



Capital
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Sustainable
Finance Group

2025 Global ESG Fixed Income Investor Survey

Summary Results

FEBRUARY 2025

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EXECUTIVE SUMMARY

ABOUT THE SURVEY

- RBC's 2025 ESG Fixed Income Survey collates perspectives from over 50 institutional investors representing more than \$22.1 trillion¹ in assets under management (AUM) globally. Survey results were collected in November 2024.
- This year, results were analyzed across currency mandates (rather than region of domicile) to best inform issuers and investors.

SUSTAINABLE DEBT MARKET

- Green, Social, and Sustainability (GSS) Bonds continue to attract significant investor appetite, while Sustainability-Linked Bonds (SLB) continue to experience headwinds across all regions. European and EUR investors are more likely to “actively invest” in all sustainable bond labels; meanwhile, regional- or currency-based mandates show nuanced preferences.
- Incorporation of ESG factors in investor mandates remains common practice, with over half of investors integrating ESG considerations across 50% or more of their mandates.
- Green Bonds continue to attract the most incremental value of the labels in the sustainable bond market, followed closely by Sustainability and Social labels.
- As it relates to Sustainability-Linked Bonds, investors still care the most about the inclusion of material KPIs, sufficient penalties, and ambition levels.

- For GSS Bonds, investors look for use of proceeds that are strongly defined and material to the business; Furthermore, investors want to see that issuers are allocating proceeds as promised and expect robust post-issuance reporting.
- “Greeniums” for GSS Bonds have remained resilient due to investor demand for use of proceeds formats. Ascribed value for SLBs has compressed the most on a year over year basis.

SUSTAINABLE INVESTOR TRENDS AND EXPECTATIONS

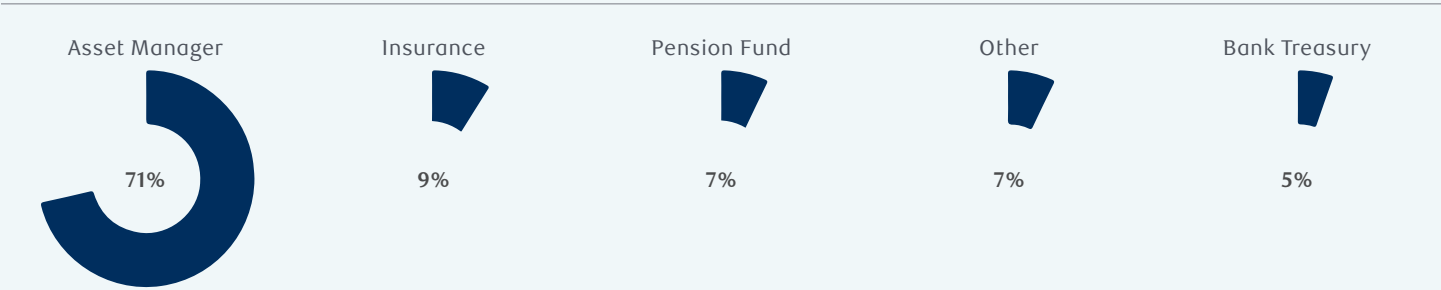
- Demand remains resilient for sustainable funds, led by European investors.
- Over 80% of respondents leverage either internal or third-party ESG ratings for investment decisions, with a significant share utilizing both an internal scorecard and external provider.
- Company involvement with ESG controversies and GHG emissions remain key ESG drivers in the investment process.
- Looking forward to 2025, ESG data collection and integration remain top of mind for investors, with regulatory disclosures following suit as key areas of focus.

50+ respondents across the US, UK/Europe, Canada, and APAC, (the “Investors”) representing a combined **AUM of \$22.1 trillion¹**

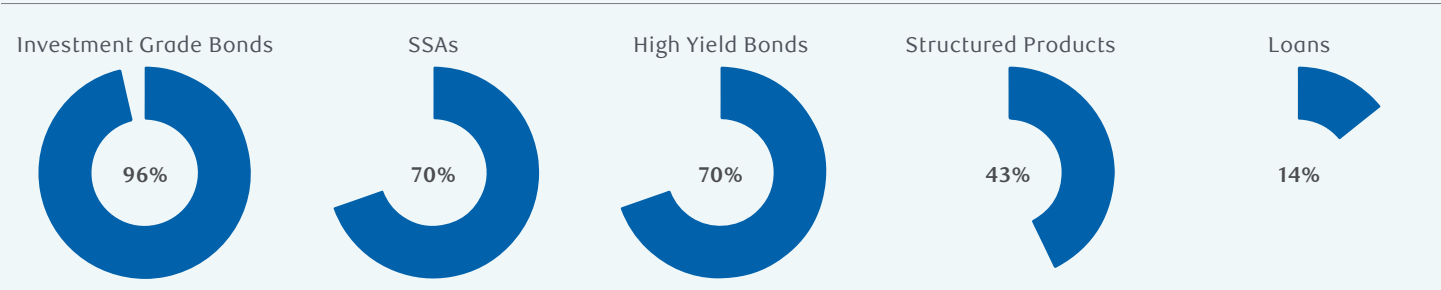
1. AUM as per company reports (USD)

COMPREHENSIVE INVESTOR POOL ADDRESSING MULTIPLE INSTRUMENTS, CURRENCIES, AND GEOGRAPHIES

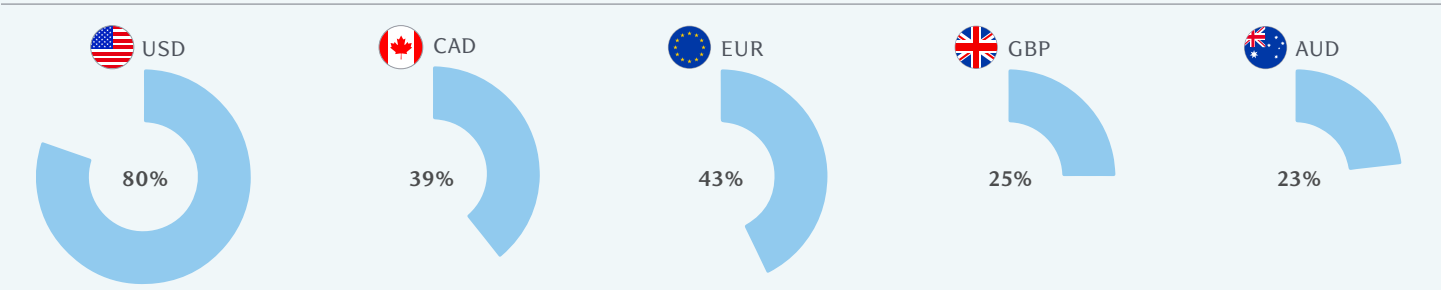
Percentage of global survey respondents by type:^{1,2}



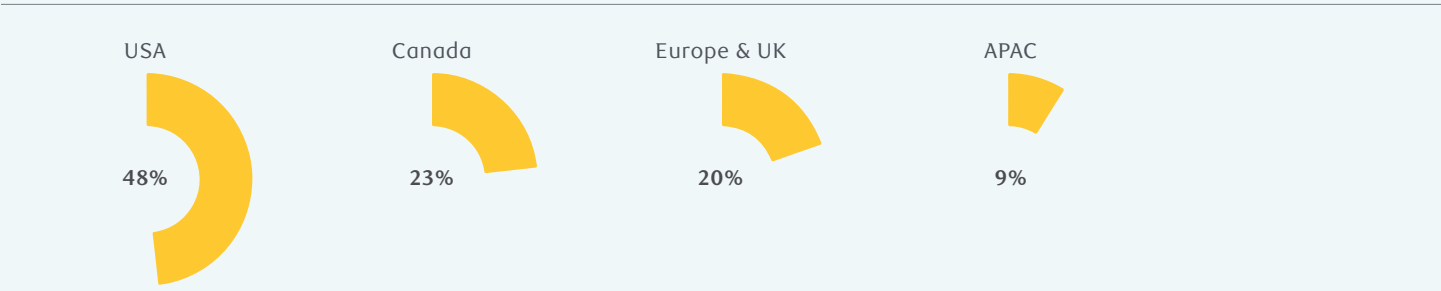
Percentage of global survey respondents investing in:¹



Currency exposure of global survey respondents:¹



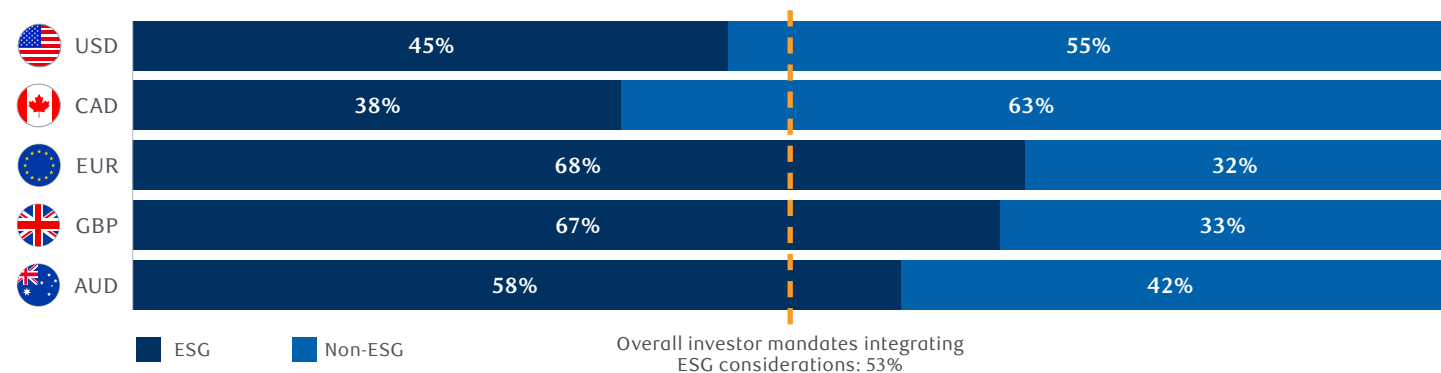
Client base of global survey respondents by geography:¹



Source: RBC Capital Markets survey
1. Multiple responses possible 2. Others include: Hedge Funds, Mutual Funds and “Other”

BALANCED GEOGRAPHIC DISTRIBUTION AND SUSTAINABLE INVESTOR PARTICIPATION

Percentage of ESG focused investors across currencies:

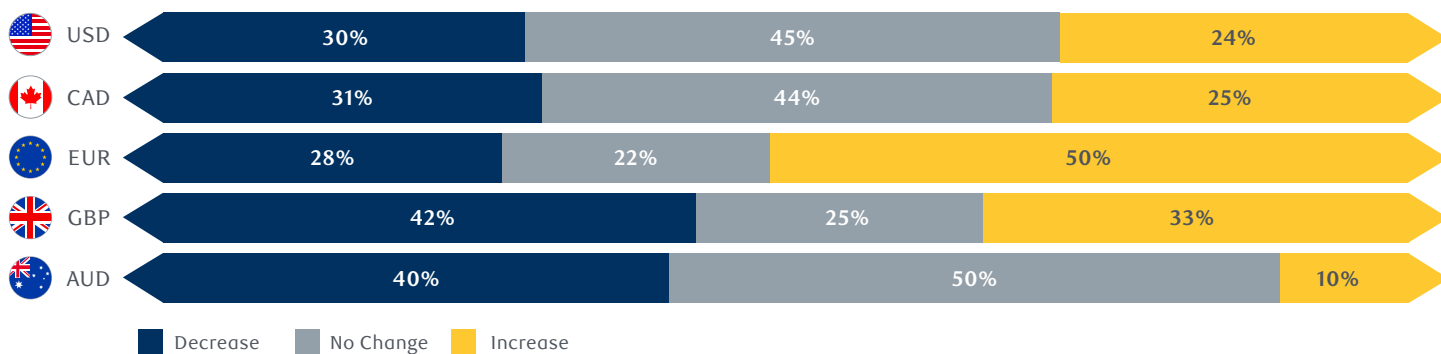


KEY TAKEAWAYS

- Over half of investor respondents integrate ESG considerations in 50% or more of their mandates.
- Investors with EUR and GBP mandates tend to integrate ESG considerations into a larger proportion of mandates than investors with exposure to USD, CAD, or AUD.

ESG INTEGRATION IN INVESTMENT DECISIONS: TRENDS AND PRACTICES

Perceived change in demand for sustainable funds relative to non-sustainable funds by currency:



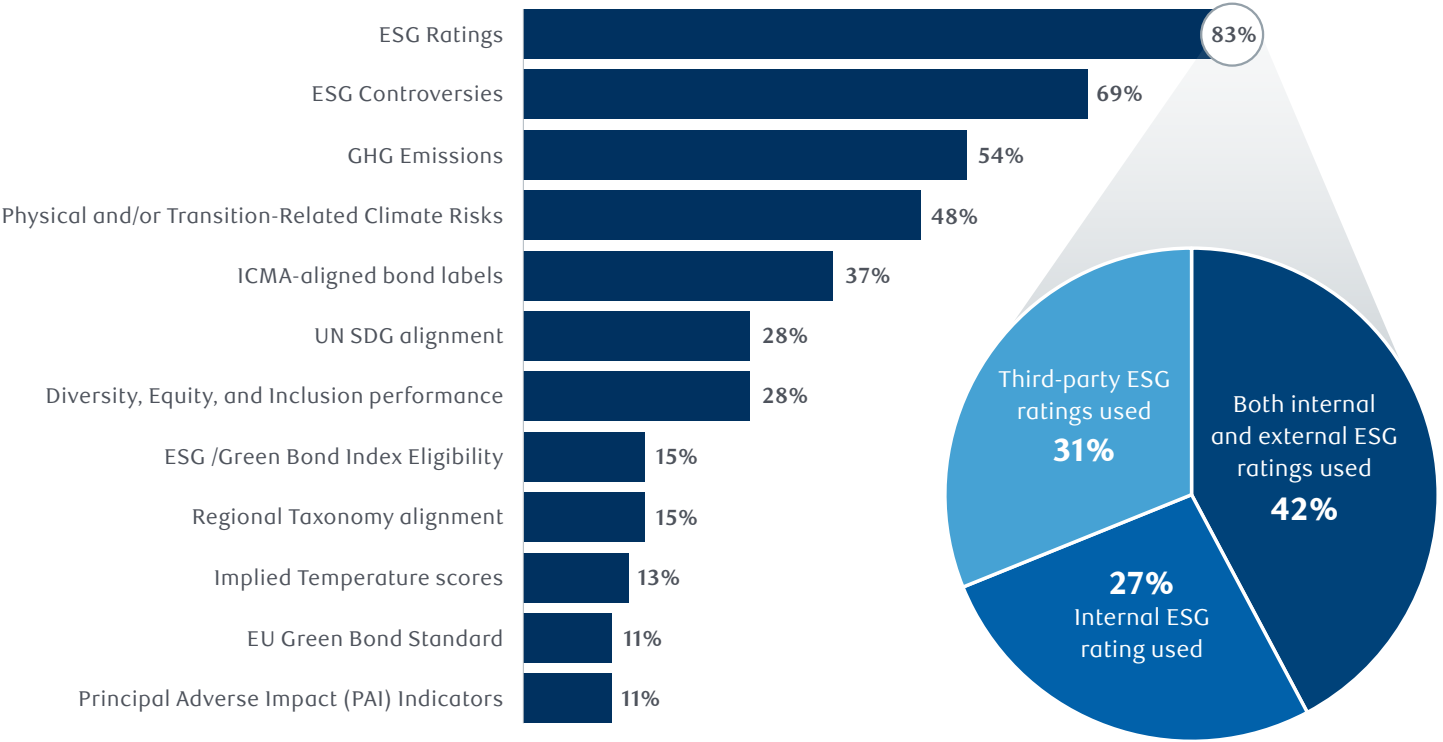
KEY TAKEAWAYS

- Over 60% of investors across regions experienced stable or increased demand for sustainable funds, underlining a persistent demand for ESG-focused investment opportunities globally.
- Of investors with EUR investment mandates, 50% reported an increase in perceived demand for sustainable funds relative to non-sustainable fund.
- The majority of the decrease across currencies is attributable to trends realized by US-domiciled investors.

Source: RBC Capital Markets survey

Note: "ESG focused" is determined if a respondent's fund either discloses under SFDR Article 8/9 or classifies itself as sustainable

ESG drivers impacting investment decisions:






KEY TAKEAWAYS

- ESG ratings have further solidified their dominance as the top ESG driver of investment decisions (2023: 71%); nearly half of investors continue to leverage both internal and external ESG ratings.

YOY INSIGHTS

- The top 3 ESG drivers impacting investment decisions remain the same year over year.

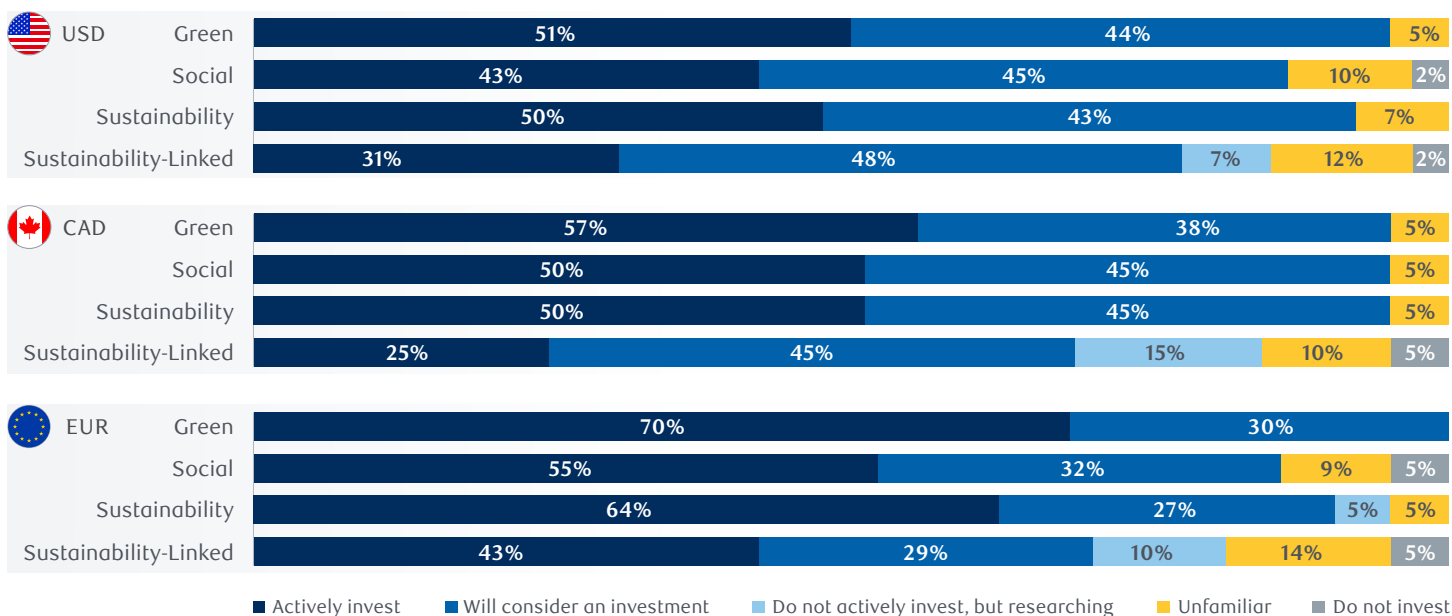
Top three ESG drivers impacting investment decisions by region:

			
1	ESG Ratings	ESG Ratings	ESG Ratings
2	ESG Controversies	GHG Emissions	ESG Controversies
3	Physical and/or transition-related climate risks	ESG Controversies	GHG Emissions

Source: RBC Capital Markets survey

INVESTOR PREFERENCES FOR SUSTAINABLE FINANCE INSTRUMENTS

Preferred sustainable bond labels according to investors by currency:



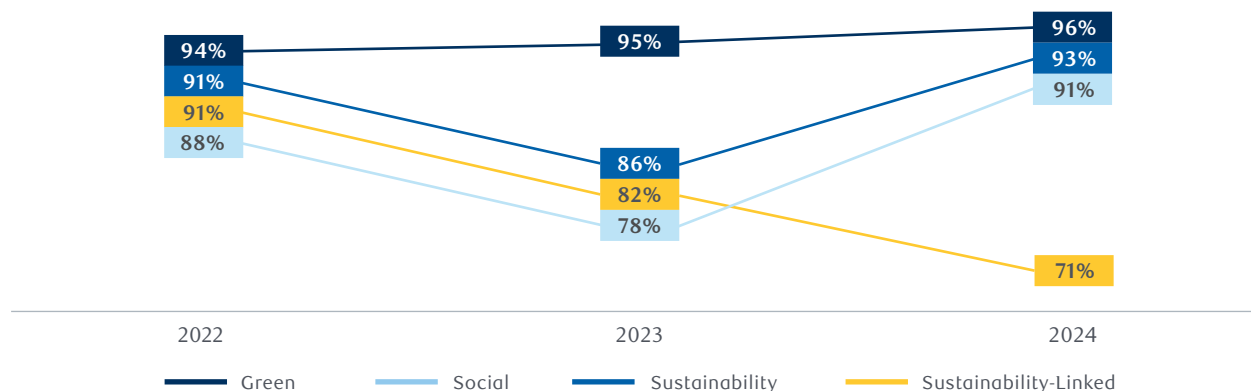
KEY TAKEAWAYS

- Green Bonds remain the preferred label across the sustainable debt market, appealing to the majority of investors.
- Investors with EUR exposure are more likely than USD or CAD investors to actively invest in all labeled debt, Green Bonds most notably.

YOY INSIGHTS

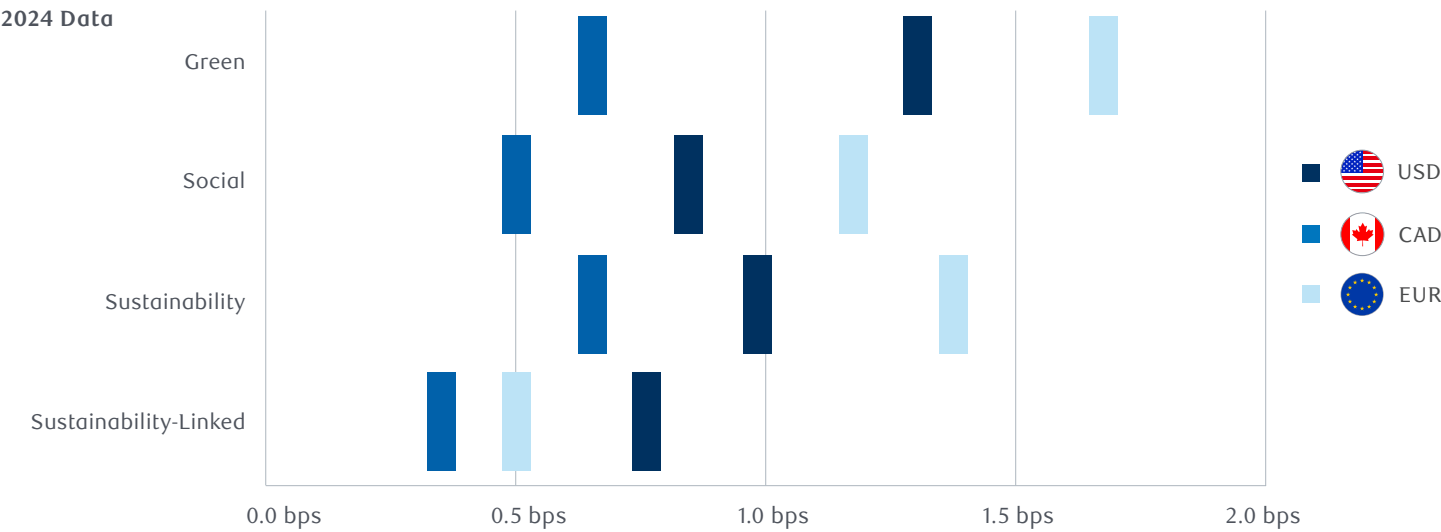
- Investor appetite remains unchanged across Green, Social, and Sustainability labels.
- The proportion of investors that “Actively invest” in Sustainability-Linked Bonds is down year over year (2023: 49%) on the back of continued headwinds.

Share of respondents “actively investing” or “willing to consider an investment” across labels:



Source: RBC Capital Markets survey

Where is the “greenium”?

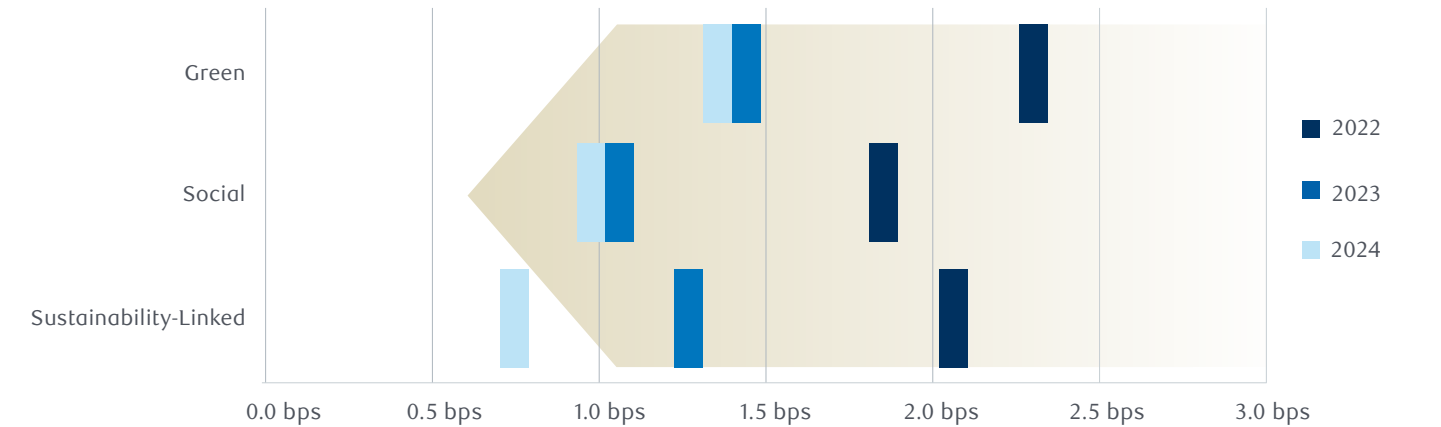


KEY TAKEAWAYS

- Green Bonds continue to garner the highest perceived value or willingness to pay relative to conventional bonds, followed closely by Sustainability and Social Bonds.
- Investors are less likely to ascribe additional value to Sustainability-Linked Bonds.

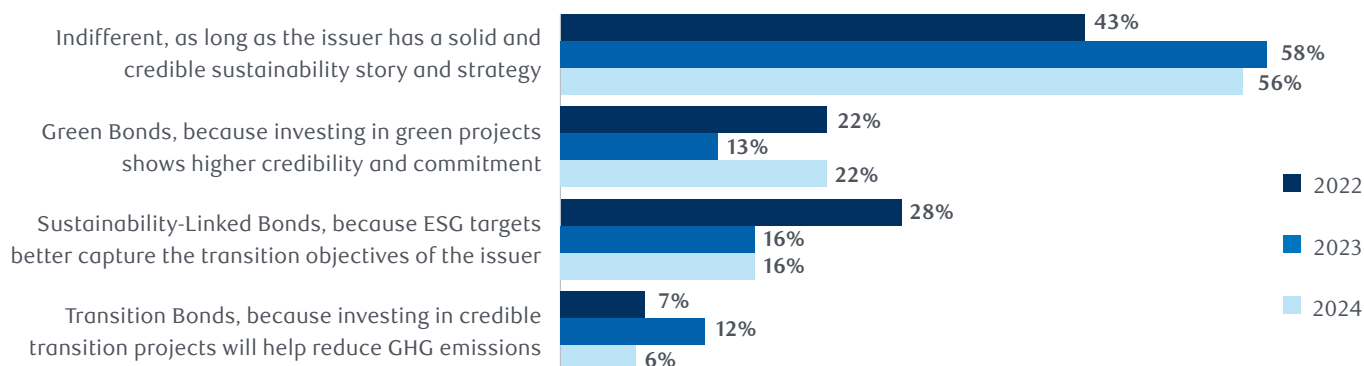
YOY INSIGHTS

- Greeniums have compressed across all labels, most significantly for Sustainability-Linked Bonds and only marginally for Green and Social Bonds.



Source: RBC Capital Markets survey
Note: Year over year data is not available for Sustainability labels
Note: Greenium refers the amount of incremental value (in basis points) that investors reported ascribing to labeled debt products relative to comparable conventional bonds

Which sustainable bond instruments best support the transition strategy of an issuer?



KEY TAKEAWAYS

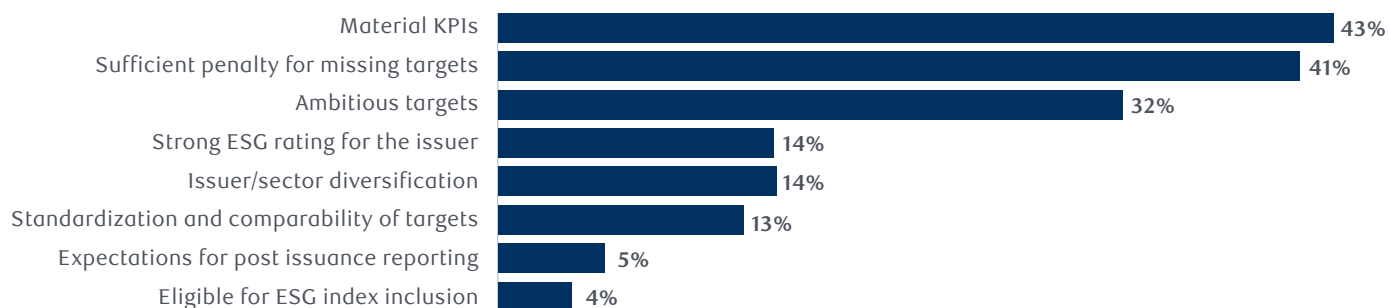
- Green Bonds slightly gained favor in supporting the transition strategy of an issuer compared to 2023 and 2022, indicating the continued preference for Green Bonds.

YOY INSIGHTS

- Investors remain generally agnostic between the specific sustainable debt label chosen as long as the issuer has demonstrated a strong and credible sustainability strategy.

INVESTOR PERSPECTIVES ON SUSTAINABILITY-LINKED BONDS

Most important factors to consider when investing in SLBs:



KEY TAKEAWAYS

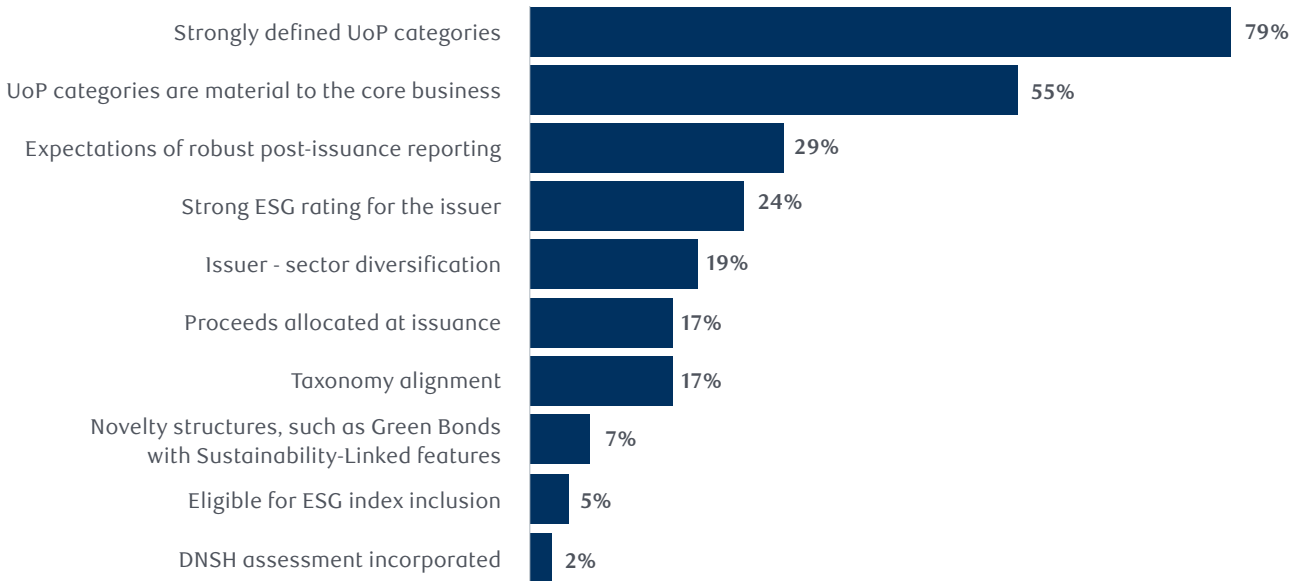
- The top three factors that investors consider when investing in Sustainability-Linked Bonds reflect the sustainability characteristics of the instrument, as opposed to the overall sustainability profile of the issuer.

YOY INSIGHTS

- While a top response in 2022 and 2023, this year's respondents were less likely to flag the importance of the standardization and comparability of targets.

INVESTOR PERSPECTIVES ON GSS BONDS

Top considerations for investing in GSS bonds:



KEY TAKEAWAYS

- Use of Proceeds categories with strong definitions and are material to the core business are critical to a GSS Bond issuance.
- Investors also expect robust post-issuance reporting stipulated in GSS Frameworks to ensure issuers are allocating to the aforementioned UoP categories.
- Approximately 1 in 5 investors that care about ESG ratings look for a strong issuer ESG rating when investing in GSS bonds.

YOY INSIGHTS

- The importance of proceeds being allocated at the time of issuance has decreased. Investors may prefer that Issuers finance new projects after issuance, which may be perceived as having a higher degree of additionality than refinancing existing projects.

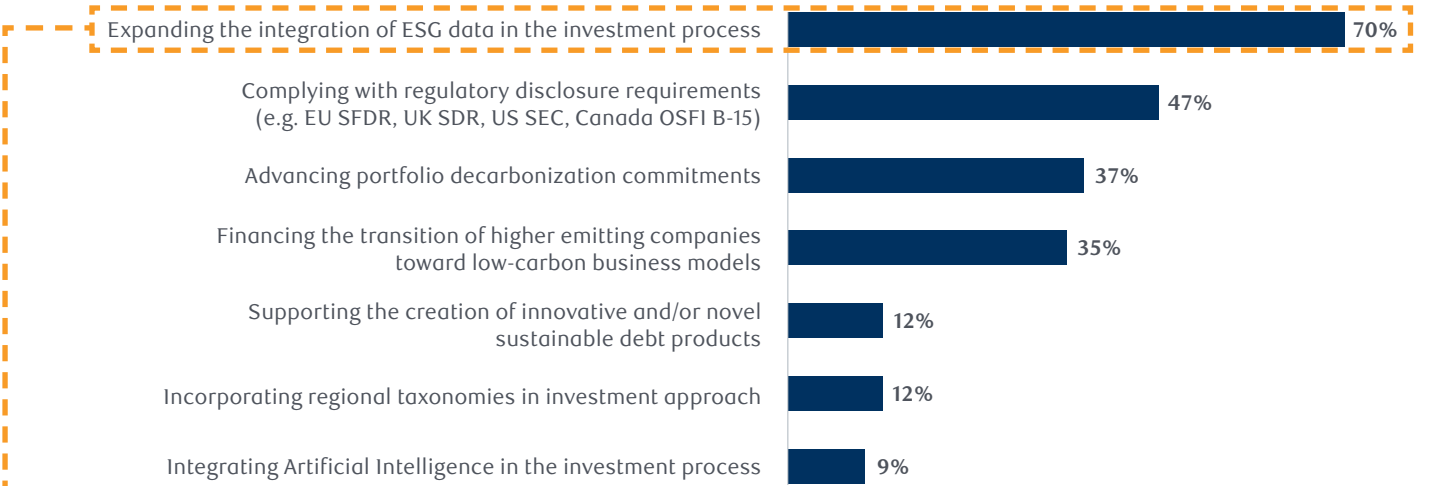
Top 3 considerations for investing in GSS bonds per region:

			
1	Strongly defined UoP categories	Strong ESG rating for the issuer	Strongly defined UoP categories
2	UoP categories are material to the core business	UoP categories are material to the core businesses	UoP categories are material to the core business
3	Expectations of robust post-issuance reporting	Strongly defined UoP categories	Expectations of robust post-issuance reporting

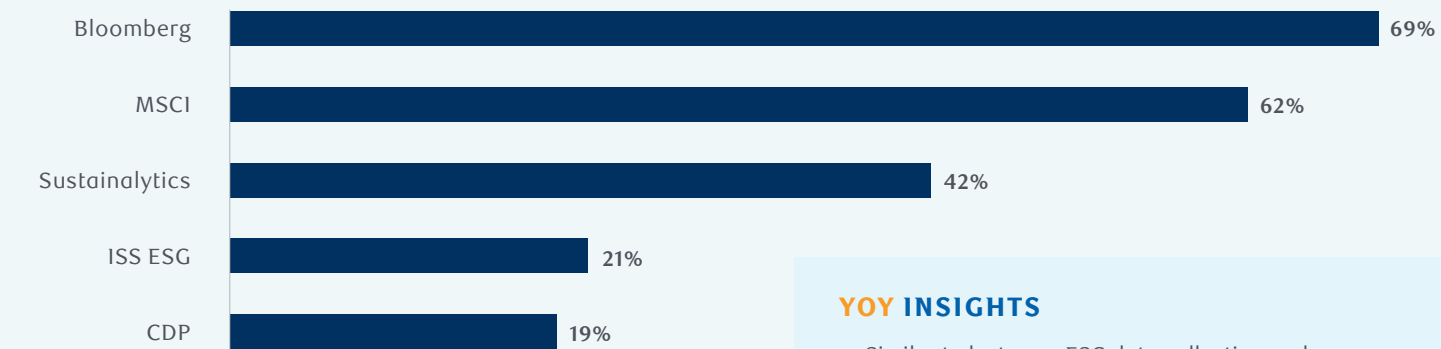
Source: RBC Capital Markets survey

SUSTAINABLE FINANCE THEMES TO LOOK FOR IN 2025

Key ESG focus areas for 2025:



Top 5 preferred ESG data providers:



YOY INSIGHTS

- Similar to last year, ESG data collection and integration top the list of investor priorities for 2025. Bloomberg, MSCI and Sustainalytics are the preferred data providers, with the majority of investors relying on at least two providers for their ESG data needs.

Number of ESG data providers used:



Source: RBC Capital Markets survey

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