

High Yield Corporate Bonds

FIXED INCOME

Encouraging Transition

Format Change

Update on format change: Our approach to investing responsibly entails, among others, exercising our stewardship responsibilities across our actively managed funds. As such, engagements conducted by the team often target companies, which may be held more broadly within the High Yield strategy and do not limit the dialog to holdings of a specific fund. In order to more accurately portray the engagements done by the team, we are transitioning the Responsible Investment Report into a format, which details engagements done by the team with companies within the investment universe of the High Yield strategy. Specific updates related to ethical/moral concerns that may impact the Global Ethical High Yield fund will be included in the fund specific monthly commentary report going forward.

In addition, we recognize that change is a process and our engagements initiatives are set in a context of long-term value preservation and creation and often have a long timeline from the start of the dialog until progress can be seen and eventually the engagement is concluded. As such, we believe, switching to reporting on a semi-annual basis on engagement activities will be more aligned with the process of having an active dialog with companies and tracking their progress in specific target areas. This report will therefore be the last quarterly report, with the next update to be expected at the beginning of next year.

Engagements Update

Throughout the quarter we followed up on the engagement initiated in the Q4 of last year with an oil producer in the U.S., which was flagged as one of the highest carbon emission companies within our portfolios. We have arranged a call with the company in order to share perspectives and highlight our concerns. One of our main objectives with this engagement was to encourage the company to set a carbon emission reduction target as well as to increase their disclosure with regards to carbon emissions, climate change risks and opportunities. The company had a constructive approach and indicated that a carbon reduction target will be taken into consideration, prior to releasing their next sustainability

report. We further urged them to consider setting a science-based reduction target. The company shared encouraging initiatives and had a constructive approach to our suggestion of board level responsibility for climate related risks as well as considerations of becoming a member of a larger climate disclosure framework like the CDP. Throughout the call, we took the opportunity to address several other potential issues highlighted as part of our analysis of the company. These issues relate to a low score from our service provider on the company's health and safety performance. From our conversations with the company it would seem that the issue stems from an information mismatch between the service provider and the company, as they often interact with a wide range of service providers, which may have different reporting requirements. We encouraged the company to reach out to our service provider in order to bridge that information gap. We further addressed a lack of evident policies targeting sustainable management of natural resources and evident processes in place aimed at ensuring good community relations. While the company assured many of these issues were being tackled in the course of normal operations, we stressed the need to formalize their efforts into concrete policies and initiatives. We will continue to monitor their progress post the constructive dialog.

We approached an Eastern European integrated steel producer during the quarter as they have shown strong initiatives and capital spending aimed at upgrading facilities to lower environmental impact, however as they continue to operate in a high carbon intensive industry, further efforts are required. We have inquired whether they are considering setting a carbon emission reduction target and encouraged further disclosure as the company currently reports only gross direct emissions numbers. Beyond emissions, we have addressed their high water intensity and requested further information regarding their water management initiatives.

Via our service provider, we participated in pooled engagements, targeting companies in confirmed or alleged breach of international norms. 41 companies were targeted in Q2 on issues spanning Environment, Human rights, Labour rights and Corruption.

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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