

# Scaling Solutions

TIDELINE

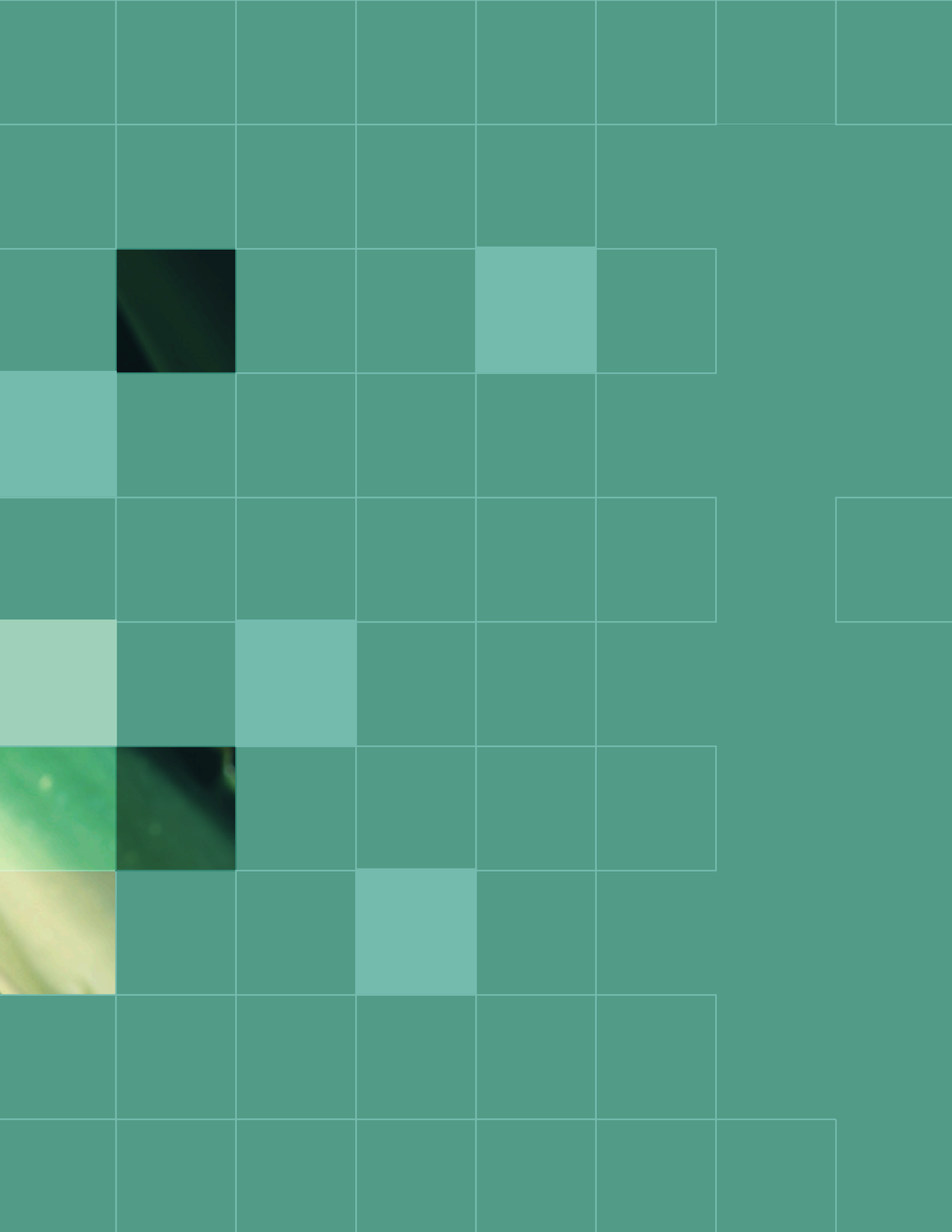


BUILDERS  
VISION

BLUE/MARK

*The Fixed Income Opportunity  
Hiding in Plain Sight*





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# Preface



## About BUILDERS VISION

Builders Vision is a team of investors and philanthropists accelerating tomorrow's most promising solutions across food and agriculture, energy, and oceans. By deploying capital from grantmaking to market-rate investments, Builders Vision aims to maximize financial returns and lasting impact. Builders Vision is diversified and risk-aware, ensuring investments balance both financial growth and long-term sustainability.

Builders Vision believes that a more resilient future for investors, communities, and the planet requires harnessing the collective power of innovation, capital, and collaboration. Thus, the organization works closely with leaders and visionaries at the cutting edge of sustainability. At the heart of everything Builders Vision does is its partners—the entrepreneurs, advocates, scientists and co-investors—who are closest to the solutions that will transform industries and achieve lasting impact. Learn more about Builders Vision at [www.buildersvision.com](http://www.buildersvision.com).

## About TIDELINE

Since its founding in 2014 as a women-owned consulting practice, Tideline has worked with over 150 investors and market builders to catalyze the development of the impact investing market and deepen its integrity. Tideline's thought leadership has encompassed the full spectrum of capital. Tideline's work has included defining the term "catalytic capital" in partnership with the MacArthur Foundation, exploring the "alpha in impact" with Impact Capital Managers, and the development of new impact lenses, including the "child lens" with UNICEF. Tideline has supported the creation of new products and platforms deploying over \$200 billion in impact capital globally. Learn more about Tideline at [www.tideline.com](http://www.tideline.com).

## About BLUEMARK

BlueMark is a leading independent impact verification and intelligence provider for the impact and sustainable investing market. As a certified B Corp, BlueMark's mission is to strengthen trust in impact investing by equipping investors with impact verification services, benchmarks, and analytics. BlueMark's verification methodologies draw on a range of industry standards, frameworks, and regulations, including the Impact Management Project, Impact Performance Reporting Norms, Operating Principles for Impact Management, SDG Impact, Sustainability Disclosure Requirements, and Sustainable Finance Disclosure Regulation. At the time of the publication of this report, BlueMark has completed over 300 verifications for impact investors managing a combined almost \$400 billion in impact-oriented assets. Learn more about BlueMark and impact verification at [www.bluemark.co](http://www.bluemark.co).

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*Chief Investment Officer*

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*Director of Public Markets/ESG*

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*Associate*

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*Senior Analyst*

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*President*

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*Senior Director*

Sharon Ordor  
*Associate*

Emily Philpott  
*Associate*

Ash Sellvarajah  
*Analyst*

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*Names and titles are listed as they were at the time of contribution and may not reflect current affiliations.*

# Foreword:

## An invitation to anchor in fixed income

*by Noelle Laing*

What excites us at Builders Vision are opportunities to make market-rate investments that can deliver both strong financial returns and lasting, measurable impact. Too often, those opportunities are hiding in plain sight, waiting for someone to spot the missing link between how capital is traditionally deployed and what is possible when you bring a lens of investing for resilience to the table.

### **Fixed income is one of those overlooked opportunities. A big one.**

For many asset allocators and managers, the connection between bonds and impact remains opaque. The perception persists that fixed income is solely an asset class for risk mitigation and yield; that it is not solutions-oriented. But fixed income has always been the asset class of choice for scaling and sustaining proven projects, products and services, or, in other words, solutions that you can count on. While fixed income's steadfastness and predictability may disinterest investors that are chasing novelty, these are the precise attributes that make it an ideal anchor—first, for investors that are already allocating for impact across their portfolios; and second, for the largest institutional asset owners that are committed to supporting shared and sustainable prosperity, but are unconvinced about the impact market's investability.

This report presents a compelling argument to each of these investor audiences. To the first—that fixed income is the ideal asset class for addressing specific challenges, often with tremendous speed, specificity, and scale. To the second—that in your existing fixed income portfolios, you are likely already investing for impact and can do more, with no financial trade-off.

In short, this report brings together resources to help investors understand how fixed income can be used as a ballast of impact and financial performance within portfolios. Fixed income opportunities that capitalize on social and environmental solutions can be found across sub-sectors, geographies, and risk ratings. If you are an asset allocator that is interested in impact but unsure how fixed income fits into your big picture, this paper is for you. If you are one that invests in supranational, sovereign, or municipal bonds and are looking for new strategies and forms of measurement to stay at the cutting edge of your field, this is also for you.

The broader context here is critical. Fixed income is uniquely positioned to support capital-intensive endeavors. For example, high-demand sustainable energy and agriculture solutions are attractive investments that will be financed in large part through fixed income.

Climate-resilient infrastructure for the future will require trillions of dollars in patient, flexible financing that can and should be evaluated not only for its financial return but also for its public benefit.

To those who are curious but have hesitated to act, we are extending an invitation: fixed income is too big and too influential to remain a passive observer as we build a more resilient future together. **The opportunity to drive measurable outcomes—at scale—is already here. It just hasn’t been fully realized.**

We are proud to support this work and grateful to the contributors who brought it to life. **We hope that it serves as a practical guide and a provocation: to move off the sidelines, to embrace the role of fixed income as an anchor, and to see this moment as the start of something big.**

Noelle Laing

*Chief Investment Officer, Builders Vision*



<b>ABS</b>	Asset-backed security
<b>AUM</b>	Assets under management
<b>CAGR</b>	Compound annual growth rate
<b>CCM</b>	Community Capital Management
<b>CRA</b>	Community Reinvestment Act
<b>EU</b>	European Union
<b>ESG</b>	Economic, social, and governance
<b>GAVI</b>	Global Alliance for Vaccines and Immunisation
<b>GBP</b>	Green Bond Principles
<b>GHG</b>	Greenhouse gas
<b>GIIN</b>	Global Impact Investing Network
<b>GSS</b>	Green, social, sustainability
<b>ICM</b>	Intentionality, contribution, and measurement
<b>ICMA</b>	International Capital Markets Association
<b>ILC</b>	Impact-linked compensation
<b>IMM</b>	Impact management and measurement
<b>IMP</b>	Impact Management Project
<b>KPI</b>	Key performance indicator
<b>MBS</b>	Mortgage-backed security
<b>MSCI</b>	Morgan Stanley Capital International

## Acronyms

<b>NGO</b>	Non-governmental organization
<b>OCIO</b>	Outsourced chief investment officer
<b>OPIM</b>	Operating Principles for Impact Management
<b>PAI</b>	Principal Adverse Impact
<b>SBG</b>	Sustainability Bond Guidelines
<b>SMA</b>	Separately managed accounts
<b>SBP</b>	Social Bond Principles
<b>SDID</b>	Sustainable Development Impact Disclosure
<b>SDGs</b>	Sustainable Development Goals
<b>SDR</b>	Sustainability Disclosure Regime (UK)
<b>SFDR</b>	Sustainable Finance Disclosure Regulation
<b>SLBP</b>	Sustainability-Linked Bond Principles
<b>SPO</b>	Second-party opinion
<b>SPV</b>	Special-purpose vehicle
<b>ToC</b>	Theory of change
<b>UoP</b>	Use of proceeds
<b>UN</b>	United Nations
<b>UNPRI</b>	UN Principles for Responsible Investment
<b>US</b>	United States
<b>VC</b>	Venture capital

# Navigating this report

## Purpose

*Scaling Solutions*, a research collaboration between Builders Vision, Tideline, and BlueMark, addresses a marked lack of discourse on how investors can and should leverage fixed income—the largest asset class in the world—as an instrument of impact.<sup>1</sup> Although some dedicated investors have pioneered approaches to navigating impact in this asset class, the broader market has yet to formally align on a definition of impact at the *strategy* level. Market-level efforts to define “impact” within fixed income have largely been at the *transaction* level—leading to the development of a robust and growing bond labeling regime. However, we have found that creating meaningful and authentic impact requires not only a transaction-level standard, but also clear guidance for investors on how to discern, develop, and implement effective impact strategies.

This report articulates *why* investors—and particularly asset allocators, who direct the largest flows of capital to fixed income—should channel their impact assets towards this asset class, *what* they need to know about the current state of this market, and *how* they can navigate it with confidence and integrity.<sup>2</sup> **We argue that impact investing in fixed income (which we refer to as “impact fixed income”) is**

**an immense opportunity hiding in plain sight.** This is because impact fixed income enables allocators to take advantage of the portfolio benefits traditionally associated with fixed income, including stable returns, diversification, downside protection, and predictable income, while also meaningfully contributing to solutions for people and the planet.<sup>3</sup> The misconception that investors must sacrifice financial returns for impact has long persisted. However, in fixed income, the evidence is clear: no such trade-offs exist. **This report therefore serves as an invitation for asset allocators to begin exploring impact fixed income as a powerful tool to simultaneously advance their fiduciary duties and social and environmental goals.**

While the objective of this report is to elevate impact fixed income as an essential tool for balancing profit with purpose, we acknowledge that a single thread cannot weave a tapestry. We hope the report serves as a foundation from which further market-building efforts can spring. To that end, we align new frameworks presented in Section II: Seizing the Opportunity to the core pillars of impact investing—anchored in the Global Impact Investing Network’s (GIIN) definitions and the

1. Securities Industry and Financial Markets Association (SIFMA), “2025 Capital Markets Outlook” (2025)

2. Note that this publication will not provide a comprehensive treatment of the merits and criticisms of sustainability labeling in the fixed income market.

3. In this report, we use the term “fixed income” to refer to debt securities issued by a wide range of entities—including governments, corporations, and securitization vehicles—that are traded on public markets. These instruments provide investors with regular, fixed or floating interest payments and return the principal at maturity. This class of debt securities can also commonly be referred to as “public fixed income” and “public debt,” alongside other terms.

Operating Principles for Impact Management (OPIM or “the Impact Principles”).<sup>4</sup> What this reveals is that, **while fixed income has been historically overlooked as an effective instrument of impact, it can be accessibly navigated with pre-existing investor and impact concepts, frameworks, and standards.**

We also share insights on impact fixed income investment practices gathered from verifications of leading asset managers. This further demonstrates how the Impact Principles—an end-to-end framework of best practices in impact management and measurement (IMM) with a primarily private markets signatory base—are translatable to the unique context of impact fixed income.

**Our findings point to a clear conclusion: conditions are ripe for impact fixed income to scale, with the potential to rapidly double or even triple the size of the impact investing market in coming years.**

## How to approach the report

*Scaling Solutions* was written to comprehensively provide readers the practical insights and tools needed to navigate impact fixed income with confidence. The report becomes more tactical as it progresses—in [Section I](#), we establish the case for impact fixed income and define the universe of opportunities; in [Section II](#), we define an “impact fixed income approach” using widely accepted impact investing standards; in

[Section III](#), we provide case studies of existing impact fixed income strategies using this definition; and in [Section IV](#), we provide actionable resources for allocators of various experience levels to being exploring opportunities.

Recognizing this paper’s length and depth, we encourage readers to navigate it according to their level of experience with impact investing. While we recommend reading the report in full, different readers will find various sections more relevant than others. We expect that most readers will fall into one of the following three categories.

- *Allocators already experienced in impact investing and interested in expanding to fixed income* may derive most value from [Section II](#), which provides a technical overview of how widely accepted impact investing concepts, standards, and frameworks translate to fixed income; how this translation differs from how allocators may approach impact investing in other asset classes and its implications for a total portfolio activation approach. Additionally, they will benefit from [Section IV](#)’s Allocator 1 scenario, “Expanding impact across asset classes,” which describes how they may practically explore defining and implementing an impact fixed income approach.
- *Allocators that are new to impact investing, but with strong prior experience investing in fixed income* may prefer to focus on [Section I](#), which outlines the rationale and applications of impact fixed income at a high level. They may also

prefer to spend more time on [Section III](#)'s case studies for examples of impact fixed income strategies in action, while also benefiting from [Section IV](#)'s Allocator 2 scenario, “Building impact capacity,” to guide their initial efforts.

- *Other market stakeholders* may find value in various, discrete sections of the report. For example, depending on their levels of experience, asset managers may focus on similar sections as asset allocators—lingering on case studies of peer impact fixed income managers to inform their approaches. Issuers may find value in the report's perspective on what constitutes a strong impact security, as articulated in [Sections I](#) and [III](#).

Ultimately, we hope that this report serves as a practical and insightful resource for a wide range of impact fixed income stakeholders—regardless of their starting point—equipping each with the knowledge and tools to engage with impact fixed income in a manner that aligns with their goals and expertise.



**Executive**

**summary**



# Executive summary

Faced with the challenge of achieving shared and sustainable prosperity, the sheer scale of capital needs can be paralyzing. The price tags for addressing the world's largest social and environmental challenges, like climate change, poverty, and inequality, are staggering. For example, in 2021, it was estimated that transforming the global economy to achieve net-zero emissions by 2050 would require \$3.5 trillion more spending on physical assets annually.<sup>8,9</sup> In 2023, the United Nations (UN) estimated it would cost \$5.4 to \$6.4 trillion annually to achieve the Sustainable Development Goals (SDGs) by their 2030 deadline, with massive expenditures needed to address systemic challenges in areas like social protection systems,

the availability of decent jobs, creating more sustainable food systems, and expanding access to clean energy.<sup>10</sup>

Over the past decade, the number of people globally without electricity has halved from 1.1B in 2010 to 675M in 2021. An estimated \$30B is needed annually to expand on this progress to achieve universal electricity access.<sup>6</sup>

As governments and nonprofits face growing financial constraints, investors are increasingly embracing opportunities to play a bigger role in contributing to solutions. For example, infusions of return-seeking investor capital were critical to enabling the world's poorest countries to respond to cross-border, large-scale COVID-19 outbreaks.<sup>11</sup> But there is a problem. At an estimated size of \$1.57 trillion, the impact investing market currently represents only one half of one percent of total investable assets globally—a drop in the bucket that belies its transformative potential.<sup>12</sup>

## \$3.5T

According to McKinsey estimates, an annual increase of as much as \$3.5 trillion is needed for the net-zero transition of physical assets for energy and land-use systems.

## \$6T

Approximately \$6 trillion of estimated capital expenditure (capex) is needed annually to meet the SDGs, according to the UN Conference on Trade and Development.<sup>5</sup>

There is an extraordinary opportunity to meet the housing needs of over 7 million extremely low-income households in the U.S. by investing in affordable rental construction. However, 2024 has seen a drop in new affordable multifamily starts to just 66,000 units—the lowest since 2020.<sup>7</sup>

5. UN Conference for Trade and Development, "The Costs of Achieving the Sustainable Development Goals" (DOA: April 11, 2025)

6. IRENA, "Public Finance for Universal Energy Access" (2024)

7. Building Design and Construction, "The state of affordable housing construction in 2025" (2025); Yardi Matrix, "National Affordable Housing Report" (2025)

8. McKinsey Global Institute, "The net-zero transition: What it would cost, what it could bring" (2022)

9. All dollar amounts henceforth should be assumed to be in USD.

10. UN Conference for Trade and Development, "The costs of achieving the sustainable development goals" (2023)

11. World Bank Group, "Fact Sheet: Pandemic Emergency Financing Facility" (2020)

12. Global Impact Investor Network, "State of the Market 2024" (2024)

A question then arises: What is holding investors back from deploying more impact capital, knowing that many markets deliver both strong financial returns and measurable impact? We believe a key, overlooked barrier has been impact investing's long-standing focus on the private markets. While a vital part of the solution, the private markets simply cannot scale fast enough on their own.

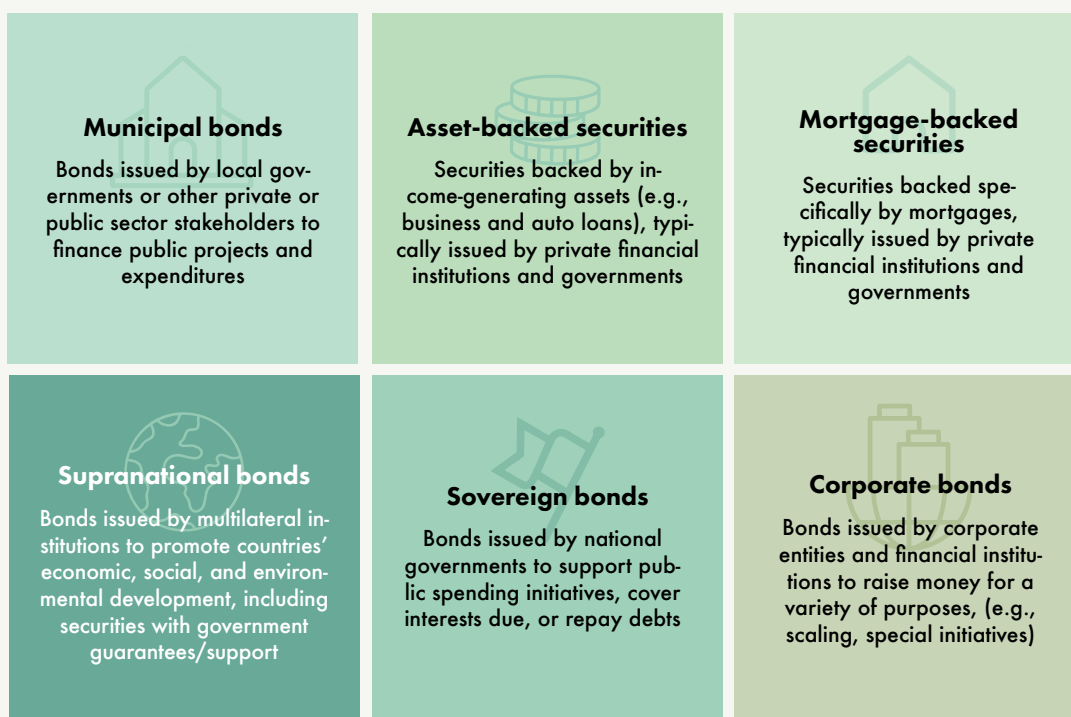
Impact investing's biggest opportunity may be hiding in plain sight. As the world's largest asset class, fixed income holds trillions in untapped potential to drive scalable, real-world impact. Moreover, opportunities can be seized now using accessible and familiar impact investing

frameworks and standards. **Thus, the tools are in our hands. Fixed income *can* and *should* be a powerful engine for achieving global sustainability ambitions.**

### The case for impact fixed income

Though impact investing in public equities has gained increasing attention in recent years, impact investing in fixed income has remained relatively obscure. A bread-and-butter asset class, fixed income's value has traditionally been linked to its financial characteristics: its capital preservation benefits, contributions to portfolio diversification, capacity to hedge against market volatility, and transparency on

**FIG. 1** The universe of impact fixed income opportunities



expected returns at time of purchase. Its unrivalled liquidity, commoditization, and structure, however, may have resulted in investors overlooking fixed income as a tool for generating meaningful impact. This stands in contrast to private market investments, which are often associated with long-term horizons, exciting and disruptive change, and greater investor control over impact outcomes.<sup>13</sup> Yet fixed income should similarly be valued for its ability to generate both impact and financial returns.

A modest but growing number of asset owners are recognizing this—with fixed income representing the second fastest growing asset class in the impact investing market.<sup>14</sup> Among other factors driving this trend, impact investing in fixed income (which we refer to as “impact fixed income”) provides investors exposure to a wide and financially attractive opportunity set—including municipal bonds, sovereign and suprasovereign issuances, corporate bonds, asset-backed securities (ABS), and mortgage-backed securities (MBS), among other sub-asset classes—thereby supporting portfolio diversification.

The impact fixed income market stands out from others in having infrastructure enabling investors to confidently balance profit and purpose. A bond labeling regime defines what meaningful and authentic impact looks like at the issuance level, scaffolded by a growing network of voluntary standards, including the International Capital Markets Association’s (ICMA) green, social, and sustainability (GSS)

bond principles and the European Union’s (EU) Green Bond Standard. While there are concerns about this regime’s capacity to mitigate against impact washing, it nonetheless provides a first line of defense. This is further bolstered by impact assurance from a growing network of third-party providers.

While fixed income offers a diverse set of opportunities and clear definitions for *issuance-level* impact, what defines an impact investing *strategy* within this asset class is obscured. What remains underappreciated about fixed income are the unique impact functions that it can serve, which are distinct from those of other asset classes, yet critically important and complementary to an impact investing toolkit. These include *meeting urgent needs in real time* (e.g., in its historical use in mobilizing capital for national and regional COVID-19 relief efforts and its ongoing use in addressing catastrophes); *mobilizing unparalleled levels of capital* to bolster, enhance, or transition social, environmental, and economic systems (e.g., in being the instrument of choice to fund global vaccine infrastructure, corporate climate transition efforts, and national affordable housing campaigns); and, somewhat counter-intuitively, *delivering impact specificity*, including through financing localized, place-based initiatives.

In short, fixed income should be seen by investors as an instrument that can achieve meaningful and transformative impacts. However, to realize the full potential of this asset class, investors must be equipped with not just knowledge of

13. For more on the relationship between liquidity and impact, please refer to the Tonic report, “Cruising Altitude: Insights from the Frontier of Impact Investing (2025)”

14. GIIN, “State of the Market 2024” (2024)

**FIG. 2 Fixed income's unique impact functions**

Meeting urgent needs in real time	Mobilizing unparalleled levels of capital	Delivering impact specificity
Following the 2011 Tōhoku earthquake and tsunami—the fourth most powerful earthquake in recorded history—catastrophe bonds were instrumental to raising capital to support disaster relief. Issued by Munich Re, JA Kyosai's catastrophe bond was able to raise USD \$300 million for timely disaster payouts. <sup>15</sup>	In 2020, the Government of Mexico issued the world's first SDG sovereign bond framework to support public spending on social and environmental programs, with a focus on supporting municipalities with the highest social gaps. Initially issued at \$890 million, the bond was more than six times oversubscribed to. <sup>16</sup>	The U.S. City of Chicago's social bond specifies that proceeds generated from its \$150 million offering will fund new and existing projects, including the construction of over 2,000 affordable housing units and the replacement of nearly 200 of the city's gas-powered vehicles with electric vehicles and charging stations. <sup>17</sup>
The COVID-19 pandemic incentivized corporate, national, and multilateral institutions to issue bonds in support of response and recovery efforts globally. For example, the EU €800 billion plan to support recovery measures (NextGenerationEU) was financed through issuance of green and social bonds in partnership with the European Investment Bank. <sup>18</sup>	The Global Alliance for Vaccines and Immunization (GAVI) issues "vaccine bonds" through its International Finance Facility for Immunisation (IFFIm) to fund routine immunization campaigns in low-income countries, respond to infectious disease outbreaks, and fund research and development for new vaccines combatting deadly diseases through its Coalition for Epidemic. <sup>19</sup>	OneMain, a consumer finance company specializing in the provision of personal and auto loans to individuals with non-prime credit scores, reported lending over \$560 million to women and minority borrowers (75% of its total borrower portfolio) in 2024. This was made possible via proceeds from its social bond. <sup>20</sup>

the opportunity, but also practical guidance to seize it. We recognize that while some investors may be prepared to action the frameworks and guidance offered within this report, others may engage more selectively based on their experience, resourcing, and priorities. Thus, we offer resources calibrated to different types of allocators within [Section IV](#) of the report.

## Defining an impact fixed income approach

As discussed, the need for further investor guidance stems from the fixed income market's historical focus on defining impact and sustainability at the *transaction* level—driven by issuers, underwriters, ratings agencies, and regulatory authorities. Parallel resources for investors in identifying and defining appropriate impact *strategies* has yet to be developed.

Moreover, while the bond labeling regime provides clarity on how specific issuances structured as use of proceeds (UoP) bonds may qualify as impact, it stops short of providing guidance on how to navigate the full universe of impact-generating opportunities, which may include general-purpose issuances from mission-driven organizations or UoP issuances that are otherwise unlabeled. The translation of existing, widely accepted impact investing tools and frameworks to this asset class can help to address the gap.

*Scaling Solutions* proposes a clear definition for what constitutes an “impact fixed income” strategy. Its findings and recommendations are grounded in market research conducted between October 2024 and March 2025—comprising analysis of the key attributes of

15. Government of Japan, Global Facility for Disaster Reduction and Recovery, The World Bank, “Knowledge Note 6-2, Cluster 6: The economics of disaster risk, risk management, and risk financing” (2020)

16. Environmental Finance, “Highly commended, award for innovation—use of proceeds (sustainability bond): Mexico's SDG sovereign bond” (2021)

17. City of Chicago, “Chicago Social Bonds” (DOA April 8, 2025)

18. European Union, “Recovery Plan for Europe” (DOA: April 11, 2025)

19. IFFIm, “IFFIm returns to market with US\$ 1 billion 3-year bond to support global vaccine programs” (2024)

20. OneMain, “2024 Social Bond Annual Report”

over 30 funds with sustainability and impact objectives within their investment strategies; interviews with investor practitioners, standards setters, and network organizations; analysis of BlueMark practice verifications on fixed income managers; and literature review. One of our primary objectives was examining the extent to which existing impact fixed income practices align with widely accepted impact investing concepts. **We concluded that core impact investing principles can, in fact, support investors in rapidly scaling up their allocations to impact fixed income with confidence.**

However, there are important nuances in how impact investing principles translate to this asset class. For example, while the impact investing pillars of intentionality, contribution, and measurement largely hold—as introduced to the market by the GIIN—investors should bear in mind important distinctions in their expression, as summarized in *Figure 3*. Similarly, the Operating Principles for Impact Management (OPIM)—an end-to-end framework that defines best practices for impact management and measurement (IMM)—provides a strong foundation for deploying impact fixed income. Yet BlueMark’s verifications of fixed income

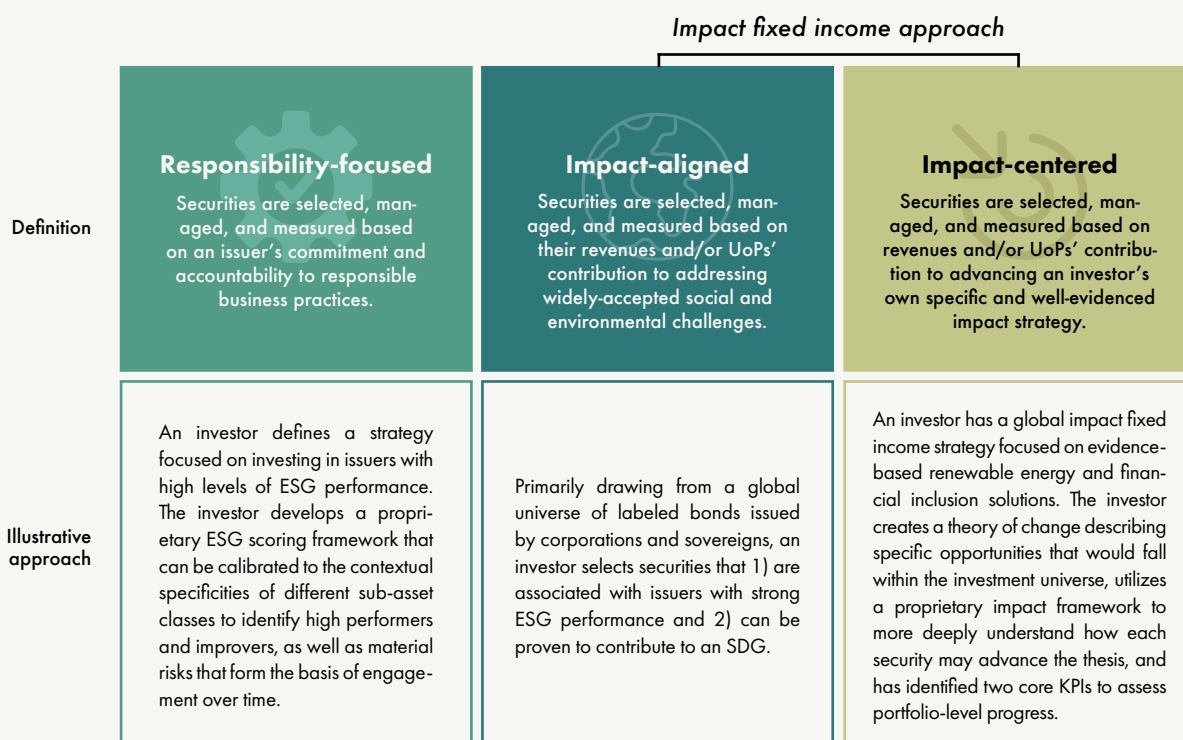
**FIG. 3 Impact investing pillars in impact fixed income**



managers identified some key commonalities and variations in their application. Summary findings are as follows:

- In addition to possessing strong capabilities in environmental, social, and governance (ESG) analysis, fixed income managers tend to adopt best practices for integrating impact into their investment processes at a level comparable to managers in other asset classes. Strong practices included considering multiple dimensions of impact when assessing the eligibility of a prospective security; tracking common key performance indicators (KPIs) across the portfolio; and monitoring issuers and issuances for ESG risks.
- Fixed income managers tend to be less rigorous in developing theories of change for their funds (given the importance of market-level diversification); are less likely to link staff compensation to impact performance; and are less able to collect, and hence monitor, information on their portfolios' impact outcomes in comparison to peers in other asset classes.
- Notably, investor contribution activities among verified fixed income investors were typically focused on engaging issuers on ESG risks—with verified managers framing these efforts as significant components of their “value creation” activities. These managers were also often involved in industry-level engagement efforts to grow and strengthen the impact fixed income market. Capacity for industry engagement tends to be commensurate with managers' size and influence.

**FIG. 4 Taxonomy of sustainable fixed income approaches**





While fixed income has been relatively overlooked by investors as a tool for impact, there is a small but influential group of managers implementing rigorous impact strategies in the asset class. Our research uncovered a high degree of alignment of these investors' practices to other impact investing frameworks, like Impact Frontiers' Five Dimensions of Impact. We also observed distinct categories of invest-

ment approaches within the asset class.

We identified among these managers five core characteristics that are essential to impact fixed income practice, and which can help define investor- or strategy-level impact in this asset class. These characteristics, which are aligned with key market standards, include:

**FIG. 5 Core characteristics of impact fixed income and the impact investing pillars**



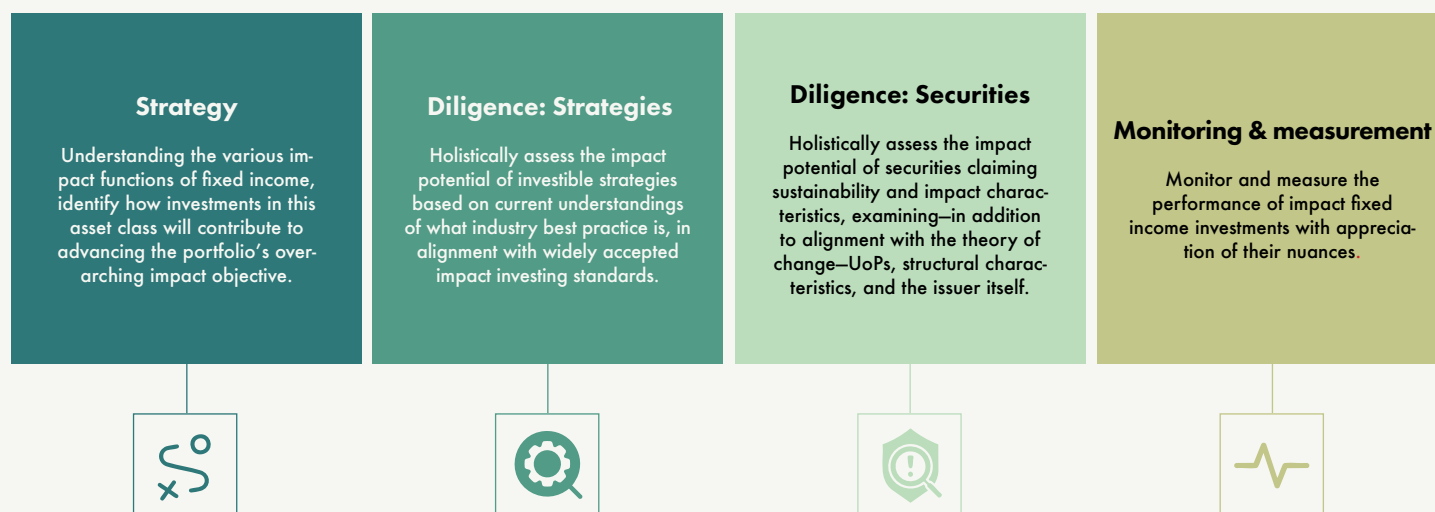
## Case studies and allocator resources

In stressing the urgency of activating fixed income for impact, *Scaling Solutions* offers several practical resources to begin seizing opportunities. These include six in-depth case studies of current impact fixed income asset managers, featuring Community Capital Management (CCM), EdenTree, Nuveen, Schroders, T. Rowe Price, and Wellington Management. Using the “Core Characteristics” framework above, case studies describe each manager’s approach to pursuing impact in fixed income.

They feature a specific practice that highlights the robustness of tactics being employed within the asset class, while also showcasing high-impact transactions and testimonials on the utility of impact fixed income in a portfolio.

The report also includes four high-level tools to help investors begin their journeys or enhance their existing approaches to investing impact fixed income. These tools include strategy guidance on how to leverage fixed income’s unique capabilities as part of a total portfolio

FIG. 6 Overview of allocator resources



approach, a rubric with which to assess the quality of impact fixed income strategies' rigor, a checklist to support transaction-level impact assessment, and guidance on how to navigate impact monitoring and measurement. Together, these tools reinforce that impact investing in fixed income is not only possible, but also accessibly within reach.

## A call to action

Fixed income has long been the foundational pillar of global finance, yet its potential to drive positive social and environmental outcomes remains largely underappreciated by investors. What is needed now, amid a growing gap between the demand for and supply of sustainability-advancing capital, is to fundamentally shift investors' perspective on the asset class.

To achieve shared peace and prosperity, investors must awaken to fixed income's special capabilities as an instrument of impact within their portfolios—in particular, its ability to directly finance solutions with **impact urgency, scale, and specificity**. In addition to serving a particular impact purpose, its appeal is heightened as a means of generating *both* measurable social and environmental outcomes *and* stable, diversified returns—thus serving as a reliable anchor for impact-focused portfolios. For example, the Bloomberg Global Aggregate GSS Bond Index, launched in 2022, has closely tracked the broader Global Aggregate Index, showing similar returns.<sup>21</sup> Moreover, as of June 5, 2025, the GSS Index had a higher one-year return (8.39%) than the Global Aggregate Index (6.42%). Though data on returns is still emerging, the outlook is nonetheless promising.<sup>22</sup>

<sup>21</sup> J.P. Morgan Asset Management, "Gauging the growth in green, social and sustainability bonds" (2024)

<sup>22</sup> Bloomberg market data



*Scaling Solutions* is a call for investors to seize impact fixed income as a tool that is too important to overlook. By bridging the worlds of fixed income and impact investing, the amount of capital intentionally directed towards addressing urgent social and environmental challenges could potentially double or even triple. **We call upon asset allocators to review their existing portfolios to *take stock* of what they own and to *lean into* the asset class as an important means through which profit can be met with purpose**—engaging with asset managers, issuers, and the broader ecosystem to clearly *signal demand* for impact-aligned and impact-centered products. **For others, this means *meeting the moment with ambition***—co-creating solutions with newly mobilized investors, governments, multilateral institutions, and other political and economic stakeholders to harness the power of partnership to address our global challenges at scale.

# Introduction

# Introduction

We live in unprecedented times. 2024 was the world's hottest year on record, as were each of the past several years in the past decade—with temperatures exceeding globally agreed-upon tipping points and worsening natural disasters marking climate change's unmistakable escalation.<sup>27</sup> This and the combined forces of deepening inequality, sluggish post-pandemic recovery, and inflationary pressures are major headwinds for achieving our collective stability and growth. But by acting now with the urgency this moment calls for, we can unlock the opportunity to shape smarter, more affordable, and more effective solutions—before challenges grow more complex and costly.

Over the past decade, the number of people globally without electricity has halved from 1.1B in 2010 to 675M in 2021. An estimated \$30B is needed annually to expand on this progress to achieve universal electricity access.<sup>25</sup>

Though the impact investing industry has steadily grown over the past decade, reaching \$1.57 trillion in 2024, addressing these challenges requires exponentially more investment—particularly as public and social sector budgets grow more constrained.<sup>28,29</sup> Specifically, it requires the impact investing market to have an emboldened ambition for scale. While impact investors have

There is an extraordinary opportunity to meet the housing needs of over 7 million extremely low-income households in the U.S. by investing in affordable rental construction. However, 2024 had seen a drop in new affordable multifamily starts to just 66,000 units—the lowest since 2020.<sup>26</sup>

traditionally focused on the private markets, the public markets present significantly larger and relatively untapped opportunities for generating social and environmental outcomes alongside robust returns. This is particularly the case for fixed income where, as we will discuss, the scaffolding for impact integrity is already strong.<sup>30</sup>

**Achieving shared peace and prosperity requires investors to tap into the remark-**

## \$824B

According to Bloomberg estimates, total energy transition debt issuance reached \$824 billion in 2024, relative to \$50.7 billion raised for climate-tech equity.<sup>23</sup>

## \$6T

Approximately \$6 trillion in capital expenditures (capex) is needed annually to meet the Sustainable Development Goals, according to the UN Conference on Trade and Development.<sup>24</sup>

23. BloombergNEF, "Energy Transition Investment Trends 2024" (2024)

24. UN Conference for Trade and Development, "The Costs of Achieving the Sustainable Development Goals" (DOA: April 11, 2025)

25. IRENA, "Public Finance for Universal Energy Access" (2024)

26. Building Design and Construction, "The state of affordable housing construction in 2025" (2025); Yardi Matrix, "National Affordable Housing Report" (2025)

27. World Meteorological Organization, "WMO confirms 2024 as warmest year on record at about 1.55C above pre-industrial level" (2025)

28. GIIN, "Sizing the Impact Investing Market" (2024)

29. All dollar amounts henceforth should be assumed to be in USD.

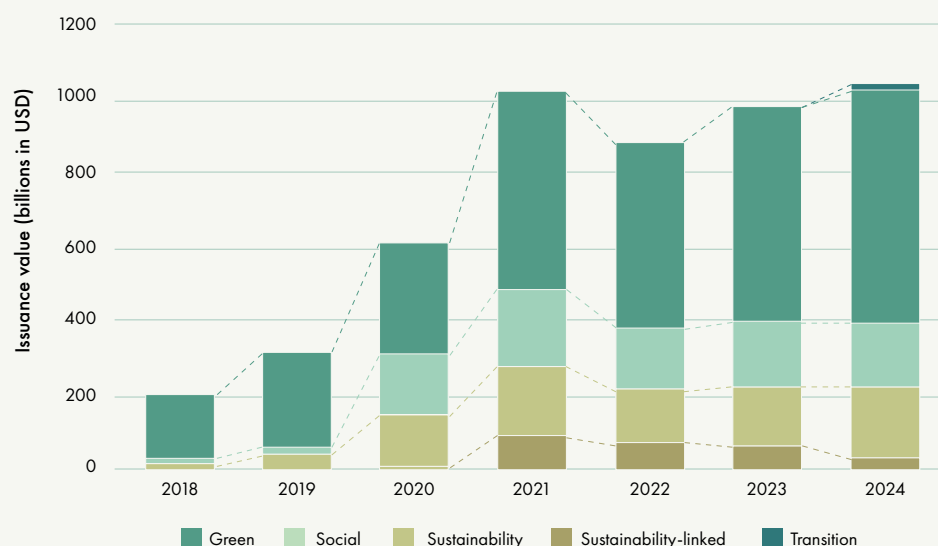
30. We note that this asset class is often referred to using a variety of terms, including "public debt" and "public fixed income." For this report, we utilize the term "fixed income" to refer to the broader asset class and "impact fixed income" to refer to a sub-section of the market focused on impact.

**able impact scale that the global fixed income markets can bring and the financially compelling opportunities that it provides.** Analysis of our most pressing capital gaps backs this up. For example, according to the Climate Policy Initiative, public project-level market-rate debt is consistently the funding instrument of choice for climate mitigation and adaptation efforts, comprising approximately 44 percent of global climate finance from 2021 to 2022.<sup>31</sup> According to the World Bank, some of the largest funding needs for achieving the global Sustainable Development Goals (SDGs) relate to physical infrastructure, including power, transportation, and telecommunications—needs that are typically met through large-scale debt issuances from multilateral institutions, governments, and corporations that can deliver reliable financial returns.<sup>32</sup> It is unambiguous that the biggest needs of our time demand precisely the

kind of financing that fixed income is designed to deliver.

Despite this, fixed income has received relatively limited attention within the impact investing market. Valued for its relatively unglamorous portfolio construction qualities of stability, liquidity, diversification, and steady income generation, fixed income has been overlooked and underappreciated as an instrument of impact. Popular perception lags its intrinsic value. Defined opportunities to generate social and environmental impact are rapidly growing in volume within the fixed income market, which comprises 52.3 percent of the total global market (\$141.5 trillion), followed by public equities at \$108.1 trillion (39.9 percent).<sup>33</sup> **The implication is clear: directing even a small additional share of the fixed income market toward impact could**

**FIG. 7 Growth of the GSS Market (2018-2024)**  
*Growth of the labeled bond market (issuance value)*



**Note:** 2019 figures are approximated using data from Environmental Finance's Sustainable Bonds Insight 2020

31. Climate Policy Initiative, "Global Landscape of Climate Finance 2024: Insights for COP29" (2024)

32. Doumbia, Djeneba; Lauridsen, Morten Lykke, "Closing the SDG Financing Gap – Trends and Data" (2019)

33. MSCI, "Sizing Up the Global-Market Portfolio" (2024)

## **catalyze powerful progress towards sustainability and shared prosperity.**

For example, clear and defined opportunities exist in the market for green, social, and sustainable (GSS or labeled) bonds. Supported by a voluntary standards regime stewarded by the International Capital Markets Association (ICMA), as well as the European Union's (EU) Green Bond Standard and other emergent regulations, the labeled bond market differentiates fixed income from other asset classes. The cumulative number of issuances marketed as financing projects with social and environmental benefits (commonly referred to as “labeled” or “GSS” bonds) exceeded \$5 trillion as of summer 2024.

While we acknowledge concerns about the GSS market's capacity to deliver on impact integrity, it nonetheless offers an additional layer of assurance to investors seeking to generate meaningful positive impact. Moreover, early research into this young and rapidly growing market suggests that labeled bonds generate comparable or even superior financial returns to their conventional counterparts—indicating that investors can indeed balance profit with purpose through these investments. For example, the Bloomberg Global Aggregate GSS Bond Index, launched in 2022, has closely tracked the broader Global Aggregate Index, showing similar returns.<sup>34</sup> Moreover, as of June 5, 2025, the GSS Index had a higher one-year return (8.39%) than the Global Aggregate Index (6.42%). Though data on returns is still emerging, the outlook is nonetheless promising.<sup>35</sup>

*Scaling Solutions* was developed to spotlight impact investing in fixed income (subsequently referred to as “**impact fixed income**”) as a **powerful impact and financial opportunity hiding in plain sight**. It responds to growing interest among impact investors in exploring how various asset classes can be uniquely leveraged to drive impact—with fixed income standing as the most rapidly growing asset class within the impact investing market (at a 32 percent compound annual growth rate [CAGR], according to the GIIN).<sup>36</sup> It offers practical guidance on how asset allocators, for whom fixed income is typically the highest proportion of assets under management (AUM), can apply existing impact frameworks to unlock opportunities in this market, giving confidence to both experienced and new investors alike. While primarily written with asset allocators in mind, *Scaling Solutions* can be a comprehensive resource for a broad range of stakeholders interested in navigating and activating fixed income for impact.

This report is organized into four main sections, with different audiences likely to engage more deeply with specific parts depending on their level of experience and capacity for implementation [See: [\*“How to approach this report” within the report’s Preface\*](#)]:

- **Part I: Laying the groundwork** overviews the reasons why investors should care about impact fixed income; describes the key sub-asset classes comprising the impact fixed income universe; and provides a perspective on how investors may navigate the GSS labeling regime.

<sup>34</sup> J.P. Morgan Asset Management, “Gauging the growth in green, social and sustainability bonds” (2024)

<sup>35</sup> Bloomberg market data

<sup>36</sup> GIIN, “Sizing the Impact Investing Market” (2024)

- **Part II: Seizing the opportunity** shares Builders Vision, Tideline, and BlueMark’s perspective on what constitutes investor- or strategy-level impact within fixed income, summarizing its distinguishing characteristics and how they differ from the ways impact is expressed in other asset classes. It overviews the market research contributing to this perspective and BlueMark’s aggregated insights on the existing state of impact practice in fixed income—supplemented by more detailed findings in the [Appendix “Impact fixed income and the Impact Principles.”](#)
- **Part III: Asset manager case studies** provides in-depth case studies of six asset managers in impact fixed income, structured using a market-aligned “*Core characteristics of impact fixed income*” framework introduced in the prior section. The case studies showcase diverse approaches to impact management and measurement (IMM) in the asset class, leading practices, and the motivations of various asset owners for investing in these managers.
- **Part IV: Allocator guidance** includes four high-level tools supporting investment in impact fixed income, which are aligned to impact investing best practice. These tools are paired with hypothetical scenarios of two allocators—one with prior experience in impact investing in other asset classes and another with no impact investing experience, but with substantial experience in investing in fixed income—to demon-

strate how various audiences may uniquely approach using these resources to explore impact fixed income.

The background is a solid teal color. It features several squares of different shades of teal and green. Some of these squares contain close-up photographs of green leaves, showing their veins and edges. The squares are arranged in a non-uniform, overlapping pattern. A white-bordered box is positioned in the center-left area, containing the text 'Section I'.

## Section I

*Laying the  
groundwork*



# Laying the groundwork

What immediately comes to mind when hearing the term “impact investing?” Some may picture catalytic investments in emerging markets financial institutions that offer private loans to low-income households. Others may think of high-profile venture capital investments in solutions that promise systems-disrupting impact, like technological innovations in food, education, and agriculture. Growth equity investments scaling clean energy solutions globally may also be examples that fit the bill.

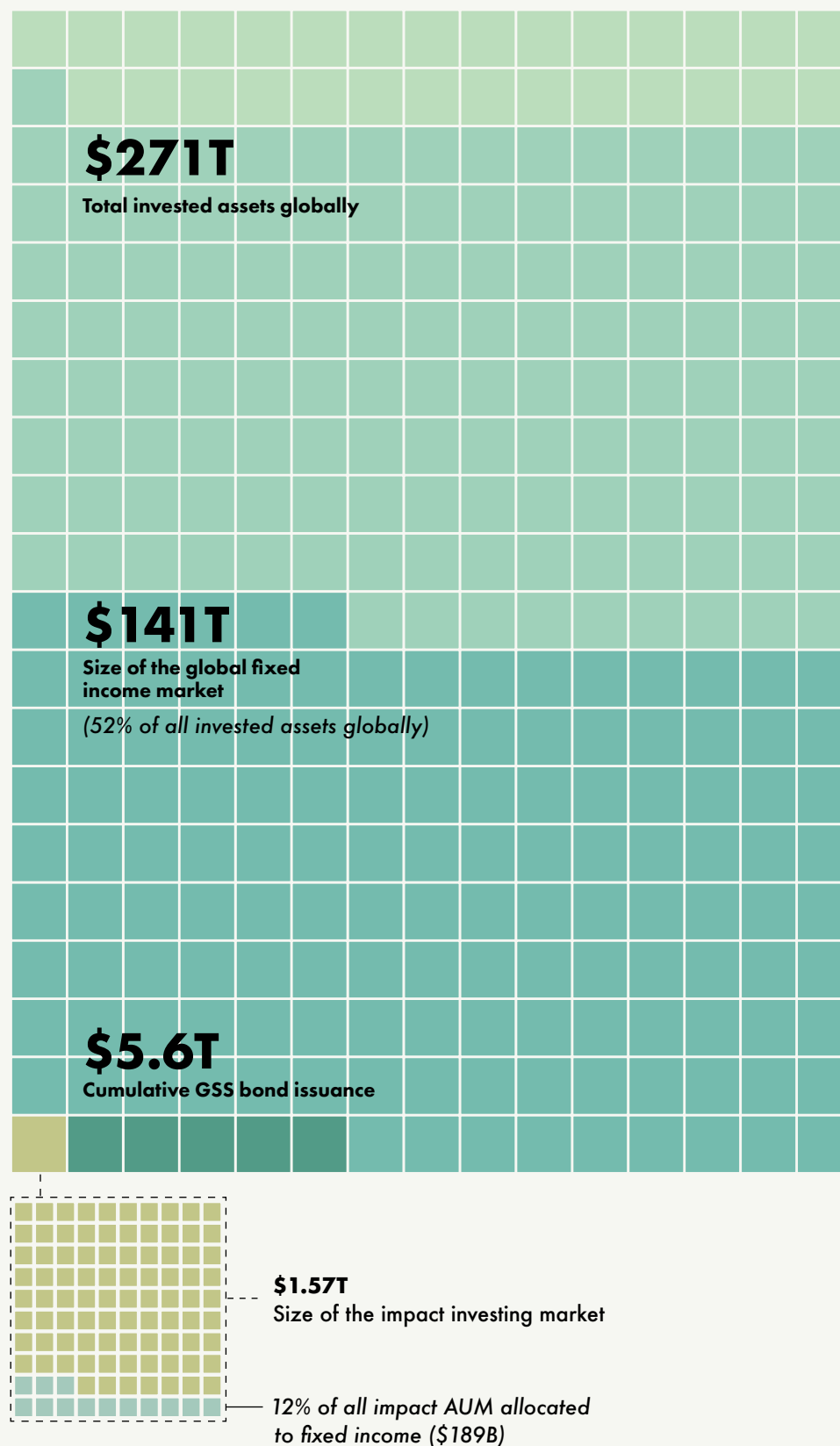
Though they are thematically and geographically diverse, what unites these examples is their distinctly private markets orientation. Private equity, and secondarily private debt, have often been the favored tools of impact investors. This is largely owing—among other reasons—to the greater control they offer to investors and their proximity to either innovation or underserved populations. In contrast, the public markets have typically been regarded as the domain of more diffuse impact opportunities—where investors exercise passive or limited influence, are more removed from end beneficiaries, and may have difficulty finding investments that align with their goals or that generate discernible impacts.

In this section, we offer an alternative narrative of impact investing in the public markets by honing in on fixed income as a tremendous opportunity hiding in plain sight. **We argue that if impact investors, and particularly asset allocators, expand their focus to include impact fixed income, the impact investing market could experience swift and substantial growth—potentially doubling or tripling in size.** To accomplish this, we establish the impact case for fixed income, illustrated with examples of pressing challenges it is uniquely positioned to tackle, all while providing investors predictable, market-rate returns. We then delineate the universe of investible impact opportunities within this \$142 trillion market and what investors should be aware of in pursuing them.<sup>37</sup> We end with a perspective on how investors should navigate the GSS market—which is set to exceed \$6 trillion in cumulative issuances in 2025, and which has consistently added around \$1 trillion in new issuances each year.<sup>38</sup>

37. Securities Industry and Financial Markets Association (SIFMA), “2025 Capital Markets Outlook” (2025)

38. Environmental Finance, “Sustainable Bond Insights 2025” (2025)



**FIG. 8 Sizing the opportunity**

## Establishing the case for impact fixed income

By design, it is easy to overlook fixed income. A bread-and-butter asset class for allocators, its value primarily stems from its more mundane financial characteristics: its capital preservation benefits, contribution to portfolio diversification, ability to hedge against market volatility, transparency, and predictability. Fixed income is highly valued by allocators for its safety and stability. For this reason, it is estimated to comprise 27 percent of pensions' portfolios, as well as 41 percent of insurers', and 20 percent of large endowments and foundations'.<sup>39</sup>

In the eyes of most investors, fixed income's financial characteristics eclipse its impact potential. **Yet, we argue that this asset class can and should be valued for its ability to generate both impact *and* financial performance**—a key for unlocking impact at scale and a buoy during uncertain economic times.<sup>40</sup> A growing number of institutional asset allocators are already recognizing this, with a 2024 survey by the GIIN indicating that their largest impact investing allocations are to fixed income (44 percent)—far exceeding the next highest allocation, private equity, at 18 percent. Even more are becoming aware of fixed income's value, as it represents the second fastest growing asset class in the impact investing industry overall.<sup>41</sup>

While some investors are awakening to the opportunity in impact fixed income, significant work remains to bring others in. Fixed income must receive a major rebrand. As it typically serves as the bedrock of their investment portfolios, asset allocators should leverage fixed income as an opportunity hiding in plain sight for aligning profit with purpose. Enabling them to do so requires an understanding of the impact roles that fixed income best plays. Similar to how venture capital is investors' tool of choice for driving disruptive change, and growth equity is an instrument for bringing these solutions to the mainstream, we propose that there are at least three distinct impact functions for fixed income: *1) meeting urgent needs in real time, 2) mobilizing capital at a scale necessary to meet the world's largest challenges, and 3) generating targeted and specific impacts that inspire investor confidence.*

### Function 1: Meeting urgent needs in real time

A look through the recent past, and particularly at the major events and disasters of the past several years, shows the ubiquity of fixed income as an instrument of impact. Following the Eaton and Palisades fires, which spread in Los Angeles County, California in January 2025—destroying or damaging over 18,000 structures, forcing more than 200,000 residents to flee, and resulting in economic losses of

39. Fidelity Institutional Insights, "A study of allocations to alternative investments by institutions and financial advisors" (2024)

40. See AXA Investment Managers, "The Good, the bad, the opportunities: green bonds in 2025" (2025); Financial Times Advisor, "Green and social bonds 'not more risky' than conventional bonds" (2023); J.P. Morgan Asset Management, "Gauging the growth in green, social and sustainability bonds" (2024); MSCI, "Labeled Bonds: Quarterly Market Overview Q1 2023" (2023)

41. GIIN, "State of the Market 2024" (2024)

approximately a quarter of a trillion dollars—voters in the state approved the issuance of a \$10 billion climate bond.<sup>43</sup> In addition to other eligible expenditures, the bond designated over \$1.5 billion towards wildfire and forest resilience investments.<sup>44</sup> Similarly, the COVID-19 pandemic incentivized corporate, national, and multilateral institutions to issue bonds in support of response and recovery efforts globally. For example, the European Union’s €800 billion plan to support recovery measures (NextGenerationEU) was financed through issuance of green and social bonds in partnership with the European Investment Bank.<sup>45</sup> Lastly, emergency relief efforts following the 2011 Tōhoku earthquake and tsunami were largely funded using fixed income instruments, including through the Government of Japan’s issuance of reconstruction bonds.<sup>46</sup>

Following the 2011 Tōhoku earthquake and tsunami—the fourth most powerful earthquake in recorded history—catastrophe bonds were instrumental to raising capital to support disaster relief. Issued by Munich Re, JA Kyosai’s catastrophe bond was able to raise \$300 million for timely disaster payouts.<sup>42</sup>

In these instances, fixed income was the financing instrument of choice due to the ease with which bonds can be issued. This stems from the market’s inherent liquidity. As a well-established asset class with a long history of investor confidence and established infrastructure (including electronic trading platforms, clear-

inghouses and custodians, credit rating agencies, and standardized mechanisms and procedures for issuance), issuers can quickly tap into deep pools of investor capital. Moreover, the nature of fixed income instruments enables issuers to be specific and directive about designated uses of proceeds (UoPs)—making them ideal for addressing challenges in real time while inspiring investor confidence.

## Function 2: Mobilizing unparalleled levels of capital

In addition to enabling issuers to quickly mobilize capital, fixed income is an asset class that is uniquely primed for scale. Among other reasons, this is attributable to repeatable, standardized processes for issuing debt, global infrastructure supporting relatively frictionless trading, and massive institutional demand for issuances. Accordingly, fixed income is an optimal asset class with which public goods can be financed, such as public works projects (e.g., the construction and maintenance of roads, bridges, hospitals, and water and sewage systems), healthcare programs, and the protection of ecosystems and biodiversity.

In 2020, the Government of Mexico issued the world’s first SDG sovereign bond framework to support public spending on social and environmental programs, with a focus on supporting municipalities with the highest social gaps. Initially issued at \$890 million, the bond was oversubscribed by more than six times its original target, ultimately reaching a \$5.9 billion allocation in 2023.<sup>47</sup>

42. The World Bank, “Knowledge Note 6-2: Earthquake risk insurance” (2012)

43. Kell, Gretchen, “After the LA wildfires, stories emerge at UC Berkeley of great loss, support and strength” (2025); Los Angeles Times, “Estimated cost of fire damage balloons to more than \$250 billion” (2025)

44. Government of California, “Governor’s Budget Summary 2025-2026: Climate Change and Environment” (2025)

45. European Union, “Recovery Plan for Europe” (DOA: April 11, 2025)

46. The Tokyo Foundation, “Fiscal Management Lessons from the Great East Japan Earthquake” (2021)

47. Secretaría de Hacienda y Crédito Público, “Mexico’s SDG Bond: Allocation & Impact Report” (2023); United Nations Development Programme, “Non-Binding Opinion: Mexico’s SDG Bond Allocation & Impact Report 2024”

In 2024, Japan issued the world's first sovereign transition bond—the Japan Climate Transition Bond—at an issuance of USD \$11 B. As Japan has been overwhelmingly reliant on imported energy sources since the 2011 Tōhoku earthquake and tsunami, capital raised through the bonds will support the country in achieving its commitment to achieving 46 percent greenhouse gas reduction targets by 2030 and carbon neutrality by 2050.<sup>48</sup>

In practice, there are abundant opportunities within fixed income for investors to contribute to important initiatives with far-reaching social and environmental impacts—bridging the public-private sector divide. For example, the Global Alliance for Vaccines and Immunization (Gavi) issues “vaccine bonds” through its International Finance Facility for Immunisation (IFFIm) to fund routine immunization campaigns in low-income countries, respond to infectious disease outbreaks, and fund the research and development of new vaccines combatting deadly diseases. Since their debut in the market in 2006, vaccine bonds have raised \$9.7 billion from investors—supporting Gavi in its large-scale responses, such as to Ebola outbreaks and the COVID-19 pandemic.<sup>49</sup> Additionally, as of 2024, the U.S. Federal National Mortgage Association (“Fannie Mae”) has cumulatively issued \$3.6 billion in single-family social bonds to facilitate equitable and sustainable access to homeownership and quality affordable rental homes across the country.<sup>50</sup> Lastly, to finance its ambitious goal of achieving carbon neutrality by 2025, the Government of Japan began issuing “Japan

Climate Transition Bonds.” Proceeds raised via these instruments (cumulatively targeted to reach ¥20 trillion, or almost \$140 billion) are designated to support the country's Green Transformation program—funding projects including solar, wind, and thermal power generation, installation of high-efficiency water heaters within residential households, and the development of synthetic fuels.<sup>51</sup>

### Function 3: Delivering impact specificity

Supplementing impact fixed income's speed and scale is the extent it can provide investors a clear and upfront understanding of the impacts they may expect to generate through their investments. While general-purpose bonds, or bonds whose proceeds are not earmarked for specific projects or uses, comprise most of the global fixed income market, UoP instruments, wherein proceeds are earmarked, are widely available. These instruments ringfence proceeds to projects with social and environmental benefits and provide investors with clear disclosures of expected impacts and financial returns prior to purchase. UoP bonds are also structured

The U.S. City of Chicago's social bond specifies that proceeds generated from its \$159 million offering will fund new and existing projects, including the construction of over 2,000 affordable housing units and the replacement of nearly 200 of the city's gas-powered vehicles with electric vehicles and charging stations. The specificity and transparency offered by the issuance being structured as a social bond resulted in strong investor demand—generating \$653.7 million in total orders and providing the city a pricing benefit.<sup>52</sup>

48. Saprakee S, “Japan's USD\$11 Billion Climate Transition Bonds” (2024)

49. IFFIm, “IFFIm returns to market with US\$ 1 billion 3-year bond to support global vaccine programs” (2024); Gavi, “International Finance Facility for Immunisation: Flexible financing provides funds when needed,” DOA April 28, 2025

50. Fannie Mae, “Fannie Mae Exceeds \$3 Billion in Single-Family Labeled Social Bond Issuance” (2024); Fannie Mae, “Social Bond Framework” (2024)

51. Government of Japan, “Climate Transition Bonds Show Japan's Commitment to Carbon Neutrality” (2024)

52. City of Chicago, “Chicago Social Bonds” (DOA April 11, 2025); Environmental Finance, “Social bond of the year – US muni bond: The City of Chicago/Sales Tax Securitization Corporation” (2024)

to transparently disclose relevant impact key performance indicators (KPIs) that are typically reported annually. Furthermore, the nature of specific sub-asset classes like asset-backed securities (ABS), mortgage-backed securities (MBS), and municipal bonds (“munis”) support highly granular impact targeting and reporting due to their connection to identifiable real-world assets (e.g., auto loans, mortgages, and public infrastructure projects). This enables further segmentation by factors like geography, income level, and project type.

#### Impact measurement and reporting in the GSS market

Although voluntary standards have enhanced impact integrity within the GSS market and established clear baseline expectations for impact practice, a lack of standardization in how issuers define, measure, and report on impact persists. Several initiatives have emerged in response to concerns regarding the relevance and quality of selected impact KPIs. These include ICMA’s introduction of harmonized frameworks for impact reporting for green and social bonds (2024), as well as the Impact Disclosure Taskforce’s Impact Disclosure Guidance (2024) to support structured and decision-useful reporting on the expected and actual impacts of corporate and sovereign issuances in emerging markets and developing economies. Together, these efforts reflect growing demand for discipline and maturity in impact measurement and reporting in the sustainable bond market.

The unique premium placed on impact integrity within this market has resulted in the introduction of clear frameworks and taxonomies

that define and reinforce impact at an issuance level. Voluntary standards, explored later in this section, provide an additional layer of rigor, consistency, and clarity to the market that is not present within other asset classes. They are also supported by a growing network of third-party providers, which provide services ranging from second-party opinions (SPOs) that validate claims made by issuers about the alignment of their issuances with specific standards or guidelines, to post-issuance monitoring and reporting assurance, which verifies whether proceeds are allocated according to issuers’ claims and validate the accuracy, transparency, and alignment of impact reporting.

### Overview: Issuances in impact fixed income

The fixed income market comprises diverse sub-asset classes, providing investors exposure to a broad opportunity set supporting portfolio diversification. This section provides an overview of six of the most prominent sub-asset classes within impact fixed income: supranational bonds, sovereign bonds, corporate bonds, munis, ABS, and MBS. Within the overview, we describe how each sub-asset class contributes to impact, high-level considerations for investment, and illustrative examples. Further examples of investible opportunities by asset class can also be found in [Section III: Investor case studies](#). We conclude this section with the “*Anatomy of an impact security*” framework, which overviews the core components of a security that investors

should examine when assessing the quality of an impact fixed income instrument.

In 2022, the Singapore-based Impact Investment Exchange closed its Women's Livelihood Bond™ 5— the world's first sustainable debt issuance aligned to the Orange Bond Principles, which aim to create a gender-empowered financial system. Raising \$50 million, proceeds are designated to create livelihoods for and empower 300,000 women and girls across emerging markets in Asia and Africa.<sup>53</sup>

- **Supranational bonds** are debt instruments typically issued by multilateral institutions (e.g., the World Bank, African Development Bank), or any organization operating above the nation-state level, to promote the economic development of one or multiple member countries. They help to bridge the SDG financing gap by directing private sector capital to emerging markets. Supranational bonds are typically backed by individual member countries to support creditworthiness, with multilateral organizations playing vital roles in enabling countries lacking sufficient credit ratings to make competitive issuances. While highly attractive to impact investors owing to their strong SDG alignment and issuers' institutional mandates explicitly addressing development, the volume of supranational issuances is relatively small compared to sovereign or corporate bonds.

In 2024, the Asian Development Bank issued its inaugural Krygyz Som-denominated bond, for which proceeds will be used to support micro- and small-enterprises within Kyrgyzstan. At least 40% of proceeds will go to women-led or -owned businesses.<sup>54</sup>

- **Sovereign bonds** are issued and backed by national governments to finance public expenditures (which may include infrastructure, public services, and social welfare programs); to cover interests due; or to repay debts. While often funding general government expenditures, they can also advance specific social and environmental initiatives tied to national sustainability objectives. Though assessing their impact can be complex—requiring careful consideration of broader risk and policy contexts—these bonds present opportunities for investors to contribute to large-scale impact.

In 2022, PepsiCo closed on a \$1.25B ten-year green bond, for which proceeds fund projects under the company's pep+ agenda, which include themes such as circular economy and virgin plastic waste reduction and pursuing net positive water impact.<sup>55</sup>

- **Corporate bonds** are issued by public companies and financial institutions to raise capital for a wide range of purposes, including scale, research and development, special initiatives, or general corporate

53. IIX Global, "Impact Investment Exchange (IIX) Closes the Women's Livelihood Bond™ 5 — the Fifth Issuance in the Women's Livelihood Bond™ Series and the World's First Orange Bond" (2022)

54. Asian Development Bank, "ADB Issues First Krygyz Som-Denominated Bond" (2024)

55. PepsiCo, "PepsiCo Issues New \$1.25 Billion 10-Year Green Bond As Company Accelerates pep+ Transformation" (2022)



purposes. They are typically higher yielding than supranational and sovereign bonds and account for over half of all labeled debt outstanding today.<sup>56</sup> Corporate bonds with an impact focus may finance a wide range of initiatives and are often structured as UoP bonds. However, select general-purpose bonds issued by mission-driven companies may also fall within the universe of impact fixed income opportunities.

In 2020, the city of Newark, NJ issued a \$120M municipal bond to finance the replacement of 23,000 old lead pipe service lines with copper to facilitate access to clean drinking water, which they completed in just two years.

- **Municipal bonds**, colloquially referred to as “munis,” are issued by state, local, or regional governments (or their agencies) to finance public projects and expenditures. Examples of financed initiatives commonly include public infrastructure, schools, hospitals, capital expenditures for climate mitigation, and affordable housing. Munis are notable in their capacity to generate impacts with proximity to local communities and are thus facilitative of place-based investment approaches. While munis represent a significant portion of the U.S. fixed income market, they represent a far smaller share of the global fixed income market relative to sovereign and corporate bonds. U.S. municipal bonds can be either tax-exempt

(general obligation), thereby appealing to retail investors, or taxable (revenue), which are often preferred by institutional investors.

In 2021, Toyota Financial Services issued a \$1.6B asset-backed green bond in 2021 to finance the sale and leasing of hybrid and electric vehicles that meet emissions standards.<sup>57</sup>

- **Asset-backed securities (ABS)** are bonds backed by pools of underlying income-generating assets, which can include loans, leases, credit card debt, or receivables. Typically issued by financial institutions or special-purpose vehicles (SPVs), ABS can finance meaningful impacts for underserved individuals, particularly when they are tied to consumer loans or products or services with positive social impacts—for example, electric vehicles, broadband services, or solar panels. ABS represent a far smaller portion of the global fixed income market relative to sovereigns or corporates—particularly in the EU following the global financial crisis.

In 2020, Beecher Terrace III, an agency commercial MBS (“CMBS”) development located in a majority-minority, high poverty census tract in Kentucky, began construction. The development reserves 56% of units for low-income residents.<sup>58</sup>

- **Mortgage-backed securities (MBS)** are a type of ABS in which underlying assets are pools of mortgages. Most common

56. J.P. Morgan Asset Management, “Gauging the growth in green, social and sustainability bonds” (2024)

57. Toyota, “Toyota Financial Services Issues New Asset-Backed Green Bond, Highlighting Toyota’s Ongoing Commitment to Sustainability” (2021)

58. CCM, “The Lifecycle of a Place-Based Impact Investment and CCM’s Role” (2024)

in the U.S., MBS are typically issued by government entities or private institutions, with leading issuers being the Government National Mortgage Association (“Ginnie Mae”), Fannie Mae, and the Federal Home Loan Mortgage Corporation (“Freddie

Mac”). In an impact context, MBS play an important role in addressing housing equity challenges—commonly by funding the creation of affordable housing or by expanding equity in homeownership.

**FIG. 8 The universe of impact fixed income opportunities**





Opportunities for impact exist across all of these sub-asset classes and can be assessed using a common framework, which we call the “*Anatomy of an impact security*.” This framework has also been translated into a practical tool for allocators’ use [See [Section IV: Allocator resources](#)] and provides a helpful lens for analyzing how impact is, or is not, embedded within specific securities—regardless of whether they are structured as UoP or general-purpose issuances or whether they are labeled as GSS. To be sure, one of the key advantages of fixed income is the certainty provided by legally binding covenants embedded in all securities, which offer allocators clarity and confidence in financial and impact returns. Building on this foundation of transparency and accountability, impact securities typically feature three core components:

- **UoPs or revenue**, or the extent to which a security’s UoPs or an issuer’s revenues are well-defined to investors prior to purchase and contribute to meaningful, evidenced, and widely accepted social and environmental themes;
- **Issuer**, or the extent to which the issuing entity demonstrates the capacity to monitor and measure intended impacts as described, as well as their good-faith efforts to do no harm in the process; and
- **Structure**, or the extent to which a security is structured in a manner that is most facilitative of intended impacts—considerations

of which may include tenor, coupon structure (particularly in the case of sustainability-linked instruments), covenants and triggers, and lookback and reporting periods.

## The regulatory landscape

While the fixed income market has historically attracted limited engagement from impact investors, it has become an increasingly active arena for other stakeholders seeking to align capital to sustainability objectives. This has in part been facilitated by a robust sustainability labeling regime, largely stewarded by ICMA, which provides clear guidance on how UoP instruments should be optimally structured.

“Labeled bonds” made their debut with IFFm’s issuance of the first UoP instrument funding immunizations for children in the world’s poorest countries in 2006—which is widely regarded as the world’s first “social bond”—and the European Investment Bank’s (EIB) issuance of a “green bond” in 2007, which stoked investors’ appetite for similar issuances that could deliver well-defined and concentrated sustainability outcomes. Observing this latent demand, other issuers, including corporations, began issuing their own UoP bonds. Before too long, the market’s rapid growth, coupled with the absence of a common language and standards for structuring issuances for impact integrity resulted in mounting concerns of impact washing from investors.

Under the coordination of ICMA, a consortium of major investment banks led by Bank of America, Citi, Crédit Agricole, J.P. Morgan, and Merrill Lynch released the first version of the Green Bond Principles (GBP) in 2014. The GBP—shortly followed by the release of the Social Bond Principles (SBP) in 2016, the Sustainability Bond Guidelines (SBG) in 2017, and the Sustainability-Linked Bond Principles (SLBP) in 2020—established baseline definitions and criteria to foster transparency, accuracy, and integrity in claiming a bond’s impact.<sup>59</sup> Stopping short of defining eligible projects for maximal issuer discretion, and voluntary by nature, ICMA’s various bond principles define the following as core components of a qualifying GSS bond:

- The designation of appropriate UoPs, as linked to eligible green and social projects that are clearly described in a security’s legal documentation;
- A description of the issuer’s decision-making process and criteria for determining the eligibility of projects that are financed using the bond’s proceeds;
- A description of the issuer’s formal process for tracking how proceeds are used and linked to lending and investment operations related to eligible projects; and
- Annual reporting that includes descriptions of projects to which proceeds have been allocated, amounts disbursed, and their expected impacts.

Embedded within this guidance is the strong recommendation that issuing organizations pursue various forms of third-party assurance to confirm their alignment to relevant standards, resulting in a growing market of service providers. While the exact size of this market is unknown, Morningstar Sustainalytics achieved a milestone of 1,000 completed second-party opinions in April 2022, demonstrating the premium placed on impact integrity within it.<sup>60</sup>

Following the GBP’s publication, the labeled bond market experienced explosive growth—rising from \$36.6 billion in labeled issuances in 2014 to \$1 trillion just a decade later.<sup>61</sup> Additionally, various regional- and national-level standards, frameworks, and regulations translating them to specific geographic contexts and addressing areas of ambiguity, including eligible proceeds and detailed reporting requirements, emerged to supplement ICMA’s bond principles. For example, the EU Green Bond Standard, which entered into force on December 2024, aligns ICMA’s GBP to the EU Taxonomy—a classification system developed by the European Union (EU) to identify which economic activities are considered environmentally sustainable—providing further definition for what constitutes an eligible green activity.

Additionally, the growth and maturation of the labeled bond market provides some early insight into the extent to which impact fixed income can truly balance profit with purpose.

59. We note that while sustainability-linked bonds (SLBs) are an important component of the labeled bond market, we largely exclude them from our analysis owing to their distinctly ESG orientation and its limited size.

60. Sustainalytics, “Sustainalytics 1000th SPO” (DOA April 12, 2025)

61. Climate Bonds Initiative, “Year 2014 Green Bonds Final Report” (2015); Environmental Finance, “Sustainable Bonds Insight 2025” (2025)

**Analysis shows that, at the very least, labeled bonds perform comparably with traditional bonds and may, in some cases, offer higher yields.** Studies show that their risk-return profiles are like those of conventional bonds, with evidence of slightly lower volatility due to a longer-term investor base (e.g., pension funds).<sup>62</sup> For example, the Bloomberg Global Aggregate Green, Social & Sustainability Bond Index, which tracks GSS bonds, has shown a high correlation with the broader Global Aggregate Index.<sup>63</sup> Moreover, as of June 5, 2025, the GSS Index had a higher one-year return (8.39%) than the Global Aggregate Index (6.42%). While the nascency and rapid development of the labeled bond market make it challenging to compare performance over a longer-term horizon, this early data is nonetheless promising.<sup>64</sup>

This research is intended to neither provide an exhaustive overview of the global bond labeling regime nor a comprehensive treatment of impact fixed income's financial return potential. However, it is important to understand the extent to which the labeling regime can support investors in navigating impact and is sufficient to support the rapid scale up of investment in fixed income to address critical global challenges.

**Our conclusion: The bond labeling regime provides a strong foundation for assessing and overseeing impact at the transaction level. However, on its own,**

**bond labeling is insufficient as a means for enabling investors to harness the full potential of impact fixed income.**

This is owing to several factors. First, in applying solely to UoP instruments, the bond labeling regime excludes many issuances that are likely to generate social and environmental outcomes. For example, while comprising a significant segment of the global fixed income market, securitizations (i.e., ABS and MBS) are less likely to be labeled. General-purpose bonds issued by mission-driven organizations, which do not ringfence proceeds to pre-designated activities and initiatives, are also excluded from this market, alongside UoP issuances that do not claim affiliation with any labeling convention but may be equally as impactful.

Second, while the bond labeling regime has accomplished much to advance the integrity of the impact fixed income market, investors nonetheless continue to express concerns about the risk of impact washing and the extent to which bonds generate true impact additionality and are not merely refinancing impacts that otherwise would have occurred. As such, investors must still conduct supplemental assessments to evaluate a bond's potential impact. The need for exhaustive impact due diligence from investors highlights the limitations of the existing labeling regime. It also substantiates the importance of defining impact within this market not just at a transaction level, but also at the level of investor practice.

62. FT Adviser, "Green and social bonds 'not more risky' than conventional bonds" (2023).

63. J.P. Morgan Asset Management, "Gauging the growth in green, social and sustainability bonds" (2024).

64. Bloomberg market data.

Taken together, the case for impact fixed income is compelling. It encompasses a broad array of sub-asset classes, delivers comparable financial returns, and is supported by a growing labeling regime that reflects the market's increasing emphasis on generating positive environmental and social outcomes. Yet while labels have been instrumental in signaling impact at the transaction level, there is more work to do. **To support the principled growth of impact fixed income, these signals must be complemented by a clear, investor-level definition of impact.** The next section explores what it means for investors to articulate and implement a holistic, portfolio-level approach, grounded in the established pillars and practices of impact investing.



## Section II

*Seizing the  
opportunity*

# Seizing the opportunity

In [Section I](#), we presented allocators with an enormous opportunity hiding in plain sight: the ability to activate their sizeable fixed income allocations for impact without sacrificing liquidity, stability, and predictable returns. However, while the opportunity is clear, there is limited guidance to support them in seizing it. To address this gap, this section focuses on how allocators can begin to practically define and implement impact fixed income approaches. It first shares insights on the state of impact practice at the time of market research (November 2024 to March 2025). It then assesses how these practices compare to those of other asset classes, as well as how they align to widely accepted impact investing standards, including the impact investing pillars of *intentionality*, *contribution*, and *measurement* (ICM) and the Operating Principles for Impact Management (OPIM or “The Impact Principles”). **The section concludes with the introduction of two new frameworks to support the effective classification and assessment of impact fixed income approaches, the “*Taxonomy of sustainable fixed income approaches*” and “*Core characteristics of sustainable fixed income*.”**

This section lays the groundwork for case studies and allocator tools. [Section III: Case studies](#) profiles the approaches of six impact fixed income investors, using the “*Core Characteristics*” framework to compare, contrast, and find commonality between their various practices.

Similarly, [Section IV: Allocator resources](#) translates findings within this section into practical resources to support allocators in immediately tapping into opportunities. **Together, these sections show that impact fixed income is not only feasible, but also a natural and intuitive extension of current impact investing practice.**

## Methodology

To ground our understanding of how impact is taking shape in the fixed income market, our research team constructed a proprietary database of over 30 fixed income products with self-described “impact” or “sustainability” characteristics. We intentionally cast a wide net in doing so, covering funds with varying degrees of impact focus and practices. Using publicly available data—principally summary prospectuses, fact sheets, and impact or sustainability reports, where applicable—products were mapped according to several key factors. These included the presence of stated impact objectives and impact themes, alignment with industry standards and regulations (e.g., SFDR, the UK’s SDR), fund size, domiciles and target geographies, and sub-asset classes invested in. The database was neither exhaustive nor a fully representative sample due to its reliance on publicly disclosed information and its focus on asset managers’ practices. However, it provided meaningful insights into how inves-

tor-level impact manifests by surfacing patterns in the behavior of managers, who are closer to the market and at the cutting edge of impact innovation relative to allocators. Through this approach, the research team was able to identify an initial set of impact practices that distinguish more advanced impact fixed income strategies—including the development of proprietary impact taxonomies, detailed and systematic assessment of UoPs and revenues guided using proprietary frameworks, diligence of issuers’ responsible business practices, analysis of issuances’ structural features related to impact, and high-quality and transparent impact reporting. These findings inform how impact practices can manifest at a higher level for allocators, as well as what allocators should look for when diligencing impact fixed income strategies.

To contextualize this database work, the research team reviewed relevant literature and conducted 18 in-depth interviews with investor practitioners—including both managers and allocators—as well as other industry stakeholders representing various geographic regions, diverse impact focus areas and themes, and functions within the fixed income market. These interviews provided valuable insights into how investors currently understand and operationalize impact within this asset class and into the technical expertise, governance, and resources required to implement an impact fixed income approach. They also revealed emerging trends, evolving norms, and areas of friction within the market, which contributed to our understanding of how “impact” manifests in this market.

In parallel, BlueMark conducted five in-depth verifications between December 2024 and March 2025 to assess how fixed income managers integrate impact considerations in their investment activities with greater specificity. These verifications examined the extent to which each manager’s strategy aligned with the best practices outlined in the Impact Principles, an end-to-end framework that defines best practice IMM across the investment lifecycle that, while intended to have cross-asset class application, is most often applied to the private markets. Findings were supplemented with data from four practice verifications of fixed income strategies conducted prior to this research effort, contributing to a total sample of nine strategies.




### **Intentionality, contribution, and measurement in impact fixed income**

Our research revealed a notable degree of rigor in the baseline impact practices of surveyed fixed income managers, as well as alignment with the Impact Principles (explored in depth within the [Appendix](#)). This suggests that other existing impact standards could also be applied to fixed income with limited adaptation. Mapping existing impact fixed income practices to the pillars of impact investing can particularly provide allocators a clear direction for how to navigate this asset class relative to others as part of a total portfolio approach.

To level set, impact investing is distinguished from other sustainable investment practices by a set of high-level characteristics, which were first introduced to the market by the GIIN and have



**FIG. 10 Impact investing pillars in impact fixed income**

	Common expression in impact fixed income	Implications for allocators
 <p><b>Intentionality</b> Explicitly targeting specific social or environmental outcomes (e.g., SDGs)</p>	<ul style="list-style-type: none"> <li>Establishment of portfolio-level social and/or environmental objectives and identification of a broad universe of targeted impact themes, typically mapped to the SDGs and concrete examples of investible activities to guide sourcing</li> <li>Use of assessment frameworks that are fully customized to the manager's impact specifications and/or draw upon established impact investing standards (e.g., Impact Frontiers' Five Dimensions of Impact, ABC classification) to assess impact alignment and more deeply understand potential positive and negative impacts prior to purchase</li> </ul>	<ul style="list-style-type: none"> <li>Relative to other asset classes, impact fixed income strategies are typically more inclusively defined to facilitate an expansive investible universe</li> <li>Relative to other asset classes, impact assessment will rely on use of more robust impact frameworks to assess investments' potential impact and their alignment to established impact strategies</li> </ul>
 <p><b>Contribution</b> Playing a differentiated role to enhance achievement of the targeted outcomes</p>	<ul style="list-style-type: none"> <li>Capacity for investor-level contribution is tied to investors' degree of influence (i.e., size, market share) and typically involves engagement with issuers in a distinctly market-building level (e.g., signaling demand for high-quality impact issuances, offering feedback on bond frameworks)</li> <li>Emphasis on assessment of a security's additionality (or the extent to which it contributes to addressing a social and/or environmental challenge relative to what would have occurred anyway), fact-finding engagements with issuers to support screening and assessment, or engagement with issuers on ESG risks and controversies</li> </ul>	<ul style="list-style-type: none"> <li>Investor-level contribution is often expressed differently in fixed income relative to other asset classes—focusing less on transaction-level engagement and more on engagement with issuers and industry stakeholders</li> <li>Expect contribution activities in this asset class to primarily take place prior to purchase of a security</li> </ul>
 <p><b>Measurement</b> Monitoring and reporting impact based on measurable inputs, outputs, and outcomes</p>	<ul style="list-style-type: none"> <li>Selection of securities is partially based on assessment of impact KPIs' relevance and issuers' capacity for consistent and quality reporting</li> <li>Issuance of annual impact reports featuring aggregated portfolio-level metrics; allocation data; narrative case studies contextualizing impact in a human-interest format; and commentary on issuer-, industry-, and market-level engagements</li> </ul>	<ul style="list-style-type: none"> <li>Expect the composition of impact reports in this asset class to differ slightly relative to those in other asset classes in emphasizing allocation data and leaning in on use of case studies to convey impact outcomes</li> <li>Expect the establishment of impact targets or expectations for impact performance to be more challenging within this asset class</li> </ul>

been supported by the work of others, including the Impact Management Project (IMP, now Impact Frontiers) and Tideline. They are:

- Intentionality*, or anchoring practice in a clear intention of achieving positive social and/or environmental outcomes;
- Contribution*, or exercising a defined and differentiated role as an investor to deepen the impact of investments through a variety of means; and
- Measurement*, or a commitment to measuring and reporting on the social and environmen-

tal performance of investments and thereby contributing to transparency and authenticity within the impact investing market.

Alongside the Impact Principles, these characteristics remain relevant and essential to defining impact fixed income practice. However, allocators should bear in mind that they take a slightly different expression within impact fixed income relative to the private markets, which has bearing for asset owners' treatment of the asset class as part of a total portfolio approach. These considerations are delineated in *Figure 10: ICM in impact fixed income*.

## Towards a taxonomy of sustainable fixed income approaches

Another key research finding is that the absence of shared language between the fixed income and impact investing markets is an important barrier to scale. Terms like “ESG,” “sustainability,” “impact,” and “responsibility” are frequently used interchangeably across the fixed income market in reference to similar concepts, while lacking consistent definitions. This lack of clarity is reflective of the impact investing and fixed income markets’ parallel but uncoordinated development—making it more challenging for investors to distinguish and compare between different approaches, assess opportunities’ alignment with their impact objectives, and ultimately deploy capital with confidence.

While acknowledging that bond labeling has helped to address part of this challenge, it does so only at the level of individual issuances, and specifically for UoP instruments. What it does not describe is what an “impact approach” constitutes at the investor or strategy level. To this end, we introduce the following “*Taxonomy of sustainable fixed income approaches*” to provide additional clarity. Rather than offering a binary definition of “impact,” this taxonomy identifies a spectrum of three approaches that each uniquely integrate social and environmental considerations—two of which are “impact fixed income” approaches (*impact-aligned* and *impact-centered*). Accordingly, they are delineated in *Figure 11: Taxonomy of sustainable fixed income approaches*.

**FIG. 11 Taxonomy of sustainable fixed income approaches**

	 <b>Responsibility-focused</b>	 <b>Impact-aligned</b>	 <b>Impact-centered</b>
<b>Definition</b>	Securities are selected, managed, and measured based on an issuer’s commitment and accountability to responsible business practices.	Securities are selected, managed, and measured based on their revenues and/or UoPs’ contribution to addressing widely-accepted social and environmental challenges.	Securities are selected, managed, and measured based on revenues and/or UoPs’ contribution to advancing a manager’s own specific and well-evidenced impact strategy.
<b>Illustrative approach</b>	A manager launches a strategy focused on investing in issuers with high levels of ESG performance. The manager develops a proprietary ESG scoring framework that can be calibrated to the contextual specificities of different sub-asset classes to identify high performers and improvers, as well as material risks that form the basis of engagement over time.	Primarily drawing from a global universe of labeled bonds issued by corporations and sovereigns, a manager selects securities that 1) are associated with issuers with strong ESG performance and 2) can be proven to contribute to an SDG.	A manager has a global impact fixed income strategy focused on evidence-based renewable energy and financial inclusion solutions. The manager creates a theory of change describing specific opportunities that would fall within the investment universe, utilizes a proprietary impact framework to more deeply understand how each security may advance the thesis, and has identified two core KPIs to assess portfolio-level progress.

The taxonomy is ordered by the degree of a strategy's explicit focus on impact. The first category, *"responsibility-focused,"* is distinguished by robust issuer assessment and ESG management, with limited direct focus on impact. The second category, *"impact-aligned,"* is characterized by a strategy's simultaneous focus on UoPs and/or company revenues in evaluating securities' impact and the designation of a broad thematic strategy anchored in SDG alignment. The final category, *"impact-centered,"* is distinguished by use of a tailored and highly intentional approach to security selection, in which investible opportunities are assessed for their alignment to a pre-defined impact strategy or objective as part of a holistic impact assessment process. Rather than being rigid, these categories act as waypoints along an impact continuum—representing varying degrees of expression in ICM.

## Core characteristics of impact fixed income

In applying the taxonomy to categorize strategies within our market research, we surfaced several characteristics that we believe are definitional to an impact fixed income approach. These characteristics are an extension of the core characteristics of impact investing and account for how impact is uniquely expressed within fixed income. Notably, they highlight the tendency for impact practices in fixed income to typically take place *before* the purchase of a security, rather than during the holding period. These core characteristics, and their relationship to each impact investing pillar, are:

**FIG. 12 Core characteristics of impact fixed income and the impact investing pillars**

Intentionality	<b>Focus</b>	Having a defined impact strategy in place that guides the selection of fixed income securities
	<b>Responsibility</b>	Assessing issuers' ESG practices and ensuring they do no significant harm as part of investment decision-making
	<b>Completeness</b>	Taking a holistic approach to assessing securities (i.e., considering UoPs/revenue, issuer footprints, securities' structure, and other sub-asset class- and thematically-specific factors)
Contribution	<b>Engagement</b>	Optimizing the portfolio by leveraging impact measurement and issuer engagement
Measurement	<b>Transparency</b>	Collecting, aggregating, and transparently reporting on the impact of investments

These core characteristics can support investors in defining and differentiating between approaches spanning the taxonomy of sustainable fixed income. As shown in the table below, “*Responsibility-focused*” approaches, which are not impact-oriented, place the most emphasis on the responsibility, completeness, and transparency characteristics—deeply focusing on ESG assessment and issuer diligence.

Meanwhile, “*impact-aligned*” and “*impact-centered*” approaches both assess the alignment of prospective investments’ UoPs or revenue to a pre-defined impact strategy as a fundamental component of investment decision-making. Where “*impact-aligned*” and “*impact-centered*” approaches primarily differ is in their depth of intentionality in impact diligence.

**FIG. 13 Core characteristics of impact fixed income and the taxonomy of sustainable fixed income approaches**

	Characteristics	Responsibility-focused	Impact-aligned	Impact-centered
Intentionality	<b>Focus</b> Having a defined impact strategy in place that guides the selection of fixed income securities	N/A	Investments are selected based on UoPs’ and revenues’ alignment to a broad range of widely accepted social and environmental challenges.	Investments are selected based on their alignment and contribution to pre-defined impact themes and an impact objective, which may be guided through use of a theory of change.
	<b>Responsibility</b> Assessing issuers’ ESG practices and ensuring they do no significant harm as part of investment decision-making	Issuers’ ESG practices are systematically assessed, which forms the crux of ex-ante assessment, as well as eventual issuer engagement.	Issuers’ ESG practices are systematically assessed alongside associated securities’ impact alignment.	Issuers’ ESG practices are systematically assessed alongside associated securities’ impact alignment.
	<b>Completeness</b> Taking a holistic approach to assessing securities (i.e., considering UoPs/revenue, issuer footprints, securities’ structure, and other sub-asset class- and thematically-specific factors)	Assessment is focused on issuers’ ESG practices and/or the extent to which a security’s structure (i.e., in the case of SLBs) can result in changes to the issuer’s practices.	Common areas of assessment include UoPs’ impact alignment, issuers’ ESG practices, and issuers’ reporting practices.	Minimum areas of assessment include UoPs/revenues align with their impact themes and objectives, issuers’ ESG practices, and issuers’ track records of reporting against relevant impact metrics.
Contribution	<b>Engagement</b> Optimizing the portfolio by leveraging impact measurement and issuer engagement	N/A	Engagement is conducted with issuers to address pre-identified or emergent ESG issues during the holding period or to enhance impact frameworks and practices prior to purchase. This is paired with ongoing participation in field and market initiatives.	Engagement is conducted with issuers to address pre-identified or emergent ESG issues during the holding period or to enhance impact frameworks and practices prior to purchase. This is paired with ongoing participation in field and market initiatives.
Measurement	<b>Transparency</b> Collecting, aggregating, and transparently reporting on the impact of investments	The investor collects and analyzes data on ESG performance to support monitoring.	Impact data is systematically collected from investees, with wide-ranging impacts shared in impact reports.	Impact data is systematically collected from investees, with their specific contributions to the portfolio strategy highlighted in impact reports featuring aggregated metrics, case studies, and other commentary.

Strategies may not fit neatly within a single taxonomy category and can often display characteristics that span multiple. The “*Core Characteristics*” framework is not intended as a value judgement, but rather as a tool to offer additional nuance to how impact uniquely manifests in this market—helping investors differentiate between approaches and to better define their own. Additionally, as explicitly outlined within *Figure 14: Fixed income and the Impact Principles*, this framework is aligned to leading impact investing standards and rating systems, including the

Impact Principles, thereby enabling the application of these standards and rating systems to impact fixed income as an asset class. The case studies introduced in [Section III](#) bring these concepts to life by demonstrating how six impact fixed income strategies demonstrate the core characteristics in practice, illustrating the diversity of approaches and rigor that exists within the universe of investable products. Moreover, the [Appendix](#) provides more detailed analysis of how each of these Impact Principles are expressed in fixed income.

**FIG. 14 Fixed income and the Impact Principles**

Impact Principle	Intentionality			Contribution	Measurement
	Focus	Responsibility	Completeness	Engagement	Transparency
<b>Principle 1:</b> Define strategic impact objective(s) consistent with the investment strategy.	✓				
<b>Principle 2:</b> Manage strategic impact on a portfolio basis.	✓				
<b>Principle 3:</b> Establish the Manager's contribution to the achievement of impact.	✓				
<b>Principle 4:</b> Assess the expected impact of each investment, based on a systematic approach.			✓		
<b>Principle 5:</b> Assess, address, monitor, and manage potential negative impacts of each investment.		✓			
<b>Principle 6:</b> Monitor the progress of each investment in achieving impact against expectations and respond appropriately.				✓	
<b>Principle 7:</b> Conduct exits considering the effect on sustained impact.				✓	
<b>Principle 8:</b> Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.					✓
<b>Principle 9:</b> Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.					

## Recommendations for more robust impact fixed income practice

Our research affirms that existing impact investing infrastructure is relevant to fixed income, despite the commonly held assumption that established impact investing frameworks are less applicable to public markets. As our analysis from BlueMark’s sample of nine verifications under [Appendix: “Fixed income and the Impact Principles”](#) shows, certain impact investing practices can be more strongly or easily implemented in impact fixed income as compared to other asset classes. As such, we encourage impact fixed income investors to explicitly align to the Impact Principles to demonstrate their impact intentionality and fidelity to industry best practice.

At the same time, the implementation of certain impact investing best practices (e.g., Principle 3 on contributing to the achievement of the portfolio’s impact or Principle 7 on conducting exits considering the effect on sustained impact) may be expressed less rigorously in fixed income strategies, owing to the inherent nature of the asset class and the nascency of the impact fixed income market. We encourage investors to navigate this asset class with an informed perspective and specifically suggest that those seeking to align more closely to impact investing best practice consider the following recommendations, organized by Core Characteristic and Impact Principle.

### Focus (*comprising Principles 1, 2 and 3*)

- Establish robust theories of change (ToCs) that clearly define the impact objectives of a given strategy. For investors with broad mandates, this may include establishing impact objectives at the level of specific themes, sectors, or potentially individual investments. Investors may also consider using additional impact investing frameworks, such as Impact Frontiers’ Five Dimension of Impact, to augment their ToCs.
- When evaluating employees’ individual contributions to impact as part of impact-linked compensation (ILC) schemes, prioritize consideration of qualitative over quantitative indicators. For example, an ILC scheme that uses a performance review to measure an employee’s holistic contribution to impact will likely be more effective than a scheme that relies on individual-level KPIs and targets (e.g., number of impact-related engagements with issuers completed, number of due diligence assessments completed, etc.).

### Responsibility (*comprising Principle 5*)

- Incorporate third-party ESG data as a core part of a rigorous ESG due diligence and monitoring framework—pursuing opportunities for active engagement with issuers to improve embedded ESG practices in instances where the degree of investor influence is high.

**Completeness** (*comprising Principle 4*)

- Develop an impact assessment framework to assess the impact of a prospective security, including, where applicable, establishing clear minimum impact thresholds for investment based on issuers' likely future impact performance. Investors may draw upon established impact investing frameworks, including Impact Frontiers' Five Dimensions of Impact and Impact Classifications frameworks, to structure their approaches.

**Engagement** (*comprising Principles 6 and 7*)

- Engage actively with issuers to enhance impact outcomes where degree of investor influence is high, or otherwise pursue industry-level opportunities to mature impact fixed income practice.
- Track common KPIs across the portfolio, or within themes, to monitor and optimize for portfolio-level results. In support of standardization and comparability, investors may consider drawing from the [GIIN's IRIS+ catalog](#) to identify suitable metrics.
- Identify methods to establish expectations around issuers' impact performance (e.g., establishing impact KPIs and setting internal targets or monitoring year-over-year growth of those KPIs); and continually monitor issuers' progress against that framework of expectations.
- Include protocols for selling or divesting when impact or ESG issues arise and are not addressed within exit frameworks.

**Transparency** (*comprising Principle 8*)

- Formalize internal review processes to gauge the effectiveness of impact strategies, impact management practices, and other internal systems for managing impact.

While there are clear opportunities for improvement, impact fixed income practice, as it stands today, provides fertile ground for the continued expansion of impact investing in fixed income.





## Section III

*Case  
studies*

# Case studies

This section presents a series of six case studies profiling the impact fixed income strategies of leading managers in the market—each translating the concepts and frameworks introduced earlier through a real-world lens. By grounding theory within practice, these case studies showcase the richness and diversity of strategies available within the impact fixed income market. These strategies include:

- **Community Capital Management’s Impact Core Fixed Income Strategy**, highlighting customized impact reporting;
- **EdenTree Investment Management’s Global Impact Bond Fund**, highlighting active investor engagement;
- **Nuveen’s Core Impact Bond Fund**, highlighting active investor engagement;
- **Schroders—BlueOrchard’s Schroder ISF BlueOrchard Emerging Markets Climate Bond Fund**, highlighting the application of a multi-asset class approach to impact diligence of fixed income holdings;
- **T. Rowe Price’s Global Impact Credit Fund**, highlighting impact measurement; and
- **Wellington’s Global Impact Bond Fund**, highlighting impact diligence.

Each case study is structured using the “*Core characteristics in impact fixed income*” framework, which provides a consistent structure for describing various managers’ approaches. Together, these case studies demonstrate what strong impact practice looks like within fixed income, while acknowledging that excellence may take different expressions depending on an investor’s goals, resources, and investment context. Importantly, the case studies touch on resource considerations, such as the tools, data, and internal capacity that investors need to implement robust strategies.

Each case study also includes a highlighted practice, or an example of an innovative or particularly robust element of the manager’s approach, ranging from active engagement with issuers to the translation of multi-asset class frameworks to the unique context of impact fixed income. They also include notable transactions demonstrating the diversity of opportunities available within fixed income. In five case studies, we also feature a highlighted investor, which provides insight into why peer allocators are pursuing impact fixed income strategies as an important component of their portfolio-level impact approaches.



## CASE STUDY

# Community Capital Management

*Impact Core Fixed Income Strategy*



<b>Year established</b>	1999
<b>Fund domicile</b>	United States
<b>Strategy-level AUM (USD)</b>	\$5.29 billion <sup>65,66</sup>
<b>Target market</b>	United States
<b>Primary investments</b>	Agency MBS; agency CMBS; ABS; municipal bonds (taxable); corporate bonds
<b>Management team</b>	5 dedicated portfolio managers
<b>Aligned standard(s) &amp; regulation</b>	UN SDGs, UN PRI

## Strategy overview

CCM initially launched its Impact Core Fixed Income Strategy in 1999 to support banks seeking to meet regulatory requirements under the Community Reinvestment Act (CRA). Over time, the strategy expanded in response to growing demand from various non-financial institutional impact investors (e.g., faith-based investors, foundations, endowments, healthcare organizations, and non-profits). At the core of

the strategy is impact customization, through which clients—via separately-managed accounts (SMAs) or CCM’s Community Impact Bond Fund—can direct capital to support specific geographies (at the regional, state, or county-level), one or more of CCM’s proprietary impact themes (among a list of 14, including Affordable Housing, Environmental Sustainability, and Gender Lens, which are curated on an annual

<sup>65</sup>. As of 3/31/2025

<sup>66</sup>. Firm-level AUM is \$6.3B, as of 12/31/24

basis), or to a CCM-led impact initiative (e.g., to advance equity via Minority CARES or to support first-time homebuyers). Clients receive personalized impact reporting that includes a variety of quantitative impact metrics, as well as impact narratives that tell the story of how the investments are contributing to real-world societal impact.

Impact customization enables clients to translate their specific values and impact objectives into a diversified impact portfolio that looks to offer capital preservation and attractive risk-adjusted returns. To facilitate this, CCM invests across a large and diverse universe of impact fixed income securities, which primarily includes ABS, agency MBS, agency CMBS,

corporate bonds, and taxable municipals.

CCM's impact approach is comprised of dual use of proceeds (UoP) analysis and issuer due diligence to gauge the extent to which investments (both labeled and unlabeled) are contributing to one or more of CCM's proprietary impact themes, have a material impact on people and/or the environment, and are managed by issuers with a strong track record of reporting and impact performance, among other characteristics. Separately, CCM has a place-based investment framework to serve clients seeking local impact at a regional, state, or county level, offers firm-led impact initiatives, and provides clients with customized impact reporting.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs' or revenues' contribution to specific impact themes.*

Securities are purchased based on prospective alignment to one or more of CCM's 14 impact themes, which are then subject to UoP analysis to confirm societal impacts and tracked in CCM's proprietary impact database. Using this database, securities are then added or earmarked to clients' portfolios based on alignment to their impact objectives. This includes further determining how they 1) benefit a specific state, county, or neighborhood; 2) contribute to an impact theme as defined by CCM; or 3) fall within one or more of CCM's proprietary impact initiatives.

### Responsibility

*The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

CCM's investment team must have a high degree of confidence in the issuer, its track record and reporting, any supplemental third-party research provided, and its alignment to one or more of CCM's impact themes. CCM invests in securities that it considers to be fossil fuel free. CCM may invest in a bond whose proceeds will be used to finance activities or projects in clean and renewable energy or other activities that may contribute to the transition to a more sustainable economy, even if the issuer's revenue or profits are partially derived from the fossil fuel sector.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

In parallel with UoP assessment, CCM conducts diligence on issuers to ensure they have a high degree of confidence in the quality of their reporting, as well as their capacity to manage impact risks. CCM’s impact assessment framework includes assessing an investment’s structural characteristics based on the bond’s prior impact performance, the issuer’s reporting periods, and any impact triggers.

The impact framework is applied consistently across securities within CCM’s opportunity set. However, opportunities are also sourced and assessed using sub-asset class-specific parameters. For example, to invest in a corporate bond, the issuer must have clear impact and/or mission-driven goals that are aligned with one or more of CCM’s impact themes and have specified UoPs that are expected to generate positive societal impacts.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

CCM’s engagement with investors is grounded in its capacity to provide high-quality impact customization, which entails routinely engaging with issuers to ensure they provide transparent and timely disclosures. Outside of the context of specific securities, CCM also engages with issuers more broadly to signal demand for and play a catalytic role in creating new impact investment opportunities in fixed income to advance their impact themes.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

Several types of impact reporting are available to CCM’s investors, including client-specific customized reporting. Additionally, CCM creates an annual impact report that shares firm-level outputs and outcomes, includes aggregated metrics on themes and geography, and provides long-form impact narratives. Throughout the year, CCM shares pieces on its website that report on various impact investments focused on different regions of the country and impact themes.

### Featured practice: Customized impact reporting

A distinguishing feature of CCM’s approach is *customized impact reporting*. Upon investing, clients can direct their capital towards specific impact themes, initiatives, or geographic regions. Leveraging its proprietary database, CCM can generate quarterly impact reports tailored to these specifications—a capability stemming from its prioritization of issuers with track records of measurement, reporting, and tracking positive impacts, as well as the specific and direct impacts that each security generates.

Impact reports feature a combination of aggregated impact metrics at the output and outcome levels, as well as long-form “impact narratives” that contextualize this data with real-world examples. CCM also grounds its reporting on its experience of having managed place-based investments since 1999 to support depository institutions in meeting the requirements of the CRA. CCM’s place-based reporting includes specific analysis of where capital is being directed, how it is benefitting the location, and to what extent the population is underserved.

### Highlighted transaction: Shirley Chisholm Family Residence

CCM invested in a bond financing the Shirley Chisholm Family Residence, a mixed-use residential property with 146 transitional housing units available to families that are experiencing homelessness in Brooklyn, New York. The property is operated by the non-profit Win, the largest provider of family shelter and supportive hous-

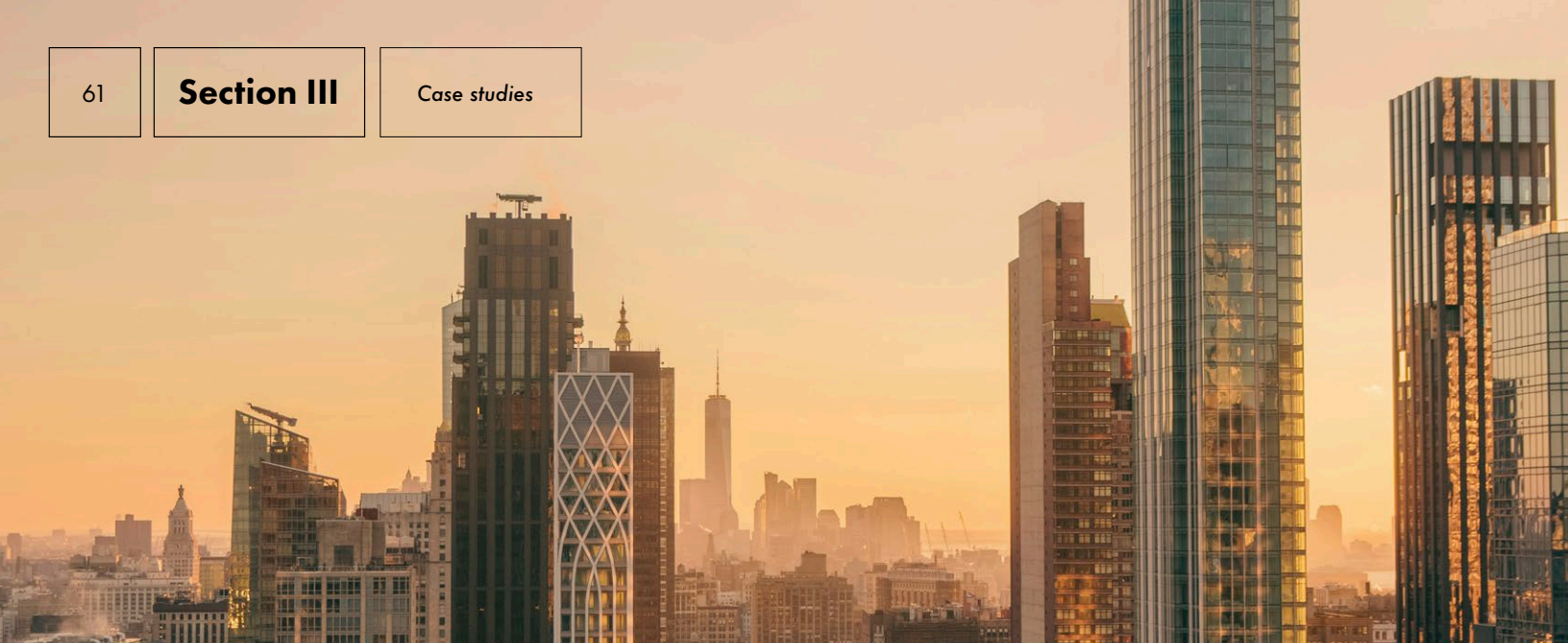
ing in New York City, which has a rate of homelessness that is four times greater than the rest of the country (158,019 individuals in 2024).<sup>67</sup> Within the Shirley Chisholm Family Residence itself, Win offers—among other service offerings—general case management, childcare and after-school recreational programs, career counseling, and medical and mental health programs. The facility has further influenced its Brooklyn neighborhood by adding 85 new jobs to the community. Through these diverse offerings, the investment aligns with eight of CCM’s 14 impact themes.

### Investor spotlight: Veris Wealth Partners

As a wealth management firm and outsourced chief investment officer (OCIO) for endowments and foundations, Veris Wealth Partners (“Veris”) is responsible for constructing customized investment portfolios tailored to clients’ financial goals and impact priorities—seeking best-in-class managers across different asset classes. Among other reasons, Veris invests in CCM as a fixed income manager owing to its long track record of delivering positive social impact and competitive risk-adjusted returns; its exposure to diverse impact themes and targeted impact initiatives (including Minority CARES); its capacity for impact customization synergizing with Veris’ own objective to align clients’ investments with their values; and its robust impact reporting, which facilitates informed decision-making for investor clients.

67. New York State Comptroller, “New Yorkers in Need” Homelessness in New York State (2025)





## CASE STUDY

# EdenTree Investment Management

*Global Impact Bond Fund*



<b>Year established</b>	2022
<b>Fund domicile</b>	United Kingdom
<b>Strategy-level AUM (GBP)<sup>68</sup></b>	£27.20M (approx. USD \$34.3M)
<b>Target market</b>	Global
<b>Primary investments</b>	Labeled corporate bonds (green, social, sustainability)
<b>Management team</b>	2 fund managers, 1 fund analyst, 1 impact strategist, 4 responsible investment analysts
<b>Aligned standard(s) &amp; regulation</b>	UK SDR ("Sustainability Impact")

## Strategy overview

EdenTree's Global Impact Bond Fund seeks to deliver competitive risk-adjusted returns while advancing impact principally through investment in GSS bonds—holding the philosophy that “labelled bonds issued by companies at the forefront of addressing social challenges are a fundamental way for investors to generate positive impact” in fixed income. Accordingly,

EdenTree's impact approach is grounded in UoP analysis. However, it also invests modestly in general-purpose bonds issued by impact-focused institutions (e.g., charities, development institutions), as well as some securities that do not pass its impact assessment, but which nonetheless pass its responsible and ethical screening process and do not contradict the impact aims of the Fund.

68. As of January 31, 2025



As one of the first fixed income products to receive the “Sustainability Impact” label under the UK’s SDR regime—which seeks to mitigate greenwashing by establishing clear criteria on sustainability and impact practices—EdenTree targets securities that meet its proprietary impact themes of Sustainable Solutions, Health & Wellbeing, Social Infrastructure, and Education. To meet the requirements of the “Sustainability Impact” label, EdenTree has also established fund-level environmental and social KPIs: “Avoided emissions (tCO<sub>2</sub>e)” and “Number of underserved beneficiaries,” respectively.

EdenTree pursues a multi-layered impact assessment process for its investment universe of largely labeled corporate bonds, which entails categorical values-based screening, assessment of issuer institutions’ responsible business practices and ethical footprints, and assessment of a security’s alignment and contribution to pre-defined impact themes and objectives. All investments are expected to advance at least one of EdenTree’s two fund-level KPIs: “Avoided emissions (tCO<sub>2</sub>e)” and “Number of underserved beneficiaries.”

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs’ or revenues’ contribution to specific impact themes.*

Underpinning EdenTree’s approach to security selection is the identification of two fund-level goals: to support a reduction in greenhouse gas emissions and to support an increase in access to basic services for underserved communities globally. The Fund has an overarching theory of change that delineates what types of securities contribute to these goals and the investment universes for each of its four underlying impact themes. All securities are assessed for alignment with these impact themes and have an impact thesis relating back to the fund-level theory of change. Moreover, EdenTree examines the bond’s additionality—or whether it addresses an impact need that would not otherwise have been met.

### Responsibility

*The investor assesses an issuer’s ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

While EdenTree principally invests in labeled bonds that ringfence UoPs to impact, it also subjects issuers to responsible and ethical screening. The ethical screen excludes entire sectors or activities considered to be misaligned with firm-level sustainability objectives, such as alcohol and fossil fuel exploration and production. It also includes assessment of issuers across six areas, including business ethics and human rights. Issuers must pass both screens prior to progressing to deeper impact diligence.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

EdenTree assesses UoPs’ alignment to its impact themes and impact objectives; conducts responsible and ethical screening on issuers; and ensures that issuers can clearly monitor, measure, and report on allocations to impact and impact generated. EdenTree also assesses lookback periods, preferring those that are shorter than average, as well as securities that demonstrate impact additionality. For bonds linked to the provision of basic services, EdenTree seeks additional assurance that bond activities will provide measurable support to underserved communities and be clear about which community groups will benefit from the bond.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

EdenTree grounds its engagement in a two-pronged approach: increasing positive impacts and decreasing potential negative impacts. To improve impact outcomes, EdenTree engages actively and systematically with issuers to improve the ambition and effectiveness of UoPs, impact monitoring and reporting, refinancing plans and lookback periods, and targets for managing environmental and social externalities—typically with other managers.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

Prior to investment, EdenTree ensures that a bond’s impact framework is credible, measurable, and includes a robust reporting framework that covers impact allocations and impact generated. Per SDR requirements, EdenTree itself measures and reports against two core fund-level and three theme-specific KPIs. It publishes an annual impact report for the Fund, which also includes quantitative disclosures and case studies of real-world impact under each theme. The report also includes allocation data and discloses methodologies used. Separately, EdenTree measures and annually reports on the contribution of its climate-focused securities against two climate targets related to its firm-level climate strategy on decarbonization and contributing to climate transition.

### Featured practice: *Investor contribution*

EdenTree regards active engagement as a fundamental component of its platform-level approach to drive additional impact for investors. It engages with issuers to increase positive and decrease potential negative impacts. To increase positive impacts, EdenTree’s engagements may focus on improving UoPs’ effectiveness, reducing bonds’ lookback periods, and increasing alignment of strategic goals and management incentives towards positive impacts. To reduce negative impacts, EdenTree may focus on addressing operational emissions or supply chain risks—with engagements often aligning with EdenTree’s broader firm-level engagement themes: Climate Transition, Water Stress, and Social and Environmental Inclusion. EdenTree leverages collaborative engagements with other investors and organizations (e.g., the Institutional Investors Group on Climate Change and World Benchmarking Alliance) to maximize its influence, while also engaging with regulators and policymakers. It also has an escalation framework for situations where long-term issuer engagement does not yield meaningful progress, with a last resort being divestment.

EdenTree’s approach to engagement has historically been thematically focused, with the firm focusing on areas such as “fossil fuel financing” under its Just Climate Transition theme and “river pollution in the UK” under its Water Stress theme. The latter included an engagement with Severn Trent, a UK-based water company, regarding UoPs for its sustainable

bond, which aims to improve environmental quality while supporting water service affordability. Concerned about the potential trade-off these aims, EdenTree engaged with the company to hold it accountable to keeping bills low, as the company operates in one of the most underserved areas of the UK. Severn Trent maintains the lowest bill rate in the industry.

### Highlighted transaction: *NatWest Group, Social Bond*

In 2024, EdenTree acquired a newly issued labeled social bond by the UK bank NatWest Group, a leading UK bank with a robust credit profile. Backed by NatWest’s independently verified Green, Social, and Sustainability Framework, the proceeds from this bond will be directed towards affordable housing initiatives. Eligible assets include UK-accredited or registered Housing Associations, which are nonprofit organizations dedicated to providing affordable housing in the UK and to enhancing access for low-income residents and marginalized communities. EdenTree purchased the bond for its potential to contribute to the Fund’s dual aims of delivering financial returns and capacity to contribute to the UK’s need to build a minimum of 90,000 affordable homes a year to clear social housing waitlists and address homelessness in the country.<sup>69</sup> EdenTree was also encouraged by the alignment of the positive social outcomes sought by the bond with the bank’s overall sustainable profile.

69. UK Parliament Levelling Up, Housing and Communities Committee, “Government must invest in building new social homes to tackle chronic housing shortage, say MPs” (2024)

## CASE STUDY

## Nuveen

*Core Impact Bond Fund*

**nuveen**  
A TIAA Company

<b>Year established</b>	2007 <sup>70</sup>
<b>Fund domicile</b>	United States
<b>Strategy-level AUM (USD)</b>	\$16.8 billion <sup>71</sup>
<b>Target market</b>	Primarily developed markets
<b>Primary investments</b>	Corporate bonds, mortgage-backed securities, asset-backed securities, municipal bonds, sovereign, supranational, and agency bonds
<b>Management team</b>	3 dedicated portfolio managers
<b>Aligned standard(s) &amp; regulation</b>	SFDR Article 9; OPIM; UNPRI; ICMA; Orange Bond Initiative

## Strategy overview

Nuveen, a subsidiary of TIAA, was founded in 1898 with a focus on municipal bond underwriting. Today, the firm is a global asset manager investing across public and private asset classes, with roughly half of its \$1.3 trillion of AUM in fixed income.<sup>72</sup> Following TIAA's acquisition in 2014, Nuveen remains widely recognized for the expertise and scale of its impact fixed income practice, as demonstrated by its

inclusion within BlueMark's [practice leaderboard](#). Its proprietary approach to impact fixed income is centered on the principles of transparency and disclosure and predicated on direct UoPs and measurable outcomes. Nuveen selects securities that finance social, environmental, and sustainable projects from issuers demonstrating commitment to robust outcomes-based impact reporting.

<sup>70</sup> Inception date of the Core Impact Bond Strategy

<sup>71</sup> AUM of the Core Impact Bond Strategy, inclusive of the mutual fund, UCITS, separate accounts, and the bond sleeve of CREF Social Choice Account

<sup>72</sup> As of December 31, 2024



Nuveen’s impact management approach prioritizes relative value and transparent outcomes. The team refers to its approach as “direct and measurable.” “Direct” refers to the selection of UoP bonds that enables allocation of capital towards specific populations and/or impact

outcomes. “Measurable” refers to assessing and monitoring the robustness of issuers’ impact reporting throughout the holding period. Nuveen also significantly emphasizes issuer and field-level engagement in its impact approach.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs’ or revenues’ contribution to specific impact themes.*

Nuveen assesses whether a security’s UoPs are aligned to one or more of its four impact themes—each of which includes pre-defined impact outcomes and eligible project types. Further granular assessment of the anticipated impact of each investment is conducted to determine what impact is being generated, who it benefits, and how much impact is created, while also surfacing any associated impact risks. Nuveen has also created qualification scenarios that provide illustrative examples of what types of investments would align with Nuveen’s impact themes. The scenarios guide and mainstream impact assessment by including lists of associated project types and intended outcomes—further defining Nuveen’s investment universe.

### Responsibility

*The investor assesses an issuer’s ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

To be included within the portfolio, securities must either qualify based on impact or ESG leadership. All potential holdings are assessed on a relative value basis as the team pursues a non-concessionary approach to impact and ESG investing. ESG assessment is conducted on a deal-by-deal basis and entails review of relevant materials, such as SPOs and other ESG ratings (e.g., MSCI). On an ad hoc basis, Nuveen’s investment team conducts calls with issuers to monitor ESG performance, while also monitoring their annual reporting. In the case of ESG underperformance, Nuveen reevaluates securities and may pursue additional engagement or divestment.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

Nuveen’s approach evaluates securities based on a variety of factors, including the alignment of stated UoPs, the issuer’s commitment to delivering transparent and timely impact reporting, and the financial materiality of the outcome(s) relative to the issuer’s business model or mission. UoPs must clearly align with one or more of Nuveen’s four impact themes. The issuer must also provide outcomes-based reporting beyond project allocation using relevant metrics/KPIs. Depending on the type of security, this reporting may be available upfront at time of investment or may be a commitment made by the issuer and followed by regular post-investment reporting. This approach enables Nuveen to direct capital to specified projects and outcomes without relying on bond labeling.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

In addition to engaging with issuers to address underperformance, Nuveen proactively engages with issuers to provide feedback on how new bonds should ideally be structured, to clarify what is needed to meet investor demand, and to strengthen impact reporting—contributing to building the supply of “direct and measurable” fixed income securities. At the market level, Nuveen participates in industry working groups, including ICMA, and engages with other relevant stakeholders (e.g., banks, asset owners, and other managers) to grow and strengthen the market.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

Nuveen requires impact reporting from its issuers and publishes an annual Global Fixed Income Impact Report. Nuveen’s reporting shares theme- and geography-specific outcomes-based KPIs and equivalencies. Reports outline Nuveen’s approach and methodology to advance and encourage industry best practices. Nuveen reports on several aggregated impact metrics by theme—for example, “carbon sequestered” or “people reached through community programs.” Additionally, Nuveen provides case studies to provide human interest to the firm’s impact approach.

### Featured practice: *Investor contribution*

As one of world's largest and most long-standing fixed income managers, Nuveen has developed strong relationships with stakeholders globally, including issuers, standard-setters, underwriters, peer investors, and policymakers. These relationships enable Nuveen to play a prominent role in building the market, innovating new types of deals, and elevating fixed income as an asset class with significant impact potential.

Nuveen proactively engages with issuers and financial intermediaries to enhance their impact reporting, influence the structure of emergent securities, and improve ESG-related business practices. At the market level, representatives from Nuveen's team have participated in prominent industry working groups, such as ICMA's inaugural Executive Committee, which codified the Green Bond Standards. Nuveen has also served as lead investor on several innovative fixed income deals, including the Ecuador/Galapagos debt-for-nature swap—a blue bond supporting conservation of marine areas between the Galapagos and Costa Rica—and the world's first Wildlife Conservation Bond (“Rhino Bond”) issued to increase the population of endangered Black Rhinos in South Africa.

### Highlighted transaction: *The Amazon Conservation Bond*

In 2024, Nuveen invested in the Amazon Conservation Bond, a debt-for-nature swap in Ecuador focused on Amazon rainforest conser-

vation. The transaction protects 6.4 million hectares of habitat, including 4.6 million hectares of existing protected areas and an additional 1.8 million hectares of forests and wetlands, and 18,000 kilometers of rivers in the Amazon region. The debt service savings from the bond will enable Ecuador to increase environmental funding for the Amazon by up to 10x, totaling \$400 million over its lifetime. Most of the conservation funding unlocked by the bond will be distributed by an independent conservation trust fund, with the involvement of local indigenous groups. The investment follows Nuveen's earlier participation in Ecuador's first debt-for-nature swap in May 2023, which supported marine conservation in the Galapagos Islands, and complements Nuveen's position as anchor investor in the World Bank Amazon reforestation linked bond from August 2024, demonstrating the Fund's approach to environmental impact investing across fixed income markets.

### Investor spotlight: *Mercy Investment Services*

Mercy Investment Services, a ministry of the Sisters of Mercy of the Americas, first invested in Nuveen's Core Impact Bond strategy in 2020. In alignment with the values of the Sisters of Mercy, Mercy Investment Services invests with a goal to benefit people, communities, and creation and effect systemic change through corporate policies and initiatives. Mercy Investment Services engaged Nuveen because of their experience with fixed income



and thoughtful impact reporting practices, which have become more comprehensive over time. Nuveen's track record helps Mercy Investment Services towards its goal of outperforming benchmarks while elevating the envi-

ronmental and social justice themes that are aligned with the critical concerns of the Sisters of Mercy.

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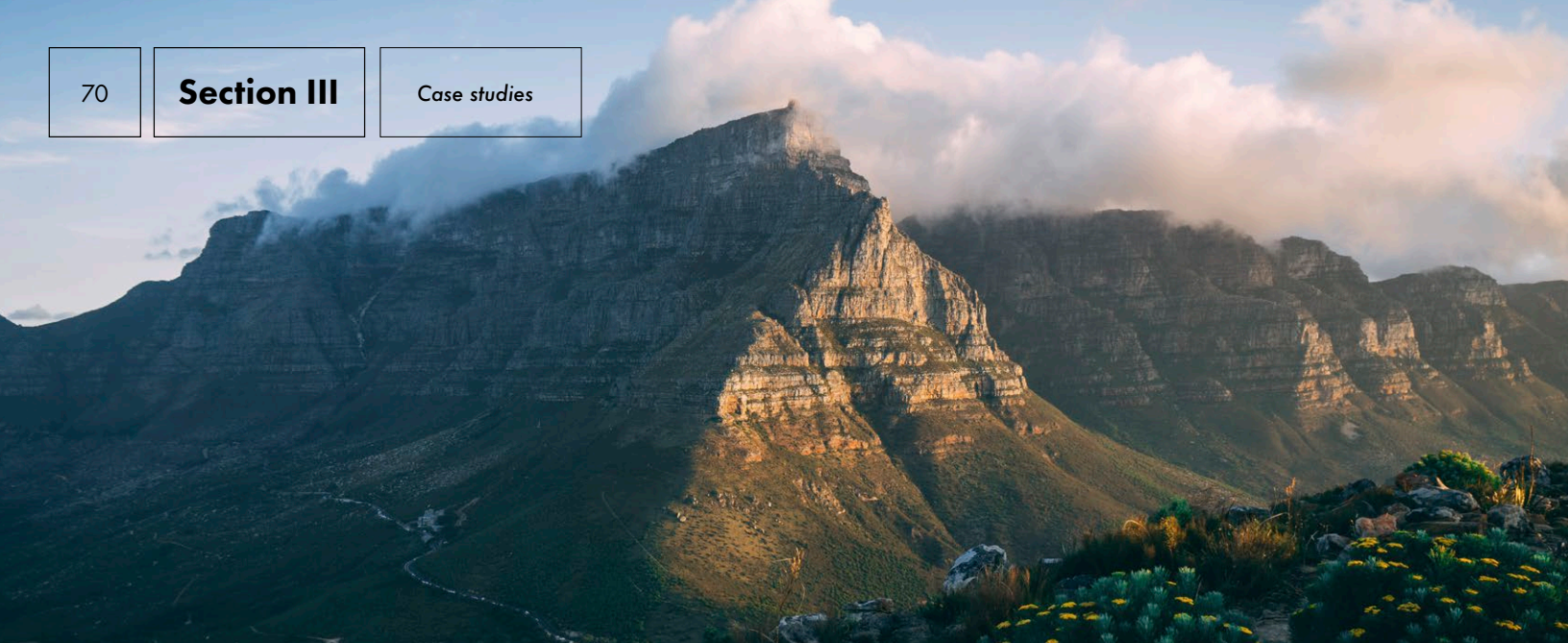
Mutual fund investing involves risk; principal loss is possible. There is no guarantee the Funds investment objectives will be achieved. The Fund will include only holdings deemed consistent with the applicable Environmental Social Governance (ESG) guidelines. As a

result, the universe of investments available to the Fund will be more limited than other funds that do not apply such guidelines. ESG criteria risk is the risk that because the Funds ESG criteria exclude securities of certain issuers for nonfinancial reasons, the Fund may forgo some market opportunities available to funds that don't use these criteria.

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**Before investing, carefully consider fund investment objectives, risks, charges and expenses. For this and other information that should be read carefully, please request a prospectus or summary prospectus from your financial professional or Nuveen at 800.257.8787**



## CASE STUDY

## Schroders—BlueOrchard

*Schroder ISF BlueOrchard Emerging Markets Climate Bond Fund*



<b>Year established</b>	2021
<b>Fund domicile</b>	Luxembourg
<b>Strategy-level AUM (USD)<sup>73</sup></b>	USD \$126M
<b>Target market</b>	Emerging markets
<b>Primary investments</b>	Labeled green and sustainability corporate bonds, sovereign bonds, and supranational bonds
<b>Management team</b>	4 portfolio managers, 2 dedicated impact professionals
<b>Aligned standard(s) &amp; regulation</b>	SFDR Article 9; OPIM, UNPRI

## Strategy overview

BlueOrchard, a member of the Schroders group, has been a prominent manager in impact investing within emerging markets for over two decades. Drawing on its experience in deploying the largest microfinance fund globally, BlueOrchard's Emerging Markets Climate Bond Fund's objective is to support the transition to net zero by providing capital to corporations, governments, and communities. The Fund addresses climate finance needs within

emerging markets, which are disproportionately affected by climate change.

The Fund's impact management approach centers on a comprehensive framework that aligns investments to climate-focused SDGs and establishes clear impact objectives, as supported by third-party verification and transparent disclosure processes. The investment strategy focuses on high-quality fixed income instru-

73. As of March 2025

ments in emerging markets—both from climate action issuers (i.e., those with business models addressing climate change, such as renewable energy producers) and bonds from other issuers with a targeted purpose (such as green and sustainability bonds issued by corporations). Each investment within the portfolio must meet strict criteria for both financial returns and positive impact potential—enabling the Fund to generate attractive financial performance while driving meaningful environmental outcomes across areas such as renewable energy, sustainable infrastructure, and biodiversity.

The Emerging Markets Climate Bond Fund targets environmental and climate action within emerging markets through a defined impact strategy underpinned by the B.Impact™ Framework, with a focus on evaluation based on ESG, Impact, and SDG mapping. BlueOrchard also emphasizes transparency and monitoring—both of impact performance within the portfolio and of BlueOrchard’s own engagement and value-add activities.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs<sup>2</sup> or revenues’ contribution to specific impact themes.*

The Fund has an impact strategy focused on sustainability and decarbonization—with BlueOrchard defining an investment universe comprised of bonds issued by companies with business models addressing climate change, as well as green and sustainability bonds issued by others to fund climate-related projects. BlueOrchard selects securities by evaluating their alignment against its proprietary B.Impact™ Framework and impact focuses, which encompass a broad range of sustainability themes, including renewable energy and energy efficiency, sustainable infrastructure, and waste manage-

### Responsibility

*The investor assesses an issuer’s ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

ESG assessment is integrated within BlueOrchard’s B.Impact Framework and is assessed and monitored alongside impact assessment. Each investment is evaluated using an ESG scorecard, which assesses sustainability risks at an enterprise level and incorporates metrics such as SFDR PAI indicators. To complete the scorecard, BlueOrchard draws on information provided by the company—such as sustainability reports and policies—as well as information from third-party providers, such as RepRisk and MSCI.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

BlueOrchard’s investment process is informed by the B.Impact™ Framework—in particular its underlying ESG scorecard, impact scorecard, and SDG mapping. The ESG scorecard ensures that investees meet minimum safeguards and account for ESG risks, while the impact scorecard (aligned to Impact Frontiers’ Five Dimensions) assesses potential impact on stakeholders and identifies potential KPIs. SDG mapping maps the security to aligned SDGs and associated quantifiable targets. These three areas together provide a cohesive picture of a security’s impact potential and an issuer’s broader sustainability approach.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

BlueOrchard formalized its engagement approach in 2023. Its public debt practice leverages Schroders ActivelQ, a proprietary tool to systematically track forward-looking engagement through an analytics portal and to chart progress against key milestones. Milestones include the identification and initiation of engagement activities, company or issuer acknowledgement, the creation of a plan to address issues (typically by sharing actionable suggestions and best practices with issuers), and a resultant change or completed objective. At a field level, BlueOrchard’s participates in industry bodies and field-building initiatives to advance its commitment to impact management and to drive transparency within the impact investing sector. For example, BlueOrchard actively engages in the Impact Disclosure Taskforce and contributed to the Sustainable Development Impact Disclosure (SDID) guidance—enabling it to meet its needs while influencing the broader landscape across various asset classes.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

BlueOrchard reports quarterly and annually on impact metrics. As part of a public-facing annual report for the Fund, BlueOrchard includes aggregated fund-level indicators tracking impact outcomes and fund allocations by SDG and issuer, as well as providing case studies highlighting the Fund’s impact. BlueOrchard aggregates several metrics to the portfolio-level, including tons CO2e avoided, clean energy capacity, and water savings. While data collection and coverage can be a challenge within emerging markets context, the quality of impact reporting—particularly among labeled bonds—is improving over time—supporting principled measurement and reporting.

**Featured practice: Impact framework**

BlueOrchard's impact management approach is underpinned by its B.Impact™ Framework, which has been implemented across a range of asset classes in addition to fixed income. The framework is managed by a dedicated impact team, which oversees impact across BlueOrchard's various mandates, conducts impact and ESG diligence, and retains the power to divest when impact performance falls below certain thresholds, where necessary.

The key principles behind the B. Impact Framework are a clear impact strategy (as articulated through a theory of change), an independent governance structure (i.e., the dedicated impact team), a standardized measurement approach (comprised of ESG and Impact scorecards), post-investment impact and ESG monitoring, and robust and transparent reporting. Within fixed income, BlueOrchard's assessment emphasizes the impact intent of a bond, project scale, end beneficiaries, and stakeholder impacts. Monitoring focuses on the collection of specific impact KPIs (aligned whenever possible to industry standards, such as IRIS+) and classifying investments within impact themes, along with detailed SDG mapping, which enables portfolio-level impact measurement and aggregation. The B.Impact™ Framework is also aligned to industry standards, including OPIM and the IMP five dimensions. In applying the B.Impact™ Framework to fixed income, BlueOrchard demonstrates the level of impact rigor and granularity possible within the asset class.

**Highlighted transaction: BTG Pactual, Green Bond**

BlueOrchard invested in BTG Pactual's Green Bond in 2023. BTG Pactual, Latin America's largest investment bank, is known not only for its traditional banking services, but also for its emphasis on sustainability and environmental considerations, as well as on social causes, such as an expansion of its services for small and medium-sized companies. BlueOrchard's investment in the BTG Pactual Green Bond is particularly noteworthy for its substantial allocation toward clean water infrastructure (nearly 40 percent of the proceeds)—a less common focus in emerging markets—which has provided access to clean drinking water for 82,982 people in Brazil through two major infrastructure projects. Additional proceeds financed six diverse renewable energy projects spanning wind, solar, hydropower, and biofuels. In addition to the prospective impact of the projects financed through the Green Bond, BlueOrchard chose to invest due to the security's strong impact reporting and alignment with multiple SDGs through a balanced approach to both climate mitigation and water resource protection.

**Investor spotlight:**  
*NS Partners*

NS Partners chose to invest in BlueOrchard's EM Climate Bond Fund as part of their commitment to aligning their investments with their ESG values. This commitment,

undertaken in 2020, followed the launch of NS Impact in 2017. NS Partners has since worked to progressively integrate ESG into all stages of the investment process. Throughout this endeavor, NS Partners has found it critical to work with partners, such as BlueOrchard, with an engrained impact focus. In particular, the EM Climate Bond Fund appealed to NS Partners for its ability to deliver transparent and meaningful impact and financial performance while reducing the risks of emerging markets investing. NS Partners' investment in BlueOrchard supports its goals of strengthening communities through reduced inequalities and tackling the challenges of climate change within emerging markets, with the hope of reducing climate impacts globally and creating sustainable and investible environments within emerging markets.





## CASE STUDY

T.RowePrice®

## T. Rowe Price

*Global Impact Credit Strategy*

<b>Year established</b>	2021
<b>Fund domicile</b>	Luxembourg
<b>Strategy-level AUM (USD)</b>	\$2.2B <sup>74</sup>
<b>Target market</b>	Developed markets
<b>Primary investments</b>	Labeled and non-labeled green, social, and sustainability bonds; corporate bonds; supranational bonds
<b>Management team</b>	1 dedicated portfolio manager, 1 dedicated sector portfolio manager, and 1 dedicated impact analyst (supported by 82 credit research analysts and 31 responsible investing associates.)
<b>Aligned standard(s) &amp; regulation</b>	UK SDR ("Sustainability Impact"); SFDR (Article 9); UNPRI

## Strategy overview

T. Rowe Price ("T. Rowe") launched its Global Impact Credit Strategy in 2021 with the aim of directing capital to achieve positive impact outcomes, driven by its conviction that fixed income as an asset class offers ample impact investing opportunities. By investing in both UoP bonds with specific environmental and social purposes and general-purpose issuances

from impact-focused companies, the strategy offers investors an opportunity to pursue competitive returns while also targeting impact objectives. Specifically, the strategy invests primarily in corporate bonds and securitized debt that align with two impact pillars: climate and resource impact, and social equity and quality of life. These in turn are aligned to six

74. As of March 31, 2025



sub-pillars and mapped to the SDGs.

T. Rowe's approach is anchored in an overarching impact charter, comprised of four key principles: materiality, or conducting security-by-security assessment to ensure that each opportunity is aligned to its impact pillars; measurability, which emphasizes the identification of security-specific KPIs and the quantification of securities' alignment to the SDGs; additionality, which emphasizes issuer engagement; and resiliency, encompassing adopting a long-term and holistic view of engagement. This

impact charter is undergirded by T. Rowe's proprietary Responsible Investing Indicator Model (RIIM)—its cross-asset class approach to ESG assessment and integration.

T. Rowe's Global Impact Credit Strategy is grounded in assessment of securities' contribution to SDG-aligned impact pillars via assessment of either current revenues or stated UoPs, in integrated impact and ESG assessment, and in active engagement with issuers to maximize positive impacts and minimize impact risks at the security level.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs' or revenues' contribution to specific impact themes.*

T. Rowe leverages an impact thesis, which integrates ESG considerations and two impact pillars and six sub-pillars to guide investment decision-making. To be included within the Global Impact Credit Strategy, either an issuer's current revenues (at least 50 percent) or UoPs must be allocated to projects that contribute to at least one sub-pillar. Securities also undergo additional diligence structured against Impact Frontiers' Five Dimensions framework to more deeply understand anticipated impacts and identify impact risks. Questions include, "Who experiences the outcome" and "What is the risk to people and the planet if the impact does not occur as expected"? In the process, a transaction-level impact thesis is created for each security, which encapsulates impact KPIs.

### Responsibility

*The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

T. Rowe categorically excludes issuers based on their involvement in areas that it views as causing harm, such as for-profit prisons, tobacco, or other activities in breach of the UN Global Compact Principles sans remediation. ESG and impact assessment are integrated, wherein issuers are rated on a traffic light system on their ESG footprint and may be given an ESG profile using third-party and internal data. RIIM assessments are tailored by sub-asset class (e.g., equities and corporate bonds, sovereign bonds, securitized bonds, and municipal bonds), and ESG factors ultimately inform T. Rowe's investment thesis, portfolio construction process, and approach to active engagement.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

Securities are assessed for their alignment to T. Rowe’s impact themes, subjected to deeper impact diligence against the Five Dimensions and undergo assessment under RIIM. Additionally, labeled bonds are subject to a separate ESG Bond Evaluation assessment to mitigate against greenwashing and to identify high-impact issuances. Areas of additional diligence include, but are not limited to, the issuer’s ESG profile (including the issuer’s environmental and/or social targets and commitments); its alignment to ICMA requirements; the presence of a second-party opinion; the credibility of UoPs, their management, and their allocation; refinancing terms; and post-issuance reporting. The frameworks of labeled bonds receive a weighted average overall score, which is integrated into investment decision-making.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

T. Rowe conducts impact engagement through two primary approaches. First, by directly engaging with issuers as active managers to further positive impact outcomes. At the time of purchase, T. Rowe assigns a stewardship objective to the issuer related to advancing targeted outcomes and actively engages with them to assess and support progress. Engagements typically take the form of meetings with boards and management teams, and where unsuccessful, can result in the decision to decrease the weight of an investment in the portfolio or divestment. Second is field- and market-level engagement via participation in broader industry initiatives, such as the ICMA Advisory Council and the Net Zero Asset Managers Initiative. The firm also contributes to working groups on impact reporting, climate transition finance, and nature-related financial disclosure.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

T. Rowe Price issues an annual impact report for the Global Impact Credit Strategy, which includes an overview of the portfolio (both by impact pillar, geography, and SDGs), a breakdown of the firm’s impact measurement approach and select impact metrics (such as metric tons of waste avoided, patients treated, and loans provided to small and medium enterprises), and concrete examples of active ownership initiatives and investor contribution case studies.

**Featured practice: *Impact measurement***

T. Rowe's approach to impact measurement is anchored in Impact Frontiers' Five Dimensions framework, which it leverages to support the construction of security-level theories of change. Developing theories of change for each security—which entails the identification of specific inputs, outputs, outcomes, and long-term impacts—enables T. Rowe to precisely determine how each holding or prospective investment advances impact. Accordingly, this supports the principled selection of KPIs, which are aligned to the widely accepted impact investing metrics catalog IRIS+, where possible.

To ensure that each investment aligns with its measurement expectations, T. Rowe engages with companies ex-ante and suggests appropriate KPIs. T. Rowe begins its ex-post evaluation work with impact reports typically received 12-18 months after a security's issuance for UoP bonds. To address any gaps in data, such as an absence of company reported-KPIs, the firm utilizes third-party sources and incorporates data from academic and non-governmental organization (NGO) sources when needed to supplement estimations. While T. Rowe primarily measures and reports on impact at the security level rather than the portfolio level, the firm aggregates data when KPIs share similar characteristics, enabling investor clients to more clearly understand their impact.

**Highlighted transaction: *DP World, Blue Bond***

In December 2024, T. Rowe served as the key investor in logistics-provider DP World's \$100 million Blue Bond, the first such issuance from a Middle Eastern corporate. In alignment with DP World's broader Ocean Strategy, the Bond will combat growing threats such as pollution and the loss of marine biodiversity by financing projects in sustainable marine transport, port operations, pollution prevention, and ecosystem conservation. In doing so, the transaction directs capital towards underfunded SDGs, including SDG 14 (Life Below Water) and SDG 6 (Clean Water and Sanitation). T. Rowe had supported the development of the Bond by facilitating introductory meetings at a third-party sustainability conference and providing suggestions around terms. Additionally, T. Rowe aided in the development of DP World's recently published Sustainable Finance Framework, which T. Rowe hopes will serve as a model to help other issuers scale blue issuances.

**Investor spotlight:**  
***TAM Asset Management***

TAM, a multi-manager model portfolio service (MPS), uses fixed income as its primary vehicle for impact investing, believing that this approach best achieves positive impact in public markets due to its ability to ringfence capital to projects that have impact additionality and demonstrate clear impact intentionality. TAM

chose to invest in T. Rowe's Global Impact Credit Strategy due to its balanced approach, which combines use of proceeds bonds with traditional issuances from sustainability-focused issuers. TAM additionally values this approach for its flexibility, T. Rowe's strong fundamental financial analysis, and its robust impact framework, which is supplemented by engagement and regular reporting. Furthermore, TAM values T. Rowe's primary markets leadership, as exemplified by its innovative work with the World Bank on projects like the Amazon Reforestation-Linked Outcome Bond. T. Rowe's strong track record from both a returns and impact perspective have made it a core holding in TAM's portfolios.

## CASE STUDY

## Wellington Management

*Global Impact Bond Fund*WELLINGTON  
MANAGEMENT®

<b>Year established</b>	2019
<b>Fund domicile</b>	Ireland
<b>Strategy-level AUM (USD)<sup>75</sup></b>	\$1.8B
<b>Target market</b>	Global
<b>Primary investments</b>	Labeled and unlabeled fixed income securities (sovereign, securitized, corporate, municipals, and agencies)
<b>Management team</b>	3 dedicated portfolio managers (supported by other stakeholders within Wellington, including ESG analysts and internal experts)
<b>Aligned standard(s) &amp; regulation</b>	SFDR Article 9; Net Zero Commitment

## Strategy overview

Wellington's Global Impact Bond Fund was launched in May 2019 and aims to achieve long-term total returns in excess of the Bloomberg Aggregate Hedged to US Dollar Index while creating positive, measurable impact by investing in fixed income opportunities that contributes solutions to at least one of the firm's 11 "impact themes," which are in turn aligned to

the SDGs.<sup>76</sup> These impact themes are organized into three overarching categories, which the Fund defines as key to driving "a just transition to a sustainable future": Life Essentials (Affordable Housing, Clean Water and Sanitation, Health, and Sustainable Agriculture and Nutrition); Human Empowerment (Digital Divide, Education and Job Training, Financial Inclu-

75. As of January 31, 2025, Strategy Level AUM

76. While Wellington Management supports the SDGs, it does not manage the portfolio to any targeted level of alignment to them. Wellington determines the goals and targets that, in its view, each company is aligned with. Other investment firms may take different views.

sion, and Safety and Security); and the Environment (Alternative Energy, Resource Efficiency, and Resource Stewardship).

Both labeled and unlabeled securities feature within the Fund's investment universe, which is diversified across all major fixed income sub-asset classes. To be included within the bond portfolio, issuers or securities must meet the Fund's core impact criteria of materiality (i.e., impact is central to the issuer's activities and related to the impact themes), additionality (i.e., the issuance generates impact that otherwise may not have been achieved), and measurability (i.e.,

the issuance generates quantifiable impact that can be tracked over time).

Investing in both labeled and unlabeled securities, the Global Impact Bond Fund's impact approach is grounded in assessment of securities based on their *materiality* to one or more of the firm's 11 impact themes, their *additionality*, and their *measurability*. Also core to the Fund's approach are robust assessment of issuers' ESG practices, regular monitoring of impact performance, and frequent engagement with issuers in support of improvements in their impact reporting and overall sustainability.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs' or revenues' contribution to specific impact themes.*

Issuances are assessed against three primary impact criteria: materiality, meaning an issuer must derive over 50 percent of its revenue from impact activities in the case of general-purpose bonds or have stated UoPs aligned to at least one of the Fund's 11 impact themes for labeled bonds; additionality, which assesses the extent to which the issuer or UoPs are creating impact that otherwise may not have happened; and measurability, which assesses whether impact is quantifiable, as evidenced through the identification of an impact KPI.

### Responsibility

*The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

The Fund takes a multi-pronged approach to assessing issuers' ESG performance. Issuers are subjected to a do no significant harm test using SFDR's Principle Adverse Impact indicators (PAIs). For a given PAI, the Fund may compare an issuer's sustainability performance against peers' (e.g., GHG emissions for a given industry) or conduct more qualitative assessment of policies and practices, as appropriate. Additionally, on an ongoing basis, issuers are rated by a dedicated ESG research team, and the Fund may pursue divestment in cases where ESG controversies arise. ESG analysts conduct in-depth analysis of factors that are considered material to companies within their sector coverage. Financial materiality forms the foundation of the research process, as the ESG issues that are likely to impact long-term value differ by sector and industry.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

In addition to assessing investments based on their materiality, additional-ity, and measurability—as well as on their issuers’ ESG performance—the Fund subjects labeled bonds to other assessment criteria. In the case of labeled UoP bonds, a specific framework is applied that examines, among other things, their structural characteristics, including the percentage of proceeds allocated to social or environmental projects and the length of lookback period.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

The Fund leverages issuer engagement to meet several objectives: to gather more information about their investments, to take corrective actions in the case of impact underperformance (including divestment), to gather information about material ESG considerations, and to support the development and disclosure of appropriate impact KPIs in support of the Fund’s impact goals. The Fund may directly engage with issuers multiple times a year and aims to cultivate relationships over a longer term to support issuers in evolving their practices.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

In assessing investments, the Fund identifies an impact KPI per transaction to collect annually—to the extent possible, leveraging a loose taxonomy of KPIs organized by theme to support consistency in measurement and aggregation. Impact KPIs, such as units of affordable housing financed or GHG emissions avoided, are aggregated at the fund level and included in annual impact reports. Additionally, allocation data is shared by theme and SDG, with quantitative data paired with qualitative case studies.



### Featured practice: *Impact diligence*

The Global Impact Bond Fund's approach to impact diligence is distinguished by its granular, bottom-up, and integrated nature—involving strong collaboration between various teams within the firm. Investible opportunities are typically sourced by the investment team. The Impact Management and Measurement (IMM) practice collaborates closely with the investment to document how the issuer or issuance meets the criteria for materiality, additionality, and measurability ahead of investment—taking input from ESG analysts and other internal experts. Included in documentation is a theory of change created for the issuer/issuance, assessment of its alignment with SDG goals and targets, and consideration of any impact risks. If opinions on impact eligibility differ among collaborators, real-time debates supported by sector- and issuer-specific research contribute to a highly dynamic investment process. If approved, the security type is included within the Fund's impact universe and may be purchased repeatedly without need for additional impact assessment.

On a weekly and monthly basis, stakeholders involved in managing the Fund convene to discuss emergent findings, trends, and challenges. Tracking each of its investments in the same, comprehensive database, the IMM Practice assists the investment team in reviewing the impact materiality of each holding on an annual basis using a combination of third-party and issuer published data. Significant declines in materiality form a basis for issuer engagement and even divestment in certain cases.

### Highlighted transaction: *Aegea*<sup>77</sup>

In 2022, the Global Impact Bond Fund invested in the debt of Aegea, Brazil's largest private sanitation company, which falls under the Fund's Clean Water & Sanitation theme. Aegea has set ambitious sustainability goals that drive real world impact: to provide 99% of the population with access to drinking water and 90% with adequate sanitation within their operational area. Additionally, the company aims to reduce energy consumption in water and sewage treatment by 15% percent between 2021 and 2030. The Fund has purchased both general-purpose and sustainability-linked bond issuances from Aegea in support of these objectives.

Aegea serves over 31 million people across 15 states. With around percent of Brazil's population lacking basic sanitation, water pollution and waterborne diseases are prevalent. Aegea's planned expansion of sewage infrastructure and services support improvements in access to clean water, reductions in water pollution, and enhancement of public health outcomes.

### Investor spotlight: *Square Mile*

Square Mile, a UK-based consulting company, focuses its research on fixed income impact funds on strategies that invest in securities that have UoPs demonstrating a clear intention to generate a broader positive social or environmental impact or that have issuers whose core products and services provide demonstrable social and environmental impact. It also priori-

77. "Sustainability Report", Aegea, 2023 and "Socio-Environmental Report", Aegea, 2023; Company case study example is for illustrative purposes only and should not be interpreted as a recommendation or advice

tizes strategies that demonstrate issuer engagement. Square Mile invests in the Wellington Global Impact Bond strategy because it offers the compelling proposition of prioritizing both the pursuit of financial returns—which aim to outperform the Bloomberg Global Aggregate Index—and of substantial positive social and environmental impact. The strategy encompasses a structured investment process that meticulously evaluates potential investments using quantitative and qualitative measures and provides comprehensive annual reports that provide detailed insights into engagement priorities, thematic allocations, investment spotlights, impact outcomes, engagement case studies, and SDG alignment—facilitating a clear understanding of the strategy’s impact and performance.



## Section IV

*Allocator  
resources*

# Allocator resources

## Overview

Allocators can face numerous challenges in navigating the role that impact fixed income can play within their portfolios. As previously established, the unclear landscape of opportunities and a lack of shared language present obstacles to developing norms around what impact should look like within this asset class. Moreover, limited current understanding of how existing impact investing standards and frameworks translate to fixed income, combined with a lack of clear best practices for managing impact throughout the investment process, creates real barriers to scaling impact fixed income.

Building on the classification frameworks introduced in [Section II](#), the following resources are designed to support asset allocators, whether they are just beginning to explore impact fixed income or are seeking to refine and enhance their existing impact investing strategies. These resources offer practical and accessible guidance on how to approach the asset class across all stages of the investment lifecycle, in different themes, geographies, and sub-asset classes, as well as via direct and indirect approaches.

**This section consists of four sequential tools that follow the investment process**—from the initial development of an impact strategy to the ongoing processes of impact monitoring and measurement. These tools are intended to equip allocators with the resources

needed to make informed decisions, implement best practices, and ensure their investments align with long-term impact objectives. Whether a newcomer to impact or an experienced impact allocator, the roadmap offers a structured approach to integrating impact into fixed income portfolios. Accordingly, we provide hypothetical scenarios of how two different asset allocators—one with prior experience in impact investing within other asset classes, and another with no prior experience in impact investing but substantial experience in fixed income—would use the tools to begin their impact fixed income journeys.

The following guidance builds on several important resources recently published for the benefit of allocators. These include GIIN’s [“Pursuing Impact Within a Portfolio: Insights from Institutional Asset Owners”](#) and BlueMark and CASE at Duke University’s [“A Field Guide: Impact Due Diligence and Management for Asset Allocators.”](#)

FIG. 15 Overview of allocator resources



# Strategy development

**This first tool supports allocators in articulating a clear, intentional purpose for fixed income within their portfolio-level impact strategies, or what GIIN refers to as an “impact priority.”** Framed within a total portfolio activation approach, this tool supports allocators in recognizing and harnessing the unique characteristics of impact fixed income as a complement to other asset classes. It offers a four-step process to guide allocators from reflection to thesis development, helping to ensure that impact fixed income approaches are meaningfully aligned with broader portfolio- or theme-level impact goals.

## Step 1: Take stock

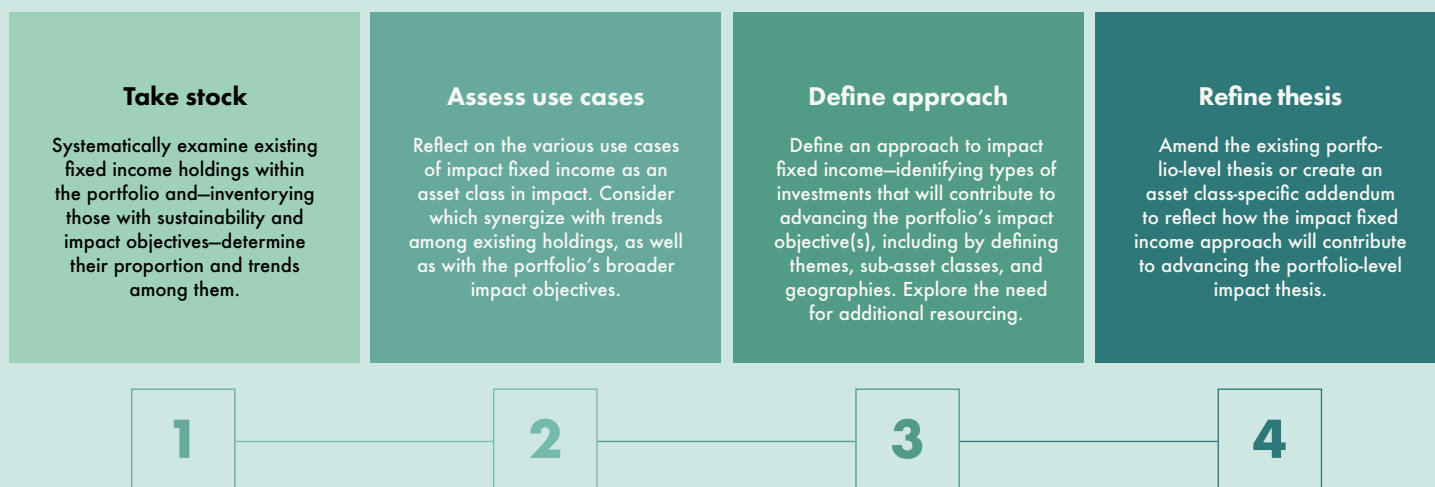
Knowing what you own is the foundation of any effective strategy. Thus, we encourage alloca-

tors to take stock of their existing fixed income holdings—inventorying investments that have sustainability, ESG, or impact characteristics. In doing so, allocators should assess what proportion of their current portfolio is aligned with their impact objectives, while also identifying any trends among holdings, such as concentrations in particular themes or geographies, to support strategic decision-making about where to “lean in,” adjust, or expand.

## Step 2: Assess use cases

Having taken stock of their existing holdings, allocators should reflect on the unique role that fixed income can play to achieve impact priorities. As introduced in [Section I](#), impact fixed income enables allocators to contribute to solutions at scale, meet pressing challenges with

**FIG. 15 Strategy: Define a strategic purpose**



urgency, and generate highly specific impacts. In this step, allocators should consider how existing holdings, as well as the investible universe of fixed income opportunities, can be relevant to achieving desired impact objectives.

### **Step 3: Define an impact approach**

Building on this reflection, allocators should formally define a forward-looking impact approach for their fixed income portfolios. This includes identifying specific types of investments to advance portfolio- or theme-level impact objectives. Investors may consider relevant themes, sub-asset classes, and geographies, and assess whether additional resources—such as new relationships with managers and issuers, as well as technical expertise—may be needed to support execution.

### **Step 4: Refine the impact thesis**

Having defined an impact approach, allocators are encouraged to revisit their existing impact thesis—formally refining or appending it to reflect their strategic decisions. Doing so presents an opportunity for allocators to articulate how impact fixed income will work in concert with other asset classes to advance overarching impact objectives.



## Allocator scenarios

**Allocator 1***Expanding impact across asset classes*

Allocator 1, in collaboration with its investment and impact teams, assesses its GSS holdings' alignment with the portfolio's impact themes. Leveraging its existing impact expertise, Allocator 1 takes the further step of identifying general-purpose and/or non-labeled bonds that may contribute to these themes, using platforms like Morgan Stanley Capital International (MSCI) and Bloomberg for support.

It finds that its current holdings—mainly sovereign and corporate bonds—prioritize large-scale impact and sees opportunities to diversify its impact fixed income approach by pursuing other types of investments that can generate more localized outcomes (e.g., via municipal bonds and MBS). The team also chooses to pursue transition and sustainability bonds from sovereigns and multilateral institutions to further its impact goals.

To guide future allocations, Allocator 1 defines a set of impact investment archetypes (e.g., municipal bonds for green transit, MBS for affordable housing). It then updates its existing impact thesis and creates a more expansive asset class-specific addendum to articulate how its impact fixed income approach advances both portfolio- and theme-level goals, complementing impact generated via investments in other asset classes.

**Allocator 2***Building impact capacity*

Lacking extensive in-house expertise in impact investing, Allocator 2 begins its journey with GSS bonds, seeing them as a relatively accessible entry point. This approach offers Allocator 2 a structured way to begin engaging with impact through instruments that provide clear, upfront disclosure on impact and financial returns and, in some cases, external assurance via SPOs.

To understand its existing impact exposure, Allocator 2 uses finders and overlays in its Bloomberg platform to identify and categorize GSS holdings within the portfolio. It then segments these holdings by theme, geography, and sub-asset class. Allocator 2 also filters for bonds with SPOs, using this as a proxy for impact credibility.

Through the analysis, Allocator 2 identifies a heavy concentration in green bonds issued by corporates and sovereigns, with a dominant focus in climate mitigation themes, such as renewable energy and low-carbon infrastructure. Allocator 2 decides to lean into these themes as its initial focus. It conducts research into other opportunities (e.g., in other sub-asset classes and geographies) that it can pursue to deepen its impact and formally defines its approach to impact fixed income by developing an impact thesis.

# Strategy selection & assessment






**This second tool provides a structured approach for assessing investment strategies’ impact rigor.** Flowing from the “*Core Characteristics*” framework, this strategy selection and assessment tool aligns with the Impact Principles—enabling allocators to evaluate the impact rigor of fixed income managers’ strategies, practices, and reporting.

Importantly, this tool may either be used as a standalone resource for impact assessment or be fully integrated into an allocator’s broader due diligence process. It may also be used in conjunction with existing impact manage-

ment frameworks, both within allocators’ bespoke impact management systems and as a supplement to existing industry standards and frameworks, such as Impact Frontiers’ Impact Ratings. Additionally, allocators can append this tool with guiding questions to support more disciplined strategy-level assessment. Some select questions may include:

- *Intentionality*: Do you have pre-defined impact objectives? What are they, and how do they guide security selection?
- *Responsibility*: Do you consider ESG factors in your selection of securities? What factors

**FIG. 17 Conduct impact assessment: Strategies**

Characteristics	Score	Assessment
<b>Focus</b> Having a defined impact strategy in place that guides the selection of fixed income securities	Low  High	[Provide evidence and rationale behind the scoring of low (1) to high (5).]
<b>Responsibility</b> Assessing issuers’ ESG practices and ensuring they do no significant harm as part of investment decision-making	Low  High	[Provide evidence and rationale behind the scoring of low (1) to high (5).]
<b>Completeness</b> Taking a holistic approach to assessing securities (i.e., considering UoPs/revenue, issuer footprints, securities’ structure, and other sub-asset class- and thematically-specific factors)	Low  High	[Provide evidence and rationale behind the scoring of low (1) to high (5).]
<b>Engagement</b> Optimizing the portfolio by leveraging impact measurement and issuer engagement	Low  High	[Provide evidence and rationale behind the scoring of low (1) to high (5).]
<b>Transparency</b> Collecting, aggregating, and transparently reporting on the impact of investments	Low  High	[Provide evidence and rationale behind the scoring of low (1) to high (5).]

do you consider, and how are they weighted alongside other factors in investment decision-making?

- *Completeness:* What is the full range of considerations you consider in selecting securities?
- *Engagement:* How do you respond to ESG risks or controversies that arise during the holding period? To what extent do you engage with issuers or industry bodies on impact?
- *Transparency:* What is your process for measuring the impact of your investments? Do you produce an impact report?

Ultimately, the tool flexibly enables allocators to systematically evaluate diverse strategies that may feature within their portfolios, supporting effective oversight.

The tool can be used at multiple stages of the investment lifecycle. For example, an allocator might incorporate this tool as part of pre-investment impact diligence, possibly including a summarized version in an investment committee memo. Post-investment, an allocator may revisit the tool and identify opportunities for engagement within lower-rated dimensions. Additionally, allocators can use the framework in an evaluative manner across their whole portfolio—rating both new and existing managers to map performance and take stock of areas of strength and opportunities for growth.

## Allocator scenarios

**Allocator 1***Expanding impact across asset classes*

Allocator 1 leverages this tool in several ways. Firstly, it treats the tool as a resource to articulate its own impact fixed income approach and identify opportunities for enhancement over time. Secondly, having assessed that there is opportunity to expand its fixed income portfolio by investing in specialized, impact-focused strategies, Allocator 1 uses this tool to structure its manager selection process. It layers additional criteria onto the tool, which includes an assessment of each manager's alignment to Allocator 1's impact themes.

To institutionalize this process, Allocator 1 appends the adapted framework to its investment memo—ensuring consistency and transparency in impact decision-making. Importantly, “medium” or lower scores in specific impact characteristics are flagged as areas for ongoing engagement with managers. Allocator 1 views these gaps not as disqualifiers, but as opportunities for long-term partnership and capacity-building.

**Allocator 2***Building impact capacity*

While choosing to invest in individual fixed income transactions, Allocator 2 uses the tool to deepen its understanding of what “impact” means in this asset class in support of its own learning, market landscaping, and pipeline development. As a new entrant to the impact investing market, Allocator 2 derives value from the framework as a means of structuring its impact investing journey, and specifically in determining the internal capabilities and resources needed to execute a robust impact fixed income approach.

# Security-level assessment

**This third tool offers allocators a high-level checklist to holistically assess individual securities across sub-asset classes.** It is designed as a simple tear sheet for investors to evaluate baseline impact characteristics, and it may also be appended with other elements to reflect an allocators' specific impact priorities. This tool serves two primary purposes:

- *For allocators making direct investments*, it acts as a practical screening tool to evaluate the impact integrity of individual securities prior to investment.
  - *For allocators evaluating external managers*, it can support deeper analysis of underlying securities in a manager's portfolio—offering additional insights into the robustness of a strategy's impact assessment and monitoring processes.
- Drawing upon the “*Anatomy of an impact security*” framework introduced in [Section I](#), this tool is structured along the categories of UoP analysis, structural characteristics, and assessment of the issuer itself:
- The first category, “**Use of proceeds**,” focuses on evaluating the stated activities financed by the security, how they align with an allocator's broader impact strategy, as well as the issuer's broader impact in the case of general-purpose bonds.
  - The second category, “**Structural characteristics**,” lays out impact markers related to the structure of securities, including the length and structure of funded activities as well as provisions in case of changes to intended UoPs.

**FIG. 18 Conduct impact assessment: Securities**

Use of proceeds	Structural characteristics	Issuer
<p><i>UoP instruments</i></p> <p><input type="checkbox"/> Stated UoPs are linked to activities that have a clear and evidence-based contribution to social and/or environmental outcomes</p> <p><input type="checkbox"/> Stated UoPs are aligned to the broader impact strategy</p> <p><i>General purpose bonds</i></p> <p><input type="checkbox"/> The bond is linked to an issuer with a clear and evidence-based contribution to social and/or environmental outcomes</p>	<p><input type="checkbox"/> There is a clear, transparent, and prompt plan/timeline for the distribution of proceeds</p> <p><input type="checkbox"/> There are provisions in case there is change in UoPs or if it does not meet its impact objective(s), where applicable</p> <p><input type="checkbox"/> The term is an appropriate length to ensure completion of activities associated with UoPs, where applicable</p> <p><input type="checkbox"/> The lookback period is limited (ideally to 2 years) to ensure financing is directed towards newer activities with impact additionality</p>	<p><input type="checkbox"/> Issuer demonstrates commitment to ESG via their policies, operations, and conduct</p> <p><input type="checkbox"/> Issuer has a track record of sharing complete, relevant, and granular impact data on a regular cadence (e.g., annually)</p> <p><input type="checkbox"/> Issuer demonstrates willingness and capacity to manage impact and ESG risks as they arise</p>
<p>For labeled securities: <input type="checkbox"/> The issuance meets all requirements of the relevant bond principles</p>		

- The third category, **“Issuer,”** relates to the issuer’s own sustainability and impact track record and their capability with respect to impact reporting and impact management.

Allocators may find the considerations within this tool useful as a “double click” into the prior “strategy selection and assessment” tool in further defining the elements comprising a

“complete” approach to the evaluation of securities. Where a security does not meet a particular element, allocators may find opportunities to initiate discussion with issuers or managers about impact performance—leveraging their influence to encourage deeper levels of impact discipline.

### Allocator scenarios

#### Allocator 1

##### *Expanding impact across asset classes*

In addition to deploying capital through external managers, Allocator 1 also makes direct investments in fixed income issuances. Its impact team customizes the checklist to reflect Allocator 1’s specific impact priorities—using it as a foundational tool for conducting structured, issuance-level diligence. Additionally, the tool is used to inform engagement with issuers, particularly for providing feedback on new bond frameworks.

As Allocator 1 also invests heavily through managers, the checklist enhances its impact diligence of managers’ strategies. The checklist enables Allocator 1 to look through managers’ portfolios to assess the impact of underlying securities. Thus, Allocator 1 is not just able to assess managers’ high-level alignment with stated impact objectives, but also their technical competency in sourcing, evaluating, and reporting on their investments.

#### Allocator 2

##### *Building impact capacity*

Allocator 2 decides to take its first step in impact investing by making direct investments in individual securities, and it adopts the checklist as-is for guidance. With limited internal experience and capacity in impact investing, Allocator 2 makes minimal modifications to the checklist, relying on its structure to ensure consistent, credible evaluation of individual issuances.

The checklist helps Allocator 2 build fluency in key elements of impact assessment and confidence as its investment team begins to navigate a new market segment. While Allocator 2 intends to invest through specialized, impact-focused managers in the future, it sees value in gaining direct experience in assessing impact at the issuance level—developing an understanding of issuer practices, structuring, and what impact can be generated through this market.

# Monitoring & measurement

This final tool addresses the persistent challenge of monitoring and measuring impact performance in fixed income—establishing clear expectations of performance for both managers and allocators. It outlines the characteristics of high-performing investors and is organized around four core components of strong performance: regular reporting, consistent KPI collection, data aggregation, and ongoing management. Each component provides a reference point for what allocators can reasonably expect from managers, as well as how they themselves can structure oversight to support accountability and transparency.

Under **regular reporting**, managers are expected to provide impact updates at least annually, though the format and depth of this reporting may vary. Allocators may use various other resources—such as BlueMark’s [“Raising the Bar”](#) or Impact Frontiers’ [“Impact Performance Reporting Norms”](#)—to benchmark reporting quality and assess whether information is decision-useful.

For **KPI collection and data aggregation**, allocators can and should expect managers to consistently collect and aggregate data at various levels (i.e., transaction, thematic, and portfolio). Allocators play a key role in setting

**FIG. 19 Monitor & measure performance**

Notable Practices	Considerations for monitoring and measurement
<p><b>Regular reporting</b></p> <p>Issues robust impact reporting on at least an annual basis; may provide more granular reporting on a quarterly basis</p>	<p>Allocators should expect managers to supplement quantitative data collected from issuers with additional strategy- and market-level commentary, focused on the manager’s own priorities and engagement</p>
<p><b>Consistency in KPI collection</b></p> <p>Endeavors to collect data as consistently as possible, referencing a catalog of shortlisted KPIs relevant to targeted impact themes</p>	<p>Due to the breadth of themes that impact fixed income investors typically invest in, consistency in KPI collection may be more possible at the theme level, rather than at a portfolio level</p>
<p><b>Data aggregation</b></p> <p>Endeavors to aggregate metrics and report on aggregated metrics in annual reporting</p>	<p>Reflecting the breadth of themes that impact fixed income investors typically invest in, impact reports may feature a wide array of aggregated metrics</p>
<p><b>Ongoing management</b></p> <p>Has processes in place to hold issuers and managers accountable to reporting, responding to risks and controversies, and addressing under-performance</p>	<p>Impact fixed income investors are also likely to engage at the market-level, such as through participation in industry working groups, as well as with specific issuers</p>



expectations for the level of granularity, rigor, and analysis required in reporting. Often, they also play an important role in holding issuers accountable to consistent reporting.

For **ongoing management**, allocators should bear in mind its unique expression within impact fixed income. As discussed in [Section II](#), monitoring and engagement differ in impact fixed income relative to other markets. For exam-

ple, establishing impact targets or conducting outcomes monitoring is less common. Moreover, issuer engagement typically takes place prior to an issuance's purchase at a distinctly market-level altitude, with engagement during the holding period principally focused on addressing ESG-related issues or controversies.

### Allocator scenarios

#### Allocator 1

##### *Expanding impact across asset classes*

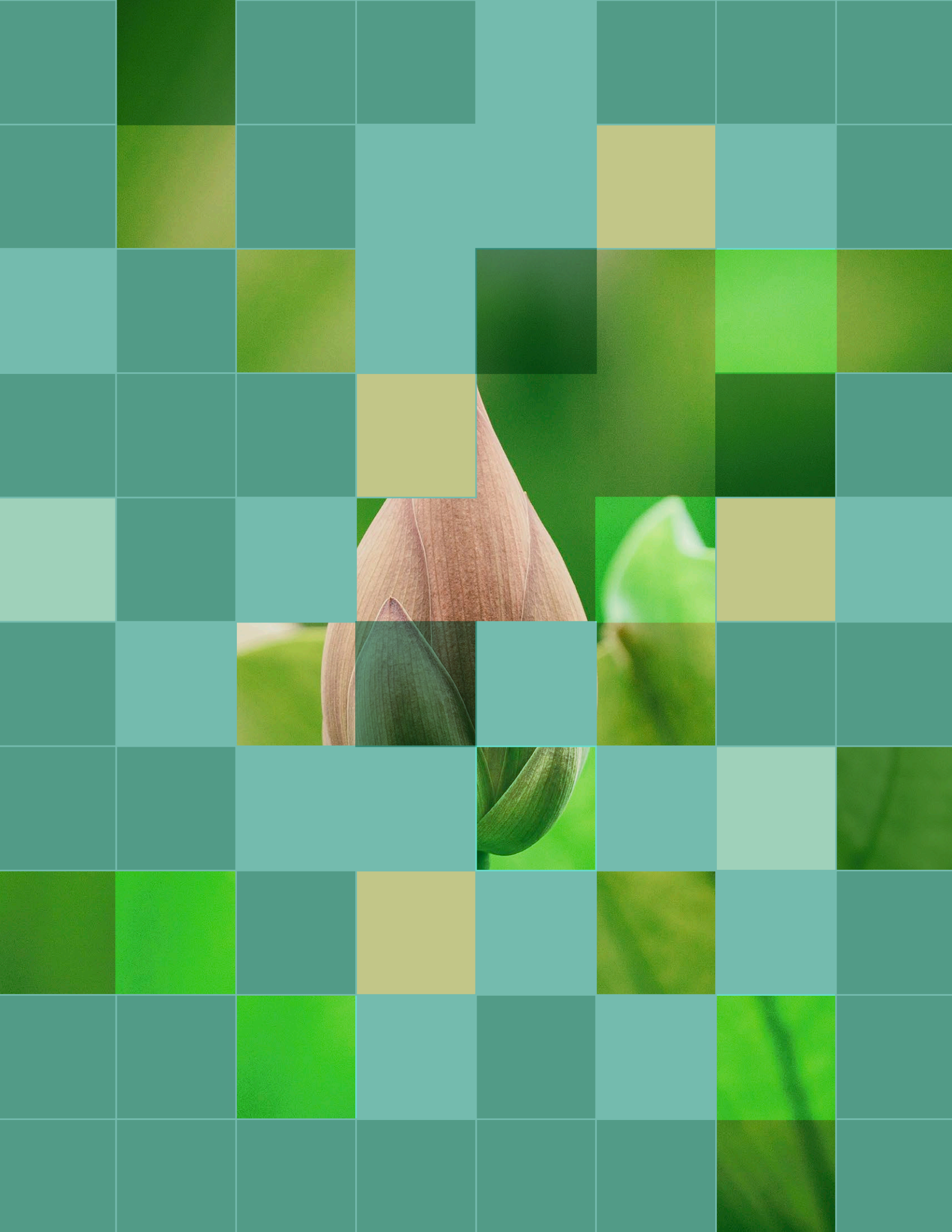
As an investor that chooses to publish an annual impact report, Allocator 1 uses this tool—alongside other leading frameworks, such as BlueMark's *Raising the Bar* and Impact Frontiers' *Impact Performance Reporting* norms—to shape its own approach to impact reporting. Recognizing that impact reporting in fixed income can differ from reporting in the private markets, Allocator 1 takes away guidance from this tool on how to tailor its reporting format, content, and metrics to capture the distinct characteristics of this asset class.

In parallel, Allocator 1 draws on this tool to evaluate the rigor of impact reporting provided by external managers. It also serves as a supplemental resource to support Allocator 1's assessment of managers under [Strategy selection and assessment](#).

#### Allocator 2

##### *Building impact capacity*

Allocator 2, while not yet equipped with the internal capacity and resources to produce a formal impact report, uses the framework aspirationally to shape its thinking around impact measurement and future reporting capabilities. As a new entrant to impact investing, Allocator 2 sees value in the framework as a blueprint for what strong impact reporting in fixed income could look like. This guidance informs how Allocator 2 organizes its data collection processes and sets expectations for what it may eventually report, if it so chooses, even if those capabilities are still in development.



# Conclusion

Fixed income has long been the bedrock of institutional allocators' portfolios—valued for its financial capabilities of generating stable and predictable returns, adding liquidity, and providing essential diversification benefits. However, its potential as a powerful lever of social and environmental impact has been relatively untapped and underexplored. It is time to shift the narrative on fixed income. Fixed income is more than just an instrument for capital preservation. Rather, it has enormous and growing potential as a vehicle for achieving targeted and authentic impact outcomes at scale.

With global challenges demanding trillions in capital, expanding the impact investing toolkit to include a broader range of instruments—particularly those capable of mobilizing large volumes of capital—is essential. To this end, investors must be intrepid in exploring how fixed income, the world's largest asset class, can be intentionally activated for impact. And institutional asset allocators, as by far the largest investors in the fixed income markets, are uniquely positioned to lead the charge.

Ultimately, what this publication has sought to demonstrate is that impact fixed income is a force multiplier in enabling investors to align their goals of generating solid returns that can withstand economic turbulence and achieving meaningful impact outcomes. Impact fixed income—by virtue of its capacity to contribute

to scalable solutions, to rapidly respond to our most urgent social and environmental challenges, and to generate highly specific outcomes—has powerful and underappreciated impact capabilities. Comprising a diverse universe of financially attractive impact opportunities and supported by a regulatory landscape that, while imperfect and evolving, can provide an additional layer of impact assurance, fixed income should be seen by allocators as an essential and accessible component of their impact portfolios that align with their evolving mandates around sustainability and fiduciary stewardship.

Greater impact intentionality from institutional asset allocators is critical to ensuring that impact fixed income can scale. Thus, this publication has taken a first step in defining investor- and strategy-level impact, in complement to existing transaction-level definitions, through the introduction of frameworks aligned to widely accepted impact investing frameworks. It has provided investor case studies showcasing these frameworks in action, in addition to actionable guidance on how to begin approaching the asset class as part of a total portfolio activation approach. We contend that mobilizing allocators to embed impact more deeply into their fixed income investment decisions holds the potential to amplify the volume of capital deployed for sustainable, scalable change by two or three times.

***Scaling Solutions* is a call to action for investors and a bridge between the historically siloed worlds of fixed income and impact investing.**

Realizing this opportunity requires deliberate, intentional action. We recommend **allocators** begin by examining their existing portfolios—taking stock of current holdings, assessing where capital is already aligned with impact objectives, and identifying opportunities to do even more. Allocators must lean into this asset class not as a niche, but as a core means of aligning profit with purpose. This will require active engagement: working closely with asset managers to shape product offerings, collaborating with issuers to drive innovation, and signaling to the broader ecosystem that the demand for high-impact investment options is both urgent and growing.

**For others**—including asset managers, governments, multilateral institutions, and civil society—the mandate is clear: meet the moment with ambition. The path forward demands a spirit of partnership and co-creation. Only by working together across sectors and stakeholders can we build the financial products, policy frameworks, and market infrastructure needed to unlock the full potential of impact fixed income.

**We stand at an inflection point. The public markets are too vast and too influential to remain on the sidelines of**

**impact investing. The opportunity is in plain sight. The time for action is now.**



# Appendix

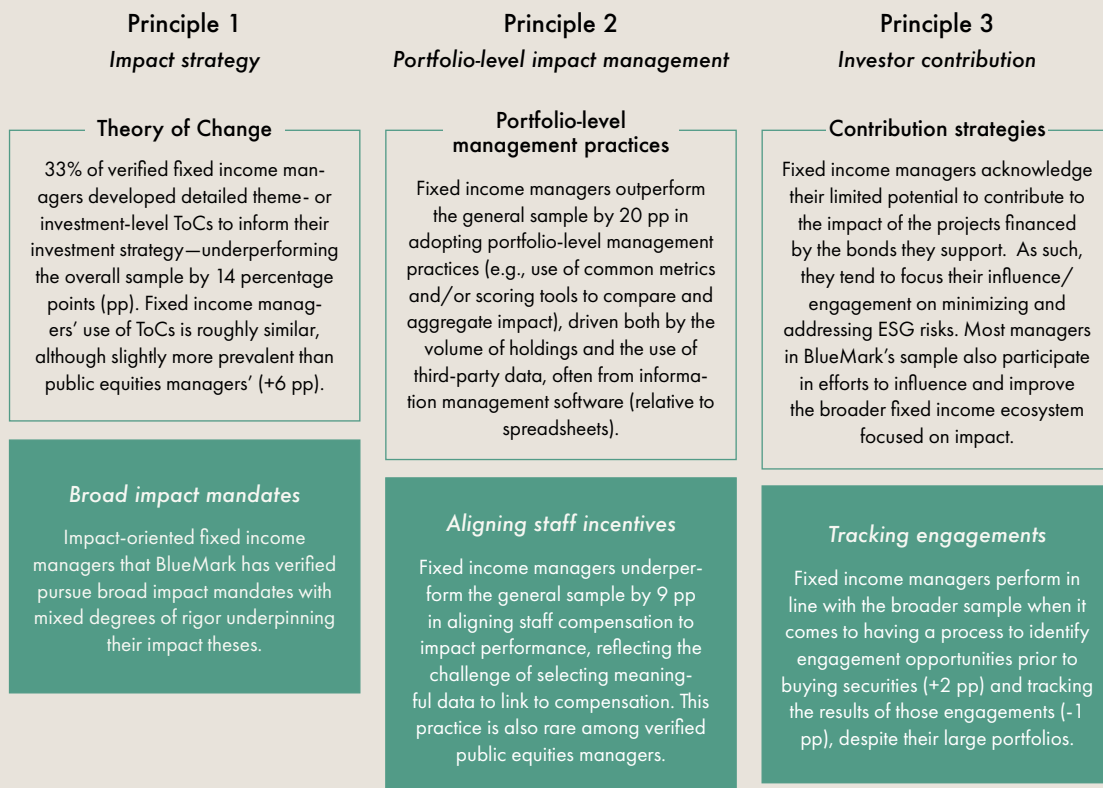
# Impact fixed income and the impact principles

Underpinning the development of the “*Taxonomy*” and “*Core Characteristics*” frameworks was more detailed analysis conducted by BlueMark on fixed income managers’ performance against each of the Characteristics and their aligned Impact Principles.<sup>78</sup> To generate this analysis, BlueMark used data from its overall sample of nine verifications, as well as specific market segments within that sample, to high-

light notable disparities in the adoption of certain impact practices between fixed income managers and impact investors of other asset classes.<sup>79,80</sup> An overarching finding from these verifications is the clear applicability of the Impact Principles to fixed income—pointing to a straightforward path for the expansion of impact investing practice.

## Focus

Having a defined impact strategy in place that guides the selection of fixed income securities



78. The Operating Principles for Impact Management, often referred to as the Impact Principles, are a set of voluntary guidelines housed by the GIIN to ensure that impact investments are managed with discipline, transparency, and accountability. They are widely adopted across the impact investing industry to standardize how investors integrate impact considerations throughout the investment lifecycle.

79. BlueMark’s overall sample of 149 verifications comprises impact investors in a wide array of asset classes, including private equity, private debt, public equity, and real assets, among others.

80. BlueMark has measured disparities in the adoption of certain impact practice by taking the difference in the percentage of fixed income investors who have adopted a certain practice and the percentage of a given peer group (e.g., overall sample, public equities managers) that has adopted the practice, resulting in a percentage point (pp) difference.



## Completeness

Taking a holistic approach to assessing securities (i.e., considering UoPs/ revenue, issuer footprints, securities' structure, and other sub-asset class and thematically specific factors)

### Principle 4

#### Impact due diligence

##### Impact assessment frameworks

Fixed income managers outperform the overall sample when it comes to their processes for assessing the impact potential of an investment prior to purchase, with more than half (55%) utilizing industry standards as part of their impact assessment frameworks (e.g., Impact Frontiers' Five Dimensions).

##### Clear impact thresholds

For a subset of bonds (e.g., housing, UoPs, and/or labeled), fixed income managers have clearer visibility into the likely impact of prospective investments relative to other asset classes. This visibility has led certain managers to establish impact thresholds for investment eligibility.

## Responsibility

Assessing issuers' ESG practices and ensuring they do no significant harm as part of investment decision-making

### Principle 5

#### ESG risk management

##### Identifying and managing ESG risks

Fixed income managers outperform the general sample by 11 pp in the adoption of practices for identifying and managing ESG risks. Given the abundance of data available from third-party providers, ESG due diligence and monitoring are relatively easier practices for fixed income managers to adopt relative to private markets peers.

##### ESG engagement

While ESG engagement is a core part of fixed income managers' approach to contribution, their practices are generally limited to addressing unexpected ESG risks or controversies with issuers. Managers' limited influence over issuers may preclude them from proactive engagement with issuers to improve practices.

## Engagement

Optimizing the portfolio by leveraging impact measurement and issuer engagement

### Principle 6

#### Impact monitoring

##### Impact monitoring and expectations-setting

All fixed income managers conduct some form of impact monitoring. 55% monitor results against some form of expectation (i.e., KPI target). In line with the overall sample, a minority of fixed income managers establish impact expectations with issuers. Setting targets is particularly difficult for fixed income managers due to their inability to collaborate with issuers to develop feasible targets.

##### Assessing impact outcomes

Capturing data on impact outcomes (i.e., the ultimate impact effects of investments) is rare among fixed income managers (only 1 of 9 does so).

### Principle 7

#### Impact at exit

##### Impact at exit frameworks

Fixed income managers have adopted "impact at exit" frameworks at roughly the same rate as the general sample (+2 pp). Processes include promoting activities that contribute to lasting impact via engagement and selling/divesting when impact/ESG issues arise and are not addressed.

##### Sustaining impact at exit

While "sustaining impact at exit" (as prescribed by OPIM) is not entirely relevant to fixed income, several verified managers have processes for divestment in place that account for durability of impact. Additionally, only 22% (2 out of 9) of managers' exit processes include forward-looking considerations of the prospects for continued impact.

## Transparency

Collecting, aggregating, and transparently reporting on the impact of investments

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### Principle 8

#### *Impact review*

##### Review process

The fixed income managers within the sample exhibit a broad range of practices for reviewing the impact performance of their investments as well as reflecting on their impact management practices. (e.g., internal impact steering groups, annual process reviews, etc.). Fixed income managers have adopted investment review processes (-4 pp) and internal review protocols (+3 pp) at roughly the same rate as the overall sample.

### Principle 9

#### *Independent verification*

Principle 9 calls for independent verification from a third party provider; as such, BlueMark's methodology does not include Principle 9.

# Glossary

**Additionality:** The extent to which an investment contributes to a positive social or environmental outcome that would not have occurred without that investment (otherwise known as investor contribution).

**Community Reinvestment Act:** A U.S. federal law enacted in 1977 that requires the Federal Reserve and other federal banking regulators to encourage depository institutions (e.g., banks) to meet the credit needs of the communities in which they are located, including low- and moderate-income neighborhoods. It was designed to address the issue of redlining, in which banks were reluctant to lend in certain areas, often low-income communities.

**Coupon:** A periodic interest payment made to bondholders by the issuer. Coupons may reflect sustainability-linked terms, such as step-ups or step-downs based on sustainability-related key performance indicators.

**Covenant:** Legal clauses in a bond contract that set financial or operational constraints on the issuer. In impact bonds, covenants can include sustainability-related commitments.

**Diversification:** The strategy of investing across various sectors, geographies, and instruments to reduce risk.

**EU Taxonomy:** A classification system developed by the European Union to clarify which economic activities can be considered environmentally sustainable to prevent greenwashing and support investors in making informed sustainable investment decisions.

**General-purpose bond:** A bond issued to raise funds for a broad range of issuer activities, which are not earmarked to specific projects.

**General obligation bond:** Municipal bond backed by the full taxing power of the issuer.

**Impact management and measurement:** The processes used to define, monitor, and report the social and environmental outcomes of an investment.

**Impact washing:** The misleading practice of claiming an investment or bond delivers social or environmental impact without credible evidence or intent.

**Issuer:** The entity (e.g. government, municipality, or multilateral) that raises capital by selling bonds to investors.

**Issuance:** The act of creating and selling new bonds to investors.

**Liquidity:** How easily a bond can be bought or sold in the market without significantly affecting its price.

**Lookback period:** A defined time window in the past that is used to assess certain variables or conditions relevant to the bond's pricing or performance.

**Multilateral institution:** An organization formed between three or more countries to promote economic development (e.g. World Bank). Often major issuers of impact-oriented bonds.

**Second-party opinion:** An independent review of a bond's sustain-

ability credentials, often assessing alignment with frameworks like the Green Bond Principles or the EU Taxonomy.

**Special-purpose vehicle:** A legal entity created for a specific project or purpose, often used in securitization or structured finance.

**Spectrum of capital:** A framework first issued by Bridges Fund Management in 2015 describing the range of investment strategies from traditional to impact-first, based on risk-return-impact trade-offs.

**Sustainable Development Goals:** A global blueprint of 17 goals adopted by the UN to achieve a better and more sustainable future. These goals serve as common reference for framing impact objectives in bonds.

**Sustainability Disclosure Regime:** UK's regulatory framework for sustainability-related disclosures, guiding impact investors and issuers in transparent reporting.

**Sustainable Finance Directive Regulation:** An EU regulation requiring financial market participants to disclose how sustainability risks and impacts are integrated into their processes.

**Tax-exempt bond:** Municipal bonds where interest income is exempt from federal (and often state/local) taxes.

**Tenor:** The length of time until a bond matures.

**Theory of change:** A framework that outlines how and why a desired change is expected to happen.

**Total portfolio approach:** The strategy of aligning all assets in a portfolio—not just a subset—with an investor's social and environmental values, alongside its financial goals. Rather than isolating impact to a small portion of assets, this approach integrates impact considerations across every asset class.

**Trigger:** A predefined event that alters a bond's terms (e.g., coupon step-up if impact targets are not met). Key in sustainability-linked instruments.

**Use-of-proceeds bond:** A bond where funds are earmarked for specific projects with environmental or social goals (e.g., green or social bonds).

**Yield:** The return an investor earns from a bond, usually expressed as a percentage.

