

ESG FACTORS FOR COUNTRIES & IMPACT INVESTORS

If you care about the impact of your investments, which countries should be in your sovereign debt portfolio? **Hint:** it's not the ones that have high ESG scores. Impact Cubed asked how well countries are making progress on a pathway toward a more sustainable society, as measured by 29 objective ESG factors.

TOP IMPACT COUNTRIES

Typical top ESG scoring countries that don't make the cut: UK, Denmark, Sweden, Ireland, Iceland, New Zealand, Singapore, Austria, Japan, France, Norway, US, Australia.

High ESG scoring countries are stalled or lagging on more factors than they are leading on, e.g., Norway, Austria, US.

TOP IMPACT REGIONS

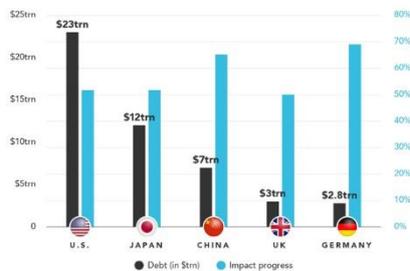


- 1 LITHUANIA
- 2 MACEDONIA
- 3 CZECH REPUBLIC
- 4 GERMANY
- 5 POLAND
- 6 BOTSWANA
- 7 ESTONIA
- 8 SLOVENIA
- 9 ROMANIA
- 10 FINLAND

SURPRISING STANDOUTS ON CLIMATE

Investors are increasingly interested in climate change and how countries will make the transition to low-carbon economies. Climate factors include consumption-based carbon emissions per capita, carbon consumption per unit of GDP, and share of renewables in energy supply.

- 1 LIBERIA
- 2 BOSNIA AND HERZEGOVINA



TOP DEBT ISSUERS

The US, China, Japan, the UK and Germany issue over 60% of the world's debt. The US is by far the top debt issuer yet lags Germany and China on impact progress.



[READ THE RESEARCH PAPER](#)

www.impact-cubed.com

EMERGING MARKETS

Making fast progress on many factors.

- 1 ARMENIA
- 2 TANZANIA
- 3 EGYPT
- 4 GUINEA
- 5 KENYA
- 6 UKRAINE
- 7 SOUTH AFRICA
- 8 ETHIOPIA
- 9 NEPAL
- 10 ZIMBABWE

A WELCOME DISRUPTION TO CONVENTIONAL ESG SCORES FOR FIXED INCOME INVESTORS

For fixed income investors wanting to create impact, what's the best approach?

A simplistic answer may be to focus on debt-issuing countries with high ESG scores. But conventional ESG scores are [driven largely by a country's national income](#) – not impact – and generally consist of a list of “usual suspects” in developed markets dominated by wealthier northern European nations, as well as some others like the US and Australia.

Why does the current approach create problems for fixed income investors?

The current approach to ESG scores creates two barriers for fixed income investors. Firstly, emerging market sovereign debt has higher yield. Excluding emerging markets from portfolios because they have low ESG scores means asset managers may be giving up much needed yield. Secondly, emerging market countries with lower ESG scores are the places where financing is most needed to meet the UN Sustainable Development Goals.

Impact Cubed's goal is to help shift capital to create more sustainable economies by creating better transparency on ESG performance for fixed income investors in a way that disrupts the conventional approach to country ESG scoring.

Which regions come out on top?

Instead of wealthy nations dominating the top spots, our research on impact provides investors with differentiated insights. For example, emerging market countries in the Eastern European region are at the top. While Western Europe still has very strong results and clocks in at second, North America ranks fifth among regions - behind Asia and the Middle East.

Why is there such a difference in results?

Impact Cubed [took a different approach](#) to identify which nations have the greatest impact, measured by 29 objective ESG factors aligned to the UN Sustainable Development Goals. Using two decades worth of global data, our empirical pathways are designed to show each country's current level and its momentum - whether it is moving at a faster pace than would be expected - for each factor. The pathways are not biased toward wealthy nations.

These forward-looking metrics uncover high performing countries like Lithuania, Northern Macedonia and Botswana that should have considerable appeal to investors looking for emerging market standouts. Fast movers on climate – for example, Liberia – are also located in emerging markets.

Aren't wealthy countries top ESG performers?

Some wealthy countries that typically garner high sovereign ESG scores – the likes of the US, UK and Australia – are relegated down the list. While these usual suspects may be at a high starting point on ESG performance because of their wealth, Impact Cubed's research shows that these countries are stalled or lagging on many impact factors.

Furthermore, the research uncovers some "rising stars" among emerging markets that are below average on the absolute level of performance but making fast progress on many impact factors – the likes of Armenia, Tanzania, Egypt and Nepal for example.

What about the top debt issuers?

It is worth noting that the majority of sovereign issuance is made by developed economies – in fact, the US, UK, China, Japan and Germany issue over 60% of the world's debt. Of the top debt issuers, only Germany is in the top 10 countries on impact. Strikingly, the US as the largest debt issuer is ranked the lowest on impact of the 5 top debt issuers.

For more information on this new ESG data or to explore the data in our online Tableau workbook, please get in touch at info@impact-cubed.com

ABOUT IMPACT CUBED

Impact Cubed provides ESG analytics and investment solutions for building more sustainable portfolios with greater impact. It combines an award-winning approach to integrating impact into risk and return with technology-enhanced portfolio design and management. The outcome is a seamless approach to customized sustainable investing.

You can find out more about our data and portfolio models at www.impact-cubed.com and if you would like to contact us at info@impact-cubed.com we would be happy to hear from you.

DISCLAIMER

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

None of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided without obligation on the part of Impact Cubed on the understanding that any person who acts upon it or changes their investment position in reliance on it does so entirely at their own risk. The Information does not constitute an offer to buy or sell or an invitation to make any offer to buy or sell futures or interests in any investments referred to herein.