

Value Bonds – Global Ethical High Yield

FIXED INCOME

New Year, New Engagements

Fund Update

New Engagement: During the quarter we decided to engage with a pharmaceutical company on a corruption and bribery issue. The company had previously responded constructively to our thematic carbon engagement and seemed to be making strides in strengthening its ESG profile and disclosures. We also viewed specific steps taken by the management as constructive to remediating the corruption and bribery issue. So we felt encouraged that the company was on a positive track and they would be responsive to a dialogue on the matter. We were correct as they responded very quickly to our enquiry and were open to have a call to discuss more. The call was very productive as we were able to discuss specific metrics which we consider it important for them to disclose to further strengthen public perception of their remediation efforts. We also learned about the strong commitment of the new team to improving governance of and board responsibility for anti-corruption. We made several recommendations and requested further information on a few items on which we would like to get more clarity. Overall we felt comfortable that the company was indeed making progress in remediating the past issue.

'Old' new engagements: We had previously written to an Asian company on concerns that they were allegedly failing to prevent deforestation and depletion of diversity through their operations. The company did not respond to our enquiry and we viewed the norm risk as substantial, so we refrained from investing in the bonds for the fund. Representatives from our team met with the company at an investor conference and arranged a subsequent call which happened late this past quarter. Our team discussed with them various matters including our concerns on their environmental risk management and our previous unanswered enquiry. The company representatives ensured us they will return with constructive answers to our concerns. We are still not invested in the company's bonds for the fund.

Previously we had divested the bonds of an oil and gas company that was allegedly in breach of environmental norm breaches and later it was confirmed they had breached certain international norms. The company reached out to us at year end to share some positive sustainability related news and we highlighted to them the issues we raised previously that had remained unanswered constructively. The company was keen to reopen the dialogue and discuss the issue further so we are reopening the engagement case.

We are glad to see that companies which we considered unresponsive are becoming more willing to engage in dialogue on ESG matters and address investor concerns. However, we refrain from investing until we are confident of their progress and commitment to address the specific issues.

We continue to monitor these cases and the other open engagement dialogues and follow them but there has been no noteworthy news to warrant new enquiries.

Other News/Group Engagements

We are very happy to share an article we recently published about fixed income engagement, what we have learned from directly engaging with portfolio companies and why we very strongly believe in constructive dialogue on ESG matters to reduce risks and improve performance. Read it [here](#).

We have also been busy this quarter with finalizing our responses for the UNPRI Transparency report for 2019 and we are looking forward to the publication of the Assessment report later this year.

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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