



ISSUER ENGAGEMENT POLICY

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Why We Engage

As a specialist in fixed income impact investing, we view engagement as an integral part of a Responsible Investment, and it forms the foundation of our SPECTRUM analysis. We actively engage with potential and current impact bond issuers to promote the development and maintenance of standards that will ensure a high level of transparency and a clear ongoing commitment to positive environmental or social impact. Our goal is to work with issuers to enhance impact reporting in the market and to harmonise post issuance disclosure.

Engaging as a Bondholder

We believe that establishing dialogue with companies or other issuers is part of being an active owner of bonds. While active ownership and engagement are typically associated with equity investors, bondholders, as providers of capital to companies or other issuers, are also able to influence practices. In this context, we use our position to advocate for fair, responsible and sustainable business practices.

As bondholders, our avenues for engagement differ from equity holders. While shareholders may vote proxies at company general meeting to express views, bondholders typically have no formal avenues for feeding back to an issuer. Therefore, we take the opportunity to enter into dialogue with issuers on key topics, such as environment, social and governance risk management, during roadshow meetings. In addition to the roadshow meeting cycle, we proactively engage through calls, letters and in-person meetings with issuers to influence where practices have fallen short of our expectations, concerns have been raised because of controversies or impact reporting is not sufficiently transparent for our in-house portfolio calculations.

Holistic Approach

SPECTRUM Bond® criteria evaluates all aspects of the bond including the credit worthiness and environmental or social positive externalities. We approach engagement from this unified starting point. The credit and sustainability teams work together through joint engagement to gain sufficient insight into the issuer and its impact bond framework so that we can effectively apply SPECTRUM. The outcome is a universe of SPECTRUM Bonds® that deliver both economic value and sustainable impact.

Objectives of Engagement

The green and related impact bond market is just a decade old¹. The market needs to grow quickly to help meet the \$1 trillion per year financing needs of climate change mitigation². Our goal is to help the market to grow quickly while avoiding greenwashing or the weakening of standards. During our dialogue with issuers, we advocate high standards in environment and social criteria.

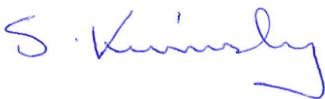
Examples of key topics from our engagements³:

- Business ethics and tax transparency
- Human rights and community relations
- Climate risk management aligned with TCFD
- Governance factors such as board independence and diversity
- Issuer strategy in relation to global climate and SDGs
- Transparency of green and impact bond frameworks
- Process of use of proceeds management
- Eligible project criteria
- Impact reporting practices and methodologies
- Reporting

Reporting on Engagement

We actively engaged with issuers held in the funds during the reporting cycle. The interactions range from in-person meetings to calls and email exchanges. We cover topics such as credit updates, impact bond framework, ESG strategy and impact reporting. As new issuers present new impact bonds, we are proactive in engagement for issuers with low transparency, ESG controversies, or when we use reverse inquiry to investigate new custom issuance for the fund. We typically engage with over 95% of issuers held in the reporting period.

Signed by the Board of Directors



Stuart Kinnersley, Managing Partner

¹ First green bond was issued in 2008 by the World Bank Group.

² IEA, 2014

³ Examples taken from 2017.