

Using the AFII bondholder engagement toolkit

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In December 2025 AFII introduced its toolkit for effective bondholder engagement;[1] a group of 11 tools alongside an influence & feasibility score. The paper analysed frameworks currently available, and presented this thinking to meet a need for more effective debt-specific investor engagement methods.

Better bondholder engagement offers two key benefits.

Firstly, **it widens engagement targets beyond listed equities**, to support conversations with a much broader range of actors – only fixed income investors can engage as lenders with governments, with privately-owned and state-owned entities.

Secondly, **it allows investors to leverage a complementary, and powerful, set of levers available only to lenders** – due to the refinancing cycles for fixed income securities, issuers are sensitive to their ability to borrow, and also the cost of that capital, which directly impacts their bottom line.

In this paper we take a practical approach to the toolkit. Table 1 lists the tools, alongside their scores for Influence and Feasibility, which is described in the full paper. It orders them by final score, so that they can more practically be assessed by investors for their engagement objectives. We then offer a summary of each tool, to give guidance on how to integrate these tools into an established stewardship workflow, for increased influence.

Table 1. The AFII toolkit for bondholder engagement, with scores. Source: AFII.

Tool	Influence	Feasibility	Final Score
Bondholder meetings	8 High	11 High	88
Use of indices	7 High	12 High	84
The choice of timing	5 Moderate	14 High	70
More ambitious asset owner–asset manager engagement terms	7 High	9 Moderate	63
Transition-linked put options	7 High	7 Low	49
Building bondholder collaboration	5 Moderate	9 Moderate	45
Hybrid strategies	4 Moderate	10 Moderate	40
Empowering issuers	4 Moderate	9 Moderate	36
Addressing concerns on regulatory and competition issues	3 Low	12 High	36
Strategic bondholder disclosure	3 Low	12 High	36
Developing stronger climate covenants	4 Moderate	9 Moderate	36

[1] "Finding your voice: tools for better bondholder engagement on climate and nature risk", AFII, 5 Dec 2025.

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1. Bondholder meetings – High influence – High feasibility

Bondholders can call a meeting with other bondholders, to provide a platform for engagement

- This is a contractual right, detailed in English law bond prospectuses, which is rarely used.
- While there is no legal obligation on the issuer as to the outcomes of the meeting, it does offer a formal platform to escalate engagement objectives.
- There can be hurdles to identifying sufficient bondholders to reach the threshold and some procedural hurdles, but offers an effective direct communication on concerns.

2. Use of indices – High influence – High feasibility

Index exclusion or inclusion can impact bond liquidity and pricing

- Indices shape capital flows. Passive funds directly invest only in eligible instruments, and active funds target outperformance, and so are driven by benchmark inclusion.
- Index use is deeply embedded in market practice, and has the potential to reinforce transition accountability.
- Index providers are motivated to create indices that investors want, so there is leverage in this relationship.

3. Choice of timing – Moderate influence – High feasibility

Timing engagement with primary market activity maximises influence for lenders

- This combines legitimacy (as is linked to the issuer's needs for funds), power (threat of funds being withheld, or additional terms for those funds), and urgency.
- Once refinancing is secured, investor influence is reduced.
- AFII's Bond Horizon tool helps predict issuance to support this tool.

4. More ambitious asset owner-asset manager engagement terms – High influence – Moderate feasibility

If asset owners can give clear mandates on their expectations for long term stewardship this can give investment managers stronger authority

- Public expectations from asset owners, leading to high profile manager changes, are often not represented in formal written mandates which prioritise financial return.
- Asset owners can hold significant power to influence terms with their managers.
- Mandates are subject to periodic review, allowing engagement requirements to be reviewed.

5. Transition-linked put options – High influence – Low feasibility

Embedding an option combines downside protection for investors with an incentive for issuers to maintain transition performance

- An extension of Sustainability-Linked Bond developments where bond economic terms are linked to performance against KPIs.
- Formalises an investor divestment option based on KPIs.
- May require pricing concession to be acceptable.

6. Building bondholder collaboration – Moderate influence – Moderate feasibility

Coordinated engagement can pool resources and strengthen signalling

- Collective engagement is a well-established strategy in equity markets, where groups of investors work together to add influence to their issuer discussions.
- Several investor networks have fixed income specific work streams to support these interventions.
- Such collaboration saves time, as work can be shared between investors.

7. Hybrid strategies – Moderate influence – Moderate feasibility

Using multiple asset classes simultaneously amplifies engagement messaging

- Investors often hold several products with the same issuer.
- When engagement objectives are fully aligned, using routes via all invested products can increase influence.
- Requires internal coordination within investors.

8. Empowering issuers – Moderate influence – Moderate feasibility

Encouraging best-in-class issuer engagement can raise standards

- There are opportunities for issuers to raise the profile of climate and nature related disclosure and strategy in their investor dialogue.
- Where this is encouraged by investors, the quality of issuer-investor understanding increases.
- If a pricing reaction in bond spreads were observed, this could further incentivise.

9. Addressing concerns on regulatory and competition issues – Low influence – High feasibility

Better clarity can reduce barriers for collaboration and raise confidence in coordinated strategies

- MAR concerns are often cited for lack of collaboration in fixed income markets, despite such coordination being more common in equity markets.
- Regulatory clarity could allay concerns.

10. Strategic bondholder disclosure – Low influence – High feasibility

Anonymity of bond holdings limits collective discussions

- Many fixed income investments are held via custodians or in managed accounts, and with limited exceptions legal and beneficial ownership will not be disclosed.
- If investors can make strategic disclosure of collective holdings, that signals the weight behind their engagement objectives, and supports collaboration.
- This could also be incorporated in asset owner mandates.

11. Developing stronger climate covenants – Moderate influence – Moderate feasibility

Embedding any climate or transition commitments in bond covenants enhances accountability

- This proposes tighter covenants which are traditionally used in high-yield debt markets.
- Issuer reluctance restricts the feasibility, but may improve if the borrowing landscape for high-emissions issuers deteriorates.
- Can be tailored to specific climate related objectives.

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AFII is a non-profit organisation that provides fixed income investors with the insights and tools they need to align their portfolios with ambitious climate and nature targets. For more information about the Institute, please visit www.anthropocenefii.org.

