

ESG Engagement Example

Q3 2022

IDENTIFICATION

RPIA's ESG Integration framework includes analysis across all three ESG factors and focused analysis on both Climate Change and Diversity, Equity & Inclusion (DE&I). The ESG factors encapsulate many of the long-term and large-scale trends that we believe will result in both risks and opportunities that all companies must address overtime.

In March 2022, our Investment Grade-focused strategies participated in new issues of a newly merged entity in the Entertainment Content & Media industry. While conducting ESG analysis on this issuer, we noted that the acquired entity in the merger had better DE&I disclosures, such as workforce participation by ethnicity, gender, and seniority compared to the acquirer. As a result, our ESG analysis on the merged entity highlighted the issuer as a laggard in its sector in the context of these disclosures. Although the strategies did not hold any bonds issued by the acquirer prior to the merger, we did previously own bonds of the acquiree's parent entity for some years as we felt de-leveraging was likely and a spin-off of some or all media assets may occur to monetize stake. As a part of our ongoing analysis, we noted that the merged entity had also been in the news recently due to allegations about the lack of diversity in their new leadership team post-merger.

ACTION

Incorporating each ESG factor in our ESG research process includes both an assessment of quantitative metrics and qualitative discussion points. Discussion points focus on policies and strategies being implemented by the issuer and provide opportunities for our Portfolio Management team to capture the underlying narrative of an issuers ESG strategy. These discussion points help focus our conversations toward material areas of ESG where issuers can describe their current and future plans.

Knowing how a company addresses ESG risks and opportunities can be a proxy for the overall management approach of company leadership. To this effect, in September 2022, we scheduled an engagement call with the issuer and with their investor relations team, corporate secretary, and treasurer to discuss the issue, learn more about their future plans with respect to DE&I, and encourage them to improve their disclosures on DE&I.

During our engagement call, the issuer re-affirmed their commitment to DE&I. We were informed that their new Chief Global Diversity, Equity and Inclusion Officer reports directly to the CEO and their Chief People's Officer, and in addition to improving their workplace diversity, their focus is also on representing diverse groups in their content and programming.

We pointed to a fact that their DE&I report only covered one of the entities of the merger and encouraged them to improve their disclosures on the corporate level. We learned that they have received good feedback on the quality of disclosures for that report (i.e. their workforce participation by ethnicity, gender and seniority), and their upcoming DE&I report at the corporate entity level will be based on a similar framework. We understand that issuers can face some challenges in navigating regulations in certain countries when it comes to collecting information from employees that form the basis of their DE&I disclosures. Although there is no assigned timing for the release, RPIA will be informed as soon as the report is out. While we feel confident in the issuer's fundamentals and their future plans with respect to improving their DE&I and disclosures, the strategies have slightly increased their positions at attractive levels after the engagement call.

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