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# Pensions for Purpose

ESG afternoon tea

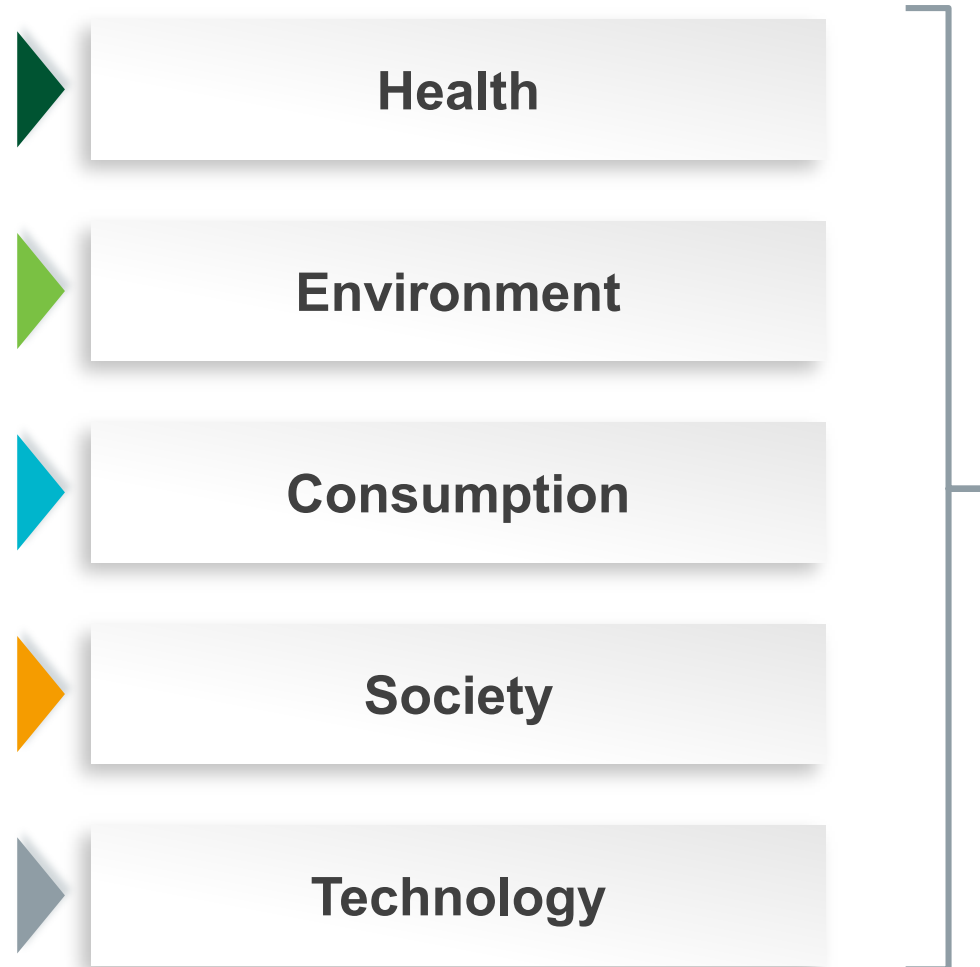
1 October 2020



# Practical guidance for fixed income investors, from a social and impact perspective

Joshua Kendall

# Our new decade



## Keynes risks



- 1 Objective
- 2 Subjective
- 3 Uncertain
- 4 Impossible

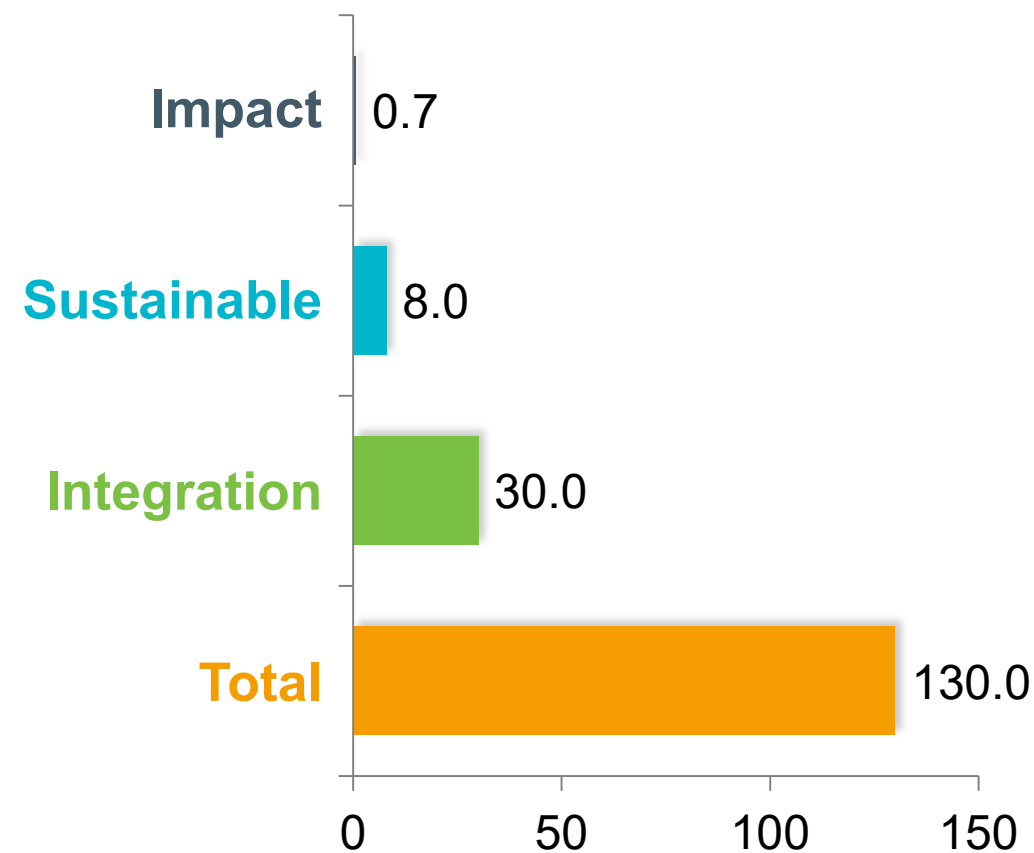
# What do you believe?



# A practical response

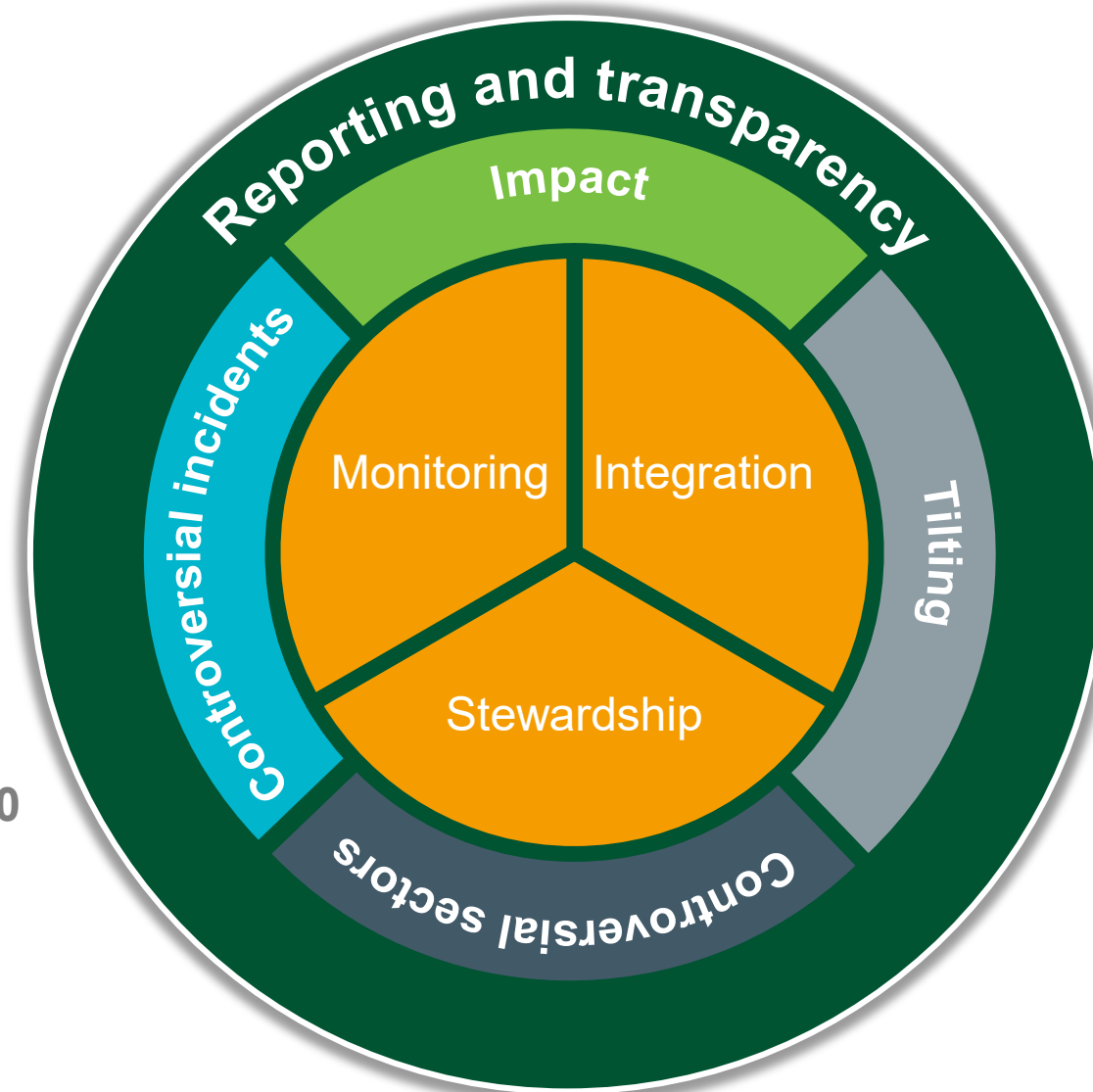
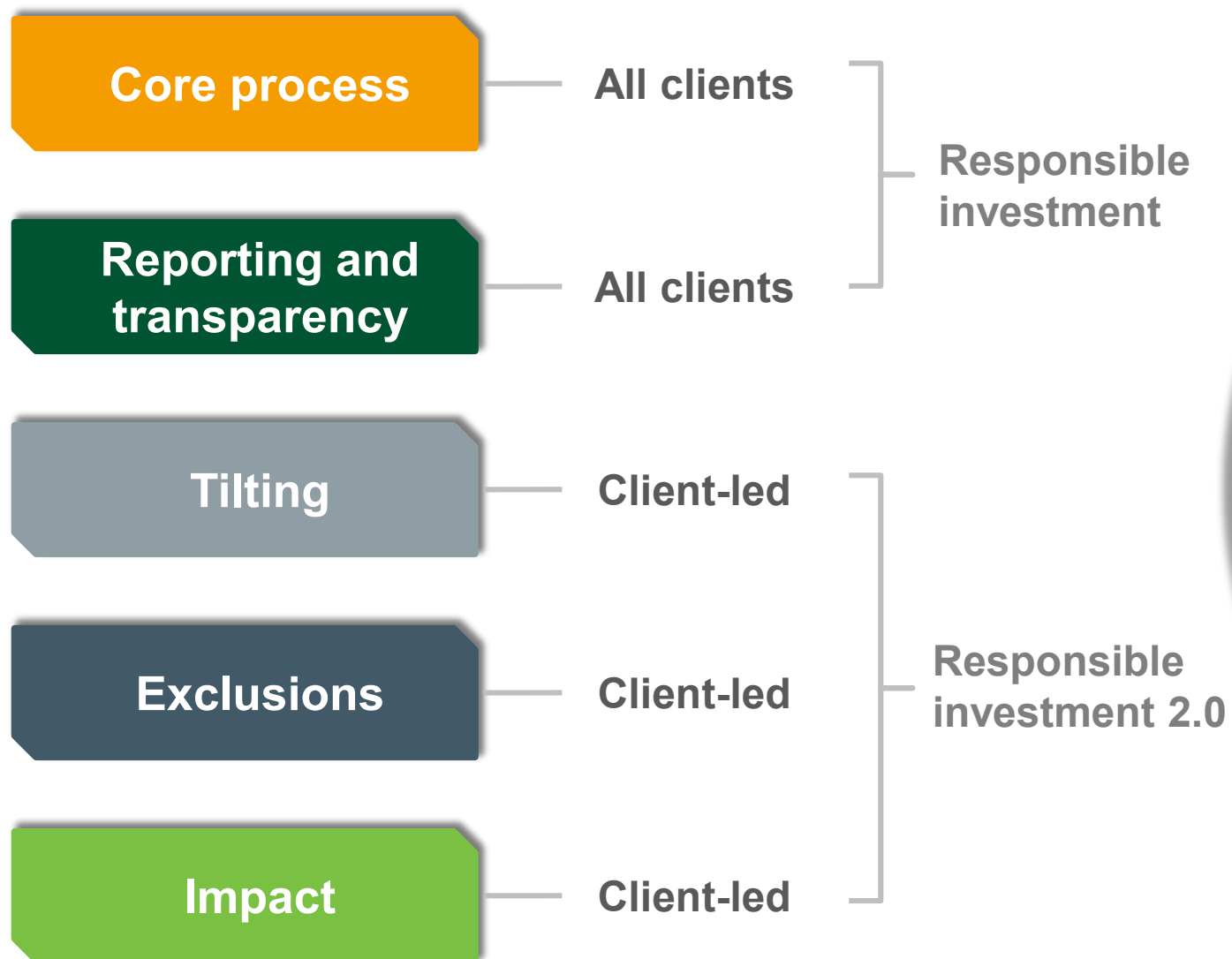


## Value of investable assets (US\$trn)



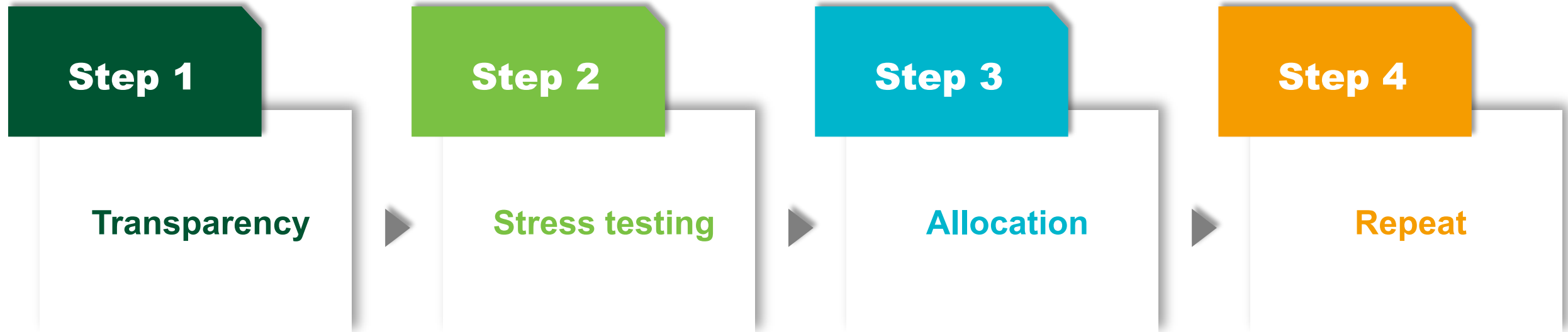
Source: Estimated using data from UNPRI, Moody's, JP Morgan and GIIN as at 30 June 2020.

# The components of an ESG solution in fixed income



# Navigating the uncertainty

## Action plan for asset owners



# Investment opportunities


April La Russe



# What is impact investing?



Investments made with  
the intention to create  
**positive, measurable**  
**social and/or**  
**environmental** impact  
alongside financial  
returns

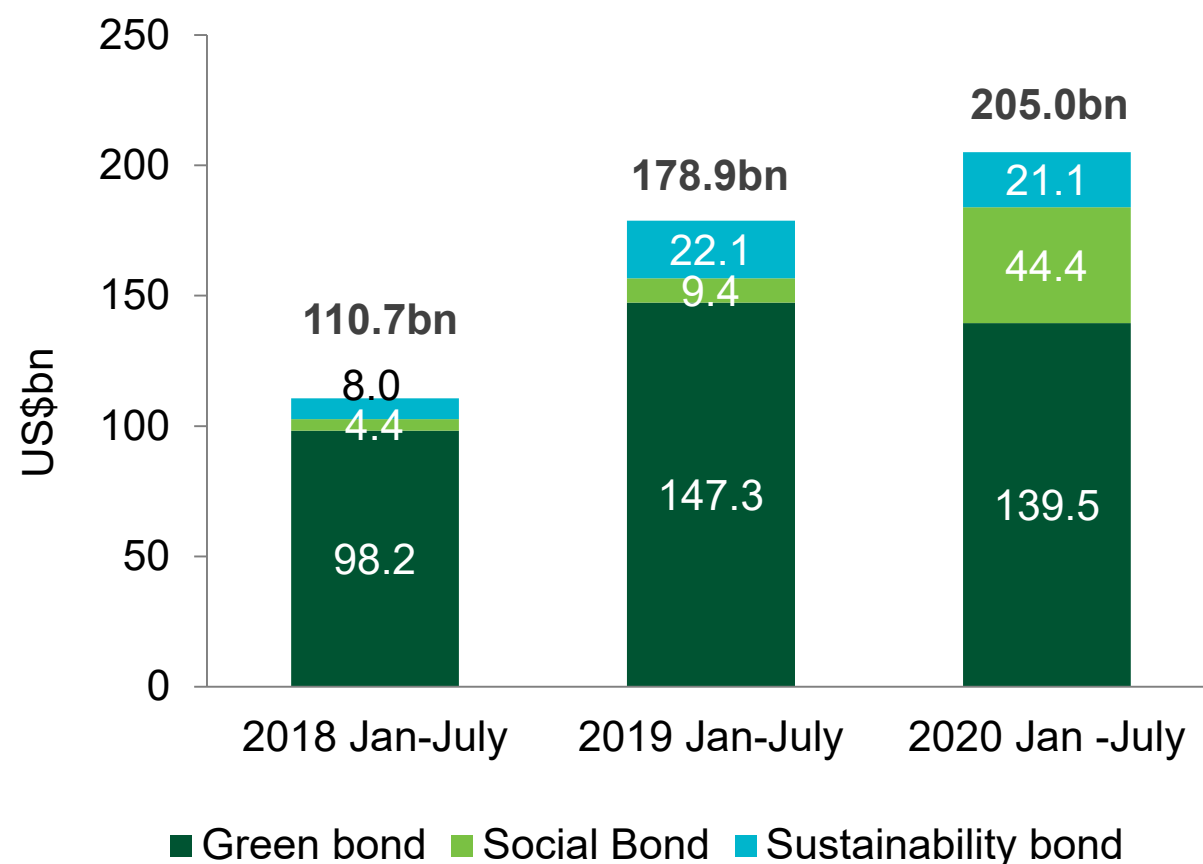


Impact investments are  
***expected to generate a***  
***financial return on***  
***capital*** or, at a  
minimum, a market rate  
of return on capital

Source: Global Impact Investing Network.

# Impact bonds

## Issuance continues to climb



Source: Nomura as at August 2020.

### Emergence of new sectors

- Over 90% of issuance comes from utilities, SSAs and financials
- We expected to see more issuance from sovereign nations and sustainability-linked bonds in 2020

### Divergence between US and European frameworks

- Increase in US issuance but transparency and quality of frameworks lags European issuers
- Lack of annual impact reports and poor monitoring of proceeds

# The evolving world of impact bonds



## Sustainability linked

- Bonds issued to fund a specific SDG goal i.e. transition to renewable energy
- Key performance indicators must be hit or the coupon increases
- Focus on tracking KPIs rather than proceeds



## Transition Bonds

- Issued by companies in carbon intensive industries in transition
- Without sufficient green eligible assets
- Sectors likely to issue Utilities, Transport, Industry (cement, steel)



## Covid 19 Social Bonds

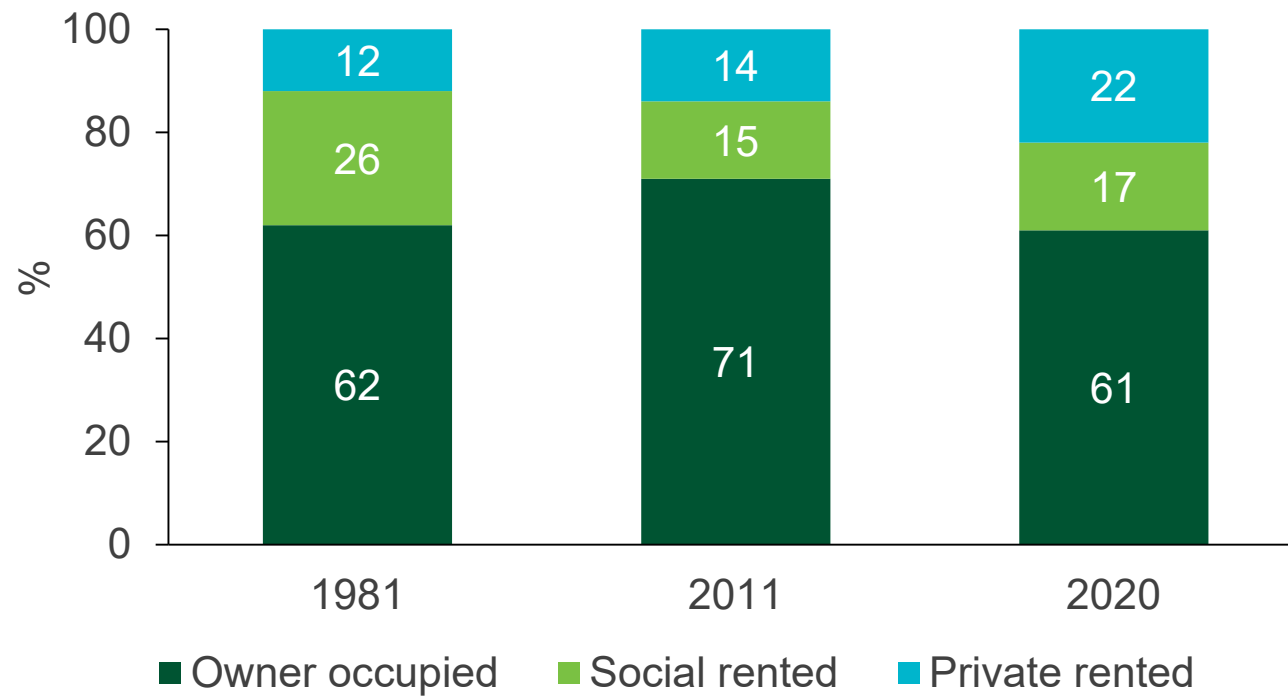
- Social bonds used to fund projects with a positive social outcome
- Tackling issues faced by particular populations due to Covid
- Example use of proceeds: vaccine R&D, SME loans, manufacturing loans for PPE production

# Housing associations

## Investment opportunities



### Social housing is 17% of housing stock



### Recent events

- Both Covid and Brexit have resulted in slower economic growth
- Joblessness rising will increase the demand for social housing

**Over 1 million people on the waiting list**

As at 31 March 2020.

# Housing associations

## Investment opportunities



### Fundamental health checks



#### Regulation

- Strongly regulated (governance and financial scores given), implicit government support



#### Fundamental

- Fundamentally strong: no current defaults in the sector



#### Quality management

- Increasingly professional



#### Transparency

- Transparent about their operations, regular engagement



#### Cautions

- Increasingly Housing Associations involved in development (sales risk, working capital)



# Housing associations

## Investment opportunities

### ESG factors and opportunities

- Investors aligning their values with investments
- Housing associations have a strong social purpose. For every £1 invested in social housing a further £1.45 is generated in the economy
- New and existing housing stock more energy efficient:
  - ultra low energy requirements
  - supply chain management
  - lower carbon foot print
  - lower energy bills
- A sector ripe for green bond issuance

Source: Centre for Economics and Business Research 2014.

### Norwich Eco Social housing



# Thank you

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# Insight team



**Joshua Kendall**

Head of Responsible Investment Research

Joshua joined Insight in May 2015 and leads the responsible investment programme, focusing on ESG integration, stewardship and policy, ESG product strategy and ESG research. Joshua sits on the Investment Association Sustainable and Responsible Investment Committee, the PRI Advisory Council on Credit Ratings and is Vice Chair of the Insight ESG Fixed Income Group. Prior to joining Insight, Joshua held a variety of responsible investment roles, including ESG consultant at MSCI, client relations manager at GMI Ratings and communications manager at UN Principles for Responsible Investment. Joshua holds an MSc in Corporate Governance and Business Ethics from the University of London and a BA (Hons) in Politics and Modern History from the University of Manchester. Joshua also holds the Investment Management Certificate from the CFA Society of the UK.



**April La Russe**

Head of Fixed Income Investment Specialists

April joined Insight in September 2008 and leads the Fixed Income Investment Specialist Team. April joined Insight from F&C Investments where she was a portfolio manager responsible for managing UK, US and global government bond portfolios. Prior to this, she was in government bond and derivative sales at Lehman Brothers. April began her career as a government bond portfolio manager at Newton Investment Management. April graduated with a BA in Economics from Mount Holyoke College, Massachusetts, United States and an MBA from City University Business School in London. She is also an Associate of the CFA Society of the UK.



**Sherille Mace**

Institutional Business Development Director

Sherille joined Insight in November 2011 as an Institutional Business Development Director. The Business Development Team is responsible for direct marketing, including to corporates, pension schemes and charities. Prior to Insight, Sherille was a Senior Sales Director at Union Bancaire Privée where she was responsible for marketing their complete range of products to wealth managers, private banks and investment banks. She previously worked at Man Group and was responsible for marketing hedge funds and private equity solutions to pension schemes and also at JP Morgan Chase as a Relationship Manager covering all aspects of servicing for a major asset manager.



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