

ESG

Growing Importance of Fixed Income Engagement



Murray Ackman
Credit/ESG Analyst



Engagement in fixed income

How can fixed income investors nudge businesses towards a more sustainable future?

Equity owners can engage with shareholder resolutions, voting and executive-level meetings. But fixed income investors don't have the same levers.

We hold debt. We don't own any part of the business. Active ownership of bonds is about managing the risk of default rather than the potential influence a part-owner of a business might have.

Although we have fewer direct avenues to shape businesses, we take our engagement responsibilities very seriously and use the influence we do have.

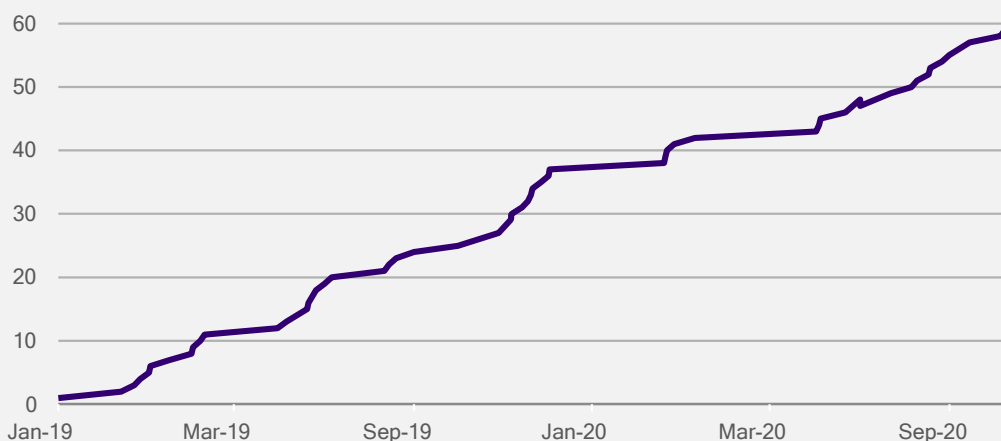
Fixed income investors engage on Environmental, Social and Governance (ESG) issues for much the same reasons as equity investors: to understand disclosure, influence the response to risks and opportunities for change and ensure positive ESG outcomes.

Pendal's Bond, Income and Defensive Strategies team strives to ensure investments bring about impact and help transition us to a better world. We also shape new types of investment instruments, providing feedback to issuers and managers on green, social, sustainable and sustainability-linked bonds. We might not get the headlines, but we try to influence wherever we operate.

How are we engaging?

We've had 60 formal ESG engagements since 2019. These range from conversations about specific ESG concerns on the environment, worker safety and other challenges, to our expectations about the use of proceeds, impact reporting and even site visits.

Number of ESG engagements by BIDS (cumulative)



Source: Pendal

These discussions have ranged from the coal face all the way to executive level. We've found issuers are increasingly literate on ESG matters and we've seen them act on frank advice.

As we've increased the number and depth of engagements, we've found issuers and banks begin to come to us directly. Pendal portfolio manager George Bishay has recently spoken at several forums, providing insights on how to maximise impact using different funding instruments. He is not shy in sharing disappointment on perceived "green-washing" attempts or lower-than-expected impact levels.

Working with Regnan, Pendal Group's ESG research team, we are synergising conversations with businesses across asset classes. We've already seen an impact and we are further developing our capacity for engagement. We aim to continue as market leaders in ESG engagement for fixed income and further influence our space to make sustainability and impact the norm.

For more information call us on 1800 813 886
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