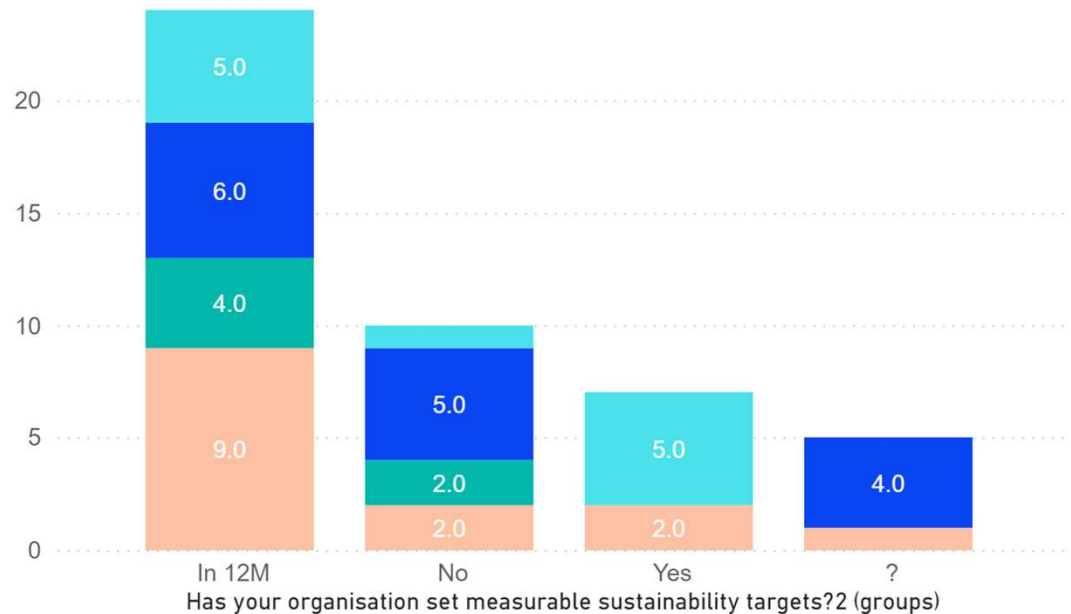
- Only circa 20% of surveyed respondents say their banks have a measurable sustainability target currently, but 50% of respondents say their bank plans to get one in the coming 12 months
- Responses were clearly delineated by region, with more than 50% of the "yes" responses coming from Western-EU banks (the sub-sample size becomes relatively small at regional level though so regional conclusions should be considered to have considerably wider confidence intervals)
- More than 90% of the surveyed Western-EU banks (mainly based in Austria and Germany) either already have a sustainability target or plan to have one in the coming 12M

Has your organisation set measurable sustainability targets?



Has your organisation set measurable sustainability targets?

Region ● CEE/SEE non-EU ● Central Asia ● EU-CEE/SEE ● EU-WE

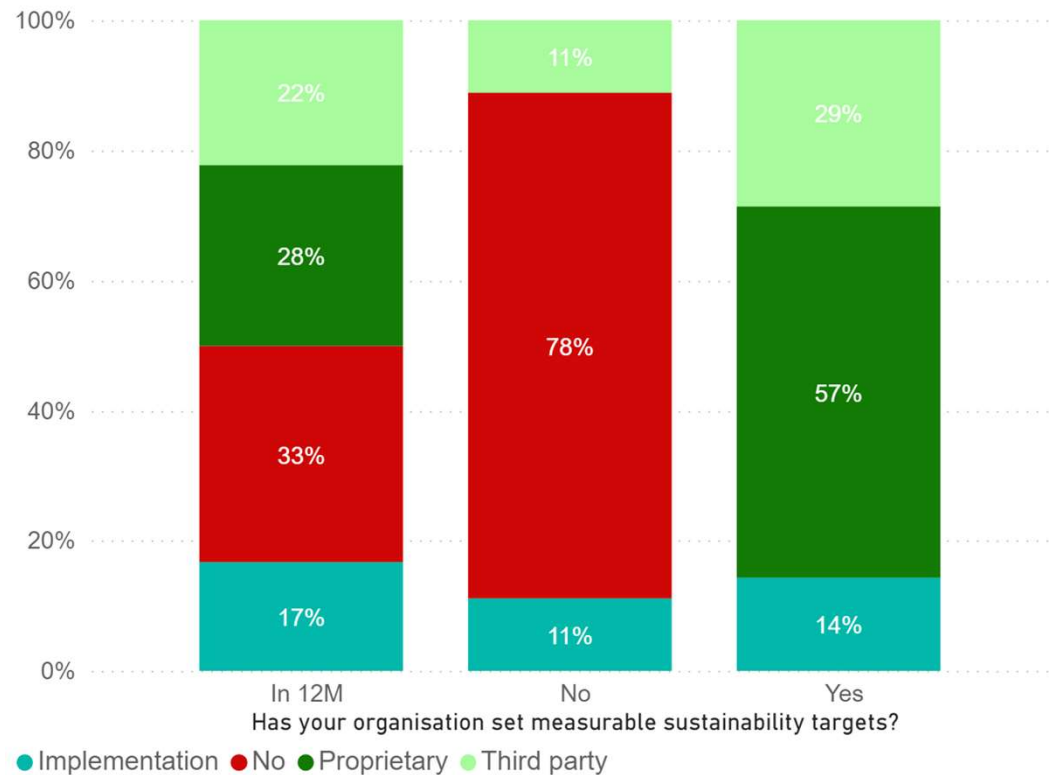


Banks: ESG Scoring

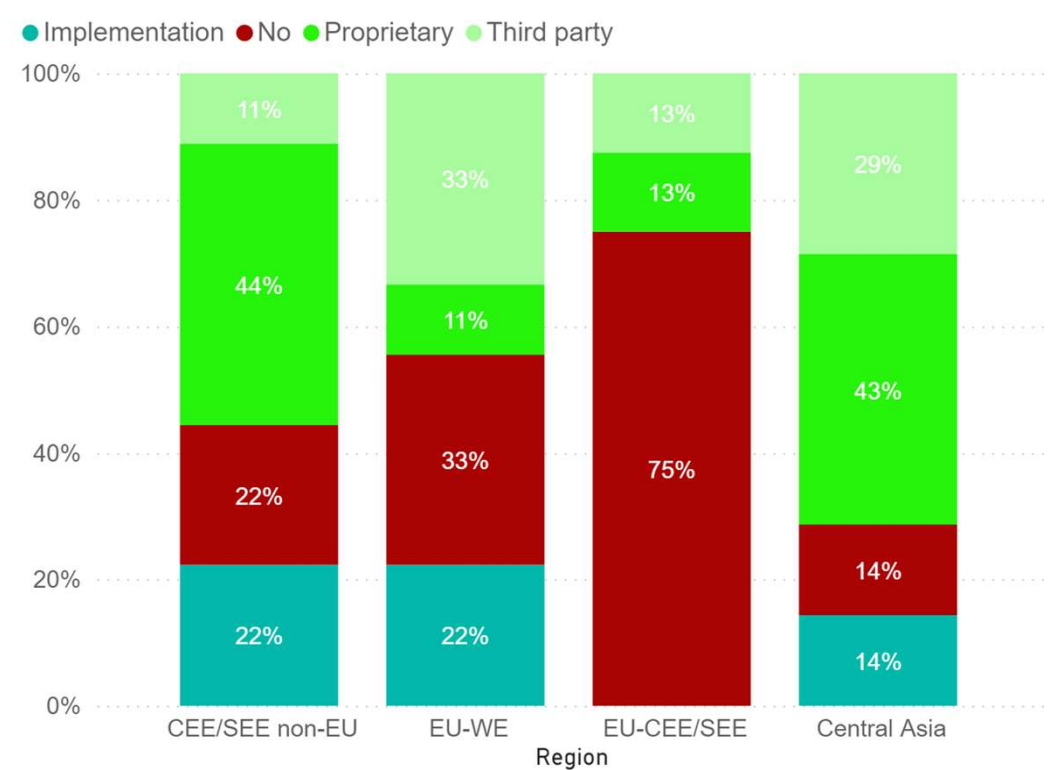
Banks: Do you use ESG scoring as part of your credit appraisal process?

- Banks that do not have measurable sustainability target also mainly do not use ESG scoring
- Banks which already have or are considering implementing a sustainability target were more likely to use proprietary scoring, though the sub-sample size is too small to draw clear conclusions here

Do you use ESG scoring as part of your credit appraisal process?



Do you use ESG scoring as part of your credit appraisal process?



Banks: ESG Credit Risk Considerations

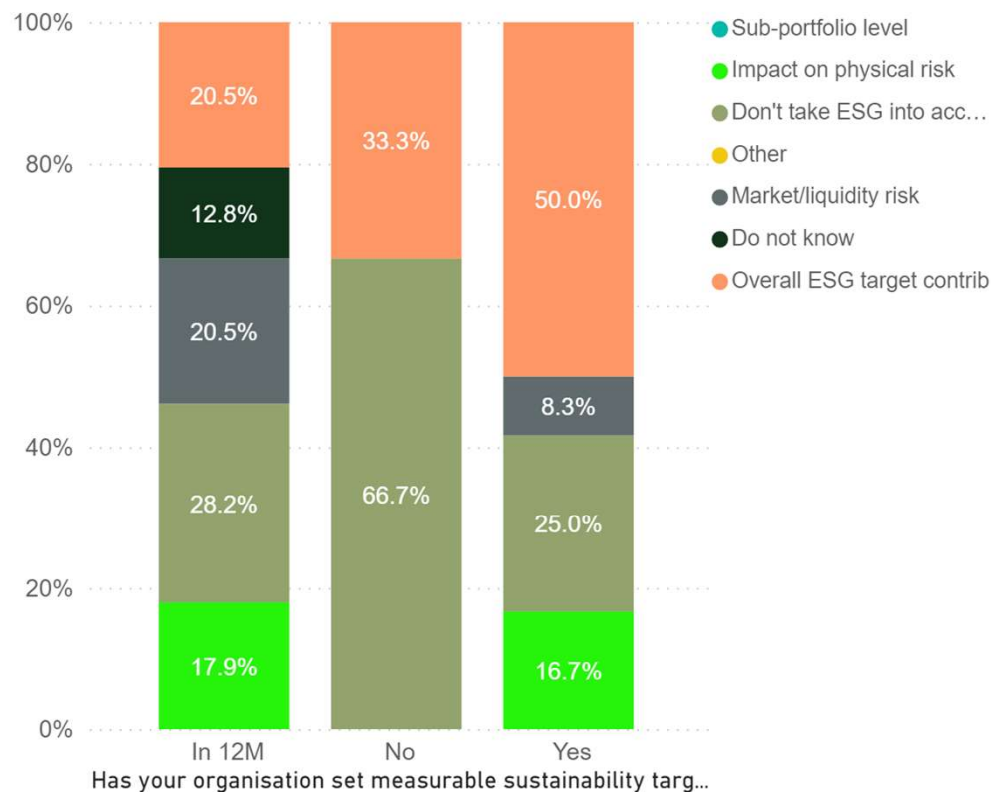
Banks: How do you incorporate ESG considerations into your credit risk decision making process (more than one answer possible)?

- Banks which already have measurable sustainability targets most frequently responded that ESG considerations are incorporated into credit risk decision making processes by evaluating the decision's contribution to overall ESG targets
- Banks that are considering implementing targets responded with a more diffuse set of responses, with market/liquidity risk as prominent

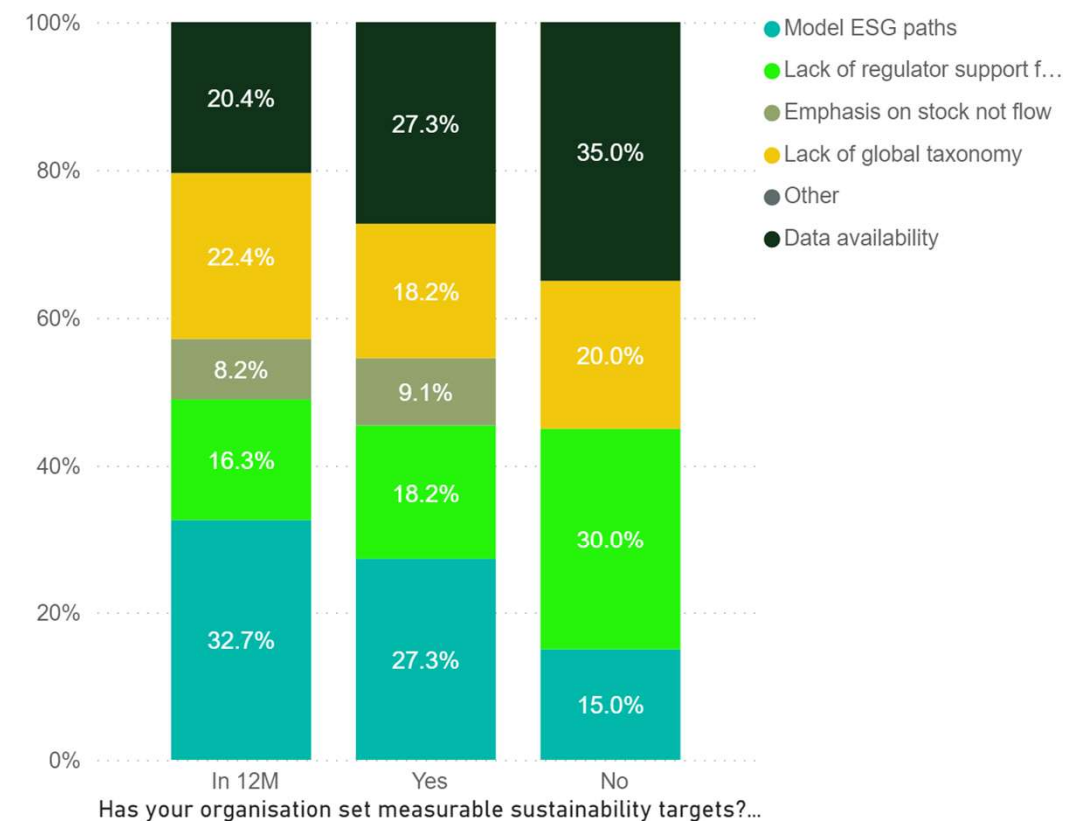
Banks: What do you consider are key obstacles to achieving long-term sustainability targets (more than one answer possible)?

- "Data availability from clients" and "ability to model/predict key ESG indicators for the long-term" were the 2 most frequent responses, with a "lack of global taxonomy" in third position. Banks that had or are considering a sustainability target also mentioning "too much regulatory emphasis on stock rather than flow factors in ESG regulation".

How do you incorporate ESG considerations into your credit risk decision making process (more than one answer possible)?



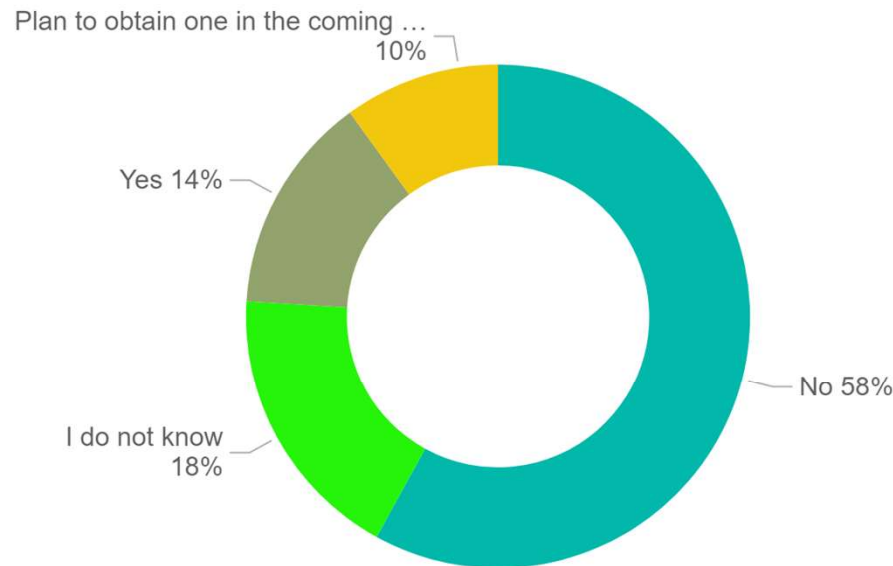
What do you consider are key obstacles to achieving long-term sustainability targets?



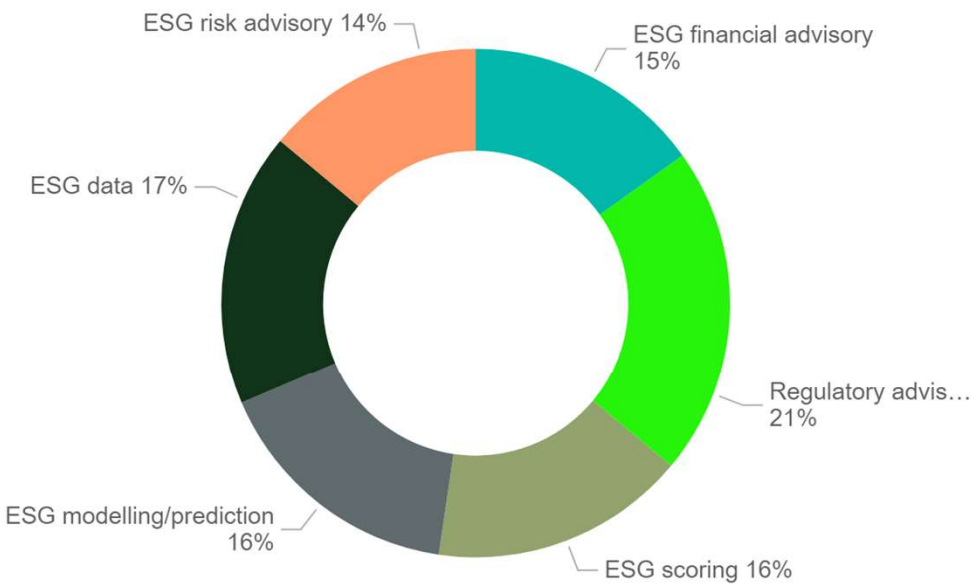
Bank: Does your bank have an ESG rating?

Bank: What inputs from third parties do you perceive are best able to support your organisation's ESG goals (more than one answer possible)?
- perceived third-party support with relatively evenly split between choices and also was relatively consistent across regions and banks' ESG targets

Does your bank have an ESG rating?



What inputs from third parties do you perceive are best suited to support ESG goals?



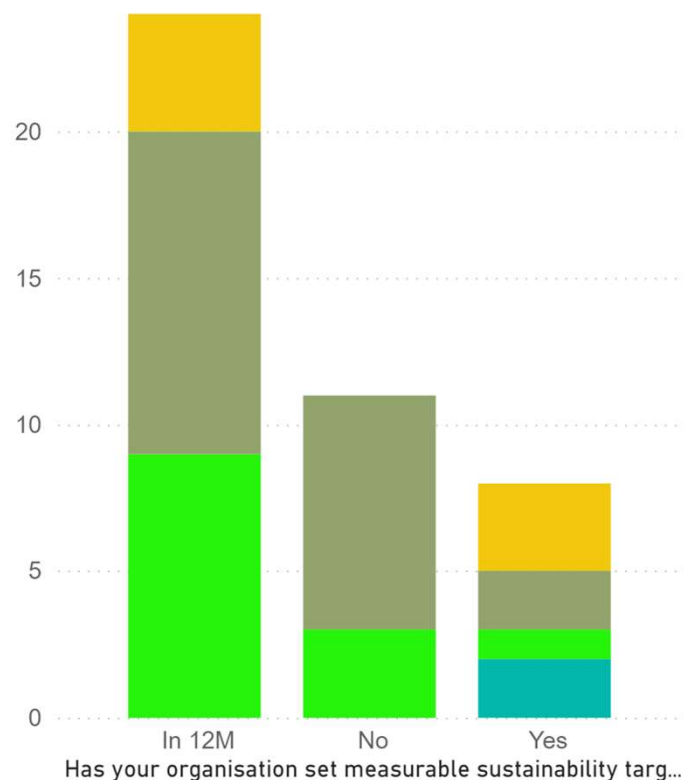
Banks: Issuance

Banks: Likelihood of ESG related issuance in the next 12 months

- **Banks** that have a measurable ESG target mainly have a green bond issuance framework in place or are **"reasonably"** or **"very likely"** to implement one in the coming 12 months.
- Circa 50% of banks that are considering implementing a measurable target are "likely" or "very likely" to set-up a green bond framework.
- **Banks** that have a measurable sustainability target already are **"reasonably likely"** or **"very likely"** to issue ESG related debt in the coming 12 months
- 25% of banks that are considering implementing a measurable target are **"reasonably likely"** or **"very likely"** to issue ESG debt in the coming 12 months

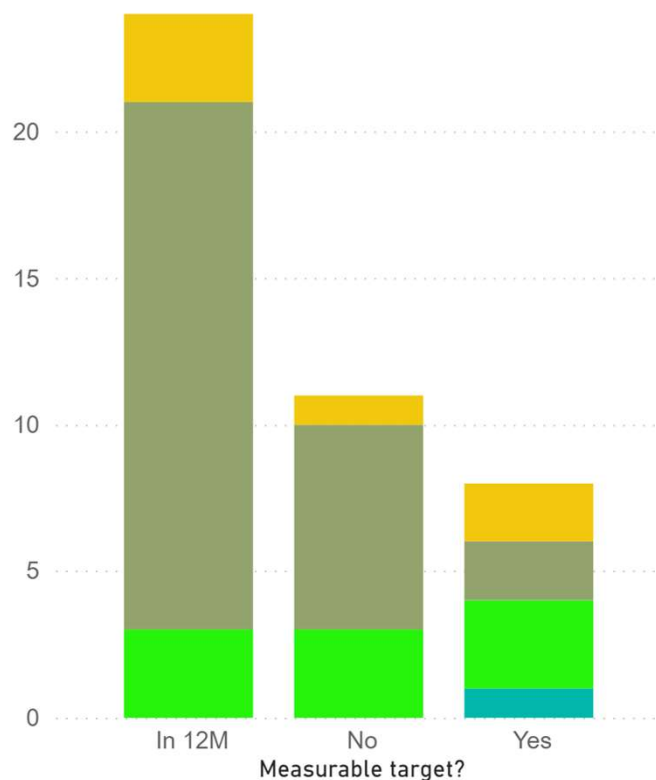
Set up a green/social bond framework

● In place ● Likely ● Not likely ● Very likely



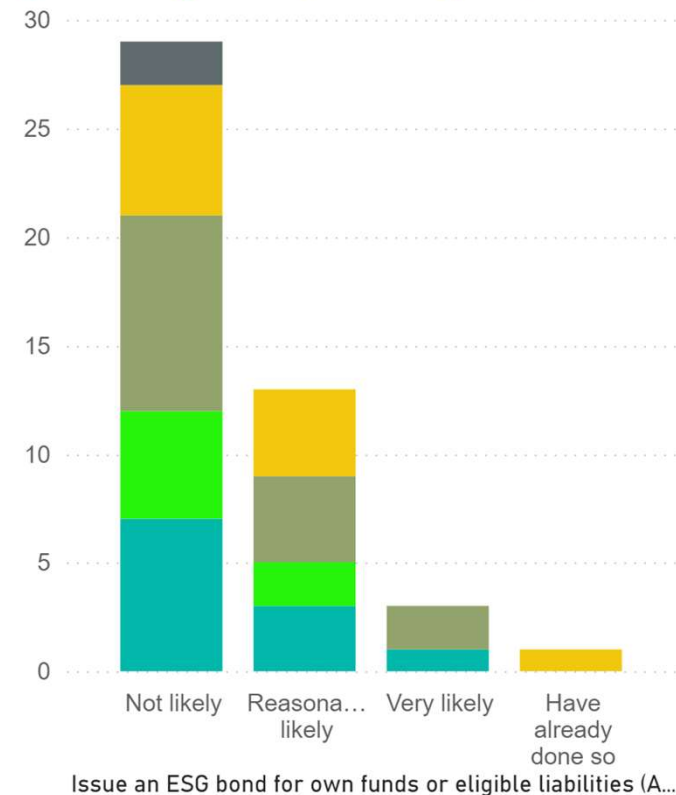
Issue an ESG related bond

● Already done ● Likely ● Not likely ● Very likely



Issue an ESG bond for own funds or eligible liabilities

● CEE/SEE non... ● Central Asia ● EU-CEE/SEE ● EU-WE ● Non-EU Dev...

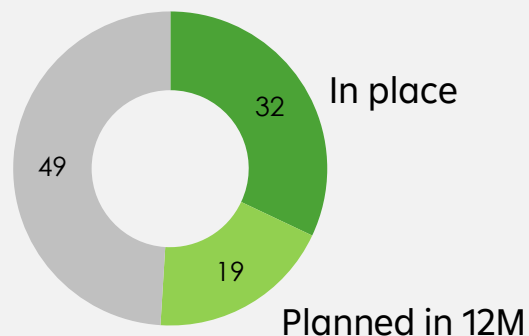


Corporate Survey Results

Key Findings from a Corporate Perspective

Corporate

Do you have measurable ESG Targets in place?



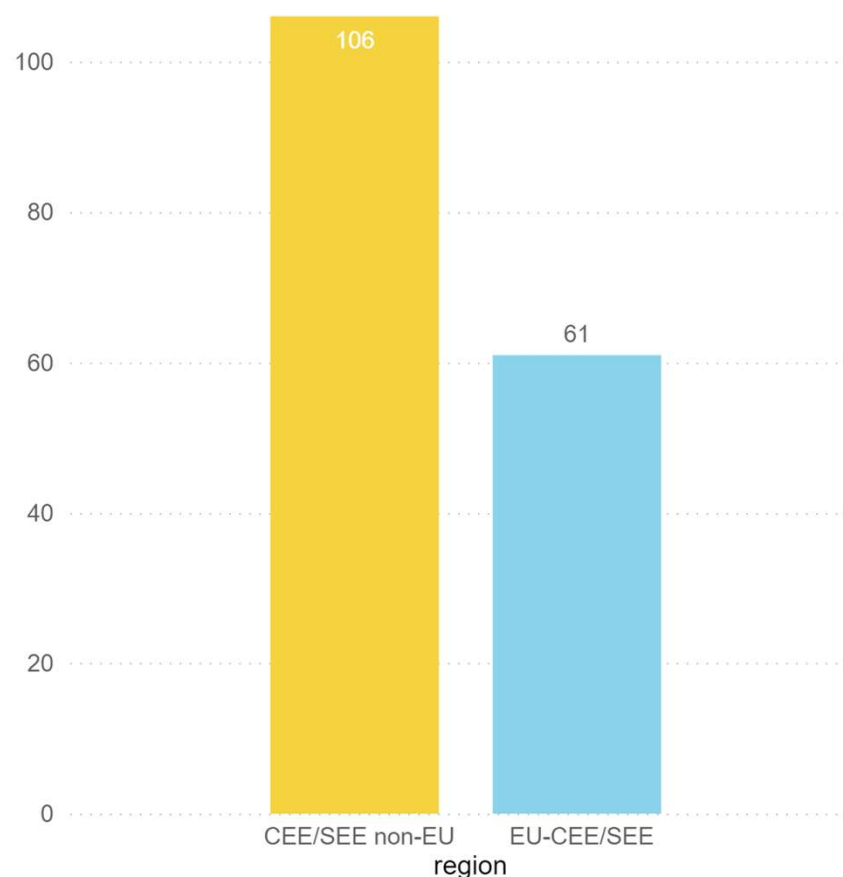
- **Targets:** 32 % of Corporates have at least one measurable sustainability target, with automobiles, pharma, agriculture, food & beverages and consumer durables sectors having the highest share of companies with targets.
 - **Region:** EU countries in CEE/SEE are currently more likely to have measurable ESG targets than non-EU CEE/SEE (39% v 27%)
 - **ESG Projects:** 50 % of corporates plan major ESG projects in the coming 12 months with energy, retail and materials sectors having the most ambitious plans.
 - **Support:** Corporates most often cited "support with ESG finance" when asked how banks could support their ESG objectives, with ESG data in second place for non-EU corporates and ESG regulatory support for EU-CEE/SEE companies.
- **ESG financing:** Companies with (or considering) ESG targets are 2-times more likely to consider ESG financing within the next 12 months than those without targets. Only slightly above 10 % of respondents already have an ESG rating in place, but a clear trend towards increased ESG financing, with green loan and green bonds in particular focus.
 - **"Brown" to "green" transition:** Companies already with measurable sustainability targets in place perceive the "market mechanism" (i.e. cheaper financing for companies that transform) could support transition, with regulatory relief the second most popular response.

Corporate Survey Responses by Region and Sector

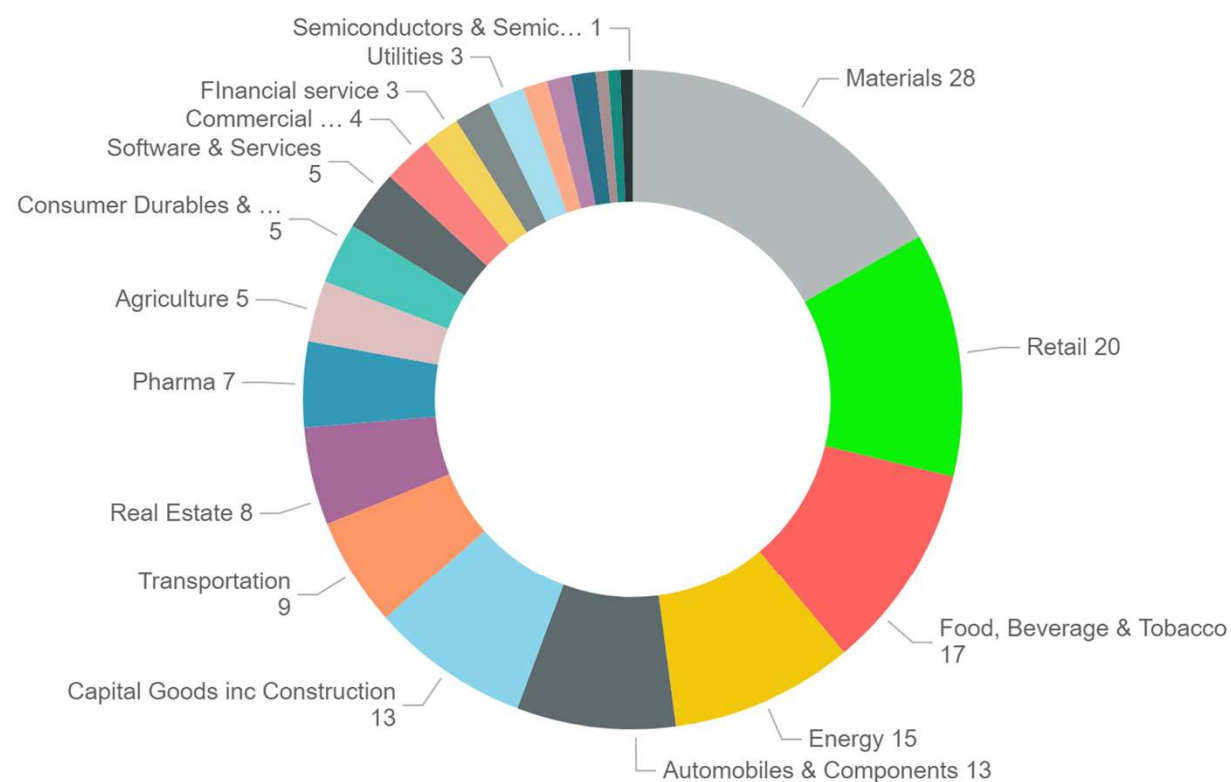
Survey responses by region and industry type

- **Total corporate survey responses: 173 with 61 from EU-CEE/SEE and 106 from non-EU CEE/SEE**
- **Countries** with higher corporate response rates: Belarus, Bulgaria, Croatia, Hungary, Serbia and Ukraine
- **Sectors** with higher response rates: materials, food/beverage, energy, autos and components, retailing, transportation and real estate
- **Note:** Caution should be using in interpreting survey results, particularly when filtering results by industry segment, where the more limited number of responses per sector could mean results are less representative (= wider confidence intervals)
- **Contact:** Please contact martin.blum@rbinternational.com for questions related to the survey.

Responses by region



Industry segment

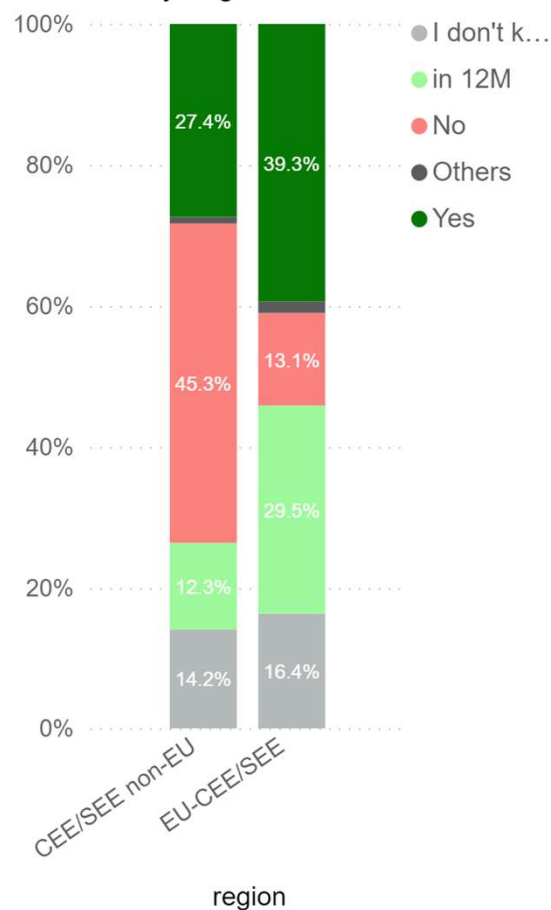


Measurable Sustainability Target Readiness

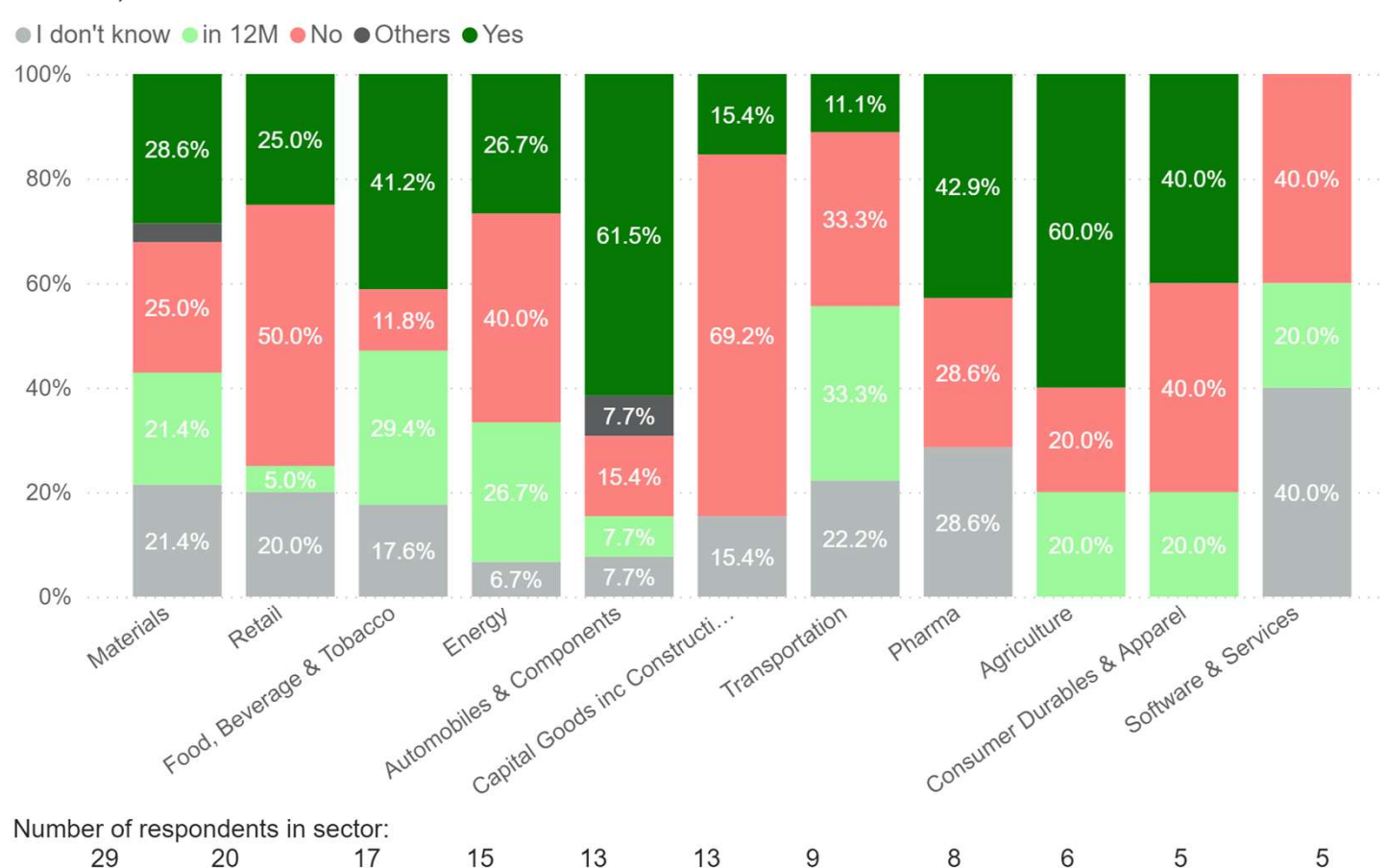
Has your organisation set measurable sustainability targets?

- A higher proportion of corporates in EU-CEE/SEE have set targets already or are considering them in the next 12 months, in comparison to CEE/SEE non-EU corporates.
- Sectoral differences in target setting were significant, with the highest proportion of respondents setting targets in automobile, Pharma, Agriculture, Food & beverages and consumer durables.
- **Note:** Caution should be using in interpreting survey results, particularly when filtering results by industry segment, where the more limited number of responses per sector could mean results are less representative (= wider confidence intervals)

Has your organisation set measurable sustainability targets?



Has your organisation set measurable sustainability targets (results shown for sector where > 5 responses received)?



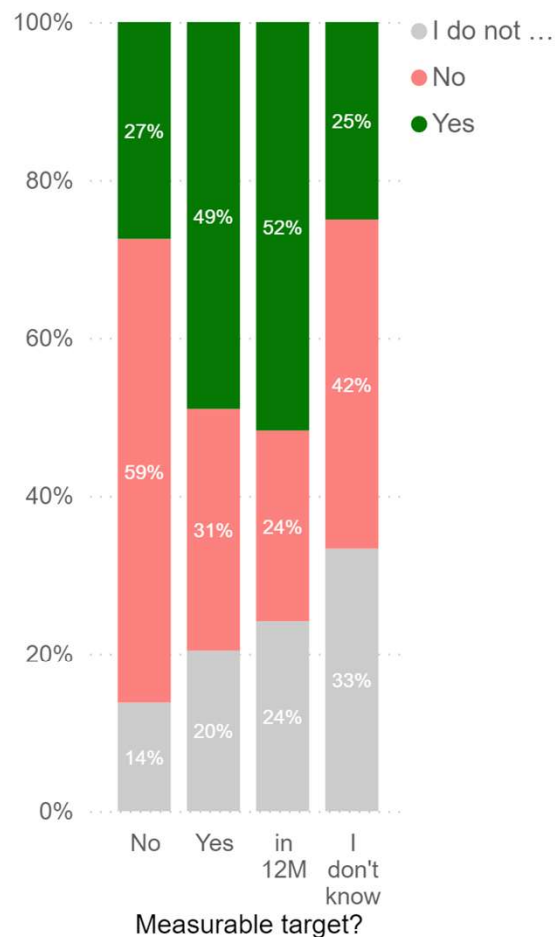
Green or Social Projects Planned within the next 12 Months

Do you plan any major green or social project within the next 12 months, e.g. renewable energy, energy efficiency or green buildings etc.?

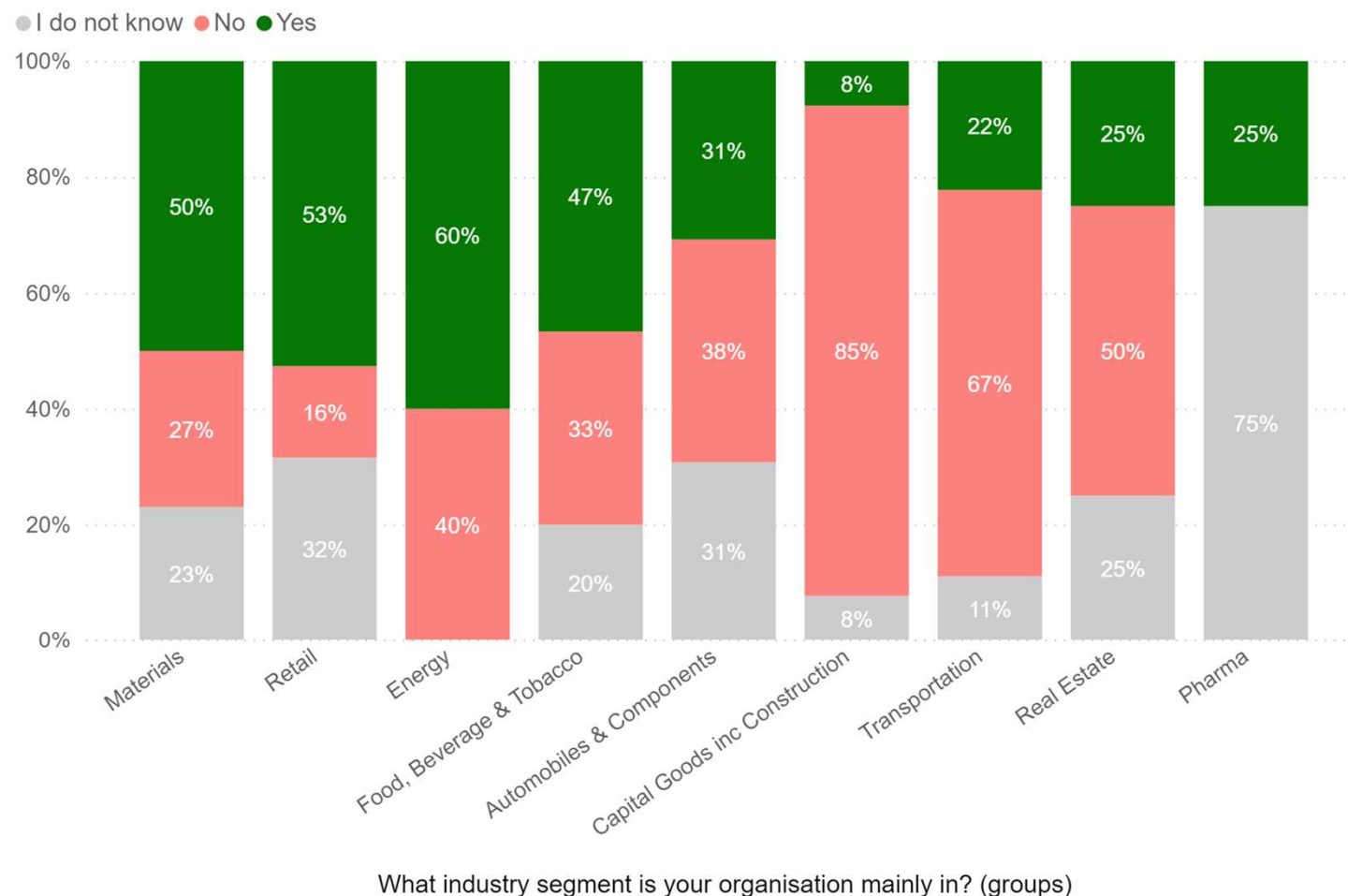
- A higher proportion of EU-CEE/SEE corporates plan a major green or social project within the next 12M, with materials, retailing and energy the sectors most frequently responding positively.

- **Note:** Caution should be using in interpreting survey results, particularly when filtering results by industry segment, where the more limited number of responses per sector could mean results are less representative (= wider confidence intervals)

Do you plan any major green or social project within 12M



Do you plan any major green or social project within 12M (top 9 segments by response level)

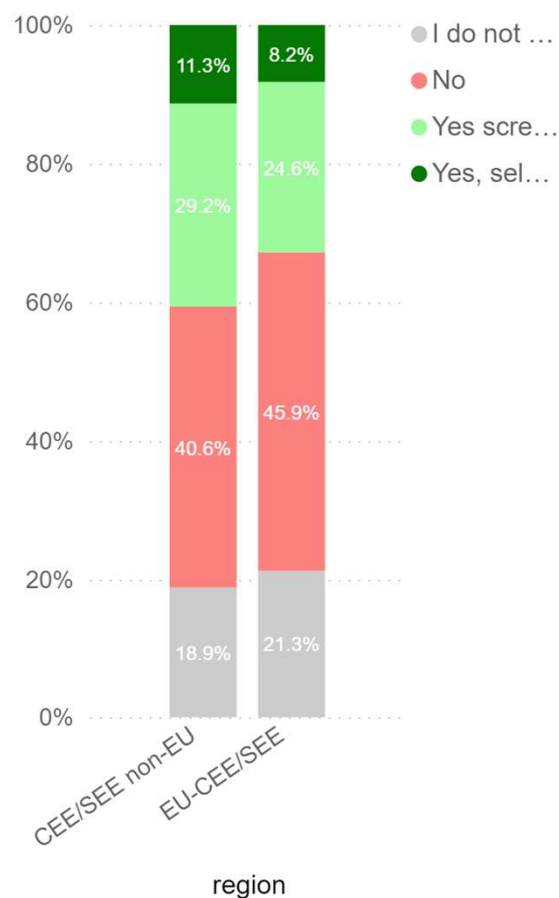


Supply Chain and ESG Screening

Do you screen or even select your supply chain for ESG criteria?

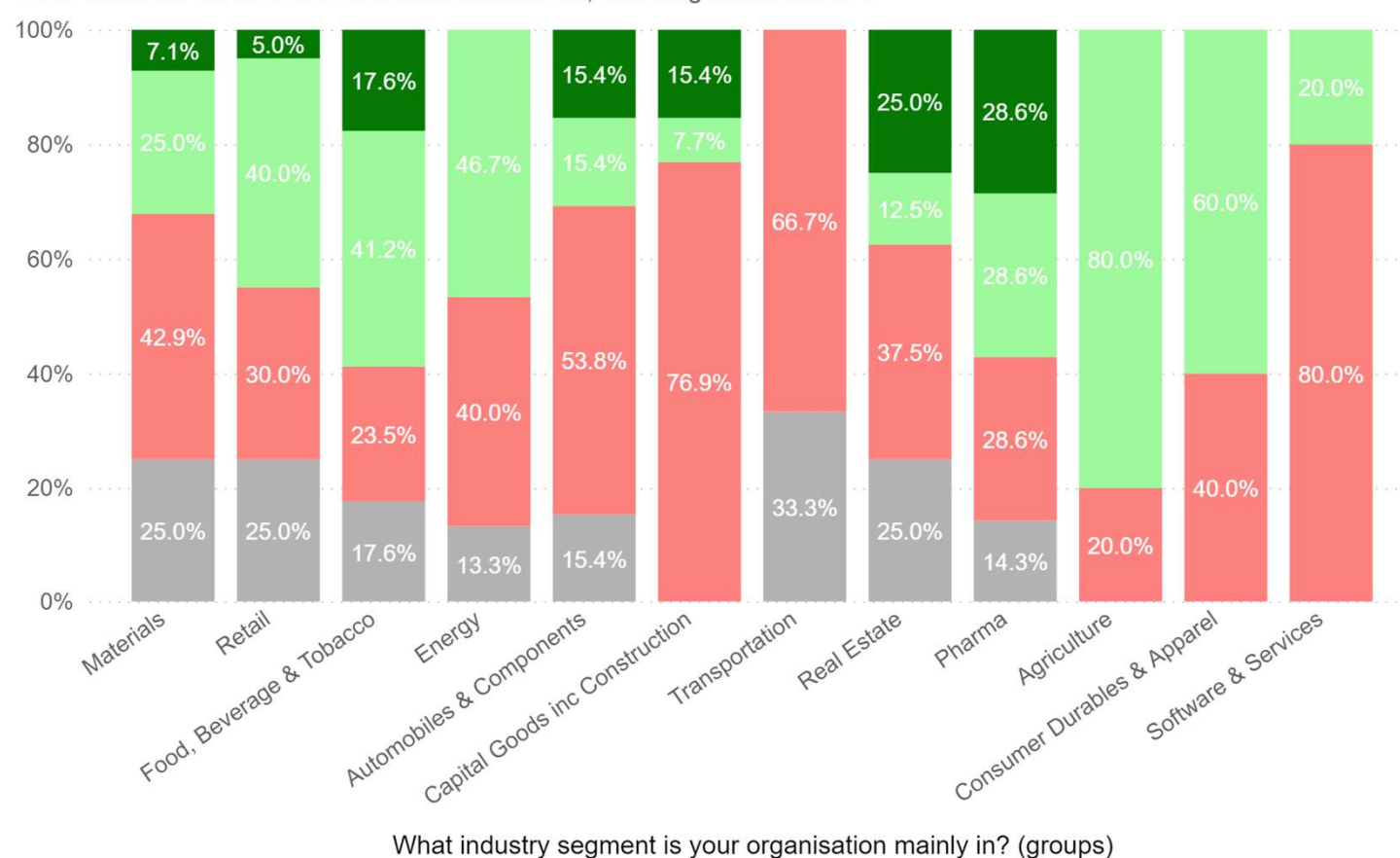
- A slightly higher portion of non-EU CEE/SEE corporate respondents said they screen their supply chains for ESG criteria, or, selected suppliers based on ESG criteria compared to EU-CEE/SEE
- Transportation, Materials and Capital Goods sectors (e.g. construction) said they did not screen their supply chains for ESG criteria, with Pharma, Food/beverage and retailing having the highest share of supply chain screening or ESG selection

Do you screen, or even select, your supply chain for ESG criteria?



Do you screen, or even select, your supply chain for ESG criteria?

● I do not know ● No ● Yes screen for ESG ● Yes, selecting based on ESG



ESG Rating

Does your company have an ESG rating?

- A similar proportion of EU-CEE/SEE and non-EU CEE/SEE corporate respondents have an ESG rating, though a slightly higher share of EU-CEE/SEE expected to obtain one in the coming 12 months
- Capital goods (e.g. construction), energy and material sectors had the highest share of no ESG rating currently or planned, whilst Autos and Pharma had the highest proportion of responses with ESG rating or planned in the next 12M.

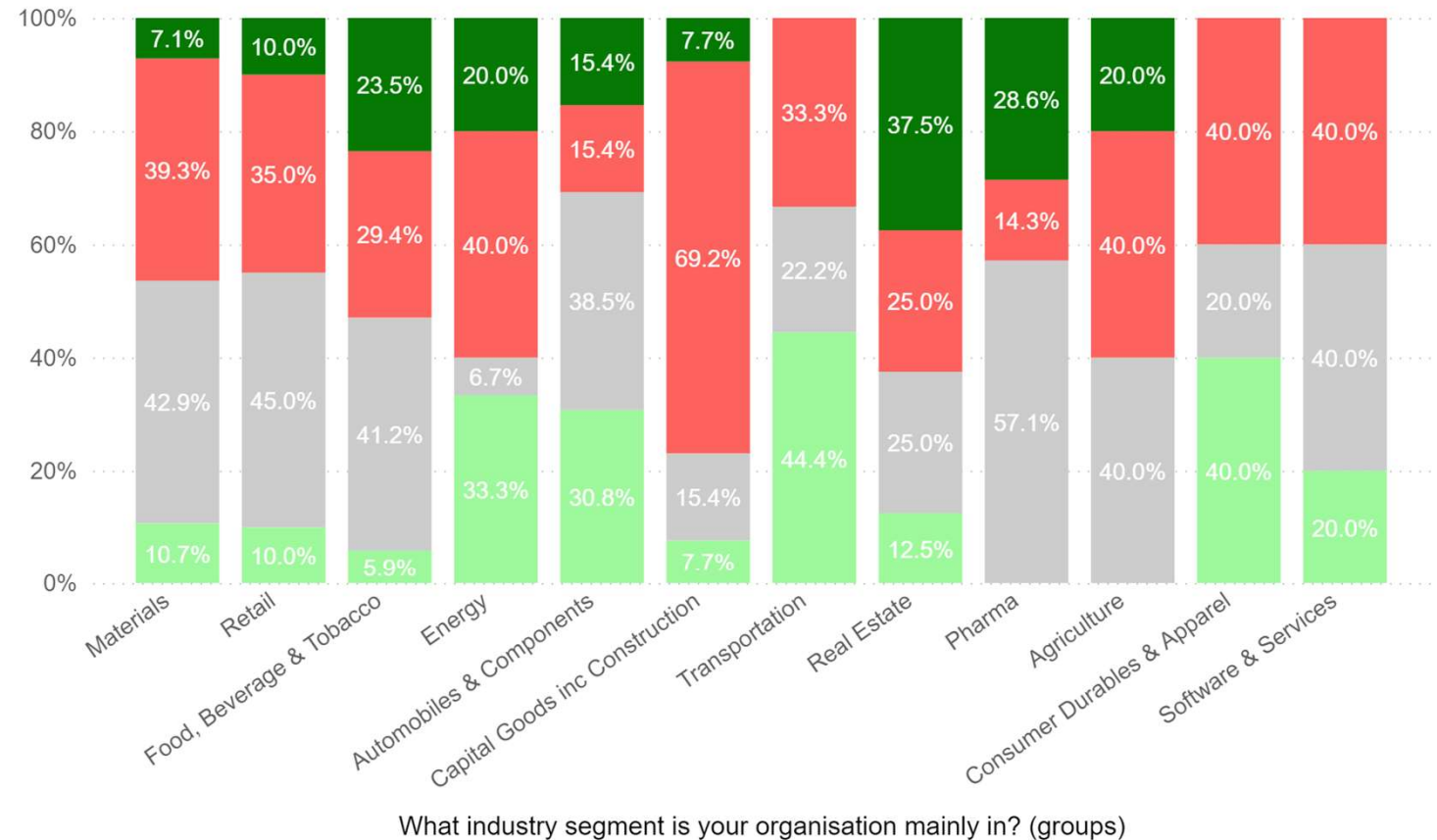
Does your company have an ESG rating?

● ? ● In 12M ● No ● Yes



Does your company have an ESG rating?

● Expected in next 12M ● I do not know ● No ● Yes

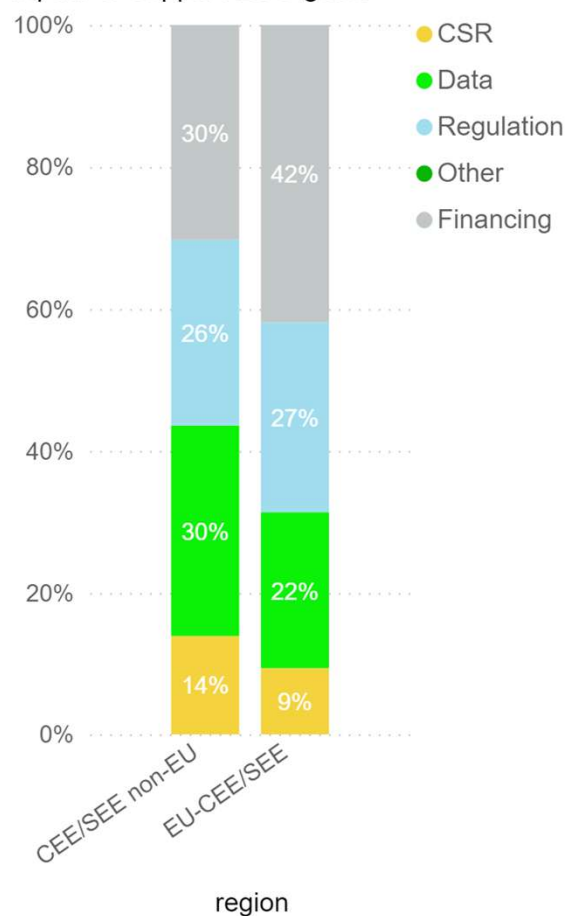


Inputs from Banks to Support Corporate ESG Goals

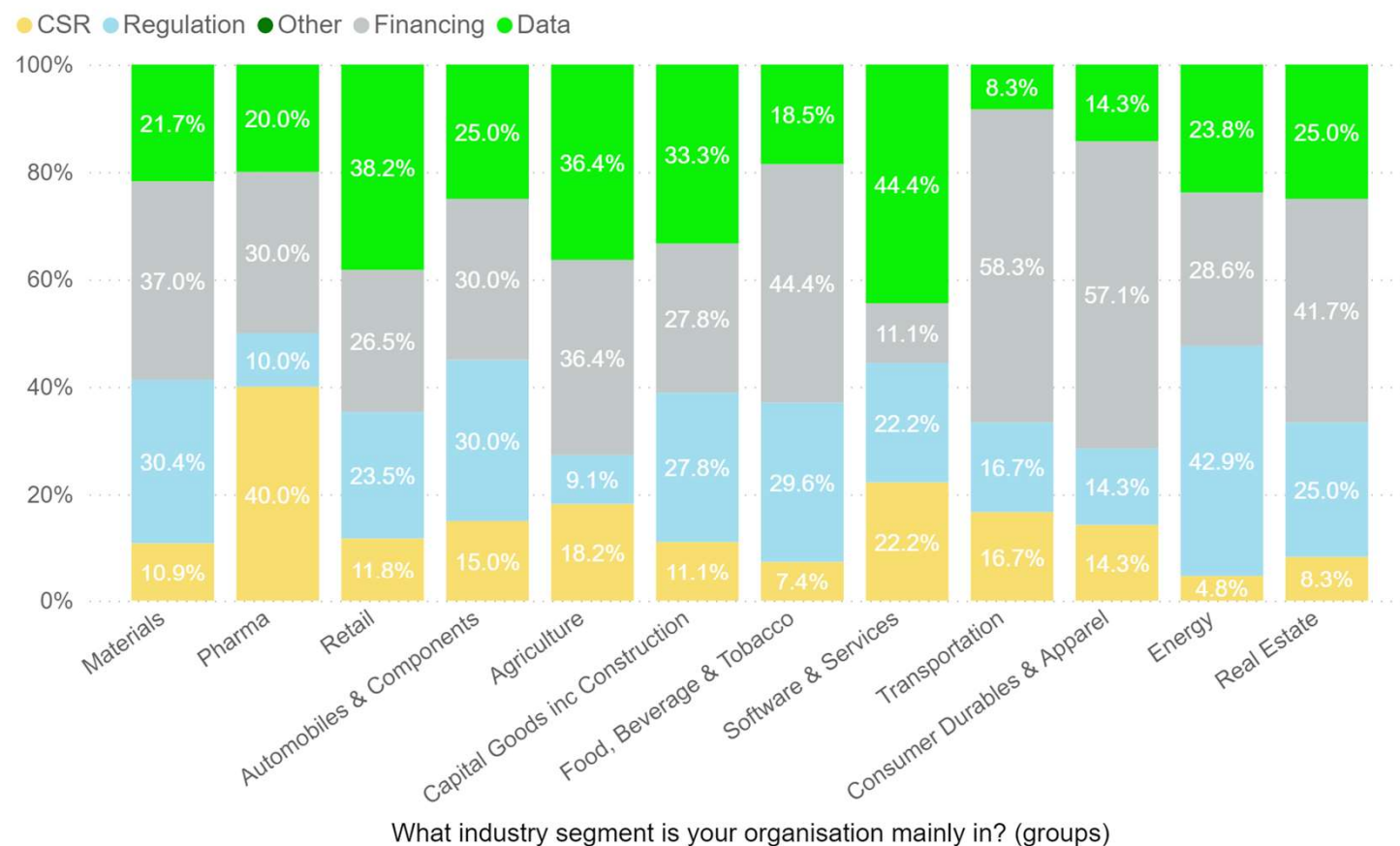
What inputs from banks do you perceive are best able to support your organisation's ESG goals (more than one answer possible)?

- ESG financing support is the #1 response, with the share of "financing" responses being slightly higher in EU-CEE/SEE than non-EU
- The second most frequent response is "support with ESG regulation", though split by region "support with ESG data" was more frequently cited in non-EU CEE/SEE
- At a sector level, "support with ESG financing" was the most frequent response for transportation, food/beverage, real estate, autos and materials, whilst for capital goods and retailing "support with relevant ESG data" was the most frequent response

Inputs to support ESG goals



What inputs from banks do you perceive are best able to support your organisation's ESG goals (more than one answer possible)?

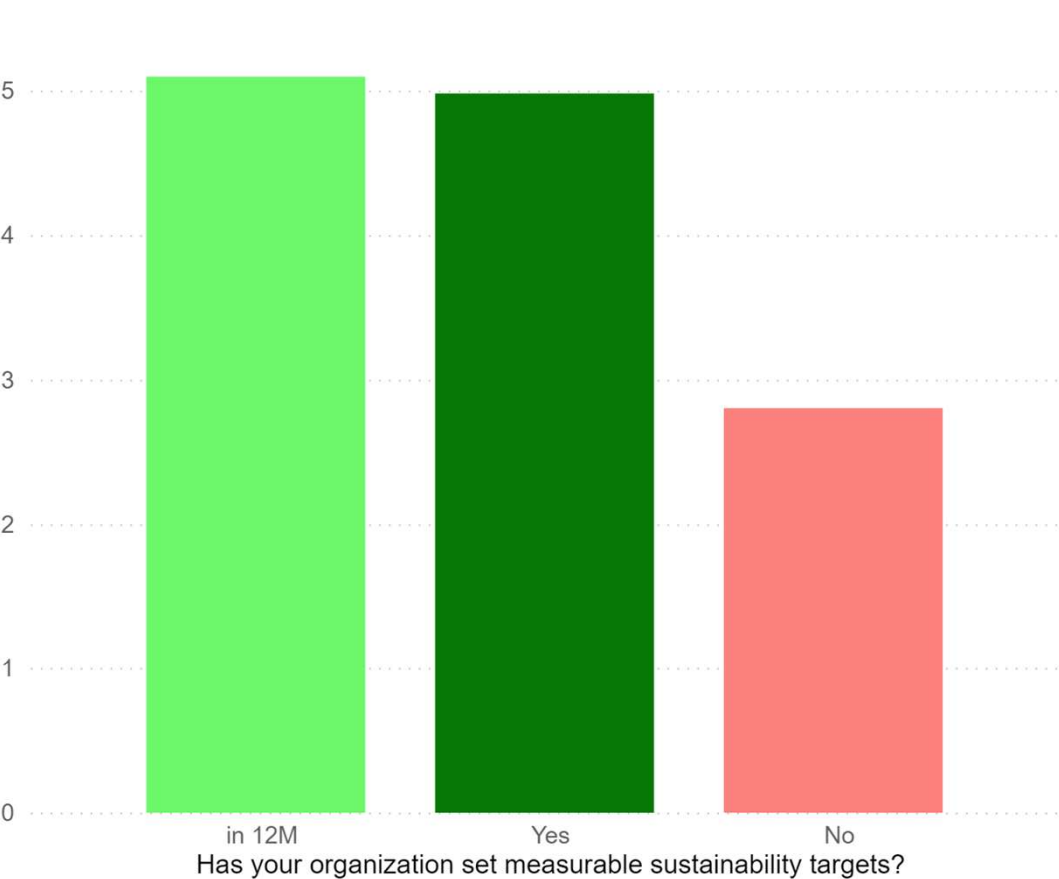


Likelihood of Corporate ESG Finance in the next 12M

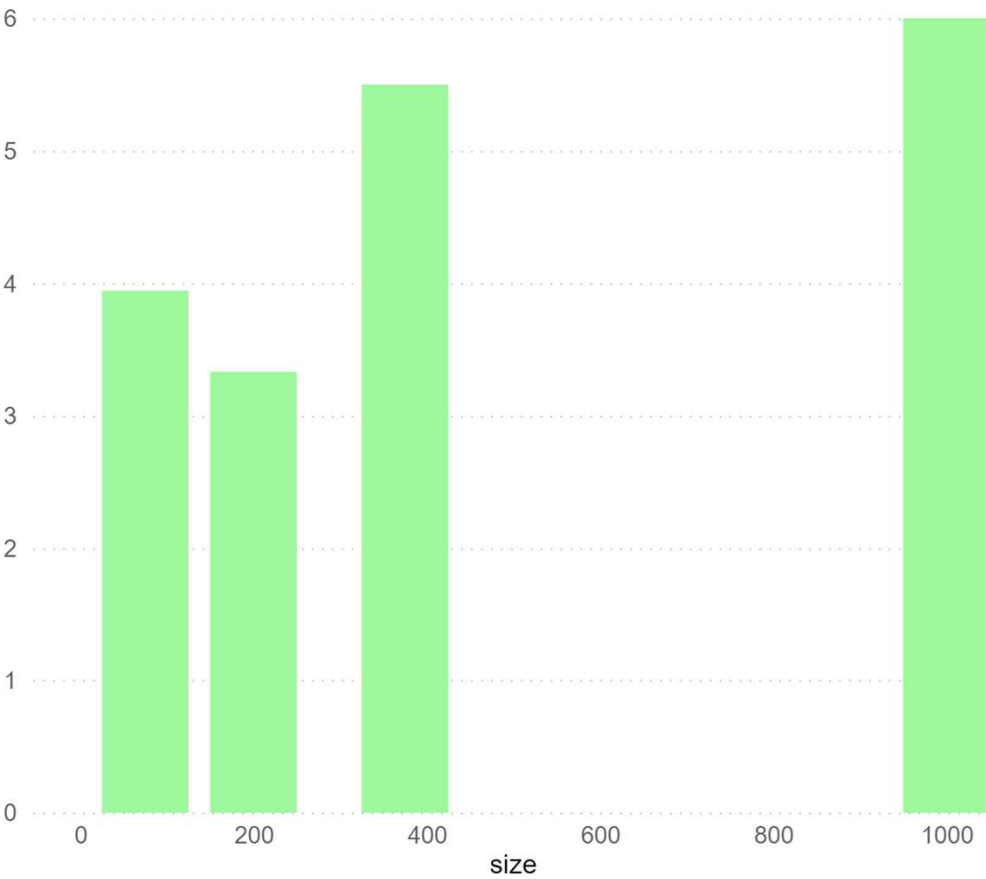
How likely are you to use ESG finance in the next 12M (0 = very unlikely, 10 = very likely)?

- Corporates already with or planning a measurable sustainability target considered themselves more likely to use ESG related finance in the next 12M than those without (first chart)
- Corporates with larger revenues perceived a higher likelihood of using ESG finance in the coming 12M.

How likely are you to use ESG related financing in the coming 12M ? (0 = not likely, 10 = extremely likely)



How likely are you to use ESG related financing in the coming 12M ? (0 = not likely, 10 = extremely likely)

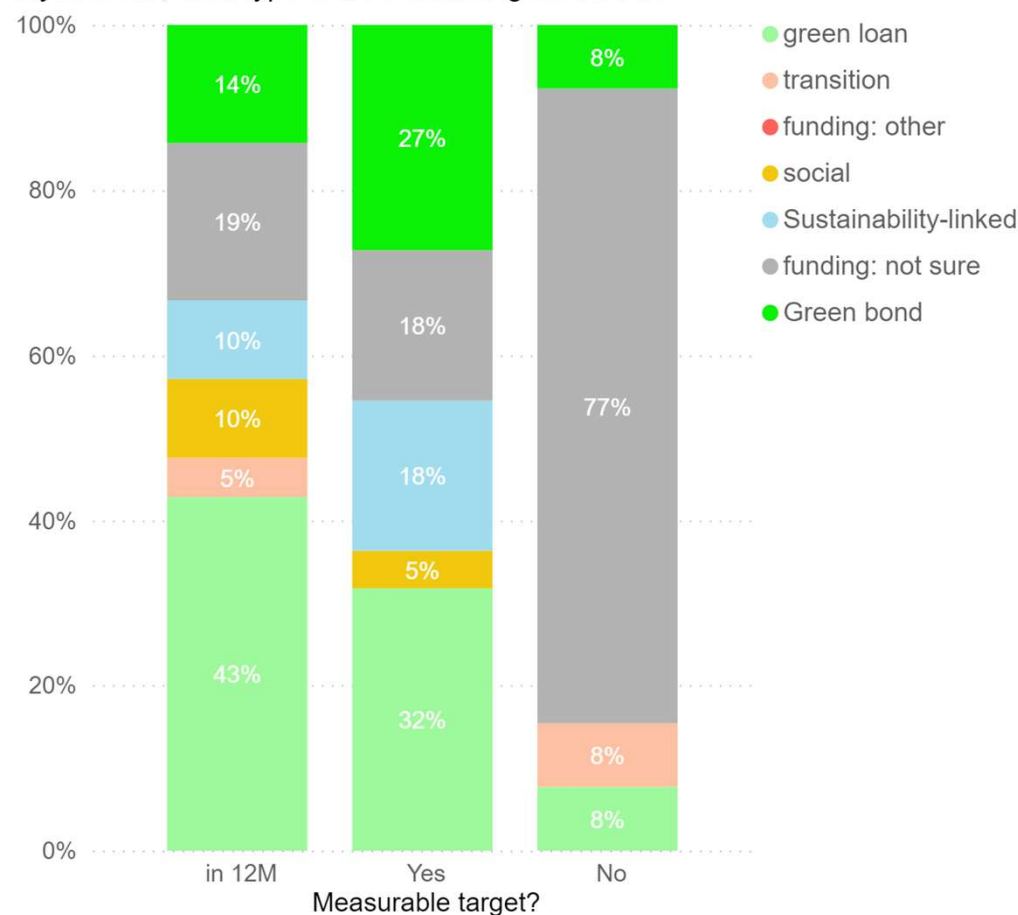


Type of Corporate ESG Financing

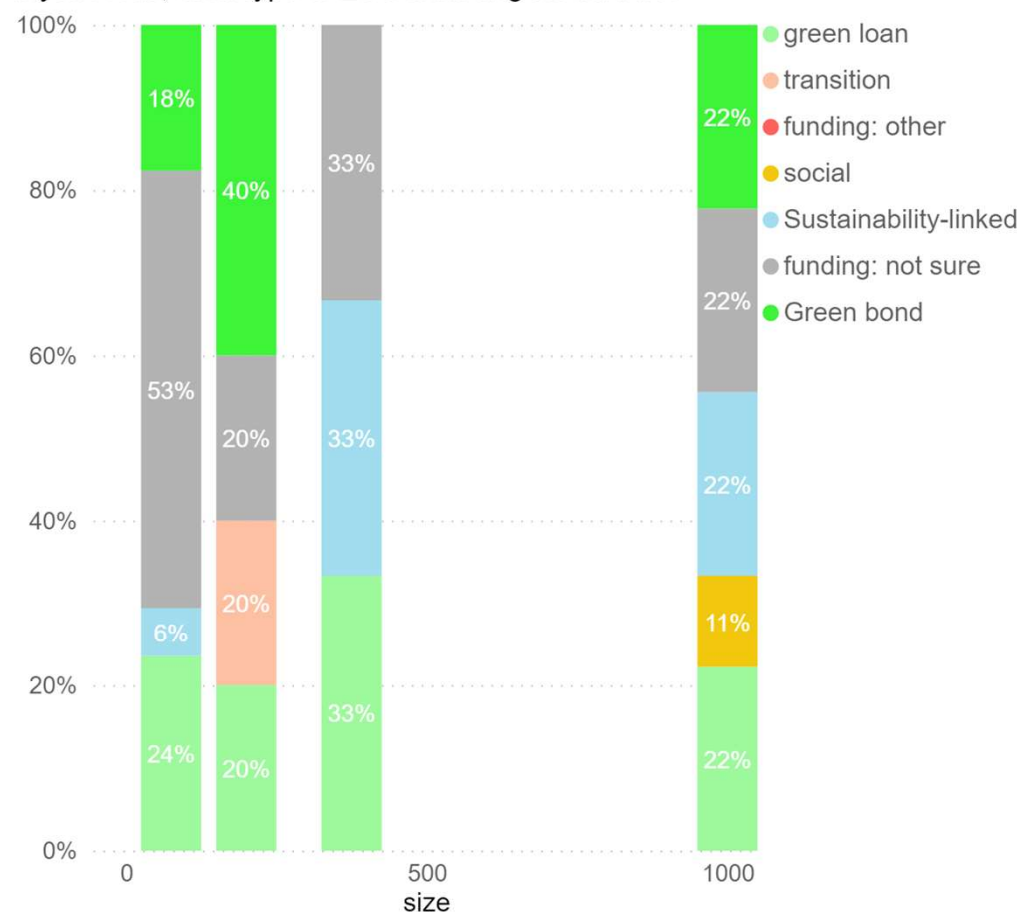
If you issue, what type of ESG related funding would you potentially consider in the next 12 months (more than one answer possible)?

- Corporates already with or planning a measurable sustainability target considered themselves more likely to use green bonds or green loans
- Corporates that don't have or don't plan a measurable sustainability target are much less sure about using green bond or loan financing in the coming 12M

If you issue, what type of ESG financing would it be?



If you issue, what type of ESG financing would it be?

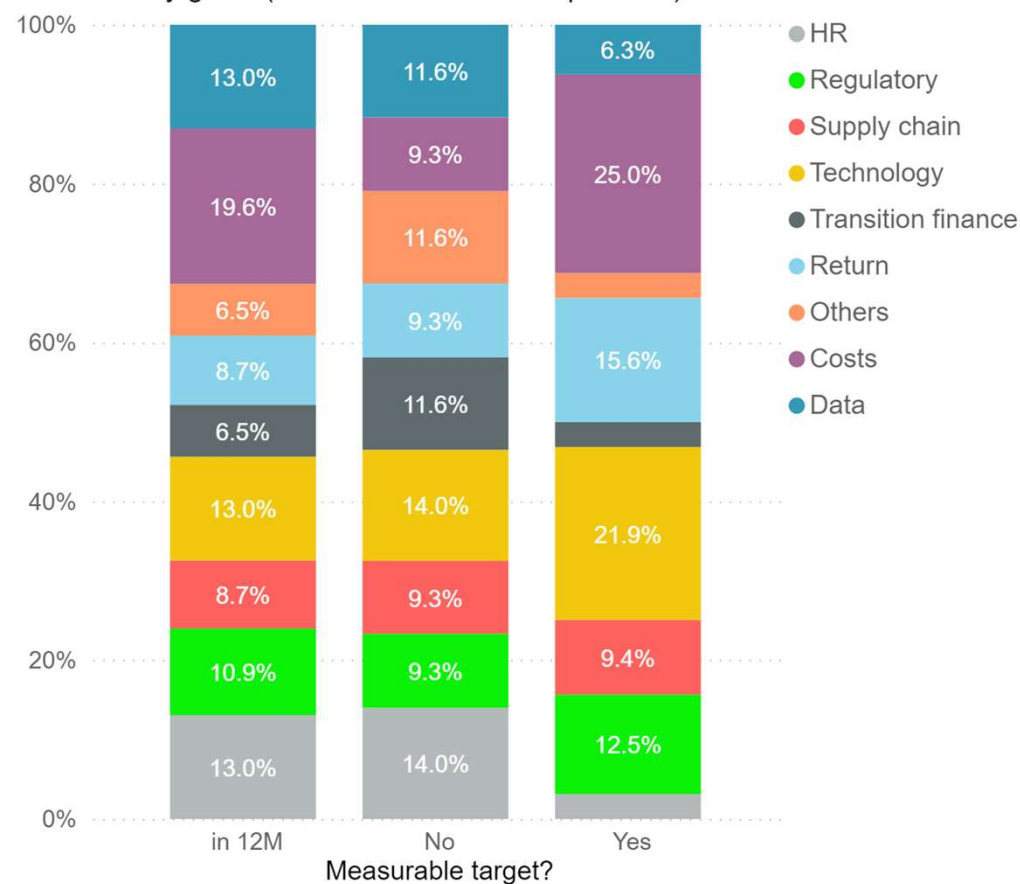


Obstacles to Corporate ESG Goals

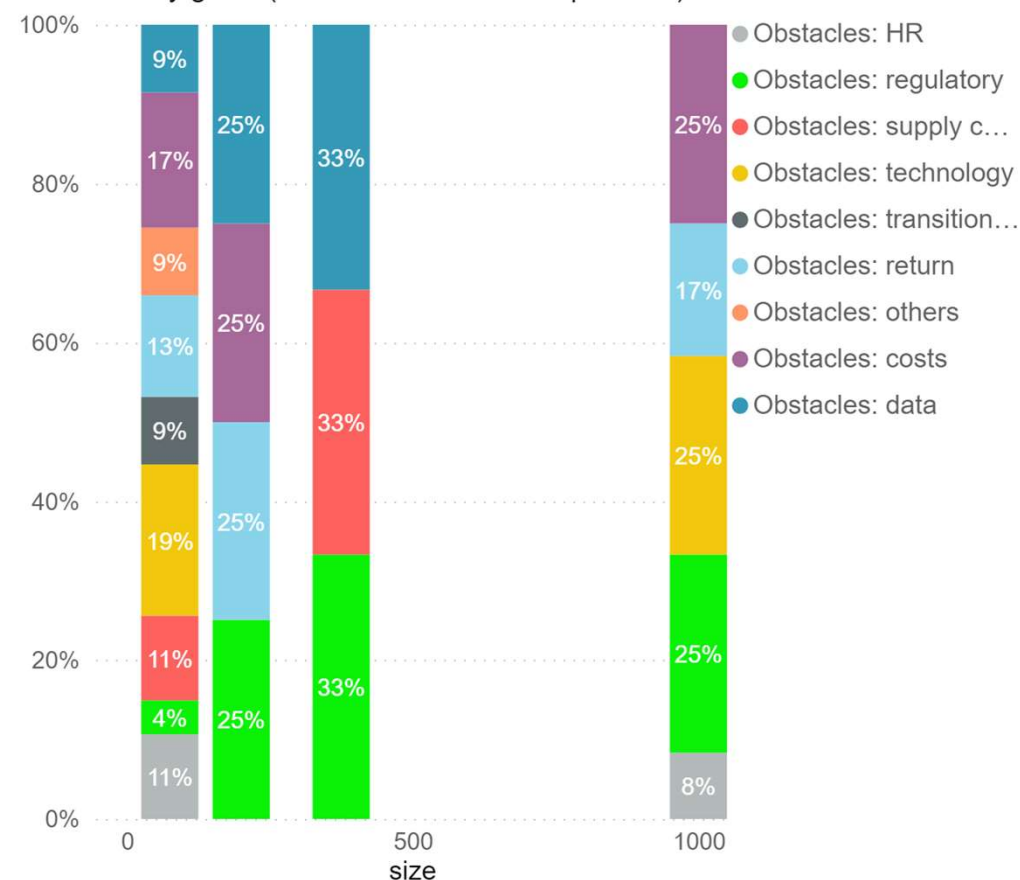
What do you consider the largest obstacles are to achieving your long-term sustainability goals (more than one answer possible)?

- Corporates already with or planning a measurable sustainability target considered costs and technology as slightly larger obstacles to achieving their ESG targets.

What do you consider the largest obstacles are to achieving your long-term sustainability goals (more than one answer possible)?



What do you consider the largest obstacles are to achieving your long-term sustainability goals (more than one answer possible)?

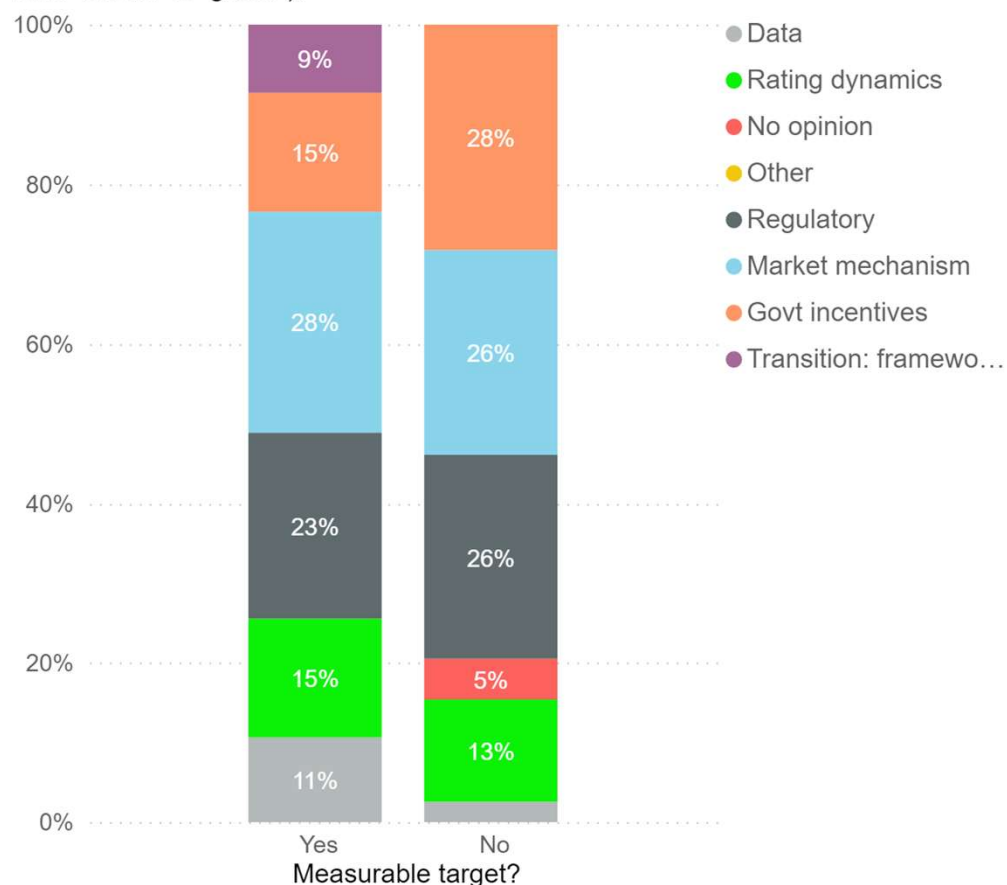


Facilitating Corporate Transition from "Brown" to "Green"

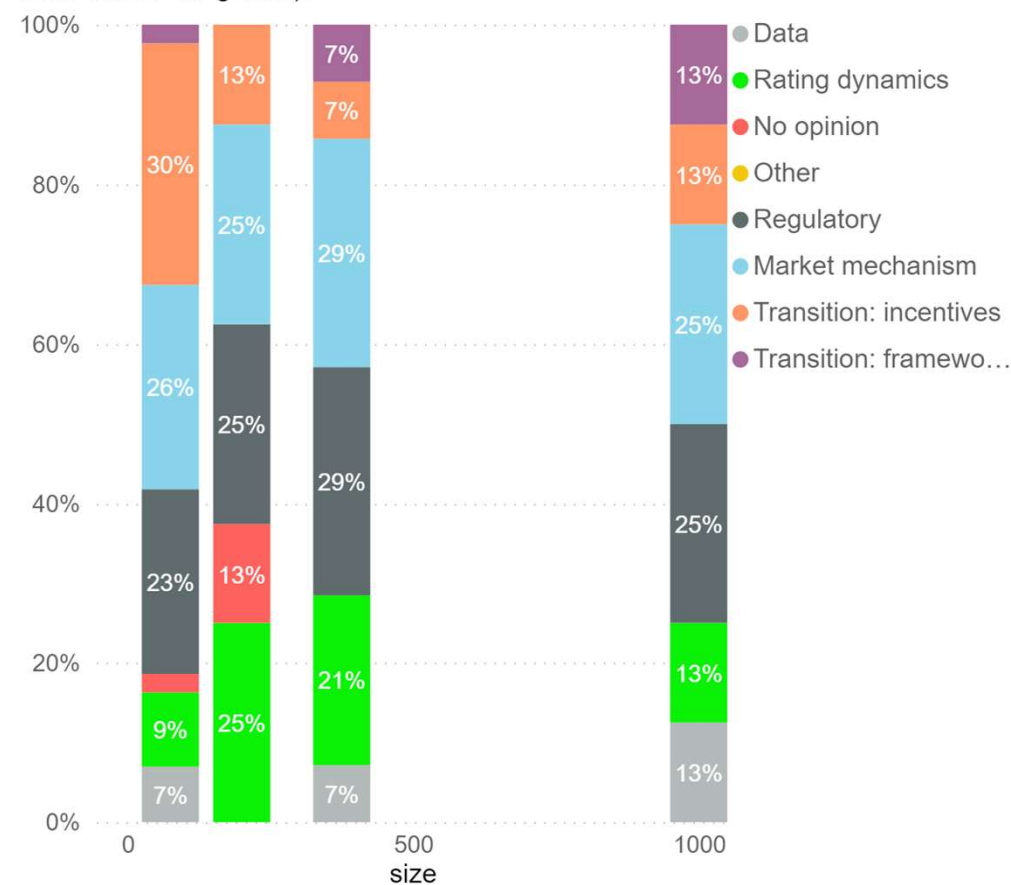
What do you think can help facilitate ESG transition (e.g. helping companies move from "brown" to "green")?

- Companies already with measurable sustainability targets perceived the "market mechanism" could best help facilitate brown to green transition, with regulatory relief the second most popular response.
- Companies considering implementing a measurable sustainability target most often mentioned "a bigger push by governments to incentivise ESG transition" as best able to facilitate it

What do you think can help facilitate ESG transition (e.g. helping companies move from "brown" to "green")?



What do you think can help facilitate ESG transition (e.g. helping companies move from "brown" to "green")?



Corporates: EU Emissions Credits

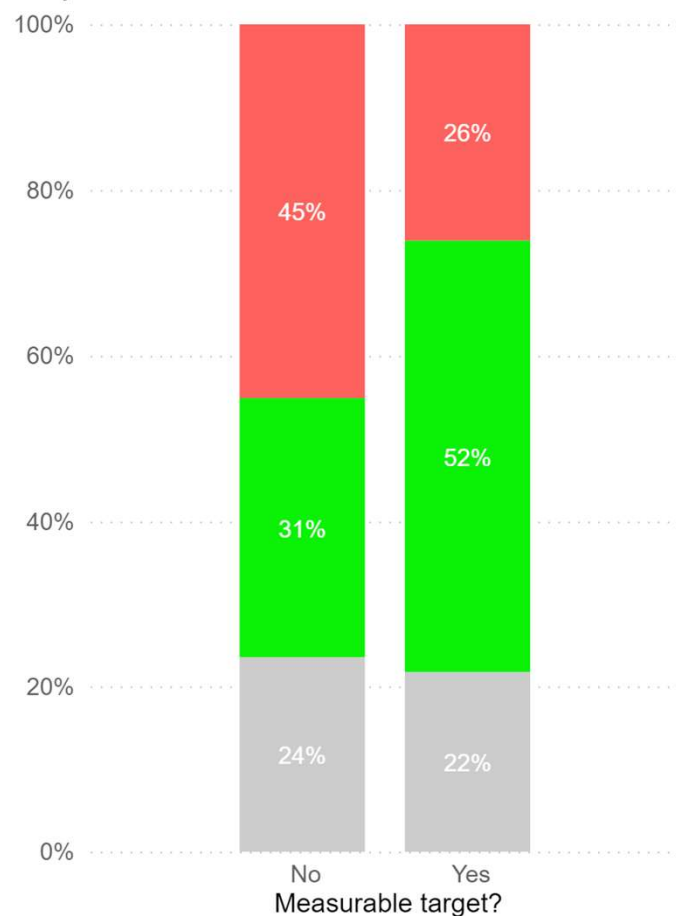
Are you interested in EU emissions credits?

- Energy, capital goods, materials, transportation and food/beverage sectors recorded the highest interest in EU emissions credits

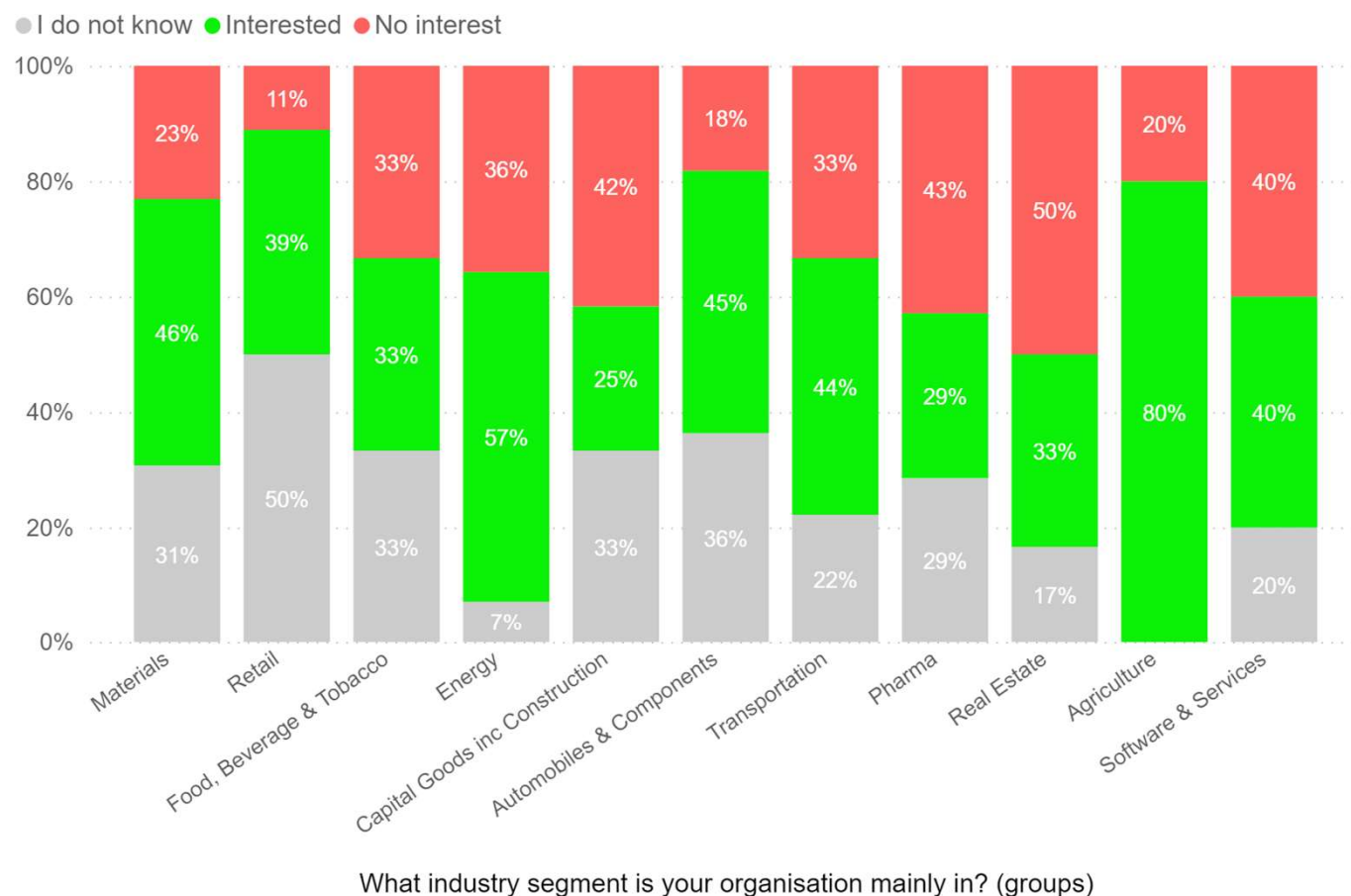
- Retailing and real estate recorded the lowest interest

. An important caveat at the industry sector level is the relatively limited number of responses per industry sector. This means only the top 10 industry sectors by responses are included (even there results should be interpreted with caution)

Are you interested in EU emissions credits?



Are you interested in EU emissions credits (top 10 sectors by response only)?

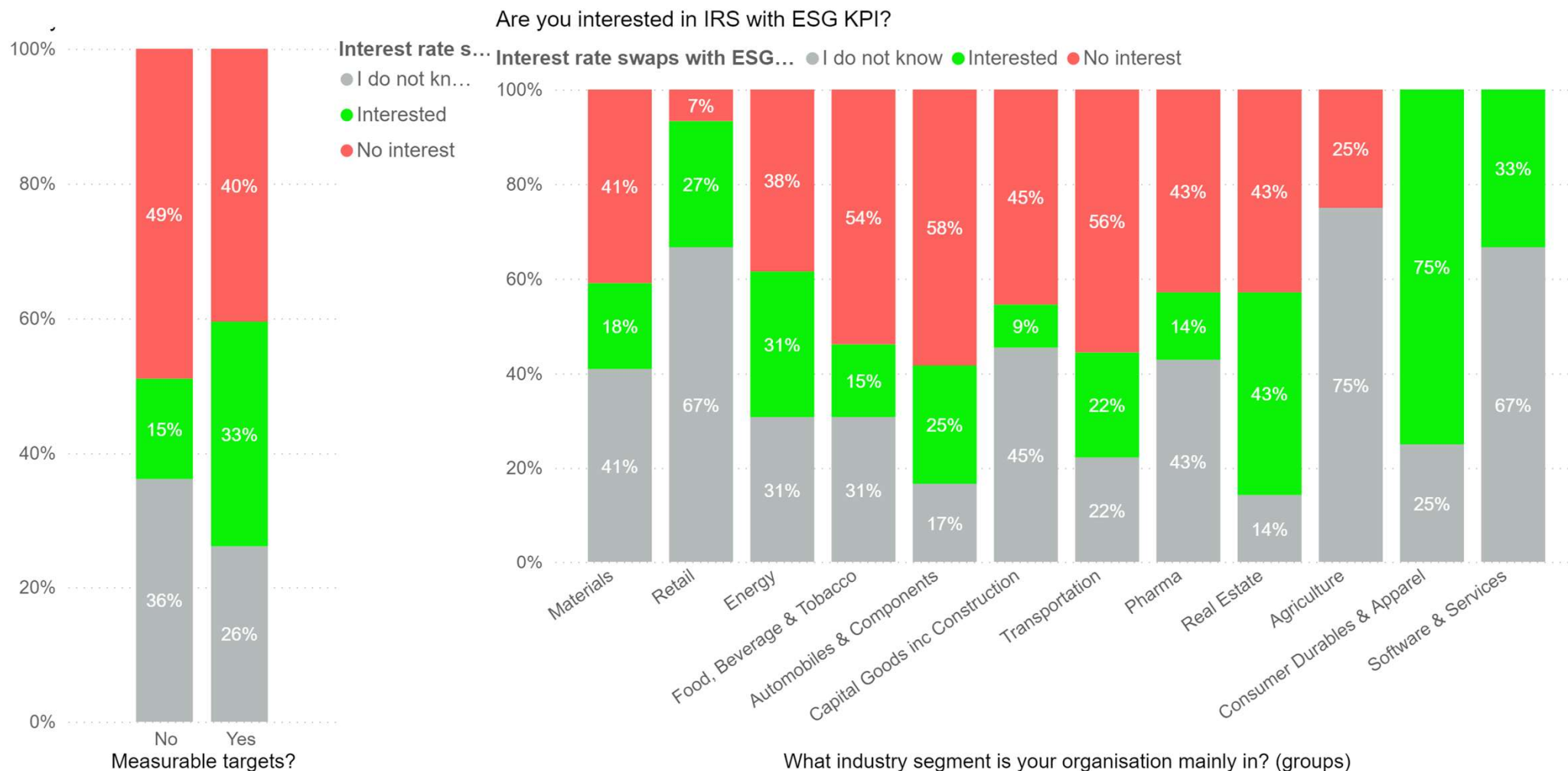


Corporate: IRS with ESG KPI

Are you interested in IRS with ESG KPI?

- Interest was higher in corporates with measurable sustainability targets already in place, or considering them in the coming 12M

. an important caveat at the industry sector level is the relatively limited number of responses per industry sector. This means only the top 10 industry sectors by responses are included (even there results should be interpreted with caution)



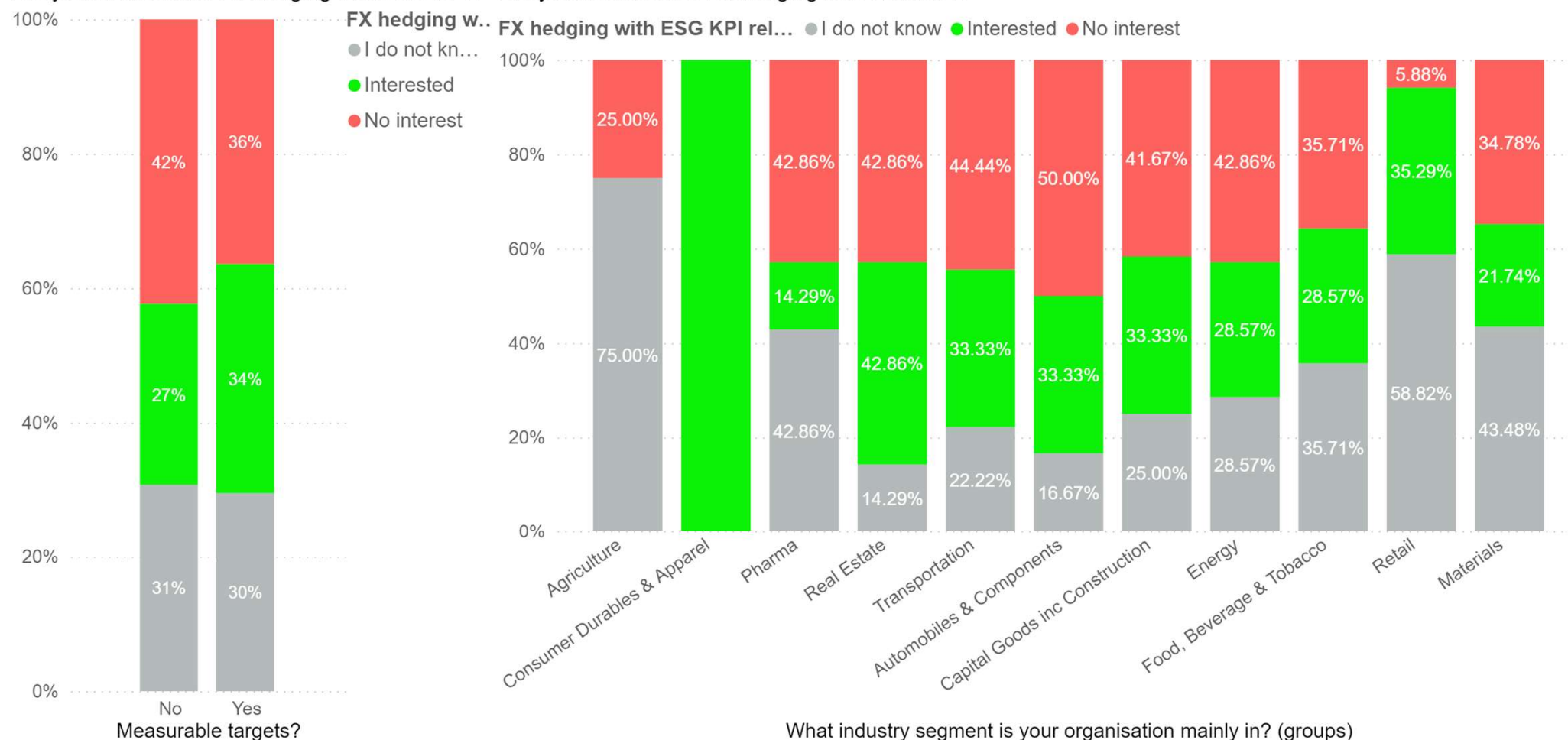
Corporate: FX Hedging with ESG KPI

Are you interested in FX hedging with ESG KPI?

- Interest was relatively similar in corporates with and without measurable sustainability targets

. An important caveat at the industry sector level is the relatively limited number of responses per industry sector. This means only the top 10 industry sectors by responses are included (even there results should be interpreted with caution)

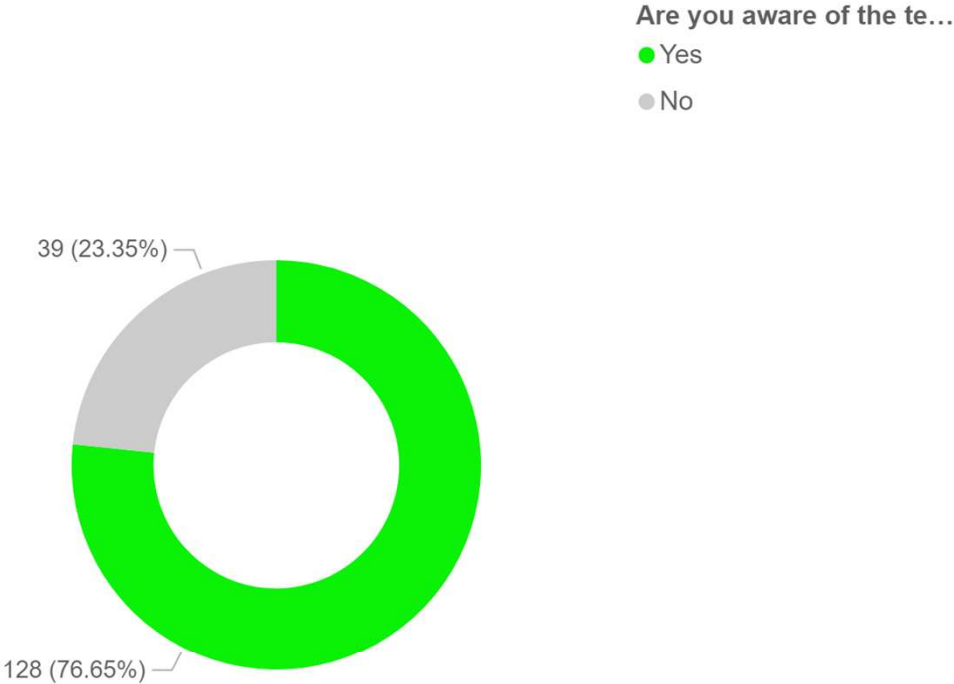
Are you interested in FX hedging with ESG KPI? Are you interested in FX hedging with ESG KPI?



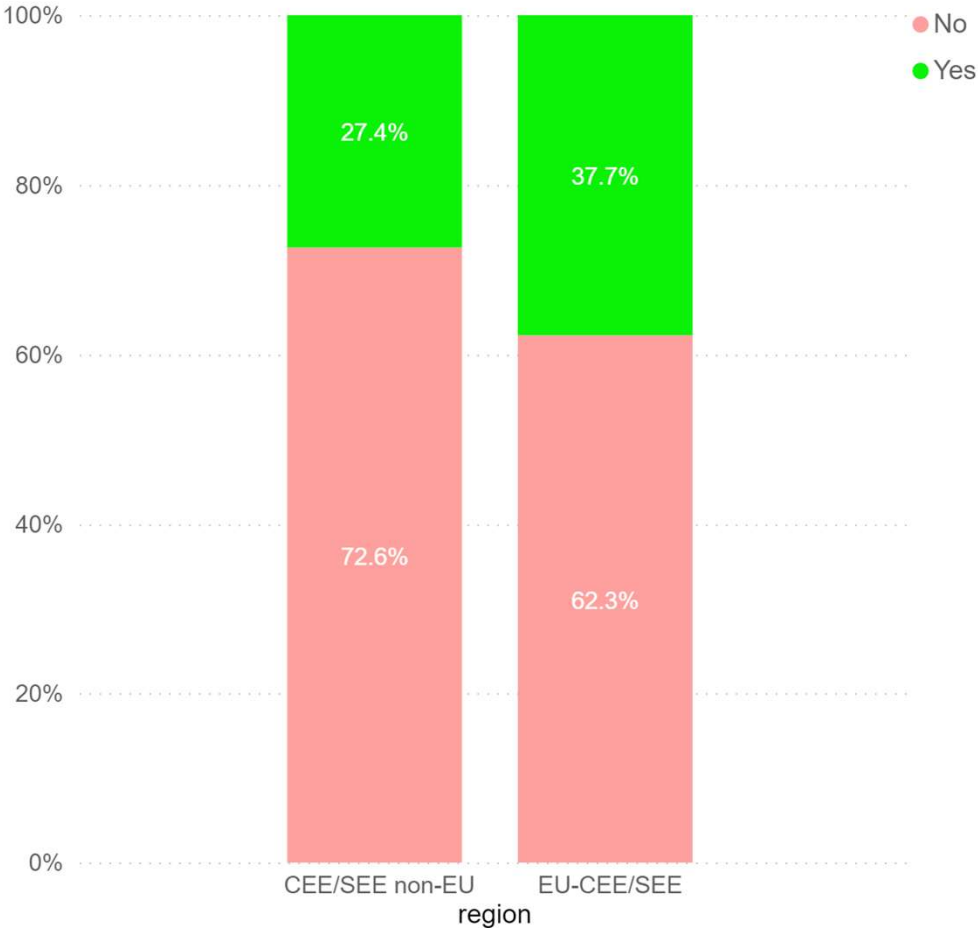
Corporate Survey Responses by ESG Recognition and Structure

- A slightly higher proportion of corporates in EU-CEE/SEE have a single department within their company responsible for ESG processes compared to non-EU CEE/SEE

Are you aware of the term ESG (i.e. Environmental, Social and governmental sustainability)?



Does your organisation have a single department responsible for setting most ESG processes?

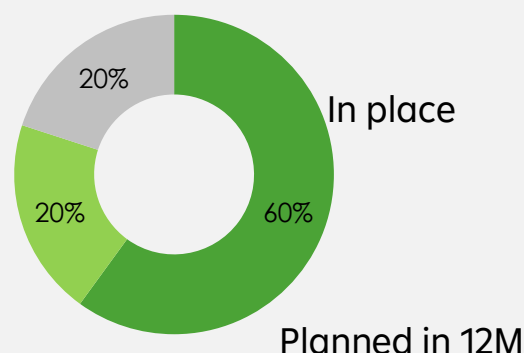


Sovereign Survey Responses

Key Findings from a CEE/SEE Sovereign Perspective

Sovereign

Do you have measurable ESG Targets in place?



- **EU:** 50% of sovereign responses were from CEE/SEE EU members and 50% non-EU CEE/SEE/CIS.
- **Target:** 6 out of 10 of the sovereign respondents have a green house gas emissions target, whilst 2/10 are considering one.
- **Issuance:** Sovereigns' perceived likelihood of issuing ESG related financing in the next 12M was polarized, with only a low correlation with measurable targets. 3 sovereigns gave a relatively high likelihood of issuing ESG related debt (7 out of 10), one a likelihood of 5 out of 10 and the others a likelihood of 2 or lower.

- **ESG financing type:** Green bonds were the number one choice for those sovereigns that already had measurable sustainability targets in place. Only 1 sovereign has issued or will issue ESG local currency ESG related debt whilst 1 other sovereign is considering local currency issuance.
- **Obstacles to achieving targets:** Sovereigns with targets cite human resource constraints, costs and technology as obstacles to achieving measurable targets.
- **Bank support to ESG goals:** Sovereigns with targets put slightly more emphasis on banks supporting them with investor engagement, with the second most frequent responses ESG financial and regulatory advisory
- **Sustainability-linked debt:** Sovereigns that already have targets put a higher weight on financing cost and broadening issuance from use-of-proceeds issues as factors that could motivate sustainability-linked debt issues.

Sovereigns: Region and Location

Is your country a member of the EU?

Sovereign survey responses were evenly balanced between EU and non-EU members in the CEE/SEE/CIS region.

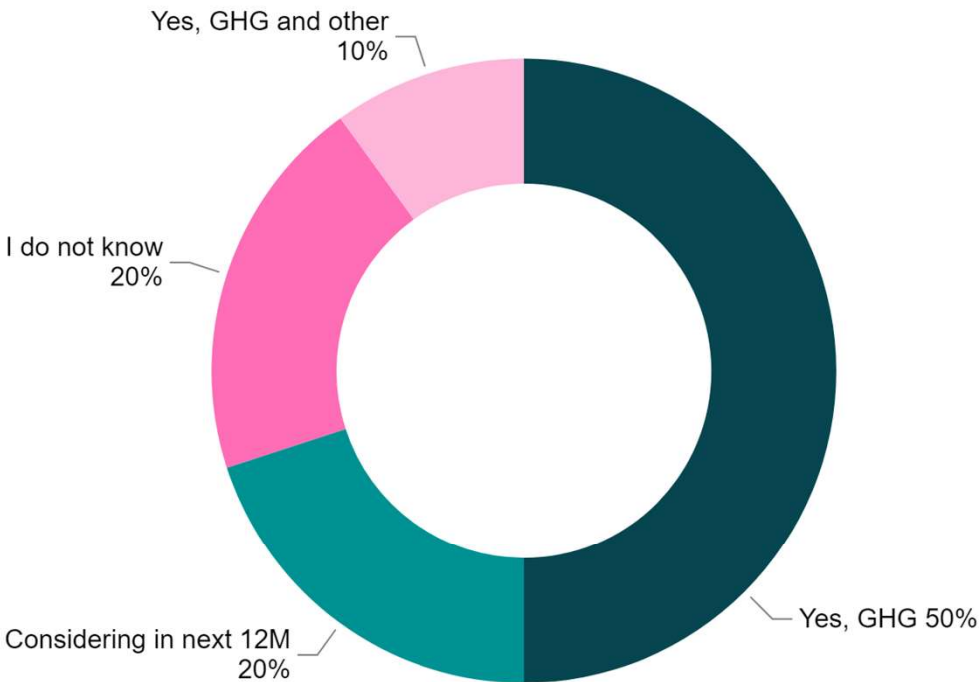
Has your country set a measurable sustainability target?

6 out of 10 sovereigns have a measurable target in place (this includes 2 EU sovereign respondents who entered "do not know", but under EU GHG emissions targets can be considered to have a measurable target), whilst 3 non-EU sovereigns are considering a target in the coming 12M.

EU member?



Measurable sustainability target?



Sovereigns: ESG Rating and Issuance

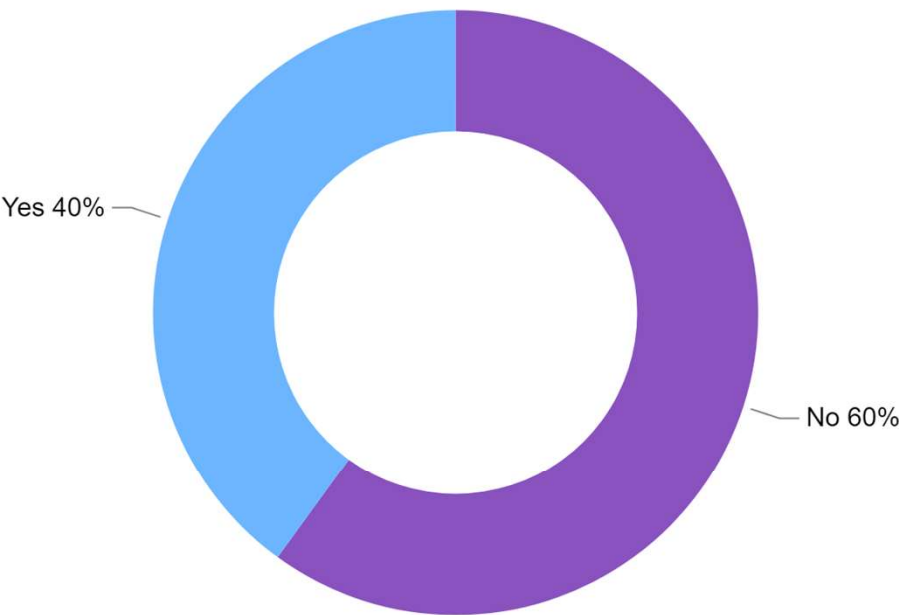
Are you aware of your countries' ESG rating?

4 out of 10 countries are aware of their ESG rating from at least one rating provider

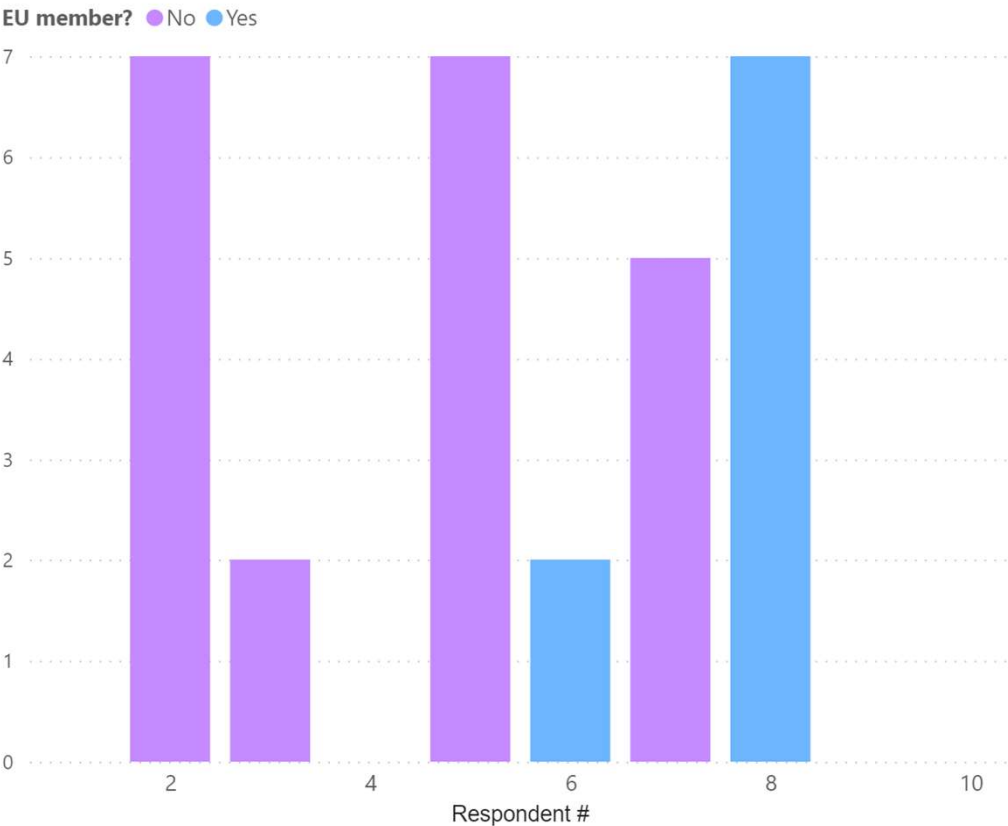
How likely are you to use ESG related financing in the coming 12M?

The results were highly polarised with 3 sovereigns giving a relatively high likelihood of 7 (out of 10), one giving 5 and the other 6 a likelihood of 2 or lower.

Aware of ESG rating?



How likely are you to use ESG related financing in the coming 12M ? (10 = very likely), grouped by sustainability target readiness



Sovereigns: Type of ESG Issuance Considered

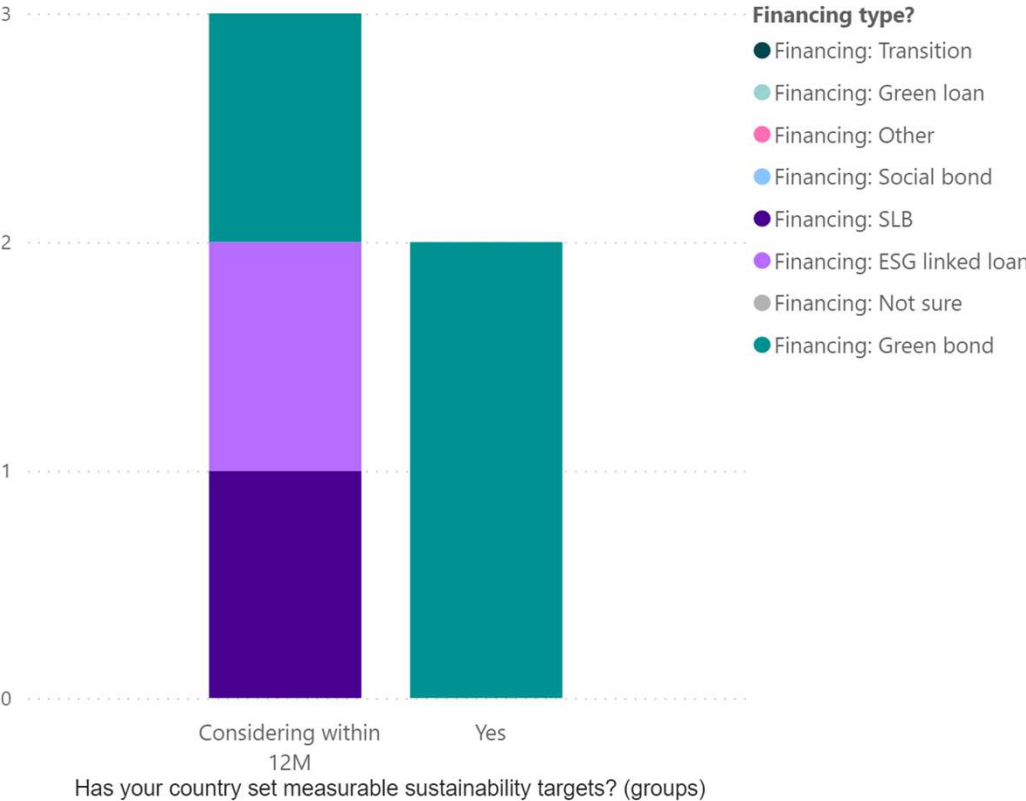
Type of ESG financing considered

Green bonds were the number one choice for those sovereigns already with measurable sustainability targets in place, whilst those considering a target were evenly split between green bonds, ESG linked loans and a sustainability-linked bond.

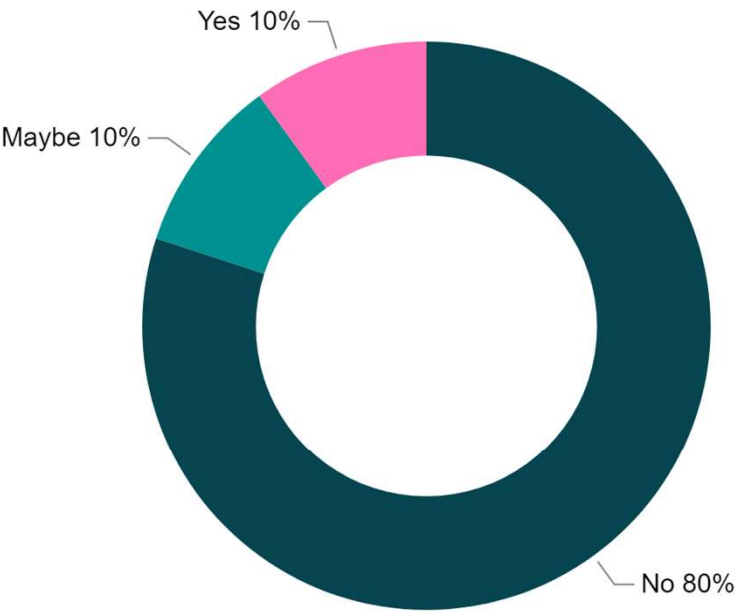
Local currency ESG related issuance

Only 1 sovereign has issued or will issue ESG local debt whilst 1 sovereign is considering and the other 8 a clear "no".

What type of ESG related funding would you potentially consider in the next 12 months (more than one answer possible)?



Have you issued, or are you considering for the next 12 months issuing ESG related debt in your domestic currency?



Sovereigns: Obstacles to Achieving Target

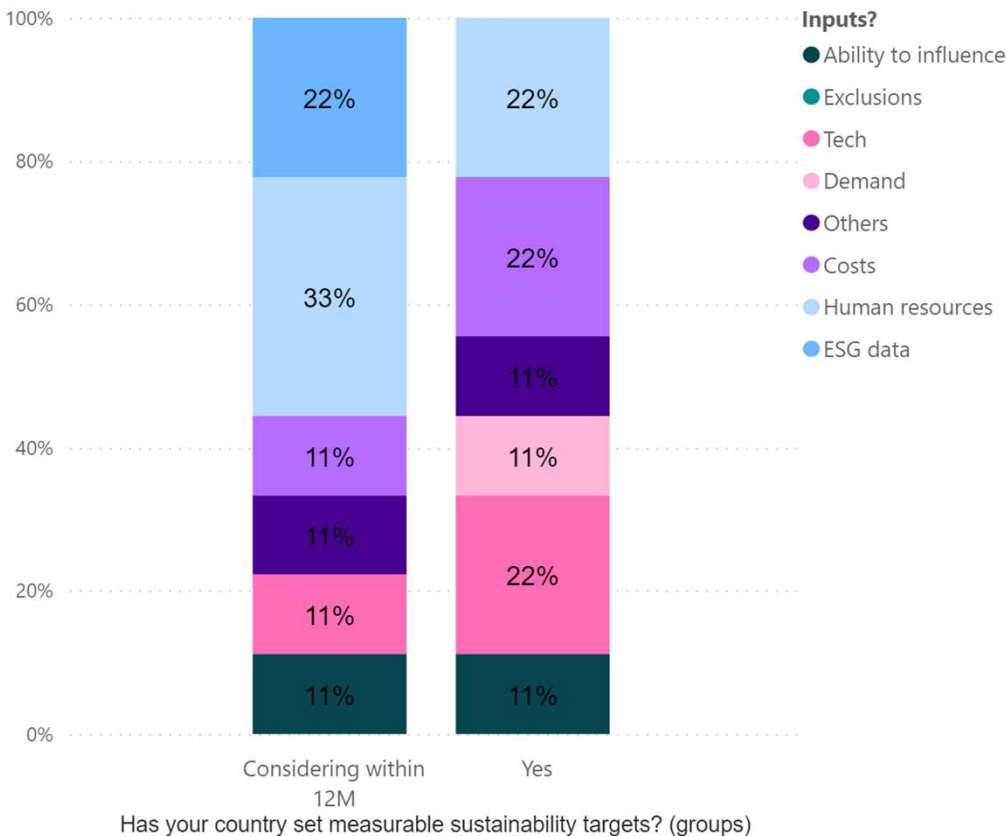
What do you consider the largest obstacles to achieving your targets?

Sovereigns with targets see human resource constraints, costs and technology as key obstacles to achieving measurable targets, whilst those considering targets put the highest weight on human resource constraints, followed by ESG data.

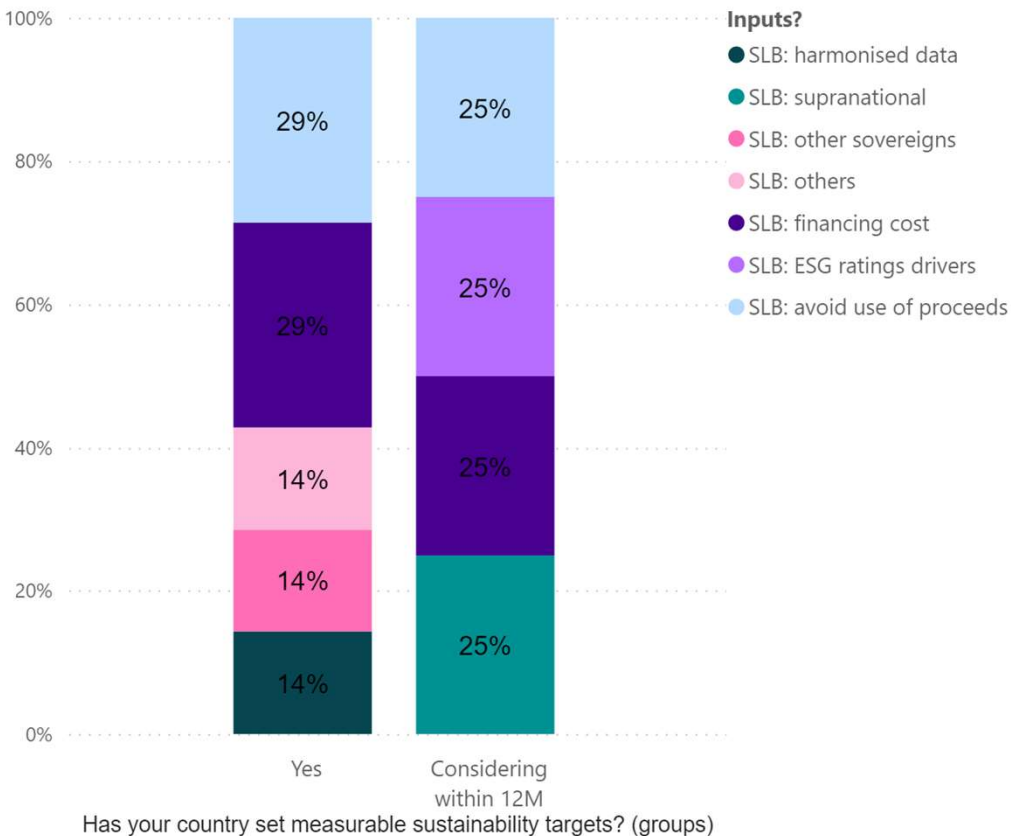
What factors would make you more likely to consider issuing sustainability-linked debt?

Sovereigns that already have targets put higher weight on financing cost and avoiding use-of-proceeds related issues as factors motivating SLB issues, whilst those considering targets ranked all drivers equally.

What do you consider the largest obstacles are to achieving your long-term sustainability goals (more than one answer possible)?



What factors would make you more likely consider issuing sustainability-linked debt* (you can click on multiple answers)?

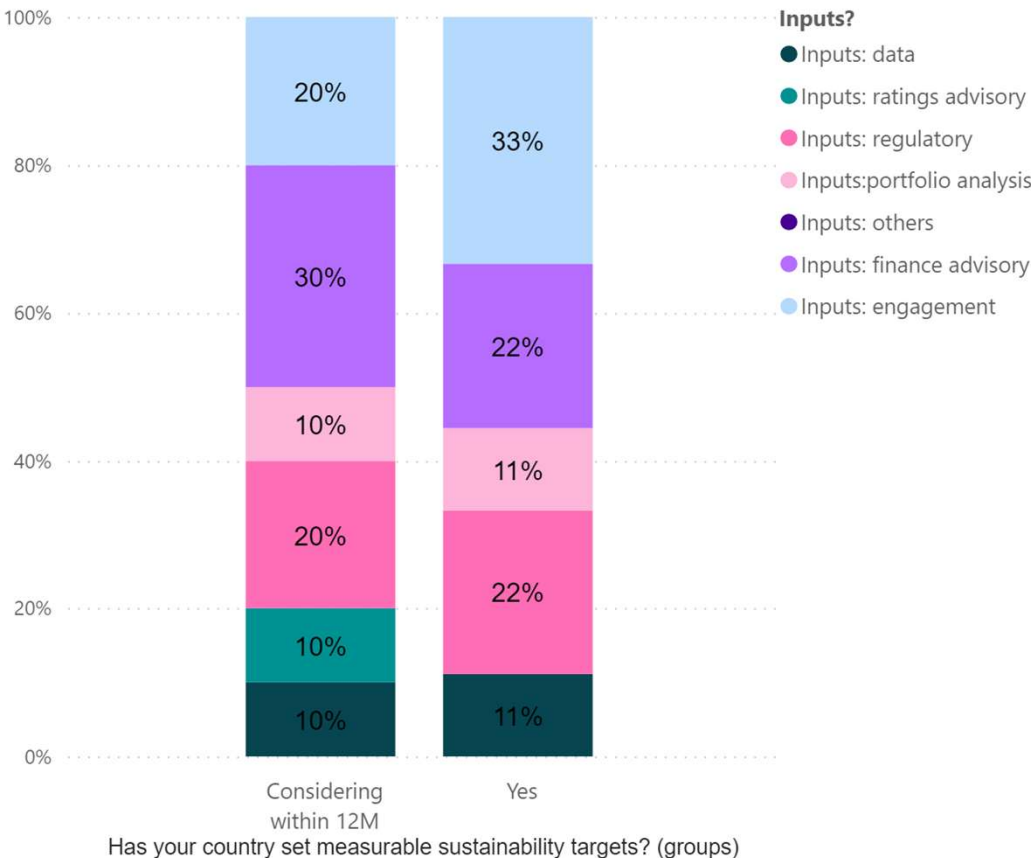


Sovereigns: Support for ESG Goals from Banks

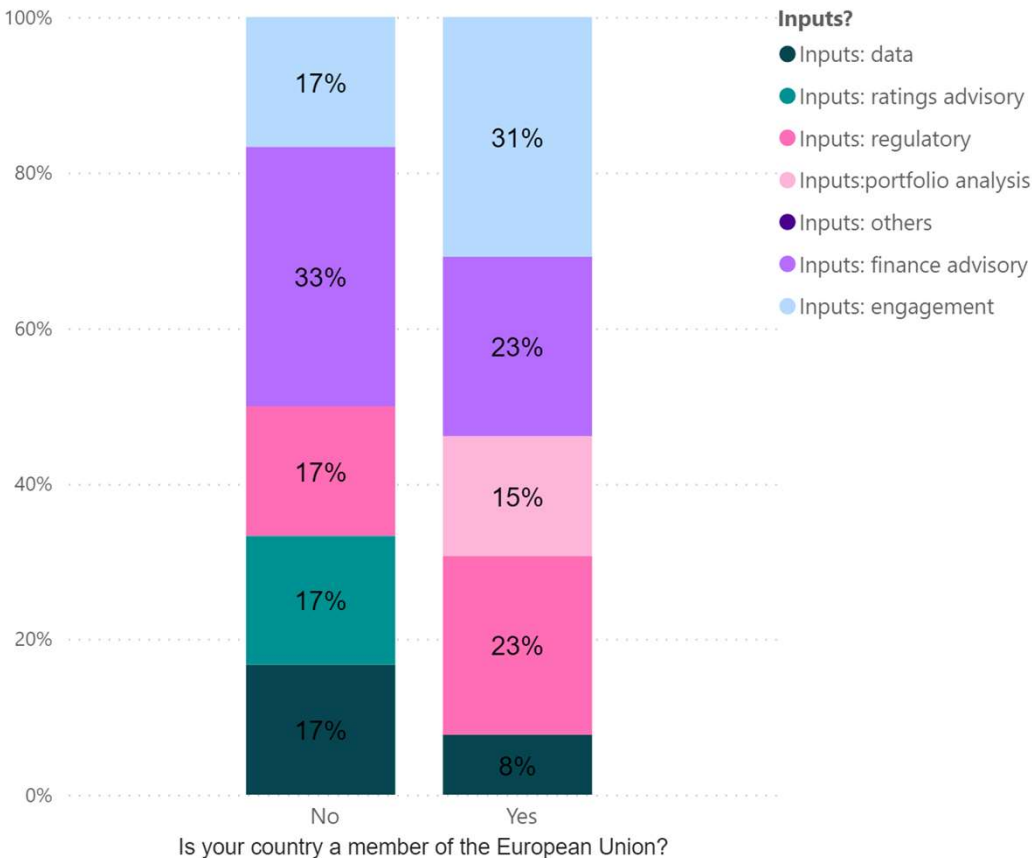
What inputs from banks do you perceive are best able to support your organisation's ESG goals?

- Sovereigns already with targets put a bit more focus on engagement with investors, with the second highest weights going to ESG financial advisory and ESG regulatory advisory
- Sovereigns considering a target in the next 12M put more weight on ESG financial advisory with the second highest weights going to engagement with investors and ESG regulatory advisory

What inputs from banks do you perceive are best able to support your organisation's ESG goals (more than one answer possible)?



What inputs from banks do you perceive are best able to support your organisation's ESG goals (more than one answer possible)?



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Name, position:

Martin Blum, Head of Desk Strategy

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EU Regulation No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine

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Providing information on developments on Global and CEE interest rate, sovereign credit and FX markets and relevant policy and macro information to professional clients and eligible counterparties as defined in Directive 2014/65/EU of 15 May 2014

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