

Active Ownership Report 2023



an ocean of opportunities

bonafide

Active Ownership Report

2023

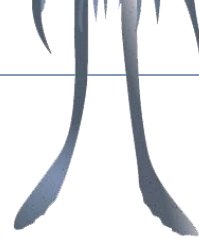
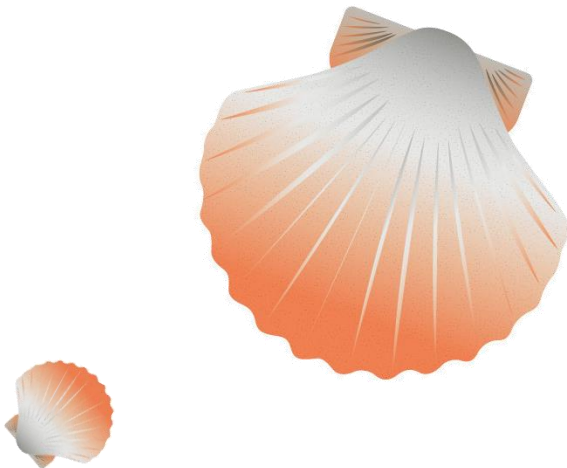


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1. Report on the engagement policy

The Active Ownership Report also serves as an annual report on how the engagement policy is implemented within the meaning of Article 367h of the Liechtenstein Law on Persons and Companies (PGR). In accordance with the applicable engagement policy, the shareholder rights and engagement (active ownership) in relation to any investments made in companies were exercised in compliance with the investment principles and restrictions set out in the funds' prospectuses in order to implement the funds' investment policy and investment regulations. Active ownership is a key element in achieving the sustainability criteria set out in the funds.

When implementing the engagement policy in 2023, the following engagements and voting rights were exercised. During the last year, all exclusion criteria defined in the responsible investment policy were complied with. The esg score developed in a stable or positive manner.

2. Executive summary

As part of the introduction and implementation of procedures for taking into account the principal adverse sustainability impacts (PAIs), engagements were started to improve the binary PAIs, which relate to decision questions regarding the existence of certain criteria. One year after the start of our engagement on binary PAIs, initial results are starting to become visible. Most notably, the number of binary PAIs with a negative rating has been reduced by an average of around 32%, which makes us optimistic for the future.

When it comes to our esg ratings, we now also provide an additional benchmark in the form of the "ESG leaders", which reflects the equally weighted esg rating of all companies achieving the highest possible rating, A.

Thanks to student support as part of a bachelor thesis, we were also able to verify compliance with the minimum ocean-based criteria defined by UNEP FI for our portfolio titles.

Together with FAIRR, WWF, UNEP FI, the World Benchmarking Alliance and Planet Tracker, next year we will continue to build on the work we started in 2020 to establish industry standards for the traceability of seafood.

3. Thematic engagements

Communication of exclusion criteria

Since introducing exclusion criteria to our investment process, each year we contact all the companies in our investment universe that have been affected by the exclusion criteria and tell them why their company was excluded. The intention behind this is to make companies aware of the consequences of their violations and, if necessary, encourage them to rethink.

Overall in the last year, just under 5% of the companies assessed for their sustainability performance were excluded from our 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. Compared to the previous year, no existing allegations were resolved, nor were any new ones added.

Overview of exclusion criteria violations

Exclusion criterion	Type of violation	Number of violations
UN Global Compact	Human rights	4
UN Global Compact	Environment	3
UN Global Compact	Labour standards	1

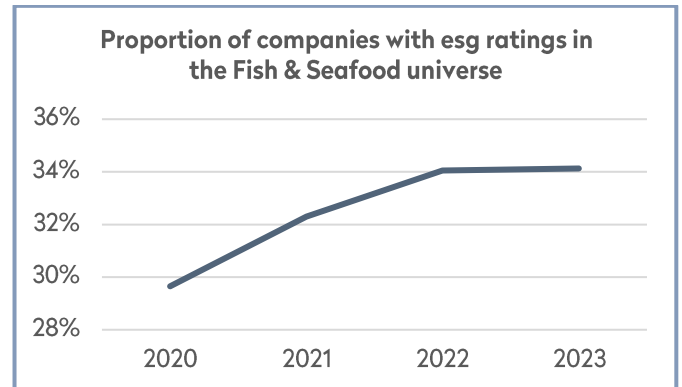
Improvement in the availability of ESG ratings

Over the past few years, our efforts to improve the sustainability balance of the Fish & Seafood sector initially focused on expanding the sustainability data available to us in the form of esg ratings.

In many respects, the field of sustainability analysis is still being developed worldwide, meaning that sustainability reporting cannot yet guarantee the same level of transparency and standardisation as financial reporting. Providers of sustainability databases can provide a remedy to this, as by using consistent assessment criteria they can create a comparable, albeit subjective, data set which can be used as a basis for investment decisions. However, companies with relatively low market capitalisations (such as those from the Fish & Seafood sector) are usually only included in sustainability databases at lower priority, meaning that without our intervention, investors such as ourselves would be denied an important basis for decision making.

To counteract this, since 2018 we have been investing in the production of esg ratings in the Fish & Seafood sector

via our data provider, ISS Stoxx. Despite our growing investment universe, we managed to at least maintain the proportion of companies in the investment universe with esg ratings this year.



In our own portfolios, a coverage rate of 100% has already been achieved.

Improvement in the quality of ESG ratings

The quantity of available esg ratings is not the only factor; their quality also plays a decisive role. For companies which already have an esg rating, we are therefore also committed to improving the quality of the data provided.

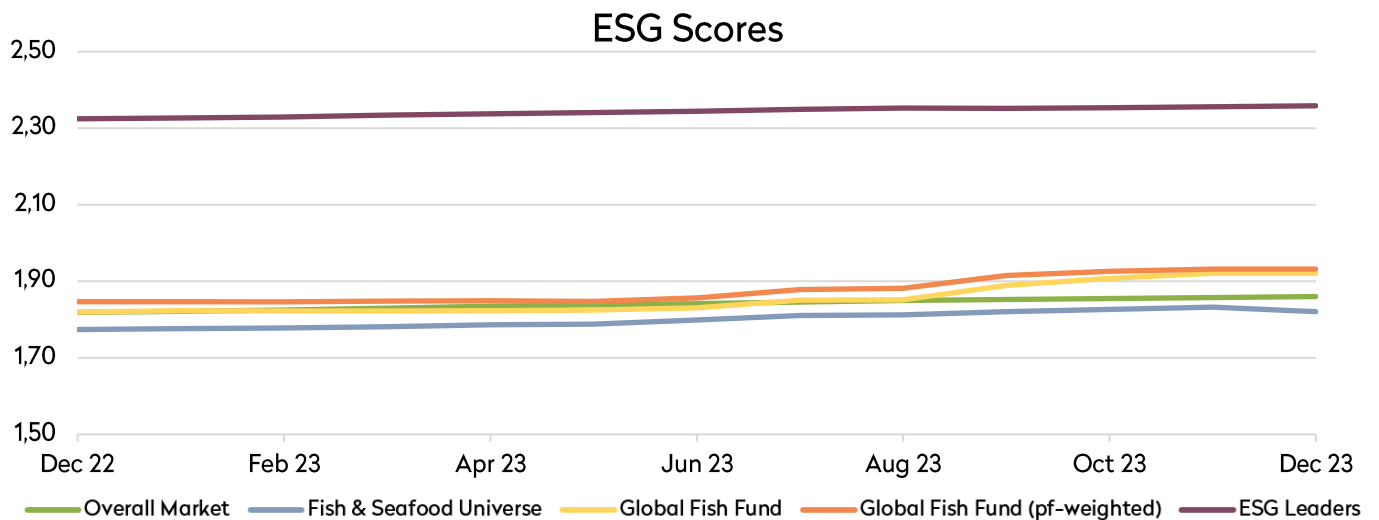
In many of the meetings we held with managers last year, we repeatedly called for improvements in esg ratings.

The Bonafide Global Fish Fund clearly outperformed the market as a whole. In particular, Marel Inf., Salmones Camanchaca SA and Nissui Corporation merit positive attention due to their double-digit growth rate in esg scores.

Engagement on ESG laggards

For the first time this year, we also held dedicated discussions with select portfolio companies aimed at increasing their esg scores. As part of the discussion, we emphasised the importance of esg scores for the financial industry and attempted to strengthen cooperation with our rating provider.

Akva Group ASA and Compania Pesquera Camanchaca SA exhibited the highest commitment towards improvement, while Taokaenoi Food & Marketing PLC was unfortunately not willing to engage in dialogue. It was the only company to refuse to do so.



Engagement on binary PAIs

As part of our efforts to consider the adverse impacts of our investment activities under the Sustainable Finance Disclosure Regulation (SFDR), we have committed to a multi-year engagement with binary PAIs in our investment universe.

The aim of the engagement was to draw the attention of our investment universe in general to the growing importance of PAIs for the financial industry, and also to initiate improvements in binary PAIs in particular.

In this context, we define binary PAIs as all PAIs that are evaluated on the basis of a simple *true/false* assessment, and which therefore tend to offer less room for interpretation than PAIs that are dependent on a reference value.

Binary PAIs cover the following indicators:

- Engagement with companies operating in the fossil fuel sector
- Violations of the principles of the UN Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of processes for monitoring the UN Global Compact and OECD
- Compliance with guidelines for investing in companies without CO₂ emissions reduction initiatives
- Investment in companies without water management guidelines
- Native species and protected areas
- Investments in companies without workplace accident prevention measures
- Lack of a supplier code of conduct
- Lack of human rights policy
- Lack of due diligence

While the 110 companies in our investment universe had a total of 479 violations of the PAIs listed above at the start of our engagement in October 2022, these have since been reduced by 32% on average.

Bachelor thesis on the exclusion criteria under the UNEP FI Sustainable Blue Economy Finance Initiative

In 2021, the UNEP FI Sustainable Blue Economy Finance Initiative, of which Bonafide is also a member, published a set of ocean-specific criteria to be used as a kind of industry standard by financial service providers to evaluate ocean-based activities.

As highlighted in a bachelor thesis, this year Bonafide helped to implement an active ownership campaign to analyse and strengthen cooperation on the “avoid” criteria set out by UNEP FI.

A total of 39 producers from the aquaculture and wild catch sectors were surveyed on the following practices:

- Environmental sustainability analysis
- Invasive species
- Animal feed
- Interaction with wild animals
- Endangered species
- Illegal, unreported, unregulated fishing
- Fishing methods
- Biological sustainability
- Ghost fishing gear

At 46% and 18% respectively, the response rate for partial and complete responses was in line with expectations.

The answers provided gave no indication of any potential breaches of the “avoid” criteria.



4. Collaborative engagements

Signing of an investor letter for more sustainable agricultural subsidies

Together with the investor network FAIRR, we signed an **investor letter** lobbying the G20 finance ministers to design agricultural subsidies in a more sustainable manner.

The core demands of the investors to the G20 include:

- The use of a measurable, performance-based framework to provide financial support to member states and farmers to help with the cost of providing public goods or environmental services.
- An end to incentives prioritising the yield of certain products at the expense of the climate and the environment and a shift to new monetary incentives for sustainable agriculture.
- The decoupling of subsidies from production metrics for single commodity transfers with high greenhouse gas emissions.
- An increase in the funding available for equitable transition mechanisms, or funds to release the necessary financial resources to support stakeholders affected by reforms.

Support for the Business Coalition for a Global Plastics Treaty

In order to prevent our oceans from becoming even more polluted by plastic, we signed an investor letter in 2021 calling on the United Nations to create an international framework for a sustainable, circular economy for plastic. The UN has since begun work to develop the concept, which is due to be completed by 2024.

In order to provide ongoing support for future treaty negotiations, the investor letter we signed in 2021 has given rise to the **Business Coalition for a Global Plastics Treaty**, in which Bonafide is also involved as a supporter. The coalition aims to provide a unified voice for companies, financial institutions and NGOs and represent their views in the treaty negotiations.

The coalition will thus support the following key elements in the negotiations leading up to 2024:

- A timetable for phasing out problematic plastics
- Incentives for the expansion of the circular economy
- Mechanisms to ensure earmarked funding for the collection and recycling of plastics after their use
- Tools to support implementation and monitor progress

The second and third rounds of negotiations were held in June and November 2023 within the United Nations. With 135 of the 180 states present, a large majority spoke out in favour of creating globally binding rules. A first draft

treaty is now expected on the updated timeline for the fourth round of negotiations in April.

Collaborative engagement for improved seafood traceability

FAIRR, in collaboration with WWF, UNEP FI's Sustainable Blue Economy Finance Initiative, the World Benchmarking Alliance and Planet Tracker, are launching a new engagement with regard to the traceability of seafood. This topic has been on Bonafide's agenda since 2020, and we will continue to support it in the future.

The aim of the engagement is to encourage the target companies to further improve the quality of their traceability commitments and make progress towards achieving the targets set. The traceability commitments, targets and work plans disclosed by these companies shall then provide best-practice blueprints for the industry as a whole.

The target companies include:

- Charoen Pokphand Foods Pcl
- Marubeni Corporation
- Maruha Nichiro Corporation
- Mitsubishi Corporation
- Nissui Corporation
- Nomad Foods Ltd
- Thai Union Group Pcl

Collaborative engagement for sustainable fish feed – paused

The engagement was paused in 2023 and will not be restarted until next year.

Phase 3 of FAIRR's engagement with regard to salmon aquaculture will focus exclusively on the question of how companies plan to bring the carbon and biodiversity footprint of their feed in line with science-based targets?



5. Company-specific engagements

Company visits and meetings with management

As active owners and responsible investors, we place particular importance on carrying out a detailed analysis of the companies we invest in. This includes meetings with management and on-site visits. In many cases, our overall image and analysis may change if we have had the opportunity to visit the company in person and see how it operates. In particular, sustainability commitments are much easier to understand on site. We report on all company visits via our **blog**. In the reporting period, we held meetings with numerous management teams, visited companies in Norway, Scotland and Japan and expanded our international network.

Below is an overview of the portfolio companies with which we were in personal contact or visited during the reporting period:

Portfolio companies	Management meetings	Site visits
Austevoll	X	X
AKVA Group	X	
Thai Union	X	X
SalMar	X	X
Bakkafrost	X	X
Nomad Foods	X	
Hofseth BioCare	X	X
Salmones Camanchaca	X	
Grieg Seafood	X	
Clean Seas Seafood	X	X
Nichirei	X	X
Kyokuyo	X	X
Maruha Nichiro	X	X
Nissui	X	X
Proximar Seafood	X	X

6. Conflicts of interest

In accordance with the existing legal provisions, Bonafide prevents the occurrence of conflicts of interest and always safeguards the interests of its funds. Only in exceptional cases is a disclosure made to the funds, if a conflict of interest cannot be prevented despite all available measures having been taken.

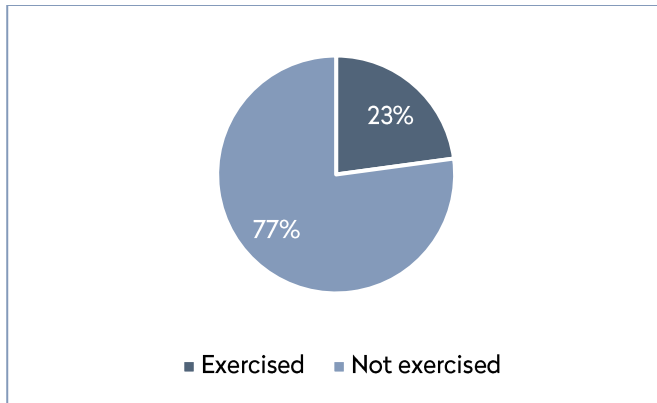
No unresolved conflicts of interest arose during the reporting period.

7. Exercising of voting rights

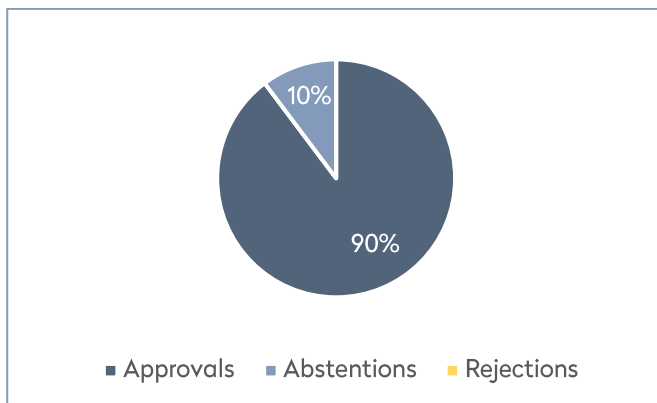
Last year, Bonafide exercised voting rights in accordance with the requirements of the fund prospectuses and the principles for exercising voting rights in the context of active ownership in conjunction with the funds as follows. In general, we follow the recommendations of voting advisors, each of which is reviewed by Bonafide in relation to the principles of active ownership and from which we may deviate in justified cases.

Voting behaviour at the level of the Bonafide Global Fish Fund

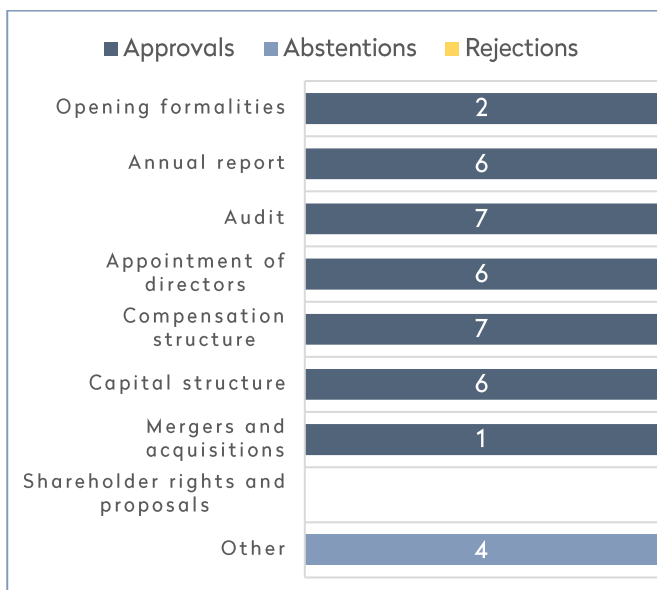
Proportion of voting rights exercised:



Voting behaviour:

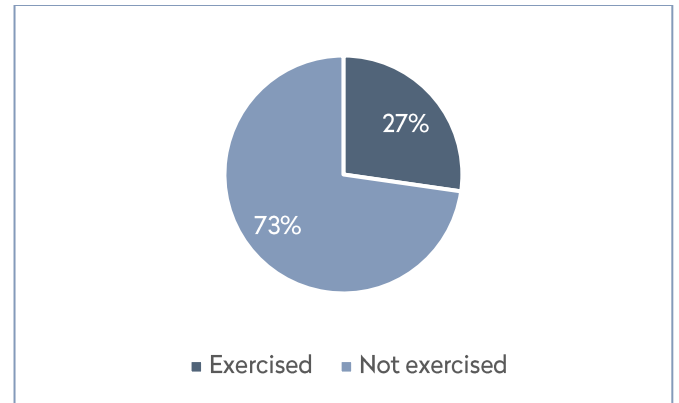


Voting behaviour by subject area:

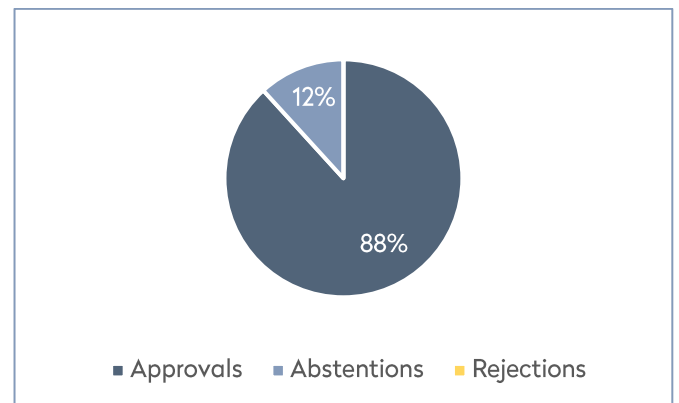


Voting behaviour at the level of the Bonafide Investment Fund - Best Catches I

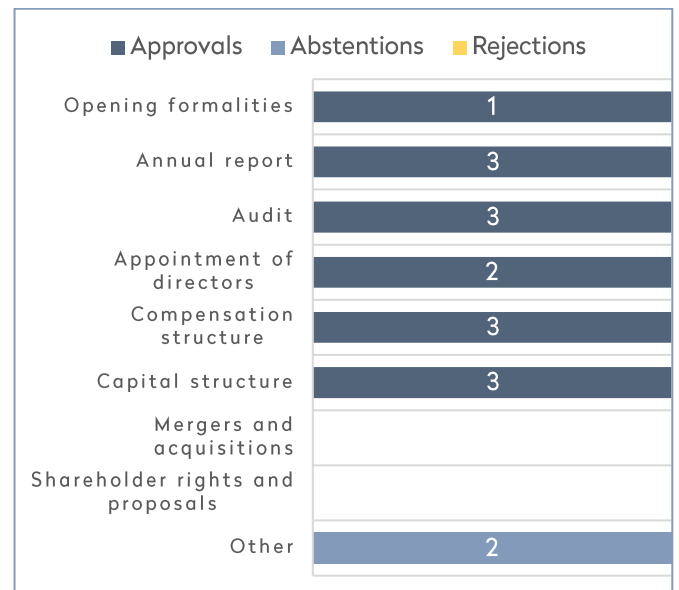
Proportion of voting rights exercised:



Voting behaviour:






Voting behaviour by subject 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
Blumar SA		✓	✓		✓				!	Abstention due to insufficient information	✓	
Multiexport Foods SA		✓	✓		✓	✓			!	Abstention due to insufficient information	✓	✓
Salmones Camanchaca		✓	✓	✓	✓	✓			!	Abstention due to insufficient information	✓	✓
Compania Pesquera Camanchaca SA		✓	✓	✓	✓	✓			!	Abstention due to insufficient information	✓	
Hofseth Biocare ASA	✓	✓	✓	✓	✓	✓					✓	✓
AKVA Group ASA	✓	✓	✓	✓	✓	✓					✓	
High Liner Foods Incorporated			✓	✓							✓	
Kyokuyo				✓	✓	✓	✓				✓	
Clean Seas Seafood				✓	✓							

 Approvals
 (partial) Abstentions
 (partial) Rejections

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