This presentation summarises our recent ESG survey of 500+ corporate issuers and investors, primarily in the US and Europe.

The results show that both issuers and investors have quickened their integration of ESG over the last two years. And they plan to accelerate this over the coming 12 months.
We would like to thank Anthony Chaimowitz of dbDIG Primary Research for his contribution to this report. Please contact us if you would like more information on our high frequency Macro surveys.
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<td>20</td>
</tr>
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<td>European issuers have, so far, been quicker to adopt ESG instruments outside of capital markets.</td>
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# ESG is affecting business and investment risk

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<td>Investors integrate ESG into decisions mainly because their clients are demanding them to do so.</td>
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<td>Financing appetite from banking partners is increasing due to ESG factors, especially in the US.</td>
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# Why some issuers/investors do NOT incorporate ESG

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# What investors are planning

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<td>Investors are gravitating towards sustainability-linked bonds. Issuance in these has exploded since the covid outbreak.</td>
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<td>Investors prefer ESG products incorporating emerging markets amongst other instruments.</td>
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<td>Most corporate issuers in the survey were investment grade</td>
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<td>Survey respondents</td>
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The survey

- This ESG-focused survey was conducted in the aftermath of the COP 26 summit. We had about 530 respondents, of which about 30% were corporate issuers and 70% were investors. By utilising our client relationships, the survey targeted corporates via their treasury functions, or via executives that are close to their firm’s capital markets operations.

- As financial decision makers were the key respondents, this survey offers a compelling insight into the activities, motivations, and intentions of both corporate issuers and investors as they navigate the rapidly-growing ESG environment.

- The issuers tended to answer all questions. For investors, about 75% said ESG has at least some impact on their investment process. This group provides the bulk of the ‘investor’ responses. Still, we probed the other 25% on the reasons why they have not adopted ESG.

- Due to the lower number of respondents from the Asia-Pacific region, we have not separated this data out in the presentation but it is included in the ‘overall’ group. If you would like the Asia-Pacific results, please contact us.
The most important ESG factors
For companies, environmental factors are more important in Europe, while US firms are relatively more focused on social factors.

How important are the following factors to your organisation?

Source: dbDig Primary Research
For investors, the focus is mostly on E and G factors. Still, both US and European investors expect substantial growth in S factors.

<table>
<thead>
<tr>
<th>Index: Net (Important minus Unimportant)</th>
<th>Current Importance Index</th>
<th>Future Importance Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas Environment</td>
<td>73.3</td>
<td>85.3</td>
</tr>
<tr>
<td>Americas Social</td>
<td>66.0</td>
<td>82.6</td>
</tr>
<tr>
<td>Americas Governance</td>
<td>70.3</td>
<td>77.5</td>
</tr>
<tr>
<td>Europe Environment</td>
<td>81.4</td>
<td>91.4</td>
</tr>
<tr>
<td>Europe Social</td>
<td>82.6</td>
<td>65.4</td>
</tr>
<tr>
<td>Europe Governance</td>
<td>77.5</td>
<td>74.3</td>
</tr>
<tr>
<td>All</td>
<td>81.1</td>
<td>84.9</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
European investors are keener than their US peers to implement ESG criteria into their investment decisions.

<table>
<thead>
<tr>
<th>Impact on Investment Process</th>
<th>Americas</th>
<th>Europe</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only considered in dedicated mandates</td>
<td>16%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Has no impact at all</td>
<td>34%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>Considered during the overall investment process</td>
<td>36%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Completely integrated into the overall investment process</td>
<td>37%</td>
<td>37%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
Investors are using ‘ESG factors’ in their strategies. Only a few exclude sensitive sectors or are ‘best in class’.

### How would you define your ESG investment strategy?

<table>
<thead>
<tr>
<th></th>
<th>Americas</th>
<th>Europe</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don't have a current ESG investment strategy</td>
<td>20%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Impact ESG investing</td>
<td>11%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Best in class ESG investing</td>
<td>10%</td>
<td>56%</td>
<td>54%</td>
</tr>
<tr>
<td>Integrate ESG factors</td>
<td>46%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Exclusion of sensitive sectors</td>
<td>13%</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
The ‘signaling’ benefit is a key driver of ESG
Corporate issuers are very interested in showcasing their ESG credentials to investors.

Using a scale of 0 to 10, how important do you think ESG ratings are in communication with stakeholders (especially investors)?

Source: dbDig Primary Research
US issuers are especially keen to use ESG instruments to convey their sustainability strategy to the market.

Which of the following do you regard to be the main benefit of your companies’ ESG instrument(s)?

- Enables us to convey our sustainability strategy
- Expands the investor base
- The pricing
- Something else

Source: dbDig Primary Research
Corporate issuers elevate “signaling benefits” above “pricing benefits” when engaging in financial instruments.

Looking at the list below, which if any, of the following reasons apply to you entering non-capital markets ESG financial instruments?

- There are pricing benefits
- It was requested by a counterparty
- There are signalling benefits
- Something else
- None of these

Source: dbDig Primary Research
Hence why a quarter of corporate issuers have launched their first ESG instrument since 2020. A further third are preparing.

**Thinking about ESG instruments ... Which, if any, of the following statements best describes your company?**

- Don't know
- We are not interested in issuing an ESG instrument
- Although we are interested in issuing our first ESG instrument, there is no process of preparation
- Have not issued our first ESG instrument yet BUT are currently in the process of preparation
- Issued our first ESG instruments in 2021
- Issued our first ESG instruments in 2020
- Issued our first ESG instruments prior to 2020

Source: dbDig Primary Research
Everyone is still new to ESG
Far more investors see their ESG investments outperforming than underperforming.

Thinking about your OVERALL ESG investments ... In the last 24 months how have they performed in comparison to non-ESG investments?

<table>
<thead>
<tr>
<th>Performance</th>
<th>Americas</th>
<th>Europe</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly underperformed</td>
<td>25%</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Underperformed</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Neither outperformed, nor underperformed</td>
<td>7%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Outperformed</td>
<td>63%</td>
<td>50%</td>
<td>54%</td>
</tr>
<tr>
<td>Strongly outperformed</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
Yet, investors have little uniformity around the benchmarks to which they measure ESG investments.

### Against which of the following ESG indices do you benchmark?

- **Bloomberg MSCI Global Green Bond Index**: 60%
- **Bloomberg Barclays Global Green Bond Index**: 61%
- **Bloomberg SASB index**: 62%
- **MSCI World SRI index**: 12%
- **Bloomberg MSCI Global Green Bond Index**: 8%
- **Bloomberg Barclays Global Green Bond Index**: 4%
- **Bloomberg SASB index**: 14%
- **MSCI World SRI index**: 18%
- **Bloomberg MSCI Global Green Bond Index**: 18%
- **Bloomberg Barclays Global Green Bond Index**: 16%
- **Bloomberg SASB index**: 7%
- **MSCI World SRI index**: 2%
- **Bloomberg MSCI Global Green Bond Index**: 0%
- **Bloomberg Barclays Global Green Bond Index**: 20%
- **Bloomberg SASB index**: 40%
- **MSCI World SRI index**: 60%
- **Bloomberg MSCI Global Green Bond Index**: 61%
- **Bloomberg Barclays Global Green Bond Index**: 62%
- **Bloomberg SASB index**: 1%
- **MSCI World SRI index**: 18%
- **Bloomberg MSCI Global Green Bond Index**: 16%
- **Bloomberg Barclays Global Green Bond Index**: 16%
- **Bloomberg SASB index**: 0%
- **MSCI World SRI index**: 16%
- **Bloomberg MSCI Global Green Bond Index**: 16%
- **Bloomberg Barclays Global Green Bond Index**: 16%
- **Bloomberg SASB index**: 0%
- **MSCI World SRI index**: 100%

Source: dbDig Primary Research
Few investors have defined decarbonization targets in their portfolios.

Which of the following statements best reflects your approach to self-defined, specific decarbonization targets for your investment portfolio?

- I don't have any planned/defined commitments or targets
- My evaluation process regarding these commitments/targets is ongoing
- I have defined yearly sectoral targets
- I have a defined yearly decarbonization target

Source: dbDig Primary Research
Investors also do not have a tightly-defined set of data sources. In fact, public ESG ratings are not that important.

<table>
<thead>
<tr>
<th>Source: dbDig Primary Research</th>
</tr>
</thead>
</table>

With your investment process in mind, which of the following statements best describes your reliance on public ESG ratings?

- Public ESG ratings are NOT an input factor as I don't have a ratings approach
- Public ESG ratings are NOT an input factor as I only use proprietary ratings
- Public ESG ratings are a minor input factor into my investment process
- Public ESG ratings are a major input factor into my investment process

<table>
<thead>
<tr>
<th></th>
<th>Americas</th>
<th>Europe</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>24%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>25%</td>
<td>37%</td>
<td>48%</td>
<td>44%</td>
</tr>
<tr>
<td>50%</td>
<td>18%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>75%</td>
<td>20%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
Rather, investors use a wide, and sometimes bespoke, set of data sources for ESG information.

What is your main source of information to assess an issuer’s sustainability profile, roadmap and targets?

- **Americas**
  - Direct interaction with issuers: 24%
  - Aggregated perspective through ESG rating: 25%
  - Bulk data from information vendors: 20%
  - Company non-financial reporting: 16%

- **Europe**
  - Direct interaction with issuers: 25%
  - Aggregated perspective through ESG rating: 29%
  - Bulk data from information vendors: 20%
  - Company non-financial reporting: 20%

- **All**
  - Direct interaction with issuers: 27%
  - Aggregated perspective through ESG rating: 20%
  - Bulk data from information vendors: 25%
  - Company non-financial reporting: 19%

Source: dbDig Primary Research
European issuers have, so far, been quicker to adopt ESG instruments outside of capital markets.

Have you entered into non-capital markets ESG financial instruments (e.g. loans, derivatives, repos, special financing solutions)?

- **Americas**: 25% Yes, 70% Don't Know, 5% No
- **Europe**: 32% Yes, 41% Don't Know, 2% No
- **All**: 32% Yes, 65% Don't Know, 3% No

Source: dbDig Primary Research
ESG is affecting business and investment risk
Investors integrate ESG into decisions mainly because their clients are demanding them to do so.

Which, if any, of the following reasons motivate you to incorporate ESG criteria into your investment strategy?

- Want to keep up with current market thinking/trends
- For the benefit of society
- For public perception
- Client demand
- Strongly believe ESG investments will outperform the market over the investment horizon
- Something else
- None of these

Source: dbDig Primary Research
Almost half of corporate issuers have already started to improve their reporting efforts ahead of climate disclosure mandates.

How, if at all, has SEC’s anticipated mandatory climate disclosure influenced your ESG reporting efforts?

- Not aware of this and so it has had no influence on our reporting, 4%
- Currently monitoring this but have not changed current reporting, 51%
- Currently monitoring this and have already started improving reporting efforts, 46%

Source: dbDig Primary Research
Credit ratings are being affected by ESG issues, particularly environmental factors

In the past 12 months, which if any, of the following ESG factors have impacted your credit rating?

- Environmental factors
- Governance factors
- Social factors

Source: dbDig Primary Research
Most issuers have already assessed their climate risk as the credit risk has become clearer. Only 10% of firms have no plans.

In the last 12 to 24 months, has your business undertaken an assessment of its climate risk?

- **Yes**: 69% (Americas), 69% (Europe), 68% (All)
- **No and we have no plans to undertake it**: 12% (Americas), 9% (Europe), 11% (All)
- **No but we are planning on undertaking it**: 19% (Americas), 22% (Europe), 21% (All)

Source: dbDig Primary Research
Similarly, most issuers already have a climate transition plan in anticipation of investor, customer, and political demands.

**Does your business currently have a climate transition plan to reduce its exposure?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes, and it is publicly disclosed</th>
<th>Yes, but it is not publicly disclosed</th>
<th>No but we are planning to develop one</th>
<th>No and we have no plans to develop one</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>50%</td>
<td>18%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>Europe</td>
<td>56%</td>
<td>20%</td>
<td>20%</td>
<td>3%</td>
</tr>
<tr>
<td>All</td>
<td>53%</td>
<td>20%</td>
<td>20%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
Most issuers also publish quantifiable ESG targets. A third have done so since 2020. A fifth will do so within 12 months.

Thinking about published quantifiable ESG-focused performance targets … which of the following statements best describes you?

<table>
<thead>
<tr>
<th></th>
<th>Americas</th>
<th>Europe</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>43%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>25%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>8%</td>
<td>18%</td>
<td>6%</td>
</tr>
</tbody>
</table>

- We have not published quantifiable, ESG focused performance targets quantifiable, ESG focused performance targets AND have no development plans to do so
- We have not published quantifiable, ESG focused performance targets BUT our publication is being formulated for release in next 12 months
- We started publishing quantifiable, ESG focused performance targets in 2020
- We started publishing quantifiable, ESG focused performance targets in 2021
- We started publishing quantifiable, ESG focused performance targets prior to 2020

Source: dbDig Primary Research
Of those publishing, most said they release info on emissions reduction targets. Second most popular are social targets.

You said you had published on quantifiable, ESG focused performance targets ... Which, if any, of the following types of targets have you published on?

- Emissions reduction
- Renewable energy focused
- Social targets (including diversity and inclusion)
- Other environmental targets
- Other social targets
- None of these

Source: dbDig Primary Research
Financing appetite from banking partners is increasing due to ESG factors, especially in the US.

In your opinion, has the financing appetite from your banking partners due to ESG factors …

Source: dbDig Primary Research
Why some issuers/investors do NOT incorporate ESG
Investors that do NOT incorporate ESG say there is a lack of evidence that ESG outperforms the market.

You said ESG criteria has no impact on your investment process...Which, if any, of the following reasons apply to you for it having NO impact?

- There is no evidence of price out performance
- Too expensive to integrate into the investment process
- Lack of resources (e.g. people)
- Lack of infrastructure
- Lack of data
- ESG does not align with our current investment goals
- Fears that data is 'green-washed'
- Something else
- None of these

Source: dbDig Primary Research
Investors that do NOT incorporate ESG generally have no plans to do so.

For those investors that do NOT integrate ESG, do you have plans to integrate ESG criteria into your investment process within the next 24 months?

<table>
<thead>
<tr>
<th>Region</th>
<th>Don't know</th>
<th>Yes, I do</th>
<th>No, I don't</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>8%</td>
<td>0%</td>
<td>92%</td>
</tr>
<tr>
<td>Europe</td>
<td>10%</td>
<td>0%</td>
<td>90%</td>
</tr>
<tr>
<td>All</td>
<td>14%</td>
<td>4%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Source: dbDig Primary Research
Investors that do NOT incorporate ESG are keeping their options open for investments in areas that can conflict with ESG.

Which of the following areas would you consider as a potential investment area even if it conflicts with certain ESG criteria?
Issuers that do NOT use ESG instruments cite a variety of reasons

If you do not use ESG instruments, why not?

Source: dbDig Primary Research
More specifically, issuers that do NOT consider non-capital markets ESG instruments cite a lack of pricing benefits and time.

Looking at the list below, which if any, of the following reasons apply to you for NOT entering non-capital markets ESG financial instruments?

- There are no/ limited pricing benefits
- It increases documentation
- It increases reporting effort/ time
- Something else

Source: dbDig Primary Research
Most European corporates do not yet provide Taxonomy information.

Have you started to provide information on the EU Taxonomy regarding Sustainable Finance alignment?

- Yes, for green projects financed by green bonds ONLY, 7%
- Yes, for capex and/or revenues of the group ONLY, 9%
- Yes, for BOTH green projects AND capex and/or revenues, 6%
- No, but preparation is ongoing, 67%
- This is currently not in scope, 12%

Source: dbDig Primary Research
Corporates align with a variety of ESG reporting standards.

Which of the following ESG reporting standards do you report in alignment with?

- GRI (Global Reporting Initiative)
- TCFD (Task Force on Climate Related Financial Disclosures)
- SASB (Sustainability Accounting Standards Board)
- None of these

Source: dbDig Primary Research
What investors are planning
Investors are gravitating towards sustainability-linked bonds. Issuance in these has exploded since the covid outbreak.

What type of ESG instruments do you consider to be the most promising in the near to mid-term?

- European Green Bond: 27% in Europe, 21% in All
- Sustainability-linked Bonds: 49% in Americas, 51% in Europe, 51% in All
- Non-regulated (ICMA) Social / Sustainable use-of-proceeds bonds: 14% in Americas, 9% in Europe, 13% in All
- Non-regulated (ICMA) Green use-of-proceeds bonds: 28% in Americas, 10% in Europe, 17% in All

Source: dbDig Primary Research
Investors prefer ESG products incorporating emerging markets amongst other instruments.

Which, if any, of the following ESG investment products would you invest in?

Source: dbDig Primary Research
Most corporate issuers in the survey were investment grade

What is your credit rating category?

Source: dbDig Primary Research
# Survey respondents

<table>
<thead>
<tr>
<th>Region</th>
<th>Investors</th>
<th>Issuers</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>109</td>
<td>88</td>
<td>197</td>
</tr>
<tr>
<td>Europe</td>
<td>241</td>
<td>69</td>
<td>310</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>15</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
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Source: dbDig Primary Research
Appendix 1
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