

Case Study: Pental engaging credit issuers on the climate transition

By Perpetual Sustainability

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As an active investment manager, Pental plays an important role engaging with bond issuers. Many of its Income and Fixed Interest (I&FI) team's engagements are with unlisted entities. This expands the reach of the team's stewardship activities, and this asset class is particularly

important for the climate transition since many infrastructure and utility companies are privately owned.

Early in 2023, Pental's I&FI team engaged with a gas distribution network, asking for a firmer commitment within the business for a public climate transition plan. The I&FI team do not anticipate this will be prioritised, so it was concluded that the business is at risk of being a stranded asset in a net zero economy so would require greater recognition and disclosure of their transition risks before investing in this issuer.

In the growing market for impact and sustainability securities, such as social bonds, green bonds and sustainability bonds, Pental advocate for enhanced quality of issuance supported by timely, outcome-focused reporting. This provides investors with greater assurance of environmental and social outcomes. In the first quarter of 2023, Pental's I&FI team engaged with a transmission network to clarify whether a new green bond was funding new projects, following which the I&FI decided it would not be considered a high impact investment. Discussions also took place with a bank to include embodied carbon in their reporting on carbon emissions for new buildings.

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