



# Maintaining our commitment to ESG in a year of change

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**Despite COVID-19 uncertainties remaining, we're sticking to our ESG plans as we adapt to the 'new normal'.**

2020 was set to be *the year* for ESG action. The prediction was that the primary focus would remain on the 'E' of ESG – the environment – and climate change specifically.

It's not hard to dispute this: the physical impacts of climate change have become more visible than ever and we were beginning to see a clear direction of travel from politicians on climate change policy and regulation. Among the general public, plastics (and their impacts on biodiversity) became a headline topic, leading people to take personal action. Social unrest and rising populism stemming from concerns about human rights also became topical issues influencing investors, raising the profile of the ESG 'S'.

Then came COVID-19. The pandemic has caused unprecedented levels of economic and societal harm across the world.

Unsurprisingly, we have seen significant disruption to pre-agreed ESG plans and priorities as governments, companies, individuals and society as a whole work to respond and adapt to the new operating environment.

While there is a danger that ESG momentum will slow as the crisis-management mentality continues to take precedent, we believe the pandemic also presents the opportunity for action to be accelerated.

We would argue that COVID-19 provides the perfect illustration of why we need to tackle climate change – its disruptive impacts will be world-changing if not addressed – and how quickly governments and society can act in the face of a true public emergency.



## Our 6 ESG priorities for 2020

The uncertainty around COVID-19 means it is difficult to know how much we can realistically achieve this year, but we have decided to stick to our plans, knowing adjustments may be needed as the year progresses.

ESG focus area	Progress update
<b>1 Enhance investment choice</b>	 <ul style="list-style-type: none"> <li>Internal project group established for developing a public debt sustainability/impact-focused global strategy, which will expand on our current ESG-orientated fund offerings to have more explicit intentionality and deliver positive impacts.</li> <li>Dialogue established with over 40 organisations to understand what it truly means to offer a credible and effective strategy in a complex and nuanced market.</li> </ul>
<b>2 ESG investment-related policies</b>	 <ul style="list-style-type: none"> <li>ESG Investment Policy has been refreshed.</li> <li>Statement on the UK Stewardship Code updated with an interim holding statement, given the 2020 code now has direct applicability to fixed income managers.</li> </ul>
<b>3 Embed ESG into credit research</b>	 <ul style="list-style-type: none"> <li>Groundwork laid for the ESG evaluation framework – the data infrastructure and workflow has started to bear fruit this year.</li> <li>Established ESG coverage for over 1,400 corporate and sovereign issuers we hold in terms of completed ESG evaluation using our proprietary framework, which averages out at 90–95% of our strategies within scope.</li> <li>Formalised the inclusion of ESG investment objectives in our investment team’s annual performance agreements.</li> </ul>
<b>4 Develop ESG tools to enhance investment team support</b>	 <ul style="list-style-type: none"> <li>ESG is now embedded within the workflow system making it easier to be institutionalised.</li> <li>ESG engagement activities are now being documented as standard.</li> </ul>
<b>5 Strengthen ESG IT data infrastructure</b>	 <ul style="list-style-type: none"> <li>ESG data from third parties and that generated internally is now feeding into the platforms housing our investment decisions and portfolio holdings.</li> <li>ESG analysis is contained within a centralise credit research platform.</li> </ul>
<b>6 Embrace wider industry collaborations and engagement</b>	 <ul style="list-style-type: none"> <li>Signed up to new initiatives including the Climate Action 100+.</li> <li>Became an investor supporter of the Task Force on Climate-related Financial Disclosures.</li> <li>An unexpected but positive highlight has been the sovereign engagement with Brazil on deforestation. Our participation in the collaborative investor initiative with the Brazilian authorities on deforestation in June has led to dialogue with the Amazon Council and officials of the Brazilian Congress and seen the government announce a temporary moratorium on fires this year.</li> </ul>

There is much still to do, but we maintain that 2020 remains important in setting the tone for the level of ESG ambition for the decade to come.

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