



## Sparinvest Engagement Policy

Last updated March 2016

### Engagement at Sparinvest

Naturally, as part of our investment analysis and monitoring, our investment teams frequently communicate with companies to bolster their understanding. The ideal is constructive, two-way dialogue with our holdings, with freedom to exchange views on key issues, whether short or long-term, 'ESG' or otherwise.

However, we classify as 'engagements' those dialogues with a specific goal. We take a practical and materiality-based approach, focussed on cases where we see potential for meaningful impact on corporate value and sustainability. Triggers for engagement, and the methods used, can differ on a case-by-case basis and often they overlap.

Engagements are monitored by the Responsible Investment Committee. The RI Committee and members of the investment teams attend a quarterly Stewardship Meeting on voting and engagement.

We aim to provide insight into our engagement programme through regular disclosure of the number and type of engagements carried out, as well as specific examples. These are typically provided in the year end version RI Review, found on our website

### Methods of Engagement

Engagements with companies are typically either direct, collaborative, or by service providers. We often find a combination of these to be powerful. Generally, we aim to act as constructive partners to our investee companies, and this means we may also bring third parties into the dialogue – for example, liaising between the company and an NGO regarding best practice on a specific issue.

### Direct Engagement

Members of our investment teams implement direct engagements. Our portfolio managers and analysts run the dialogue on ESG (and other) issues, as they well placed to contextualise the specific issue within the overall investment case and corporate value. It also sends a clear message to the investee company that ESG issues run to the heart of investment decisions.

Triggers for direct engagement include:

- **Specific ESG Risks or Opportunities:** Various ESG risks and opportunities are identified in analysis and monitoring of potential and existing holdings. Issues are selected for engagement based on materiality and the potential for meaningful change.
- **Voting-related:** Votes are blunt tools, which we believe are more powerfully exercised in conjunction with dialogue. We seek to engage with companies where agenda items breach our voting policy or are contentious for other reasons. Where time permits, this happens before the ballot. Outcomes can include the company amending the agenda to our satisfaction, a change in our voting decision based on new information from the company, or a vote against the item followed by further dialogue.
- **Breach of International Norms:** This links with our service provider engagements – covered below.

### Collaborative Engagement

Collaboration with other institutional investors provides an efficient and powerful avenue for engagement. Our involvement ranges from acting as lead investors (running the dialogue on behalf of a wider group of investors) to acting as supporting investors. The appropriate level of involvement is determined by assessing our specific relationship with the target company and our available resources. We typically become involved in collaborative engagements via industry bodies such as the PRI Clearinghouse.

### Service Provider Engagement

We make use of service providers for engagement where their specialist insight may inform a more constructive dialogue. We use ISS-Ethix to screen for companies that are alleged or confirmed to have breached international conventions such as the UN Global Compact or the UN Guiding Principles on Human Rights. Where this screen identifies confirmed or alleged breaches, we participate in collaborative engagement along with other institutional investors, led by the service provider ISS-Ethix. The aim is to seek deeper understanding and, if appropriate, to suggest possible remedial actions and policy improvements. Alongside this, we directly engage with our affected holdings to highlight the issue, encourage them to respond comprehensively to the collaborative engagement, and address any issues of specific concern to us.