

## Sparinvest SICAV Ethical High Yield Value Bonds

FIXED INCOME

# Strong Traction on Engagements in Q1

## Fund Update

We are pleased to report that this quarter was one of the most active periods since we initiated our RI engagement process. We reached out to - or received responses from - nine companies on ESG issues and below we provide a brief update on these interactions.

As previously announced, we decided to engage with a financial company that was allegedly violating governance norms. In March, we had a successful call with the company's Head of Conduct Oversight & Whistleblowing and Head of Investor Relations. They provided detailed information about their processes and third party verifications of the strength of their governance and whistleblowing program. This persuaded us that the incident was not indicative of toxic corporate culture or further corporate governance failures. We felt comfortable to stay invested.

In Q4 2017 we also initiated engagement with a technology company on allegations of bribery and corruption. Using our ABC assessment template (based on Transparency International indicators), we assessed the company's anti-corruption record, policies and disclosures as being fairly strong. We asked the company for further disclosures, which they provided in a very constructive and detailed manner. We believe that the company's management and systems will deal appropriately with future issues, and we remained invested.

Early this quarter, we received a proactive email from the oil & gas company that we have been engaging with on anti-corruption matters. They sent us a recent investor presentation made by their CEO, in which he took a strong stance against corruption. We continue to press for a public statement from the CEO of zero tolerance of corruption to be included in the company's annual reporting or website.

At the end of last year, we considered investing in a new issue of bonds from an Asian agricultural company. However, due to fears about potential environmental risks posed by their operations, we sought clarification about risk management policies before investing. A response is still pending.

As part of the collaborative engagement on cyber security we wrote to the healthcare company suggesting a call to discuss their risks and opportunities more constructively. A response is still pending.

We also followed up on our dialogue with a pharmaceutical company on anti-corruption issues. Although they held a brief call with us, they did not subsequently respond to the questions raised in a timely manner. So we decided not to invest, as we view the risks as impairing the fair value of their bonds.

In recent months we have divested from three issuers for ESG reasons and, as per our policy, we notified them of this. Two responded to our divestment letter. We view this as valuable, indicating that they remain responsive to investor concerns. We strongly urged them to continue engagement with our service provider.

In addition to continuing the dialogues mentioned above, we also expect to commence several climate-related engagement initiatives in the coming quarter.

## Group Engagements

During Q1, Sparinvest's Responsible Investment Committee has been working on completing our PRI Transparency Reporting for Y2017. We have also signed up to the Danish Stewardship Code. Our new [Stewardship Document](#) shows our approach to active ownership across all asset classes.

### 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 footprinting 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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