

# Active Ownership Report 2020



an ocean of opportunities

bonafide

# Active Ownership Report 2020



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## 1. Executive summary

2020, the year of the pandemic, was also in terms of active ownership a year of upheaval for Bonafide. Unlike previous years, it was unfortunately almost impossible for us to visit companies from our investment universe this year and to discuss any concerns on our part directly on site with those responsible. Instead, we tried to turn the enforced social distancing measures to our advantage, using the time to think critically about our previous engagement approach and how to redesign it. The result is a clearer demarcation of ESG-related engagements from finance-based discussions and improved accountability of our active ownership efforts, which are reflected in this report.

One of the highlights of our engagement activities this year was the conduct of a survey on the subject of traceability that showed us how we could further improve transparency along the seafood supply chain, especially with regard to the origin of wild fish.

We were also successful in our efforts to realign Clean Seas Seafood Limited. Thanks to our position on the Board of Directors, we were able to facilitate the hiring of key personnel in a handful of positions, the diversification of sales channels and re-establishment of an appropriate salary structure.

In addition, by joining the FAIRR investor network, which is committed to improving ESG aspects throughout the entire protein supply chain, we also positioned ourselves for potential collaborative engagements in the new year.

We are confident that we will be able to build on the foundations that we have created to date and contribute long-term to a sustainable value creation from the oceans.



## 2. Thematic engagements

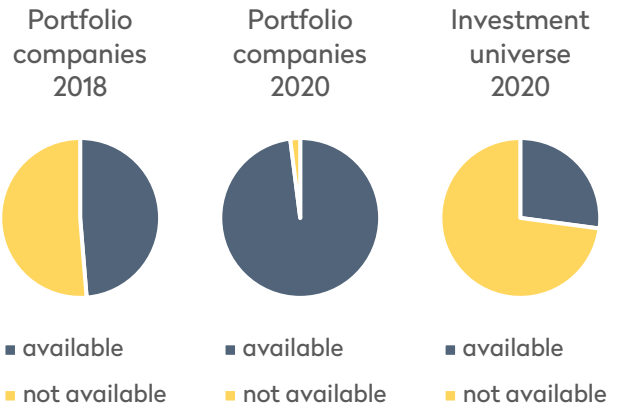
### Initiative to improve the availability of ESG data in the fish & seafood sector

In the past few years, our efforts to improve the sustainability balance of the fish & seafood sector were mainly focused on expanding the sustainability data available to us in the form of ESG ratings.

Given that the area of sustainability analysis is globally still under development, ESG reporting cannot yet guarantee the same level of standardisation and transparency as financial reporting. This obstacle can best be overcome by providers of sustainability databases who, through the use of consistent evaluation standards, can create a comparable, albeit subjective, data set that can be used as a basis for investment decisions. Unfortunately, companies with relatively low market capitalisations, such as those from the fish & seafood sector, are usually only very gradually included in sustainability databases, thereby denying investors such as ourselves important decision-useful information regarding the issue of sustainability.

To counteract this situation, we have been investing in the establishment of ESG ratings in our sector via our data provider ISS ESG since 2018. A look at the pie charts below shows that we have made significant progress in terms of ratings coverage for our portfolio companies. However, there is still ample room for improvement in our investment universe. For this reason, we invested in 2020 in the establishment of ten additional ESG profiles for companies from our investment universe.

Naturally, the quantity of available ESG ratings is not the only thing that matters, their quality also plays a decisive role. For companies with an existing ESG rating, we are therefore consistently committed to improving the quality of the data provided, which in some cases, such as Salmons Camanchaca SA and Multiexport Foods SA, has already led to a visible increase in ESG ratings. Despite our best efforts, however, it must be noted that ESG ratings are oftentimes still characterised by inadequate data quality, especially in the case of smaller companies, and therefore do not always reliably reflect a company's actual sustainability performance.



### Initiative to communicate exclusion criteria

After revising our investment process and introducing exclusion criteria as part of our sustainability analysis last year, we informed all affected companies that they would be excluded from the ongoing investment process due to their violation of our exclusion criteria.

In this way, we intend to make the affected companies aware of the repercussions of their actions and encourage them to rethink how they do business.

In total, roughly 7% of the companies examined for their sustainability performance were excluded from the ongoing investment process due to violations of our exclusion criteria. The majority of violations, concerned the UN Global Compact principles, as shown in the table below.

Exclusion criterion	Type of violation	Number of violations
UN Global Compact	Human rights	4
UN Global Compact	Environment	4
UN Global Compact	Corruption prevention	1



### Initiative to improve transparency throughout the seafood supply chain

As a preparatory measure for a potential engagement to improve transparency throughout the seafood supply chain, we carried out a survey on the subject of “traceability” in our investment universe last year.

The term “traceability” refers to the ability to track individual components of products throughout the supply chain. In the fish & seafood sector, especially the traceability of the wild fish content in products is of critical importance, since illegally caught fish can be associated with both environmental and human rights violations, and assessing whether fish has been caught legally is particularly difficult.

The results of the survey show that companies have largely already assigned a high priority to the topic of traceability, and that many are already considering the expansion of traceability beyond their direct business partners. Having said this, companies appear to show somewhat limited willingness to take the initiative beyond one of the numerous traceability standards. In order to improve the exchange of information along supply chains and to simplify the origin control of wild fish, the coordination of existing industry standards needs to be improved. Over the next few months, we intend to determine how we can best support this process of harmonisation.

## 3. Collaborative engagements

### Joining the FAIRR Investor Network

FAIRR is an international network of investors with assets under management totalling around USD 30 trillion that has set itself the objective of improving corporate sustainability along the protein supply chain through collaborative engagements.

We joined FAIRR last year in order to expand our engagement capacities by getting involved in collaborative engagements, and to amplify selected FAIRR initiatives in the future by lending them our voice. Our decision to cooperate with FAIRR in particular was based, firstly, on the large overlap of companies in both of our coverage universes. Secondly, we were convinced by the high-quality data provided by FAIRR in the area of protein manufacturing companies, as demonstrated by the annually released Protein Producer Index, which ranks the largest protein producers by their sustainability performance.



## 4. Company-specific engagements

### Initiative to realign Clean Seas Seafood Limited

In response to the effects of the coronavirus crisis and the company’s steadily rising costs, we used our position on the Board of Directors at Clean Seas Seafood Limited to campaign for the establishment of new sales channels and the restoration of an appropriate salary structure.

As a breeder of yellowtail mackerel, Clean Seas is focused on establishing a high-quality but hitherto lesser-known fish species on the market. In recent years, the company has recorded steadily rising costs which, together with the closure of countless restaurants due to the coronavirus crisis and an unsatisfactory response on the part of the management team, ultimately led to our intervention.

Through our position on the board of directors, we were able to make our concerns heard directly and successfully realign Clean Seas under new leadership. Sales channels were diversified through the establishment of a retail division, and an appropriate salary structure was restored. In addition, the restructuring of the board of directors was initiated to ensure the company’s long-term success.

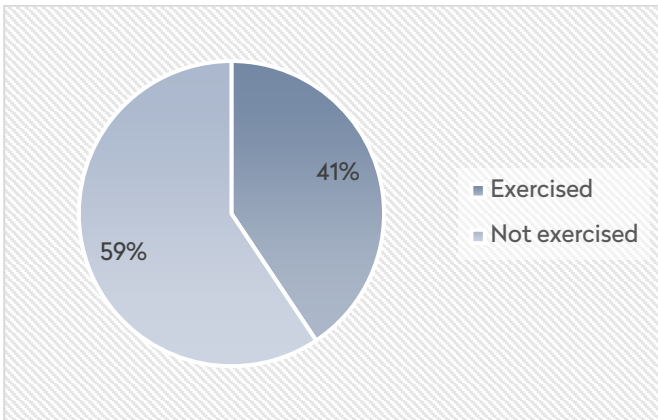


Source: Clean Seas Seafood Limited

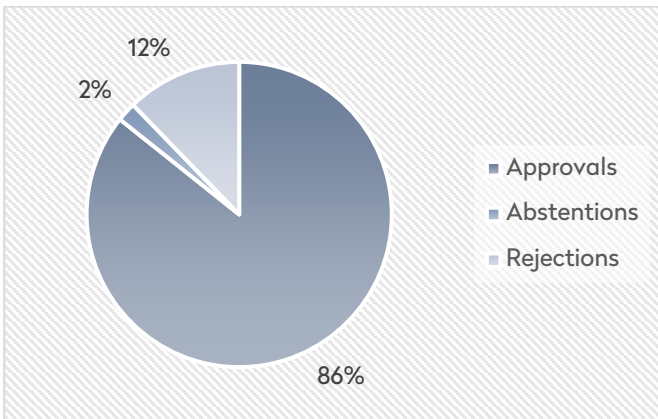
## 5. Exercising of voting rights

### Voting behaviour at the level of the Bonafide Global Fish Fund

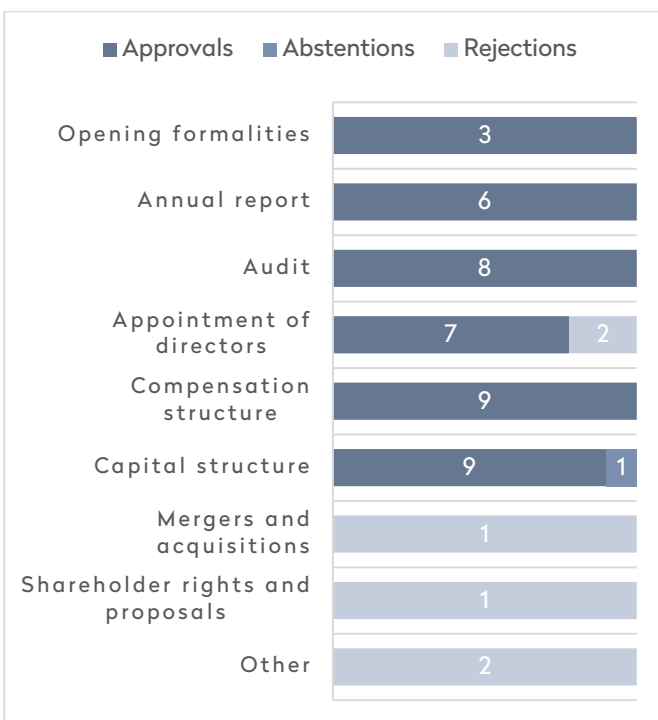
#### Proportion of voting rights exercised:



#### Voting behaviour:

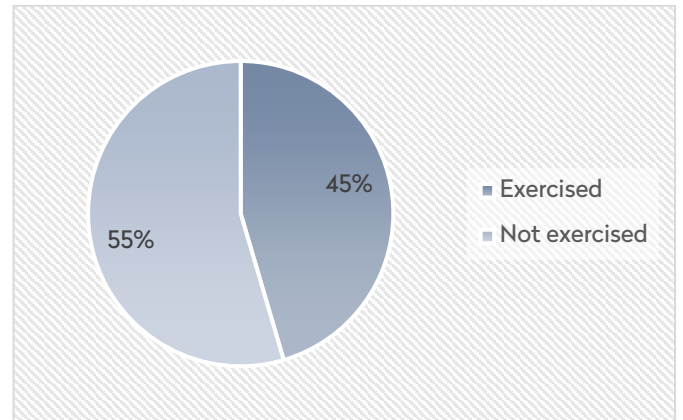


#### Voting behaviour by thematic area:

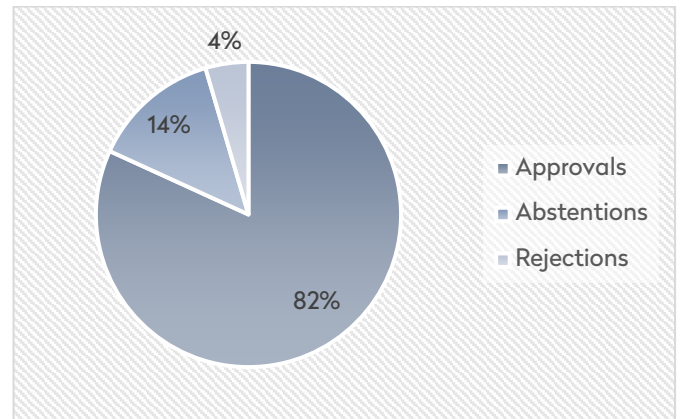


### Voting behaviour at the level of the Bonafide Investment Fund - Best Catches I

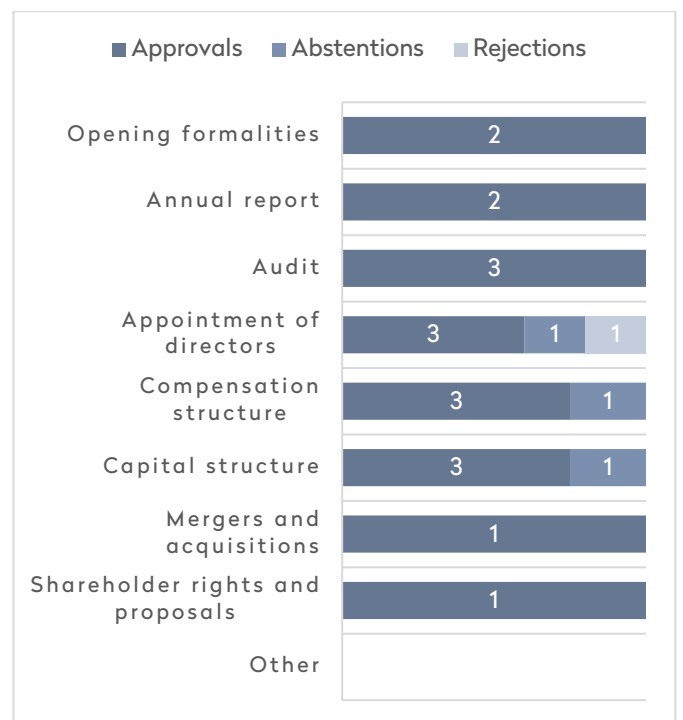
#### Proportion of voting rights exercised:



#### Voting behaviour:






#### Voting behaviour by thematic area:



## Voting behaviour at the company level

	Opening formalities	Annual report	Audit	Appointment of directors	Compensation structure	Capital structure	Mergers and acquisitions	Shareholder rights and proposals	Other	Notes	Global Fish Fund	Best Catches I
Multiexport Foods SA		✓	✓		✓	✓			✗	<i>Other</i> : Rejection due to insufficient information	✓	
Compania Pesquera Camanchaca SA		✓	✓		✓	✓			✗	<i>Other</i> : Rejection due to insufficient information	✓	
Salmones Camanchaca SA		✓	✓		✓	✓					✓	
AKVA Group ASA	✓	✓	✓	✓	✓	✓					✓	
Hofseth Biocare ASA	✓	✓	✓	✓	✓	✓					✓	✓
Austevoll Seafood ASA	✓	✓	✓	✓	✓	✓					✓	✓
Clean Seas Seafood Limited				✗	✓	!				<i>BoD</i> : Deselection of some directors to guarantee a successful reorientation of the company <i>Capital structure</i> : Abstention due to a conflict of interest concerning Bonafide	✓	✓
Feed One Co., Ltd.			✓	✓	✓						✓	
Kyokuyo Co., Ltd.				✗	✓		✗			<i>BoD</i> : Objection against the appointment of non-independent auditors <i>M&amp;A</i> : Rejection of the repetitive use of poison pills without observable added value for shareholders	✓	
Clearwater Seafoods Incorporated			✓	✓							✓	✓
Blumar SA						✓					✓	
Huon Aquaculture Group Limited				✓	✓						✓	
Tassal Group Limited				✓	✓			✗		<i>Shareholder rights and proposals</i> : Objection against the abolishment of physical shareholder meetings	✓	
Angel Seafood Holdings Ltd.			!	!	✓	✓	✓			<i>BoD</i> : Abstention due to the unclear influence of new directors on the independence of the Board of Directors <i>Compensation structure</i> : Abstention regarding the borderline increase in compensations		✓

 Approvals  
 (partial) Abstentions  
 (partial) Rejections

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## Responsible for the creation of this publication

Bonafide Wealth Management AG, Höfle 30, 9496 Balzers, Liechtenstein

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