

Global Ethical High Yield

FIXED INCOME

Climate, Reforestation and Human Rights

Fund Updates

Update on previous engagements: We continue to monitor the climate-focused engagements initiated in the prior quarter, acknowledging that significant changes will take time to materialize and allowing the targeted companies, time to review our recommendations.

We have, however, seen **good progress on the engagement initiated last quarter with the Canadian wood-based panel producer on carbon emission reduction.** The company has since published a detailed ESG report which allowed us to further review their progress within carbon emission reduction. We were pleased to learn that the company expressed commitment towards a Carbon Net Zero strategy and set a goal of reducing their greenhouse gas intensity by 20% by 2025 as well plans on setting an enterprise-wide science-based target. Increased usage of renewable energy, focus on energy efficiency and transportation optimizations were all part of the toolbox the company is planning on using to achieve their targets. We will be tracking the progress these initiatives have on the overall emissions number.

The company further provided a detailed breakdown of their carbon emissions which showed the significant quantum of Scope 3 emissions. To this end we encouraged the company to further strengthen their reduction initiatives in this segment, by engaging with their own suppliers. Encouraging their suppliers to actively monitor, report and strive to reduce greenhouse gas emissions from their own operations, could result in a significant reduction to the company's overall emission number. We encouraged the company to consider incorporating these initiatives into a Code of Conduct for their suppliers.

The company has been receptive to our suggestions and will be conducting a more in-depth review of Scope 3 emissions to allow for a more targeted strategy around supplier engagement. We will be following their progress within the next quarters.

Beyond climate related engagements, throughout the quarter, we followed-up on a previously unresponsive engagement initiated last year with a Canadian copper mining company. The engagement addresses allegations of failure to prevent deforestation and depletion of biodiversity at a new mine in Panama. We further stressed our concern regarding the allegations and urged the company to disclose progress on their reforestation commitment as well as specific timelines for achieving the target. We further encouraged the company to disclose their plans to compensate for biodiversity loss and provide more in-depth details on the action plan taken to reduce or mitigate the project's impact to the environment. The company has responded to our outreach and is currently reviewing our requests. We will continue to engage in a constructive dialog with the company and follow their progress.

New Engagements:

During the quarter, we initiated an engagement with an online travel research company which is facing allegations of complicity in the failure to respect the right to self-determination in territories under the disputed occupation by Israel. The company offers online services in the Israeli settlement in the West Bank including East Jerusalem and has been urged by NGOs to discontinue its services in the disputed territories. The U.N. Working Group on the issue of human rights and transnational corporations has determined that doing business in Israeli settlements is not illegal, however business enterprises need to be able to demonstrate that they neither support the continuation of an international illegality nor are complicit in human rights abuses.

We have reached out to the company enquiring whether they have undertaken an expanded human rights due diligence exercise to demonstrate that its activities in the West Bank are aligned with expectations on responsible business conduct. Should this not be the case, we urged the company to undertake such a review. We will be following up on the engagement throughout the next quarter.

Responsible Investments at Sparinvest

At Sparinvest, analysts and portfolio managers will engage directly with selected portfolio companies. Furthermore, we work with ISS-Ethix, a service provider of ethical screening and collaborative engagements. Via ISS-Ethix, we participated in pooled engagements, targeting companies in confirmed or alleged breach of international norms. In addition to ISS-Ethix, we use ESG research, ratings and analysis as well as carbon foot printing services from MSCI. The development and implementation of responsible investment practices are driven by our Responsible Investment Committee, which includes representatives from Equity and Fixed Income investment teams, and reports to both the Investment Committee and the Board of Directors.

**We do not disclose the name of portfolio companies involved in neither our direct nor our service provider engagements.*

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