

## **ESG Corporate Bonds Panel -- Thursday, April 22, 2021:**

**Moderator:** [Caroline Flammer](#), Associate Professor and Dean's Research Scholar at Boston University's Questrom School of Business, Boston University

### **Panelists:**

- [Trevor Allen](#), Head of Sustainable Finance Research Global Markets Research Division, BNP Paribas
- [Stephen Liberatore](#), CFA, Managing Director Head of ESG/Impact, Nuveen
- [Alastair Sewell](#), CFA, Senior Director, Fund & Asset Management, Fitch Ratings
- [Ronald van Loon](#), CFA, Managing Director, BlackRock

### **Moderator's Speech**

- Green Bonds – Bonds whose proceeds are committed to finance environmental and climate-friendly projects.
- \$490.4 Bn green bonds have been issued since 2007, but it is still only .138% of the bond market.
- There is no difference structurally between green bond and corporate bond. One can invest the proceeds of a corporate bond into green project.
- Emission intensive industries are biggest issuers of green bonds.
- The equity of issuers of a green bond reacts positively to green bonds that are certified.
- There is no green bond premium. Green projects are profitable enough to generate competitive returns.
- Green bonds have real impact and are not merely a greenwashing tool.

### **Panel**

#### Defining Green

- Green is different for everyone, in France nuclear energy is green.
- A green bond needs to have a direct and measurable social and or environmental outcome associated with it.

#### Green Washing Concerns

- Issuers concerned they might be tarred with green washing brush.
- Was reputational. Now with taxonomy, now risk of regulatory.

#### Reshaping of green bonds

- \$800 billion recovery fund starting in Europe, 37% of the fund will be climate related.
- New issuers will come into market.

#### Social Impact Investing

- Investors mostly focus on the E and G of ESG. Not so much the social part.
- Difficulty is that the new jobs created might be in different region from ones being lost.
- Social investing has traditionally meant affordable housing.
- Sustainability bonds: environmental effort reinforcing the societal impact.

#### Sustainability Bonds

- Airline, energy, cement and steel companies don't have to invest in R&D to transition.
- Sustainable bond would help these companies to transition.

Will central banks make it potentially mandatory for companies to disclose their climate risk exposure?

- Policy will drive direction of travel.
- With the taxonomies there is a possibility of overstepping by governments.

Climate risk being introduced into analytics and ratings

- Aladdin Climate which has climate risk.
- Fitch is adding climate to the risks of a company.