




Discretionary	Gateway
<p><b>LEA 02</b></p> <p><b>Discretionary</b></p> <p><b>Reason for interaction</b></p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> To engage internal ESG resources</p> <p><input checked="" type="checkbox"/> To engage internal staff</p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via internal staff</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via service providers</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p>	<p><b>Reason for interaction</b></p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> To engage internal ESG resources</p> <p><input checked="" type="checkbox"/> To engage internal staff</p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via internal staff</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via service providers</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p>
<p><b>Type of engagement</b></p> <p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p><b>Reason for interaction</b></p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> To engage internal ESG resources</p> <p><input checked="" type="checkbox"/> To engage internal staff</p> <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input checked="" type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via internal staff</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage via service providers</p> <p><input type="checkbox"/> To support investment decisionmaking in &amp; company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate practice or identify the need to enhance or</p> <p><input type="checkbox"/> Other: specify</p>

# RI TRANSPARENCY REPORT

2019

Sparinvest S.A.

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the reporting period specified above. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information.

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

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OO 01.1	Select the services and funds you offer	
	Select the services and funds you offer	% of asset under management (AUM) in ranges
	Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
	Fund of funds, manager of managers, sub-advised products	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
	Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
	Total 100%	

OO 02.1	Select the location of your organisation's headquarters.	
	Luxembourg	
OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).	
	<input type="radio"/> 1 <input checked="" type="radio"/> 2-5 <input type="radio"/> 6-10 <input type="radio"/> >10	
OO 02.3	Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).	
	140	
OO 02.4	Additional information. [Optional]	
	We have offices in Denmark, France and Luxembourg.	

OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.	
	<input type="radio"/> Yes <input checked="" type="radio"/> No	
OO 03.3	Additional information. [Optional]	
	Our signature of the Principles applies to all parts of our organisation.	

OO 04.1	Indicate the year end date for your reporting year.	
	31/12/2018	
OO 04.2	Indicate your total AUM at the end of your reporting year.	
	Total AUM 11,123,209,544 EUR 12,690,393,371 USD	
OO 04.4	Indicate the total assets at the end of your reporting year subject to an execution and/or advisory approach.	
	<input checked="" type="checkbox"/> Not applicable as we do not have any assets under execution and/or advisory approach	

**OO 05.1** Provide an approximate percentage breakdown of your AUM at the end of your reporting year using the following asset classes and investment strategies:

	Internally managed (%)	Externally managed (%)
Listed equity	44	0
Fixed income	54.1	0.1
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	1.8	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

**OO 06** **Mandatory** **Descriptive** **General**

**OO 06.1** Select how you would like to disclose your asset class mix.

- as percentage breakdown
- as broad ranges

**OO 06.3** Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

**OO 06.5** Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

**OO 06.6** Provide contextual information on your AUM asset class split. [Optional]

Given that only 0.1% of Sparinvest's assets were externally managed during the reporting year, we have chosen not to report on those assets. However, we would like to state that the Manager chosen to manage these assets is a PRI signatory that was selected according to Sparinvest's SAM policy.

**OO 07** **Mandatory to Report, Voluntary to Disclose** **Gateway** **General**

Private

**OO 08** **Mandatory to Report, Voluntary to Disclose** **Peering** **General**

Private

**OO 09** **Mandatory** **Peering** **General**

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.



	Other Markets		
OO 10	Mandatory	Gateway	General
OO 10.1	Select the active ownership activities your organisation implemented in the reporting year.		
	Listed equity – engagement		
	<input checked="" type="checkbox"/> We engage with companies on ESG factors via our staff, collaborations or service providers. <input type="checkbox"/> We do not engage directly and do not require external managers to engage with companies on ESG factors.		
	Listed equity – voting		
	<input checked="" type="checkbox"/> We cast our (proxy) votes directly or via dedicated voting providers <input type="checkbox"/> We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf		
	Fixed income SSA – engagement		
	<input type="checkbox"/> We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers. <input type="checkbox"/> We require our external managers to engage with SSA bond issuers on ESG factors on our behalf. <input checked="" type="checkbox"/> We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.		
	Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.		
	<p>SSA issuers are not companies, but governments. Across all asset classes, Sparinvest’s preference is to exercise active ownership to influence better and more responsible behaviour from issuers. However, we recognize that it is problematic to influence nation states. Where the option exists to join coordinated initiatives targeting heads of state in order to raise awareness of ESG concerns or to improve human rights conditions in their nations, we will consider adding our voice to these. Similarly, where appropriate to do so, we also undertake to use supra-company engagement with index providers and stock exchanges to highlight ESG issues.</p>		
	Fixed income Corporate (financial) – engagement		
	<input checked="" type="checkbox"/> We engage with companies on ESG factors via our staff, collaborations or service providers. <input type="checkbox"/> We require our external managers to engage with companies on ESG factors on our behalf. <input type="checkbox"/> We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.		
	Fixed income Corporate (non-financial) – engagement		
	<input checked="" type="checkbox"/> We engage with companies on ESG factors via our staff, collaborations or service providers. <input type="checkbox"/> We require our external managers to engage with companies on ESG factors on our behalf. <input type="checkbox"/> We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.		
	Fixed income Corporate (securitised) – engagement		
	<input checked="" type="checkbox"/> We engage with companies on ESG factors via our staff, collaborations or service providers. <input type="checkbox"/> We require our external managers to engage with companies on ESG factors on our behalf. <input type="checkbox"/> We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.		

OO 11	Mandatory	Gateway	General
OO 11.1	Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).		
	Listed equity		
	<input checked="" type="checkbox"/> We address ESG incorporation. <input type="checkbox"/> We do not do ESG incorporation.		
	Fixed income - SSA		
	<input checked="" type="checkbox"/> We address ESG incorporation. <input type="checkbox"/> We do not do ESG incorporation.		
	Fixed income - corporate (financial)		
	<input checked="" type="checkbox"/> We address ESG incorporation. <input type="checkbox"/> We do not do ESG incorporation.		
	Fixed income - corporate (non-financial)		
	<input checked="" type="checkbox"/> We address ESG incorporation. <input type="checkbox"/> We do not do ESG incorporation.		
	Fixed income - securitised		
	<input checked="" type="checkbox"/> We address ESG incorporation.		

We do not do ESG incorporation.

**Cash**

We address ESG incorporation.

We do not do ESG incorporation.

**OO 11.2** Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.

Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Fixed income - SSA	<p><b>Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</b></p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (financial)	<p><b>Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</b></p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (non-financial)	<p><b>Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</b></p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - securitised	<p><b>Fixed income - securitised - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</b></p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable</p> <p><input type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>

**OO 11.4** Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

Sparinvest has developed a Responsible Investment Policy (available here [http://www.sparinvest.eu/~media/international/downloads/ri/ri\\_selection-of-external-managers\\_passive-managed-funds\\_en.ashx](http://www.sparinvest.eu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx)) for the selection of external managers. The policy requires the external managers to be signatories either of the UN Global Compact or the Principles for Responsible Investment, or both.

At present, we use external managers indirectly via index ETFs when implementing allocations within some of our multi asset class Fund-of-funds. It is recognized that most passively-managed ETFs following broad indices do not currently integrate ESG considerations. In order to achieve exclusions that match Sparinvest's own exclusion criteria for directly-managed funds, we will aim to select external ETFs that satisfy one of the following criteria, in order of preference:

1. An agreement to screen funds to exclude/divest illegal weapons
2. An option to invest in funds that either conduct their own ESG screening or that follow indices that are already screened to exclude illegal weapons (We refer to funds which fail to meet criteria (1) or (2) as 'non-SRI funds')
3. An agreement, in the case of investment in funds that do not meet criteria (1) or (2), to work with Sparinvest to monitor the funds' exposure to illegal weapons.

Where investment is in a non-SRI fund that satisfies only criteria (3), the Sparinvest Fund of Funds Manager undertakes to monitor the market, looking for the introduction of new funds that can meet criteria (1) or (2). Where any fund offered by an external manager can both match the exclusion criteria of Sparinvest's RI policy and meet the necessary characteristics required for effective asset allocation, this fund will be preferred.

A procedure is in place whereby portfolios are regularly reviewed against Sparinvest's controversial weapons criteria.

OO 12	Mandatory	Gateway	General
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OO 12.1 Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules	
<input checked="" type="checkbox"/>	Organisational Overview
<input checked="" type="checkbox"/>	Strategy and Governance
RI implementation directly or via service providers	
Direct - Listed Equity incorporation	
<input checked="" type="checkbox"/>	Listed Equity incorporation
Direct - Listed Equity active ownership	
<input checked="" type="checkbox"/>	Engagements
<input checked="" type="checkbox"/>	(Proxy) voting
Direct - Fixed Income	
<input checked="" type="checkbox"/>	Fixed income - SSA
<input checked="" type="checkbox"/>	Fixed income - Corporate (financial)
<input checked="" type="checkbox"/>	Fixed income - Corporate (non-financial)
<input checked="" type="checkbox"/>	Fixed income - Securitised
RI implementation via external managers	
Indirect - Selection, Appointment and Monitoring of External Managers	
<input type="checkbox"/>	Fixed income - SSA
<input type="checkbox"/>	Fixed income - Corporate (financial)
<input type="checkbox"/>	Fixed income - Corporate (non-financial)
<input type="checkbox"/>	Fixed income - Securitised
Closing module	
<input checked="" type="checkbox"/>	Closing module

OO LE 01 Mandatory Gateway General

OO LE 01.1 Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

Strategies	Percentage of internally managed listed equities
Passive	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Active - quantitative (quant)	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Active - fundamental and active - other	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Total 100%	

OO FI 01 Mandatory Gateway General

OO FI 01.1 Provide a breakdown of your internally managed fixed income securities by active and passive strategies

Type	Passive	Active - quantitative	Active - fundamental & others	Total internally managed fixed income security
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SSA	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Securitised	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%

OO FI 03	Mandatory	Descriptive	General
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OO FI 03.1 Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.

SSA	61	Developed markets
	39	Emerging markets

OO FI 03.2 Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (non-financial)	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Securitized	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	100%

OO SAM 01	Mandatory to Report, Voluntary to Disclose	Gateway	General
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Private

SG 01.1 Indicate if you have an investment policy that covers your responsible investment approach.

✓ Yes

SG 01.2 Indicate the components/types and coverage of your policy.

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Other, specify (1) Stewardship Policy (Covers Engagement & Voting) <input type="checkbox"/> Other, specify(2)	<input checked="" type="checkbox"/> Applicable policies cover all AUM <input type="checkbox"/> Applicable policies cover a majority of AUM <input type="checkbox"/> Applicable policies cover a minority of AUM

SG 01.3 Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4 Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

**RETURNS** At Sparinvest, investing responsibly is central to our aim of providing clients with strong and sustainable long-term investment returns. Environmental, social and governance issues present companies, and countries, with a variety of opportunities and risks, and the way these are handled can materially impact long-term value. We think thoughtful understanding of the sustainability of our investments, and helping holdings to improve on material sustainability issues, can help boost those long-term investment returns. This mindset is deeply engrained in our investment teams.

**TRANSPARENCY** We recognise that many investors wish not only to see what their investments are achieving in terms of financial returns, but also to understand their impact on broader society. We are committed to providing our investors with that understanding.

**VALUES** We also offer a variety of funds for those who wish to go further, and explicitly align their investments with personal values, or wider societal goals. This includes our Ethical range of funds. These funds do have more explicit sustainability aims, but we do not think this means compromising financial returns. On the contrary, companies that pro-actively exploit ESG opportunities, or mitigate ESG risks, can often combine a positive impact on society, with strong long-term value creation.

SG 01.5 Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

HOW DO WE INVEST RESPONSIBLY?

Our many years of experience mean that environmental, social and governance considerations are deeply integrated into our way of thinking. Investing responsibly is not a simple question of investing in only a few 'perfect' companies, and the underlying issues are usually not black and white. Therefore, our range of funds gives clients access to various asset classes and a diverse range of underlying securities. Our strength lies in our analysis and understanding of ESG issues, and factoring that understanding into our investment strategies. We strongly believe in working with companies to encourage sustainability and long-term value creation.

We invest responsibly across all of our funds, and use three key tools to do this: ESG Integration, Stewardship, and Exclusions. We also report on all of these activities, to provide transparency to our clients. You can read more on these tools by following the links below. More detailed information on how we use these tools is available on the RI section of our website: <http://www.sparinvest.lu/investing%20responsibly/our-approach.aspx>

The precise way we use these tools varies a little by asset class and investment strategy. For example, a passive fund cannot integrate ESG considerations in the same way that an active, stock-picking fund can – but both funds can use Stewardship to influence holdings. Regarding exclusions, no Sparinvest funds invest in confirmed producers or distributors of controversial weapons – but we also offer some funds – such as our our Ethical range - that exclude a wider range of companies. We explain these differences in our Responsible Investment Policy.

WHAT ISSUES DO WE CONSIDER?

The issues we look at vary considerably, but materiality is key.

At the individual security level, we focus on the issues that most significantly affect the company, industry, or country, and this can vary from case to case.

At a broader level, we also consider overarching issues that typically have most potential for material impact across portfolios. This includes mega-trends such as climate change, and key governance questions such as board quality.

#### ESG INTEGRATION

Throughout our long history of investing on behalf of our clients, our consistent aim has been to provide healthy long-term investment returns. When we design funds, carry out analysis, and make investment decisions, we consider a wide range of risks and opportunities, to ensure we can provide sustainable returns. We consider questions ranging from the short term to the long term, from macro-economic and political, to detailed questions of companies' business models and balance sheets.

Across all these, we recognise that environmental, social, and governance issues can have a significant impact. These are often called "ESG issues" – but even though they have their own label, we do not see them as some separate category of risks. Rather, they form part of the various fundamental issues we consider in our investment work. They can present companies with risks and opportunities that can have serious impacts on the investment's financial prospects and long-term value.

For example, at the level of an individual company, we may consider how the board and management structures can positively or negatively influence long-term strategy. How does handling of labour relations influence both efficiency and the cost base? How does the company seize environmental opportunities, or fall foul of environmental risks, such as climate change and carbon emissions? Equally, when we consider country risk, governance is always important, but social and environmental issues can also have significant impact. At the portfolio level, it is not only a question of the combined effect of these individual issues, but also one of how the portfolio is likely to react to short, medium and long-term shifts in the environment, and in social and governance issues.

The precise way in which ESG considerations are integrated varies by fund class: a passive fund cannot take the same approach as an actively managed fund selecting individual equities or credits. In those active funds, ESG plays a role throughout the process, from idea generation and screening, to case analysis, valuation, and discussion, to investment decision making and portfolio construction. It naturally feeds into our Stewardship work.

#### STEWARDSHIP

Responsible investment does not end with an investment decision. After buying a position, we continue monitoring our investments and their risks and opportunities. But it goes further than that. We have the mind-set that our funds - and investors - do not just temporarily own pieces of paper, but have a real interest in the underlying entity. Equity investors are part owners of real companies. This means that we have both the opportunity and the responsibility to be active owners, communicating with the companies in which we invest, and potentially influencing their behaviour. The aim is to foster long-term corporate value. In doing this, our guiding light is our duty to work for the long-term benefit of our clients.

In practice, active ownership boils down to two key elements: exercising voting rights on shareholdings, and engagement. Engagement involves dialogue with companies – but also other bodies – with the aim of increasing our understanding, and potentially influencing behaviour and actions.

In recognition of our role as stewards of our investors' capital and long-term interests, Sparinvest complies with the Danish Stewardship Code.

#### EXCLUSIONS

Sparinvest has over a decade of experience in screening funds and applying exclusionary filters.

**Universal Exclusions:** We set a clear baseline: none of our funds will invest in companies that are confirmed producers or distributors of controversial weapons. This means anti-personnel mines, cluster munitions, biological weapons, chemical weapons, depleted uranium, and nuclear weapons outside the Nuclear Non-Proliferation Treaty are out. If an existing holding is found to have started such activities, we will divest it as soon as reasonably possible.

**Ethical Funds & Tailored Solutions:** To provide our clients with greater choice, we also offer a range of Ethical funds. These funds go further, and exclude companies based on violations of international norms and involvement in certain sectors.

○ No

SG 01 CC	Voluntary	Descriptive	General
SG 01.6 CC	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.		
<p>When looking at individual investments, we employ a materiality-based approach to considering ESG issues. However, certain issues and ESG mega-trends are so significant that they can have material impacts across entire portfolios, and this applies to climate change.</p> <p>The risks and opportunities associated with climate change are taken into account as part of our investment process. This is especially true for actively-managed fundamental funds where we have a typical average holding period of 3-5 years for equities and 1 year for corporate bonds (for individual investments, time-frames can be considerably longer or shorter.) Climate change considerations (such as described in SG.01.8 below) feed into all three of our main responsible investment tools – ESG Integration, Stewardship, and Exclusions.</p> <p><b>ESG Integration:</b> especially for actively managed fundamental funds, climate change risks and opportunities are taken into account as part of our investment process. Here, we find opportunities across various sectors, and we do not only seek out companies in businesses with inherently low carbon footprints. The carbon footprint of our portfolios can be strongly influenced by our relative exposures to different industries. MSCI data feeds into our analysis whereby, we aim to understand how companies are exposed to carbon emissions and climate change, how they address the risks or opportunities and how/with whom the responsibility is anchored in the company. Our analysis can be significantly influenced by the extent to which companies are aware of, and actively addressing, the transition to a low carbon economy. This is because our investment process measures long-term risk against reward. The transition process may increasingly leave some companies with stranded assets or outdated business models – and provide others with attractive growth potential.</p> <p><b>Stewardship:</b> We frequently vote in favour of resolutions calling for greater disclosure of climate-related risks. In addition to ad hoc engagement with individual companies on climate related issues, we have initiated a broad engagement programme in our active, fundamental Value Equity and Credit portfolios, looking at corporate approaches to carbon emissions and climate change. We have also joined Climate Action 100+, a broad-based collaborative engagement with strong support from institutional investors like ourselves.</p> <p><b>Exclusions:</b> Our Ethical range of funds excludes companies based on violations of international norms, and exposure to certain sectors. The Norm-based screen includes a consideration of environmental norms, which can include climate related issues. The Sector-based screen includes an exclusionary filter for companies involved in Oil Sands, and Thermal Coal, two of the most carbon intense energy exposures.</p> <p><b>Carbon Footprinting:</b> This exercise gives an indication of the carbon intensity of our portfolios overall, and also boosts our understanding of where the greatest sensitivities are, whether in terms of emissions, or in other risks e.g. stranded assets. Carbon footprinting data is important to our climate related engagement programme.</p> <p>We have signed the Montreal Carbon Pledge for four funds and so we measure and disclose their carbon footprints on an annual basis. The aim is that</p>			

either the Portfolio Manager will use this information for engagement or to set carbon reduction targets.

**SG 01.7 CC** Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

**SG 01.8 CC** Indicate the associated timescales linked to these risks and opportunities.

Short term climate-related issues are those that could arise unexpectedly on a given day and have material impact on any of our individual investments/portfolios. We identify risks as being events such as:

- Unexpected extreme weather or geophysical events affecting regions or countries where we hold investments
- Power outages
- Physical threat to assets
- Water shortages or contamination
- Evacuation of populations
- Announcement of climate-related litigation

Short term climate-related opportunities could be:

- Introduction of a new product/technological advance that has beneficial climate change mitigation effects
- New agreement or partnership for climate change mitigation that opens up new markets
- Strategic decision to develop climate-adaptation solutions and retire stranded assets

Medium Term climate-related issues are those that could materialise over the course of several months to 3 years - a timeframe that would affect most Sparinvest portfolios. We identify risks as being events such as:

- Introduction of carbon tax/GHG emissions pricing (not typically done overnight but would be debated by legislators.)
- Crop failures (leading to increased prices for food/garment manufacture)
- Climate related health risks – with associated litigation threat
- Shifts in consumer preferences/stigmatisation of an entire sector

Medium term climate-related opportunities could be:

- Introduction of policies/incentives to buy that are supportive of a company's climate-related goods or services
- Product pipeline that encourages recycling/energy saving/move to circular economy

Long term climate-related issues are those that could materialise over 3-5 years (the average holding period for our actively-managed equities) or more. We identify risks as being events such as:

- Rising sea levels/long-term flooding
- Desertification/long-term drought
- Displacement of populations

Long term climate-related opportunities could be:

- Products/services designed to defend against flooding/rising sea levels
- Technologies capable of reversing desertification or restoring crops (seed banks, etc)
- Companies offering products/services that can assist with mass migration problems (shelter/food/health/language programmes).

No

**SG 01.9 CC** Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.10 CC** Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

**Describe**

In actively managed fundamental funds, the investment risks related to climate change are analysed by portfolio managers, as described in SG 01.6CC, above.

Within Sparinvest, The Responsible Investment Committee is charged with deciding how the various strategies managed by Sparinvest should align with our Responsible Investment policy. In doing so, it is necessary to balance sustainability considerations with legal/fiduciary considerations.

Where the Responsible Investment Committee proposes a change that is likely to materially affect an investment strategy, it is referred to the Investment Committee for approval. Climate change is a topic that is regularly discussed in the Responsible Investment Committee. In recent years, this has led to the following decisions related to climate change in respect of actively managed fundamental funds:

- Mid 2015, the Responsible Investment Committee agreed to add oil sands and thermal coal to the exclusionary criteria applied to ethical funds on the grounds of the high carbon emissions of these energy sources. Exclusions for Sparinvest's range of ethical funds is agreed in collaboration with clients.
- 2015 - agreement to sign up two ethical equity funds to the Montreal Carbon Pledge and begin footprinting
- 2016 - agreement to sign up ethical high yield bond fund to Montreal Carbon Pledge
- 2017 - agreement to join Climate Action 100+ and to begin a carbon-related engagement with all actively managed fundamental equity holdings and all holdings from our ethical high yield fund.
- 2018 - agreement to sign up European Value fund to Montreal Carbon Pledge.

The Investment Committee is chaired by Sparinvest's CIO, includes the team heads of all investment teams and Head of Risk and Head of Sales. This committee oversees Sparinvest's investment activities, ensures that quality is maintained across Sparinvest's entire range of investment solutions. The Investment Committee receives input from two sub-committees - the Risk Committee which considers the risk framework and evaluates ongoing risk and performance of investment strategies and the Responsible Investment Committee which develops and implements Responsible Investment and Ethical policies.

At a company level, Sparinvest considers that, as a data and systems driven business, the key threat to our sustainability would be an IT threat. For this reason our IT Department has developed a contingency plan (reviewed annually) to ensure that information is redeemable in the event of any catastrophic events (climate related or otherwise) occurring. We have considered the potential physical impact of Climate Change on Sparinvest's offices in Luxembourg, Denmark and France and do not consider that there are any immediately material risks.

No

SG 1.12 CC

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

SG 02

Mandatory

Core Assessed

PRI 6

SG 02.1

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- Policy setting out your overall approach

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 RI Policy.pdf

- Fiduciary (or equivalent) duties

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/~media/global-docs/responsible-investment-policy.ashx">http://www.sparinvest.lu/~media/global-docs/responsible-investment-policy.ashx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 RI Policy.pdf

- Asset class-specific RI guidelines

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 RI Policy.pdf

- Screening / exclusions policy

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/exclusions-ethical.aspx">http://www.sparinvest.lu/investing%20responsibly/exclusions-ethical.aspx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 Ethical Policy.pdf

- Engagement policy

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 Stewardship Policy.pdf

- (Proxy) voting policy

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment (will be made public) 01-04-2019 Voting Policy.docx.pdf

- Other, specify (1)

Other, specify (1) description
Stewardship Policy

URL/Attachment
<input checked="" type="checkbox"/> URL

- <http://www.sparinvest.lu/investing%20responsibly/transparency.aspx>
- Attachment (will be made public)
- [01-04-2019 Stewardship Policy.pdf](#)
- We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 RI Policy.pdf</a>

- Time horizon of your investment

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 RI Policy.pdf</a>

- Governance structure of organisational ESG responsibilities

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 RI Policy.pdf</a>

- ESG incorporation approaches

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 RI Policy.pdf</a>

- Active ownership approaches

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 Stewardship Policy.pdf</a>

- Reporting

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 Stewardship Policy.pdf</a>

- Climate change

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.sparinvest.lu/investing%20responsibly/climate-change.aspx">http://www.sparinvest.lu/investing%20responsibly/climate-change.aspx</a>
<input checked="" type="checkbox"/> Attachment <a href="#">01-04-2019 RI Policy.pdf</a>

- Understanding and incorporating client / beneficiary sustainability preferences
- We do not publicly disclose any investment policy components

SG 03	Mandatory	Core Assessed	General
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**SG 03.1** Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

**SG 03.2** Describe your policy on managing potential conflicts of interest in the investment process.

Sparinvest trades in securities and other financial instruments for Danish and international clients. As is required by national legislation, when providing investment and related services, both Sparinvest S.A., Luxembourg branch ID-Sparinvest, Filial af Sparinvest S.A., Luxembourg, are committed to maintaining appropriate arrangements to identify, manage and mitigate actual and potential conflicts of interest with the objective of ensuring that our clients and shareholders are not adversely affected.

It is our duty to act in the best interests of our shareholders and clients in the conduct of our investment business, including when engaging with investee companies and exercising our rights as shareholders. We maintain a detailed Conflicts of Interest Policy that applies to conflicts of interest that may arise anywhere within Sparinvest Group as a result of any Sparinvest Group entities' organizational structure, ownership and business activities. The policy document is available in both English and Danish.

Link to English version:

<http://www.sparinvest.lu/about%20us/governance.aspx>

No

**SG 03.3** Additional information. [Optional]

During 2018, Sparinvest signed up to the Danish Stewardship Code. A Conflicts of Interest Policy is one of the requirements of the Code.

<b>SG 04</b>	Voluntary	Descriptive	General
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Private

<b>SG 05</b>	Mandatory	Gateway/Core Assessed	General
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**SG 05.1** Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

Quarterly or more frequently

Biannually

Annually

Less frequently than annually

Ad-hoc basis

It is not set/reviewed

**SG 05.2** Additional information. [Optional]

How RI goals are set/measured:

Sparinvest's Responsible Investment Committee meets 6 times per year and drives the development and implementation of responsible investment practices at Sparinvest. The focus of this Committee is to:

- Continuously monitor and review RI Policy and processes and look for any improvements that can be made;
- Formally establish the RI goals that will ensure that the relevant RI strategy is adopted and understood throughout the organisation.

Formal RI goals are set at the beginning of the year. However, the objective of improving RI processes is ongoing and regularly discussed at RI Committee meetings. Action points are set and followed up in subsequent meetings.

The Committee is chaired by the Head of Responsible Investment and includes the Deputy CIO and investment team representatives from all of our asset classes - Fundamental Equities, Quantitatively and Passively invested equities and Fixed Income as well a representative from our client-facing distribution team. The meetings are also attended in a non-voting capacity by other interested parties, including two ESG assistants and an analyst. As and when industry developments require it, external RI experts may be invited to Committee meetings to help inform RI policy decisions.

The Head of RI reports to Sparinvest's Investment Committee on RI matters and is asked to give a formal progress report twice per year. Once per year the Head of RI will appear before Sparinvest's board of non-executive directors as well as before the independent boards of the umbrella funds to give an update on Group progress towards achieving RI goals.

<b>SG 06</b>	Voluntary	Descriptive	General
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Private

<b>SG 07</b>	Mandatory	Core Assessed	General
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**SG 07.1** Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

**Roles**

Board members or trustees

Oversight/accountability for responsible investment

Implementation of responsible investment

No oversight/accountability or implementation responsibility for responsible investment

Internal Roles (triggers other options)

Select from the below internal roles

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
 

Other description (1)
Middle Office

  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (2)
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment

**SG 07.2** For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

- Board Members/ trustees: Oversight gained via annual reporting to Board by the Responsible Investment Committee
- CEO/CIO/Investment Committee: Oversight gained regular reporting at Investment Committee meetings by Head of RI or other member of Responsible Investment Committee
- Portfolio Managers and Investment Analysts: All responsible for ESG analysis in investment process. Individual equity managers are assigned Active Ownership responsibilities
- Portfolio Managers who are also members of Responsible Investment Committee: Oversight of RI policy implementation by Asset Management teams. Shaping RI policy/strategy.
- Dedicated RI Staff: Head of RI: Chairs RI Committee which drives the development and implementation of RI Policy, Reports to Investment Committee on RI matters. Supervises implementation of RI Policy across different asset classes and is responsible for internal RI education.
- Two Analysts – one for Fixed Income and one for Equities as well as two ESG assistants and one Fixed Income Analyst: Assist PMs with RI operations and attend the RI Committee meetings
- Head of Middle Office, in conjunction with Reporting and Portfolio Analysis department, maintain exclusionary watch lists to ensure funds abide by RI Policy

External Service Providers: Charged with implementing voting on instruction plus collaborative dialogue.

**SG 07.3** Indicate the number of dedicated responsible investment staff your organisation has.

1

**SG 07.4** Additional information. [Optional]

Whilst only one member of staff is full-time dedicated to Responsible Investment, all of our investment strategies are responsible which means that RI is an integral part of the role of our Portfolio Managers and analysts. In particular, it is the investment teams running our actively managed fundamental equity and bond strategies that dedicate considerable time to RI implementation - namely the integration of ESG in the investment process, voting (for equities) and stewardship activities.

The Head of Responsible Investment is charged with ensuring that ESG issues are incorporated into investment policy, ensuring that investment strategies adhere to policy, maintaining oversight of engagement and voting activities, reporting to investors and engagement at a supra-company level.

SG 07 CC	Voluntary	Descriptive	General
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**SG 07.5 CC** Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees
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- Oversight/accountability for climate-related issues

- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (1)

Other description (1)

Other role, specify (1)

**SG 07.6 CC** For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

A member of the Responsible Investment Committee/Head of RI reports to the Board of Sparinvest S.A. as well as the Boards of the two UCITS funds run by Sparinvest out of Denmark and Luxembourg on the subject of Responsible Investment annually, or more frequently if requested. Naturally, given the importance of the issue, climate related integration and engagement issues form part of this report.

During 2018, our actively managed fundamental equity and bond teams began work on a formalized thematic carbon engagement programme with holding companies. Naturally, the progress of this engagement programme will be reported to Investment Committee and Board meetings, as well as in our reporting to clients.

**SG 07.7 CC** For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

As mentioned in SG 01.10, Sparinvest's Responsible Investment Committee makes recommendations regarding climate change related matters to the Investment Committee which is headed by our CIO.

In addition, the Head of Responsible Investment reports to the CIO on responsible investment matters (including any developments related to climate change) on a regular weekly basis.

For actively managed funds, climate related issues are integrated into the investment process, where they are considered alongside other fundamental risks. The investment process for all funds is overseen by our CIO.

SG 08	Voluntary	Additional Assessed	General
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Private

SG 09	Mandatory	Core Assessed	PRI 4,5
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**SG 09.1** Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

During 2018, Sparinvest continued its involvement with the following UN PRI collaborative engagements:

- Cyber security (as lead investor with two companies)
- Climate Action 100+
- PRI-Ceres engagement on deforestation in cattle supply chains (supporting role only)
- Sparinvest is part of the Investor Working Group of the Sustainable Stock Exchanges Initiative and contributed to the SSE Guidance to Regulators document.
- Sparinvest has committed the assets of an additional fund to the Montreal Carbon Pledge. (Four funds are now signatories.)

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AFIC – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)

<b>Your organisation's role in the initiative during the reporting period (see definitions)</b>
Basic

<b>Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]</b>
We are supporters and signatories of the IIRC Investor Statement ( <a href="https://integratedreporting.org/resource/investor-statement/">https://integratedreporting.org/resource/investor-statement/</a> ) in confirmation of the fact that we value integrated reporting and use it in our investment analysis.

- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

Eurosif

<b>Your organisation's role in the initiative during the reporting period (see definitions)</b>
Advanced

<b>Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]</b>
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Sparinvest has been a member of Eurosif since 2010, and is currently a corporate Individual Member. Sparinvest also holds a position in the following Eurosif Working Groups: The Eurosif Stakeholder Working Group, the European Transparency Label Working Group and the European SRI study Working Group.

In 2018, Sparinvest attended the launch of the EuroSIF SRI Study in Brussels and drew attention to its publication by means of a press article in Denmark.

- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

Association of the Luxembourg Funds Industry (ALFI)

Your organisation's role in the initiative during the reporting year (see definitions)
Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Sparinvest's Head of Responsible Investment is also a member of ALFI Responsible Investment Committee. The aim of this group is to promote the development of Responsible Investment funds in Luxembourg and elsewhere.

In May 2018, Sparinvest participated in the ALFI London roadshow as speaker in a panel discussion on the topic of: 'Sustainable Finance with perspectives from European Market Leaders!'

In October 2018, Sparinvest participated in the ALFI Scandinavia roadshow as speaker in a panel discussion on the topic of: 'Sustainable Investing - from niche to mainstream'

Another ALFI initiative is the Luxembourg Finance Labelling Agency (LuxFLAG) which is designed to identify funds that have high ESG standards. In 2018, Sparinvest - Ethical Global Value and Sparinvest - Ethical Emerging Markets were re-awarded the LuxFLAG ESG label and the Sparinvest - Value Bonds - Global Ethical High Yield Fund recieved an ESG Label for the first time.

<http://www.alfi.lu/>

- Other collaborative organisation/initiative, specify

DANSIF

Your organisation's role in the initiative during the reporting year (see definitions)
Moderate

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Member of DANSIF. We participate in 3-4 meetings a year.

- Other collaborative organisation/initiative, specify

Luxembourg Green Exchange ESG Fund Window Platform

Your organisation's role in the initiative during the reporting year (see definitions)
Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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During 2018, the Luxembourg Green Exchange decided to create an ESG Fund Window on its listings platform as a means to highlight funds with high ESG credentials. Sparinvest was amongst the first asset managers to have its funds displayed on this window.

- Other collaborative organisation/initiative, specify

CDP

Your organisation's role in the initiative during the reporting year (see definitions)
Basic

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Signatory of CDP and thereby sign to their communication with companies requesting disclosure.

SG 09.2	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
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Private

SG 10	Mandatory	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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- Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
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- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description
Sparinvest participated in an industry conference hosted by a major Luxembourgish Bank which was thinking about how to introduce its own SRI strategy across different divisions. This led to a request for Sparinvest's Head of RI to spend a morning with the Bank's Secrétaire Générale and President of its SRI committee to provide an overview of the RI industry, including all the different approaches available, industry initiatives, standard setters, etc.

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input checked="" type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad hoc <input type="radio"/> Other

- Provided financial support for academic or industry research on responsible investment
- Provided input and/or collaborated with academia on RI related work
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment

Description
Sparinvest's Head of SRI spoke at a total of 5 industry events during 2018. These were as follows: • February 22nd Conference arranged by the Luxembourg Stock Exchange and L'Institut Luxembourgeois des Administrateurs on the topic of 'CSR as the Driver of Corporate Governance Principles' • April 16th ALFI London Conference on the topic of: 'Sustainable Finance with Perspectives from European Market Leaders' • Oct 23/24 ALFI Scandinavia Roadshow in Stockholm and Copenhagen on the topic of: 'Sustainable Investing: From Niche to Mainstream' • November 15 BCEE (Luxembourg) At the Heart of the Financial Sector Conference on the topic of: Sustainable Finance Developments • November 30 (Luxembourg) ING Sustainable Finance Conference on the topic of 'Developments in Responsible Investment, Sustainable Finance and Green Bonds.'

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input checked="" type="radio"/> Ad hoc <input type="radio"/> Other

- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)
- Wrote and published articles on responsible investment in the media

Description
Sparinvest took part in the State Street Industry Dialogue on sustainable finance. This was a round table discussion convening ESG experts in Europe to discuss future trends for sustainable investing. The resulting publication which was widely promoted in the media can be found here: <a href="http://www.statestreet.com/content/dam/statestreet/documents/Articles/Industry_Dialogue_2018.pdf">http://www.statestreet.com/content/dam/statestreet/documents/Articles/Industry_Dialogue_2018.pdf</a>

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input checked="" type="radio"/> Ad hoc <input type="radio"/> Other

- A member of PRI advisory committees/ working groups, specify

Description
Sparinvest is an active participant in the PRI's Sustainable Stock Exchanges Initiative. During 2018 we provided input into the SSE publication: 'How securities regulators can support the Sustainable Development Goals' <a href="http://www.sseinitiative.org/wp-content/uploads/2018/10/SSE-Regulator-Report-compressed.pdf">http://www.sseinitiative.org/wp-content/uploads/2018/10/SSE-Regulator-Report-compressed.pdf</a>

Frequency of contribution
<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually

- Ad hoc
- Other
- On the Board of, or officially advising, other RI organisations (e.g. local SIFs)
- Other, specify

specify description
ALFI Responsible Investment Committee

Description
Sparinvest's Head of Responsible Investment is also a member of the RI Committee of ALFI, The Association of the Luxembourg Funds Industry, the aim of which is to promote Responsible Investment - primarily through large events which are free to attend. The Responsible Investment Committee has various functions - including providing feedback on proposed EU legislation and providing education and best practice ideas to Luxembourg-based funds regarding RI developments.

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input checked="" type="radio"/> Ad hoc <input type="radio"/> Other

No

SG 11	Voluntary	Additional Assessed	PRI 4,5,6
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Private

SG 12	Mandatory	Core Assessed	PRI 4
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SG 12.1	Indicate whether your organisation uses investment consultants.
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- Yes, we use investment consultants
- No, we do not use investment consultants.

SG 13	Mandatory	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities
- No, not to assess future ESG/climate-related issues

SG 13.3	Additional information. [OPTIONAL]
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We do not incorporate ESG issues directly in strategic asset allocation. Our active equity fund exposures are driven by a bottom-up stock selection process. However, the practical reality is that in different geographic markets we will see certain ESG trends or characteristics which may have an impact on our allocation to that market. An example would be Russia, which ranks poorly in World Governance Indicators and where ESG scores for individual companies tend to be relatively low: there is often concern over governance risk, and poor environmental track records at various companies. In combination, ESG risks are one key reason for the extremely low valuations at which the Russian market typically trades, and low valuations are typically attractions for a value investor. Consideration of governance, demographics, and other ESG factors are inherently part of our consideration of the appropriate country risk premium.

SG 14	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1
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SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies

- Sought climate supportive policy from governments
- Other, specify

other description
Four funds committed to Montreal Carbon Pledge. Footprints inform ongoing carbon-themed engagement with portfolio companies. Certain funds exclude thermal coal and oil sands.

- None of the above

**SG 14.3** Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

**SG 14.4** If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

We have committed four funds to the Montreal Carbon Pledge, meaning that, on an annual basis, we will report to clients on the carbon footprints of the four portfolios concerned. In order to do this, we subscribe to MSCI Carbon Portfolio Analytics service to supply us with emissions and climate transition related data for our portfolio companies and appropriate benchmarks.

MSCI supplies quantitative data on reserves and potential emissions by fossil fuel type: coal, oil, natural gas, oil sands, shale gas and shale oil, as well as Scope 1 & 2 carbon emissions and intensities. Potential emissions are calculated using the methodology of the Potsdam Institute for Climate Impact Research.

At Sparinvest, our preferred measure for assessing the climate related performance of our portfolios is weighted average carbon intensity, which we consider to be a cleaner measure, because it is uninfluenced by market cap of holdings, and therefore uninfluenced by valuations. We think it gives a clearer idea of where the carbon risk in the portfolio lies.

**SG 14.5** Additional information [Optional]

Carbon risk is high on our agenda. We have signed the Montreal Carbon Pledge on behalf of our range of ethical funds but many holdings overlap with other funds and therefore the information gained from the annual footprinting exercise is applicable to a higher % of AUM than indicated above.

However, our aim is not to be 'best in class' with regards to carbon risk in any of these funds – especially given our assessment that carbon footprinting metrics linking responsibility for carbon emissions to price paid for equity ownership penalise the value investment strategy. Instead, our intention is to use the information gained from carbon footprinting to further develop our engagement programme relating to carbon risk/opportunity at individual companies. Our carbon engagement programme extends across equity and bond funds and includes a commitment to participate in Climate Action 100+

SG 14 CC	Voluntary	General
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**SG 14.6 CC** Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Weighted average carbon intensity</b>	Minority of assets	This metric is our preferred one as it is a more accurate measurement of the efficiency with which companies use carbon. This is therefore the metric that we use to help inform engagement strategies. Measures portfolio exposure to carbon intensive companies. This is the only measure available to us for fixed income portfolios. It is a proxy for exposure to climate related risks.	tCO2e/\$m sales	tCO2e/\$m sales for each company and weighted average by portfolio weight.
<b>Carbon footprint (scope 1 and 2)</b>	Minority of assets	tCO2e indicating % of scope 1 + % of scope 2	When reported data is not available, scope 1 & 2 emissions are estimated using MSCI's carbon emissions estimation model.	

<b>Portfolio carbon footprint</b>	Minority of assets	We dislike this metric because it is influenced by the price paid for each holding resulting in higher 'ownership' of emissions for companies bought cheaply. We use it, however, to track and report on relative carbon footprint over time and identify largest contributors to carbon footprint which can inform engagement.	tCO2e/\$m invested	This measure links total carbon emissions to the market value of the portfolio. Link to ownership means not applicable to bond portfolios
<b>Total carbon emissions</b>	Minority of assets	Measures the portfolio's total carbon footprint. Measures the absolute tons of CO2 emissions for which an investor is responsible based on equity ownership.	tCO2e (scope 1 + 2)	
<b>Carbon intensity</b>	Minority of assets	tCO2e/\$m sales	Portfolio Carbon Intensity is calculated by dividing the portfolio's total Carbon Emissions (apportioned by the investor's ownership share) by the portfolio's total Sales over that same period of time (also apportioned by the investor's ownership share).	
<b>Exposure to carbon-related assets</b>	Minority of assets	This metric helps us to assess exposure to companies owning fossil fuel reserves versus those offering clean tech solutions gives an indication of stranded asset risk versus clean tech opportunities.	exposure to companies owning fossil fuel reserves versus those offering clean tech solutions	

**SG 14.8 CC** Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

Process for climate-related risks is integrated into overall risk management

Please describe
<p>As part of its overall risk management, Sparinvest has set sector risk limits. These have the effect of limiting concentration in high carbon-intensive sectors.</p> <p>For actively managed fundamental funds, Portfolio Managers consider the potential impacts that climate-related risks and opportunities can have on the economics for individual companies. Companies whose operations entail high carbon emissions are under threat of significant impact on profitability in the face of high-speed regulatory change and pricing of externalities. The existence of - and intended introduction of - regulatory requirements in specific jurisdictions is something that we take into consideration. The extent to which a company is positioned to withstand or reduce climate-related risks or to take advantage of climate-related opportunities is a key focus during our security analysis process, meaning that it can affect our decision of whether to become an investor in a company and at what price. It is also a key part of ongoing portfolio monitoring.</p> <p>We subscribe to MSCI ESG analysis which gives us detailed climate-related information on individual securities as well as across sectors. In the wake of the TCFD project, we are also able to look for climate related financial disclosure information on Bloomberg, although we are mindful of the fact that companies are self-assessing in order to provide this information.</p>

Process for climate-related risks is not integrated into our overall risk management

**SG 14.9 CC** Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

Yes

Please describe
<p>Sparinvest's fundamental active equities and fixed income teams have both signed up to Climate Action 100+</p> <p>Investors supporting this initiative undertake to request the boards and senior management of companies to:</p> <ul style="list-style-type: none"> <li>• Implement a strong governance framework articulating the board's accountability and oversight of climate risks and opportunities;</li> <li>• Take action to reduce greenhouse gas emissions across the value chain in line with the Paris Agreement</li> <li>• Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</li> </ul> <p>During 2018, Sparinvest has also begun a major thematic engagement with portfolio companies on the subject of carbon and climate change. As part of this engagement, we are encouraging companies to move towards TCFD compliant disclosures. In particular, we have sought granular information regarding:</p> <ul style="list-style-type: none"> <li>• Governance - where in the organization the responsibilities lie relating to climate change and carbon issues.</li> <li>• Strategy - whether there is a strategy/policy to manage climate change risk and who is in charge of day-to-day implementation of these.</li> <li>• Risk Management - how the financial impact of climate and carbon risk is assessed with information requested regarding the scale, probability and likely time horizon of such impacts</li> <li>• Metrics and Targets - whether there is a carbon emissions reduction target with the goal as a percentage of current emissions and a timeline for implementation.</li> </ul> <p>In addition, Sparinvest frequently votes in favour of resolutions calling for greater disclosure of climate-related risks in line with TCFD recommendations.</p>

No, we do not engage

SG 15	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
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**SG 15.1** Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**SG 15.2** Indicate the percentage of your total AUM invested in environmental and social themed areas.

1.0%

**SG 15.3** Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

**Area**

- Energy efficiency / Clean technology
- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

Sparinvest runs a passive fund based on Dow Jones Sustainability Index.

**Asset class invested**

- Listed equity  
1.0% of AUM
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Cash

**Brief description and measures of investment**

This passively invested fund seeks to replicate the performance of the global Dow Jones Sustainability Index (DJSI World) excluding alcohol, gambling, tobacco, weapons and pornography.

The DJSI World is constructed using a transparent, rules-based selection process. All the companies included in the index are screened for a variety of criteria, designed to demonstrate responsibility for the development of society's values. After inclusion in the Index companies continue to be monitored for their "corporate sustainability performance". An ethical screen is applied to the DJSI World to exclude companies operating in the alcohol, gambling, tobacco, weapons and pornography businesses. The success criterion of the fund is to minimize tracking error towards this benchmark.

No

SG 16	Mandatory	Descriptive	General
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**SG 16.1** Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Cash	Sparinvest's year end AUM shows a 1.8% cash holding. Sparinvest's cash is held by two custodian banks both of which operate in highly regulated countries (Luxembourg and Denmark). In order to monitor these institutions' compliance with international norms, we have run a norms-based screening which revealed no reported incidents. We will continue to monitor these institutions.

SG 17	Mandatory	Descriptive	General
SG 17.1		Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.	
<b>Asset Class</b>	<b>Describe what processes are in place and the outputs or outcomes achieved</b>		
Fixed income - SSA	<p>Prior to placing these assets under the management of a third party, Sparinvest developed a Responsible Investment Policy for the Selection of External Managers, Assessment and Monitoring.</p> <p><a href="http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx</a></p> <p>This stipulates that the Selected Manager must be a signatory of UN PRI or UNGC and to screen funds to exclude securities in breach of international sanctions – being either those imposed by either the EU or the UN.</p>		
Fixed income - Corporate (financial)	<p>Prior to placing these assets under the management of a third party, Sparinvest developed a Responsible Investment Policy for the Selection of External Managers, Assessment and Monitoring.</p> <p><a href="http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx</a></p> <p>This stipulates that the Selected Manager must be a signatory of UN PRI or UNGC. In order to achieve exclusions that match Sparinvest's own exclusion criteria for directly-managed funds we conducted a due diligence to ensure that the manager was not invested in any of the companies that Sparinvest's excludes on the basis of controversial weapons.</p> <p>It is also our policy that where ESG versions of the funds selected become available, we will switch to these, provided that they are able to fulfil the same asset allocation role.</p>		
Fixed income - Corporate (non-financial)	<p>Prior to placing these assets under the management of a third party, Sparinvest developed a Responsible Investment Policy for the Selection of External Managers, Assessment and Monitoring.</p> <p><a href="http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx</a></p> <p>This stipulates that the Selected Manager must be a signatory of UN PRI or UNGC. In order to achieve exclusions that match Sparinvest's own exclusion criteria for directly-managed funds we conducted a due diligence to ensure that the manager was not invested in any of the companies that Sparinvest's excludes on the basis of controversial weapons. It is also our policy that where ESG versions of the funds selected become available, we will switch to these, provided that they are able to fulfil the same asset allocation role</p>		
Fixed income - Securitized	<p>Prior to placing these assets under the management of a third party, Sparinvest developed a Responsible Investment Policy for the Selection of External Managers, Assessment and Monitoring.</p> <p><a href="http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/ri_selection-of-external-managers_passive-managed-funds_en.ashx</a></p> <p>This stipulates that the Selected Manager must be a signatory of UN PRI or UNGC. In order to achieve exclusions that match Sparinvest's own exclusion criteria for directly-managed funds we conducted a due diligence to ensure that the manager was not invested in any of the companies that Sparinvest's excludes on the basis of controversial weapons.</p> <p>It is also our policy that where ESG versions of the funds selected become available, we will switch to these, provided that they are able to fulfil the same asset allocation role</p>		

SG 18	Voluntary	Descriptive	General
SG 18.1		Indicate whether any specific features of your approach to responsible investment are particularly innovative.	
<input checked="" type="radio"/> Yes			
SG 18.2		Describe any specific features of your approach to responsible investment that you believe are particularly innovative.	
<ul style="list-style-type: none"> <li>• The degree to which our responsible investment approach is embedded with the relevant portfolio management teams. PMs and analysts are directly involved in ESG research and assessment before new investments, in engagement with companies, and in making decisions on proxy voting and communicating with companies regarding that voting.</li> <li>• The degree to which responsible investment principles are integrated across asset classes, including corporate bonds.</li> <li>• The strong focus on stewardship in actively managed strategies. One example is our approach to voting, which is based on our internal voting policy; in turn, based on that policy, we place a customised voting policy with our proxy voting service provider, which provides agenda research on that basis; in turn, our fundamental active equity team reviews each agenda and the relevant research, and determines the appropriate voting decision. This process is designed to ensure that voting execution is in line with our responsible investment objectives and supportive of certain sustainable development goals.</li> <li>• The extent of our Fixed Income team's engagement programme is unusual and commendable. In addition to undertaking direct engagements, the team has specifically requested to be able to participate in collaborative engagements including PRI cyber security and Climate Action 100+. The responsible investment charity ShareWatch recently criticised other Fixed Income houses for being 'sleeping giants' and not backing Climate Action 100+.</li> </ul>			
<input type="radio"/> No			

SG 19	Mandatory	Core Assessed	PRI 2, 6
SG 19.1		Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.	
Listed equity - Incorporation			
Do you disclose?			
<input type="radio"/> We do not proactively disclose it to the public and/or clients/beneficiaries			
<input type="radio"/> We disclose to clients/beneficiaries only.			
<input checked="" type="radio"/> We disclose it publicly			

The information disclosed to clients/beneficiaries is the same
<input checked="" type="radio"/> Yes <input type="radio"/> No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	
<input type="radio"/> Broad approach to ESG incorporation <input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used	
Quarterly or more frequently	
<a href="http://www.sparinvest.lu/strategies%20and%20solutions/responsible%20investing.aspx">http://www.sparinvest.lu/strategies%20and%20solutions/responsible%20investing.aspx</a> <a href="http://www.sparinvest.lu/investing%20responsibly/overview.aspx">http://www.sparinvest.lu/investing%20responsibly/overview.aspx</a>	

**Listed equity - Engagement**

Do you disclose?
<input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public
The information disclosed to clients/beneficiaries is the same
<input checked="" type="radio"/> Yes <input type="radio"/> No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	
<input checked="" type="checkbox"/> Details on the overall engagement strategy <input checked="" type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input checked="" type="checkbox"/> Number of engagements undertaken <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input checked="" type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information	
Biannually	
<a href="http://www.sparinvest.lu/~media/international/downloads/ri/q1%202018%20ri%20review%20eng.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/q1%202018%20ri%20review%20eng.ashx</a> <a href="http://www.sparinvest.lu/~media/international/downloads/ri/11-2018_ri-review_eng.ashx">http://www.sparinvest.lu/~media/international/downloads/ri/11-2018_ri-review_eng.ashx</a>	

**Listed equity – (Proxy) Voting**

Do you disclose?
<input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public
The information disclosed to clients/beneficiaries is the same
<input checked="" type="radio"/> Yes <input type="radio"/> No

<b>Disclosure to public and URL</b>	
Disclosure to public and URL	
<input checked="" type="radio"/> Disclose all voting decisions <input type="radio"/> Disclose some voting decisions <input type="radio"/> Only disclose abstentions and votes against management	

Quarterly or more frequently
<a href="http://www.sparinvest.lu/investing%20responsibly/stewardship.aspx">http://www.sparinvest.lu/investing%20responsibly/stewardship.aspx</a>

**Fixed income**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

**The information disclosed to clients/beneficiaries is the same**

- Yes
- No

**Disclosure to public and URL**

**Disclosure to public and URL**

- Broad approach to RI incorporation
- Detailed explanation of RI incorporation strategy used

Quarterly

<a href="http://www.sparinvest.lu/investing%20responsibly/transparency.aspx">http://www.sparinvest.lu/investing%20responsibly/transparency.aspx</a>
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LEI 01	Mandatory	Gateway	PRI 1
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**LEI 01.1** Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

- Screening alone (i.e. not combined with any other strategies)
  - Thematic alone (i.e. not combined with any other strategies)
  - Integration alone (i.e. not combined with any other strategies)
  - Screening and integration strategies
- |   |      |
|---|------|
| Percentage of active listed equity to which the strategy is applied | 100% |
|---|------|
- Thematic and integration strategies
  - Screening and thematic strategies
  - All three strategies combined
  - We do not apply incorporation strategies

**LEI 01.3** If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

As noted above in 01.2, ESG risk factors are integrated into our investment process and investment decisions, across all active fundamental equity funds. This extends to ongoing monitoring of existing holdings, exercise of proxy voting, and engagement with holdings, and supra-company engagements with e.g. stock exchanges/index providers. We use certain external service providers for ESG research and proxy voting advice, while ultimate decisions are made internally.

- All funds are subject to the controversial weapons and EU sanctions exclusionary screen.
- All funds are subject to a regular advisory norms-based screen and Portfolio Managers receive alerts regarding controversies and breaches as they occur.
- Funds labelled 'Ethical' have both norms and sector-based exclusions, as detailed in 01.2.

Note that negative results from these screens may result in a company being excluded from our Ethical funds, but not excluded from other active funds. Where the exclusion is based on normative issues, we choose to engage with the company in order to seek improvement and the prevention of recurrence.

An external service provider, ISS-Ethix, provides research for these weapon-, norm- and sector screens. We find that the research provided by ISS-Ethix in this regard has useful crossover application in our ESG integration strategy.

LEI 02	Voluntary	Additional Assessed	PRI 1
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Private

LEI 03	Voluntary	Additional Assessed	PRI 1
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Private

LEI 04	Mandatory	Descriptive	PRI 1
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**LEI 04.1** Indicate and describe the type of screening you apply to your internally managed active listed equities.

- Negative/exclusionary screening
  - Product
  - Activity
  - Sector
  - Country/geographic region
  - Environmental and social practices and performance
  - Corporate governance

Description
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Across all funds, we exclude companies involved in controversial weapons and securities.

Across all funds we operate a norms-based screening procedure which is used to inform decisions regarding engagement, position size or divestment

In addition, we provide certain funds which add an additional focus on "Ethical Investment", which is based on negative screening to exclude companies from the investment universe or investment shortlist, on certain specific grounds. These equity funds are easily identified by the label "Ethical" within the fund name, and are primarily used to meet client needs. The exclusionary criteria for these funds result from ongoing consultation with clients, but are broadly categorised as norm-based and sector-based criteria:

- A norm-based screen for violations of global norms: environmental protection, human rights, labour standards and anti-corruption.
- A sector-based screen for companies operating within sectors such as: alcohol, tobacco, gambling, pornography, weapons, thermal coal and oil sands.

(In the above checklist, we reflect this latter sector-based screen as "Product", "Activity" and "Sector")

- Positive/best-in-class screening
- Norms-based screening
  - UN Global Compact Principles
  - The UN Guiding Principles on Business and Human Rights

- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify

Paris Agreement on Climate Change

Description
As noted above, all funds are subject to a norm-based screening. In all funds, this can be used to inform stewardship activities and in active fundamental funds it informs our ESG-analysis, position selection and size. In ethical funds, it informs a negative exclusionary list.

<b>LEI 04.2</b>	<b>Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.</b>
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A key role of the RI Committee is to be aware of potentially relevant new screening requirements. Any potential review to screening criteria is informed by ongoing consultation with clients, other industry participants and general industry trends.

Clients are notified of changes via both direct communication such as presentations or coverage in our Responsible Investment Review, and via our website.

<b>LEI 05</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	<b>Indicate which processes your organisation uses to ensure screening is based on robust analysis.</b>
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- Trading platforms blocking / restricting flagged securities on the black list
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Review and evaluation of external research providers
- Other, specify
- None of the above

<b>LEI 05.2</b>	<b>Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.</b>
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- <10%
- 10-50%
- 51-90%
- >90%

<b>LEI 05.3</b>	<b>Indicate how frequently third party ESG ratings are updated for screening purposes.</b>
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- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

<b>LEI 05.4</b>	<b>Indicate how frequently you review internal research that builds your ESG screens.</b>
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- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

<b>LEI 05.5</b>	<b>Additional information. [Optional]</b>
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Normative and sector-based screens are researched by an external service provider (ISS-Ethix) but implemented by Sparinvest. Internal staff, including both dedicated RI staff and portfolio managers and analysts will review the screens alongside their own findings, based on information from the company in question. Where necessary, more detailed or up-to-date analysis will be requested from the service provider.

<b>LEI 06</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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Private

<b>LEI 08</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 08.1</b>	<b>Indicate the ESG factors you systematically research as part of your investment analysis and the proportion of actively managed listed equity portfolios that is impacted by this analysis.</b>
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ESG issues	Proportion impacted by analysis

Environmental	Environmental
	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Social	Social
	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Corporate Governance	Corporate Governance
	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%

LEI 09	Mandatory	Core Assessed	PRI 1
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LEI 09.1	Indicate which processes your organisation uses to ensure ESG integration is based on a robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Third-party ESG ratings are updated regularly.
- A periodic review of the internal research is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Analysis of the impact of ESG factors on investment risk and return performance
- Other, specify
- None of the above

LEI 09.2	Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.
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- <10%
- 10-50%
- 51-90%
- >90%

LEI 09.3	Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.
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- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

LEI 09.5	Describe how ESG information is held and used by your portfolio managers.
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- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

LEI 09.6	Additional information.[Optional]
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ESG analysis from external parties (such as MSCI IVA reports, ISS-Ethix normative and sector information, and ISS voting related analysis) is considered by portfolio managers and analysts alongside their own analysis of ESG issues, and in our active fundamental equity funds, case files include a specific section dedicated to ESG analysis and integration. Where necessary, more detailed or up-to-date analysis will be requested from the service provider.

We do hold regular stewardship meetings focused on relevant activity within the funds, and Responsible Investment Committee meetings where portfolio managers and RI staff discuss ESG issues. However, ESG research and analysis is not generally discussed at "ESG specific meetings" because we view ESG information as a crucial part of core fundamental information and therefore discuss it within regular investment meetings, not in separate meetings.

LEI 10	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 1
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Private

LEI 11	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
<i>Private</i>			
LEI 12	Voluntary	Descriptive	PRI 1
<i>Private</i>			
LEI 13	Voluntary	Descriptive	PRI 1
<i>Private</i>			

LEA 01.1 Indicate whether your organisation has an active ownership policy.

Yes

LEA 01.2 Attach or provide a URL to your active ownership policy.

Attachment provided:

URL provided:

<http://www.sparinvest.lu/investing%20responsibly/~-/media/global-docs/stewardship-policy.ashx>

LEA 01.3 Indicate what your active engagement policy covers:

#### General approach to active ownership

- Conflicts of interest
- Alignment with national stewardship code requirements
- Assets/funds covered by active ownership policy
- Expectations and objectives
- Engagement approach

#### Engagement

- ESG issues
- Prioritisation of engagement
- Method of engagement
- Transparency of engagement activities
- Due diligence and monitoring process
- Insider information
- Escalation strategies
- Service Provider specific criteria
- Other specify;
- (Proxy) voting approach

#### Voting

- ESG issues
- Prioritisation and scope of voting activities
- Methods of voting
- Transparency of voting activities
- Regional voting practice approaches
- Filing or co-filing resolutions
- Company dialogue pre/post-vote
- Decision-making processes
- Securities lending processes
- Other specify;
- Other
- None of the above

No

LEA 01.4 Do you outsource any of your active ownership activities to service providers?

Yes

LEA 01.5 Where active ownership activities are conducted by service providers, indicate whether your active ownership policy covers any of the following.

- Outline of service providers role in implementing organisation's active ownership policy
- Description of considerations included in service provider selection and agreements
- Identification of key ESG frameworks service providers must follow
- Outline of information sharing requirements of service providers
- Description of service provider monitoring processes
- Other, specify
- None of the above

No

**LEA 01.6** Additional information [optional]

Stewardship can benefit companies, investors, and the economy as a whole. At Sparinvest we seek to foster the long-term value of our investments through our stewardship programme.

Sparinvest's stewardship activities are directed and monitored by the portfolio management teams and reviewed at meetings of the Responsible Investment Committee. The Responsible Investment Committee reports on these activities to Sparinvest's Investment Committee and to the Board of Sparinvest.

Our stewardship programme is shaped by our investment philosophy, which is one of long-term, prudent, and responsible investing. We offer a range of investment solutions, with funds and mandates covering a variety of asset classes and geographic regions.

Our range of equity funds includes not only our fundamental stock-picking funds, but also quantitative and index strategies. Our stewardship programme extends across all of these – with some variations – because we believe it can play a role both in enhancing long-term returns, and in fulfilling our role as responsible investors.

- Actively managed fundamental stock-picking funds. In strategies such as Global Value, European Value, and Emerging Markets Value, our investment team focusses on the fundamentally-driven selection of value stocks, which they typically hold for the long-term.
- Actively managed quantitative funds. These funds use a proprietary mathematical model to conduct computerized stock selection with the aim of extracting alpha from historically proven outperformance factors.
- Passively managed index funds. These funds invest with the intention of replicating the performance of their benchmark index.

Within actively-managed fundamental equity funds, we have long specialized in a value investment style. In strategies such as Global Value, European Value, and Emerging Markets Value, our investment team focusses on the fundamentally-driven selection of value stocks, which they typically hold for the long-term. From screening markets for potential investments, to fundamental analysis of individual securities, to building and monitoring their portfolios, our investment teams consider environmental, social and governance issues to be a key part of their considerations. This extends to their meetings with companies, internal discussions, and naturally, their voting and engagement activities. Our longer than average holding periods provide an opportunity to work with our holdings to help them identify and mitigate risks, and create value for investors over time.

Sparinvest also considers stewardship to be an important part of the management of its quantitative and index equity funds. These funds differ from our actively-managed fundamental strategies in two key ways. Firstly, in quant and index funds, the selection of stocks is based purely on mathematical models, and does not involve fundamental analysis of each company. Secondly, these funds tend to hold large numbers of securities. This means that the depth of ESG integration is limited, at least compared to our fundamental strategies. Nonetheless, quant and index funds are often long-term investors in equities, and we believe that stewardship can play a role both in enhancing long-term returns, and in fulfilling our role as responsible investors.

**LEA 02** Mandatory Core Assessed PRI 1,2,3

**LEA 02.1** Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via service providers

**LEA 02.2** Indicate whether your organisation plays a role in the engagement process that your service provider conducts.

Yes

**LEA 02.3** Indicate the role(s) you play in engagements that your service provider conducts on your behalf.

- Discuss the topic (or ESG issue(s)) of engagement
- Discuss the rationale for engagement
- Discuss the objectives of the engagement
- Select the companies to be engaged with
- Discuss the frequency/intensity of interactions with companies
- Discuss next steps for engagement activity
- Participate directly in certain engagements with your service provider
- Other; specify
- We play no role in engagements that our service provider conducts.

No

**LEA 02.4** Additional information. [Optional]

**Engagement (Actively Managed Fundamental Equities)**

We believe in being engaged owners, and view equity investment through the lens not of owning a piece of paper, but of owning a long-term stake in a real company. We seek to foster the long-term value of our investments and to improve corporate behaviour, by being active owners in communication with our

holdings. We do this through voting and engagement.

Naturally, as part of our investment analysis we aim to communicate with companies to bolster our understanding. Once we decide to invest, we typically contact new investments to explain our voting policy and investment philosophy. We take this opportunity to further stress our interest in ESG issues and raise certain questions (which may lead to more detailed engagement). We aim to continue dialogue with our holdings over the years. The ideal is to have a frank but constructive, two-way dialogue with our holdings, and we do not hesitate to give our views on key issues, whether short or long-term, "ESG" or otherwise.

However, we classify as 'engagements' those dialogues in which we have a specific goal. We take a practical and materiality-based approach: we focus on cases where we see potential for meaningful impact on corporate value and sustainability. Examples of triggers for engagement, and the methods used, are detailed below.

**How do we engage?**

Our engagements are usually either direct, collaborative, or led by service providers. We often find it can be powerful to combine these methods. Generally, we seek to act as constructive partners to our investee companies, and this means we may also bring third parties into the dialogue – for example, liaising between the company and an NGO regarding best practice on the specific issue.

- **Direct engagements.** These are engagements run by Sparinvest alone, and implemented by members of our investment teams. We see it as a strength that our portfolio managers and analysts run the dialogue on ESG issues, as they well-placed to contextualise the specific issue within the overall investment case and corporate value. It also sends a clear message to the investee company that ESG issues run to the heart of investment decisions.
- **Collaborative engagements.** These are engagements where we join with other institutional investors via forums such as the PRI, to co-ordinate engagement on specific ESG themes. Often, we will assume the role of 'lead investor' where we run the dialogue with one company on behalf of various investors – while other investors lead the dialogue with other companies.
- **Service provider engagements.** In certain areas, where we believe a service provider's specialised knowledge provides an edge, we join collaborative engagements which are led by the service provider.

**Why do we engage?**

Triggers for engagement include:

- **Specific ESG Risks or Opportunities.** Various specific ESG risks and opportunities are identified through the analysis and monitoring of potential and existing holdings. Issues are selected for engagement based on their materiality, the potential for meaningful change, and an estimation of the resources required for the dialogue.
- **Voting-related.** We believe that votes are more powerfully exercised in conjunction with dialogue. It is arguably not particularly constructive if investors simply vote against management proposals at a company's AGM, but do not explain their rationale. We seek to engage with companies where agenda items breach our voting policy or are contentious for other reasons. Where time permits, this happens before the ballot. Outcomes include the company amending the agenda to our satisfaction, a change in our voting decision based on new information from the company, or a vote against the item, followed by further dialogue seeking change.
- **Breach of International Norms.** We use screening services provider ISS-Ethix to screen our portfolios for companies which are alleged or confirmed to have breached international norms in human rights, labour rights, corruption, the environment, and the Paris Climate Accord. Where such breaches are identified, we adopt a two-pronged approach to engagement. We engage directly with the company, partly to make it clear to the company that we – as investors – attach significance to the issue. However, we also join collaborative engagements run by ISS-Ethix. For us it makes sense that their specialist knowledge of the issues is carried through into constructive dialogue with the companies, giving them ideas and targets for risk mitigation.

**Engagement for quantitatively and passively managed funds**

In Sparinvest's quantitative funds and passively managed index funds, the engagement focus is on normative issues. We use screening services provider ISS-Ethix to screen our portfolios for companies which are alleged or confirmed to have breached international norms in human rights, labour rights, corruption, the environment, and the Paris Climate Accord. Where such breaches are identified, we join collaborative engagements run by ISS-Ethix. This is a scalable and efficient approach, whereby their specialist knowledge of the issues is carried through into constructive dialogue with the companies, giving them ideas and targets for risk mitigation.

LEA 03	Mandatory	Core Assessed	PRI 2
LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagements.		
	✓ Yes		
LEA 03.2	Indicate the criteria used to identify and prioritise engagements for each type of engagement.		
Type of engagement	Criteria used to identify/prioritise engagements		

Individual / Internal engagements	<table border="1"> <thead> <tr> <th colspan="2" data-bbox="451 114 1380 152">Internal / Individual engagements</th> </tr> </thead> <tbody> <tr> <td data-bbox="451 152 507 190"><input checked="" type="checkbox"/></td> <td data-bbox="507 152 1380 190">Geography / market of the companies</td> </tr> <tr> <td data-bbox="451 190 507 228"><input checked="" type="checkbox"/></td> <td data-bbox="507 190 1380 228">Materiality of the ESG factors</td> </tr> <tr> <td data-bbox="451 228 507 266"><input checked="" type="checkbox"/></td> <td data-bbox="507 228 1380 266">Exposure (size of holdings)</td> </tr> <tr> <td data-bbox="451 266 507 304"><input checked="" type="checkbox"/></td> <td data-bbox="507 266 1380 304">Responses to ESG impacts that have already occurred</td> </tr> <tr> <td data-bbox="451 304 507 342"><input type="checkbox"/></td> <td data-bbox="507 304 1380 342">Responses to divestment pressure</td> </tr> <tr> <td data-bbox="451 342 507 380"><input type="checkbox"/></td> <td data-bbox="507 342 1380 380">Consultation with clients/beneficiaries</td> </tr> <tr> <td data-bbox="451 380 507 418"><input type="checkbox"/></td> <td data-bbox="507 380 1380 418">Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</td> </tr> <tr> <td data-bbox="451 418 507 456"><input checked="" type="checkbox"/></td> <td data-bbox="507 418 1380 456">Follow-up from a voting decision</td> </tr> <tr> <td data-bbox="451 456 507 495"><input type="checkbox"/></td> <td data-bbox="507 456 1380 495">Client request</td> </tr> <tr> <td data-bbox="451 495 507 533"><input checked="" type="checkbox"/></td> <td data-bbox="507 495 1380 533">Breaches of international norms</td> </tr> <tr> <td data-bbox="451 533 507 571"><input checked="" type="checkbox"/></td> <td data-bbox="507 533 1380 571">Other, specify</td> </tr> <tr> <td data-bbox="451 571 507 609"></td> <td data-bbox="507 571 1380 609"> <table border="1"> <thead> <tr> <th colspan="2" data-bbox="515 562 1380 600">specify</th> </tr> </thead> <tbody> <tr> <td data-bbox="515 600 539 638"></td> <td data-bbox="539 600 1380 638">For efficacy, we may focus some engagements on specific themes, where we see positive context for change (tailwinds of governance reform, carbon etc)</td> </tr> </tbody> </table> </td> </tr> <tr> <td data-bbox="451 638 507 676"><input type="checkbox"/></td> <td data-bbox="507 638 1380 676">We do not outline engagement criteria for our individual engagements.</td> </tr> </tbody> </table>	Internal / Individual engagements		<input checked="" type="checkbox"/>	Geography / market of the companies	<input checked="" type="checkbox"/>	Materiality of the ESG factors	<input checked="" type="checkbox"/>	Exposure (size of holdings)	<input checked="" type="checkbox"/>	Responses to ESG impacts that have already occurred	<input type="checkbox"/>	Responses to divestment pressure	<input type="checkbox"/>	Consultation with clients/beneficiaries	<input type="checkbox"/>	Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)	<input checked="" type="checkbox"/>	Follow-up from a voting decision	<input type="checkbox"/>	Client request	<input checked="" type="checkbox"/>	Breaches of international norms	<input checked="" type="checkbox"/>	Other, specify		<table border="1"> <thead> <tr> <th colspan="2" data-bbox="515 562 1380 600">specify</th> </tr> </thead> <tbody> <tr> <td data-bbox="515 600 539 638"></td> <td data-bbox="539 600 1380 638">For efficacy, we may focus some engagements on specific themes, where we see positive context for change (tailwinds of governance reform, carbon etc)</td> </tr> </tbody> </table>	specify			For efficacy, we may focus some engagements on specific themes, where we see positive context for change (tailwinds of governance reform, carbon etc)	<input type="checkbox"/>	We do not outline engagement criteria for our individual engagements.
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<input checked="" type="checkbox"/>	Breaches of international norms																																
<input type="checkbox"/>	Other, specify																																
<input type="checkbox"/>	We do not outline engagement criteria for our service providers.																																

No

**LEA 03.3** Additional information. [Optional]

We see engagement as an opportunity for positive and constructive dialogue between listed companies and their stakeholders, with the aim of enhancing long-term corporate value and sustainability. ESG risks, like any other, need to be tackled on a case-by-case basis, and are prioritised by the Portfolio Managers according to their potential for material impact on our investments.

Decisions to engage are thus taken within the investment team and discussed more formally at a quarterly stewardship meeting on voting and engagement matters, which is attended by the Head of Responsible Investment. The Responsible Investment Committee receives updates on engagements, and subsequently includes engagement topics in reporting to top management and the Sparinvest Board of Directors.

LEA 04	Mandatory	Core Assessed	PRI 2
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LEA 04.1		Indicate whether you define specific objectives for your organisation's engagement activities.
Individual / Internal engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out by internal staff.	
Collaborative engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out through collaboration	
Service provider engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out by our service providers.	

LEA 04.2		Additional information. [Optional]
<p>We use service provider engagement to seek clarification of actions being taken by companies to address norms breaches and allegations thereof. Our service provider's objectives for each engagement are to obtain disclosure of information relevant to the breach and to encourage the company to take steps to prevent recurrence, such as by drawing up and implementing relevant policies.</p>		

LEA 05	Mandatory	Core Assessed	PRI 2
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LEA 05.1		Indicate if you monitor and/or review engagement outcomes.
Individual / Internal engagements	<input checked="" type="checkbox"/> Yes, in all cases <input type="checkbox"/> Yes, in majority of cases <input type="checkbox"/> Yes, in a minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes carried out by our internal staff.	
Collaborative engagements	<input checked="" type="checkbox"/> Yes, in all cases <input type="checkbox"/> Yes, in a majority of cases <input type="checkbox"/> Yes, in a minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes via collaborative engagement activities.	
Service provider engagements	<input checked="" type="checkbox"/> Yes, in all cases <input type="checkbox"/> Yes, in majority of cases <input type="checkbox"/> Yes, in minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes carried out by our service providers.	

LEA 05.2		Indicate if you do any of the following to monitor and review the progress of engagement activities.
Individual / Internal staff engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify	
Collaborative engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify	
Service provider engagements	<input type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify	

LEA 05.3		Additional information [Optional]
<p>Individual engagements are monitored and reviewed by the Responsible Investment Committee; a quarterly Stewardship Meeting on voting and engagement</p>		

is attended by the RI Committee and members of the investment teams.

Of course, dialogue does not always progress to our satisfaction. In such cases, we consider why, whether it is appropriate to escalate, and if so, which method would be appropriate. We recognise that listed companies also face growing demands on their time and resources. Our aim is not to create an antagonistic situation, but rather, to foster a constructive environment for dialogue.

We recognise that each engagement and company has its own unique characteristics, and therefore the best way to proceed is considered on a case-by-case basis. Similar to the manner in which we initially select issues for engagement, we consider the materiality of the issue, the potential for impact, and an estimation of the resources required for the dialogue.

Our service provider publishes an annual report detailing the progress made as a result of the pooled engagement activity coordinated by them on our behalf.

In addition to this, we review the progress made by the service provider in norms-related engagement with our portfolio companies on an ad-hoc basis in order to inform the decision as to whether we should supplement their efforts with direct contact. It has often been the case that direct intervention by our Portfolio Managers has elicited a response both to us directly, and to the service provider which has improved understanding and moved the dialogue forward.

LEA 06	Mandatory	Additional Assessed	PRI 2,4
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**LEA 06.1** Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.

Yes

**LEA 06.2** Indicate the escalation strategies used at your organisation following unsuccessful engagements.

- Collaborating with other investors
- Issuing a public statement
- Filing/submitting a shareholder resolution
- Voting against the re-election of the relevant directors
- Voting against the board of directors or the the annual financial report
- Submitting nominations for election to the board
- Seeking legal remedy / litigation
- Reducing exposure (size of holdings)
- Divestment
- Other, specify

No

**LEA 06.3** Additional information. [Optional]

Of course, dialogue does not always progress to our satisfaction. For our active fundamental funds, in such cases, we consider why, whether it is appropriate to escalate, and if so, which method would be appropriate. We recognise that listed companies also face growing demands on their time and resources. Our aim is not to create an antagonistic situation, but rather, to foster a constructive environment for dialogue.

We recognise that each engagement and company has its own unique characteristics, and therefore the best way to proceed in considered on a case-by-case basis. Similar to the manner in which we initially select issues for engagement, we consider the materiality of the issue, the potential for impact, and an estimation of the resources required for the dialogue. The manners in which we may escalate a dialogue include, but are not limited to:

- Further communication
- Alternative counterparts within company
- Employing a different type of engagement
- Voting
- Filing of shareholder resolutions
- Public statements
- Sale of position
- Legal remedies

For our quantitative and index funds, we outsource engagement to our service provider. In ISS Ethix' experience, most companies will respond to engagement requests over time. However, a follow up system is in place for dealing with those companies which – either initially or steadfastly – fail to respond adequately to investor concerns. A simplified description of the pooled engagement process indicating escalation procedures over typical timeframes is shown below.

- Month 1: Initial Engagement letter or request for meeting is sent to established contact or Investor Relations Dept.
- Month 2-5: Reminder
- Month 6-7: Escalate senior management (letter to CEO, cc initial contact / IR)
- Month 8: Escalation to Board Members
- Month 12: Re-evaluation; Once every effort has been made to engage both Investor Relations and a company's Executive Management, the feasibility of engagement is re-evaluated. If the company is considered unlikely to respond to the collaborative engagement process, ISS Ethix will communicate this to the investors that it represents.

LEA 07	Voluntary	Additional Assessed	PRI 1,2
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**LEA 07.1** Indicate whether insights gained from your organisation's engagements are shared with investment decision-makers.

Type of engagement	Insights shared
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 07.2** Indicate the practices used to ensure information and insights collected through engagements are shared with investment decision-makers.

- Involving investment decision-makers when developing engagement programme
- Holding investment team meetings and/or presentations
- Using IT platforms/systems that enable data sharing
- Internal process that requires portfolio managers to re-balance holdings based on interaction and outcome levels
- Other; specify  

Investment decision makers are inherently involved in our direct engagement programmes.
- None

**LEA 07.3** Indicate whether insights gained from your organisation's engagements are shared with your clients/beneficiaries.

Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

**LEA 07.4** Additional information. [Optional]

The investment management teams are typically involved in all engagements. Internal staff engagements have direct portfolio manager or analyst involvement, as do collaborative engagements with holdings where Sparinvest acts in a leading role.

The Equity team has a quarterly Stewardship meeting at which progress of all engagements is discussed and future steps towards goals are planned. Engagements across asset classes are also discussed at Responsible Investment Committee meetings. This results in cooperation and idea-sharing between the teams. For example, the Fixed Income team now uses the ABC assessment framework developed by the equity team as a result of being part of the PRI collaboration on this topic.

On a regular annual basis, we report on direct, collaborative and service provider engagements in our Responsible Investment Review. This includes illustrations of ongoing and completed engagements.

**During 2017-2018**, Sparinvest participated in the PRI collaboration targeting Cyber Security in various industries. Sparinvest acted as the lead investor targeting one specific company in the financial sector in which it has been invested for many years. Sparinvest also participated in various other calls with some of its other holdings, in which other investors took the lead role. As with all PRI collaborations, there was a regular reporting process for sharing information with all the asset managers supporting the initiative.

**LEA 08** Mandatory Gateway PRI 2

**LEA 08.1** Indicate if you track the number of your engagement activities.

Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track

LEA 08.2	Additional information. [OPTIONAL]
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We have an engagement database where all engagement activities are tracked.

LEA 09	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
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Private

LEA 10	Voluntary	Additional Assessed	PRI 2
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Private

LEA 11	Voluntary	Descriptive	PRI 2
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Private

LEA 12	Mandatory	Descriptive	PRI 2
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LEA 12.1	Indicate how you typically make your (proxy) voting decisions.
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Approach
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- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service provider(s) who make voting recommendations and/or provide research that we use to guide our voting decisions.

Based on
----------

- the service provider voting policy we sign off on
- our own voting policy
- our clients' requests or policies
- other, explain
- We hire service provider(s) who make voting decisions on our behalf, except for some pre-defined scenarios where we review and make voting decisions.
- We hire service provider(s) who make voting decisions on our behalf.

LEA 12.2	Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made.
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**Voting**

We aim to vote the shares we manage at all relevant shareholder meetings, except where the beneficial owners have instructed us otherwise, or where it is considered not to be cost effective.

In our actively-managed fundamental equity funds – the value equity range – we aim to vote all shares. In our quantitative and index funds, bearing in mind the overall focus on low costs, we vote only on holdings of a significant size; currently, this means holdings where our funds invest over EUR 1 million.

We vote against resolutions which are inconsistent with our principles, or which we otherwise consider not to be in the best interests of our clients. When Sparinvest decides to vote against management recommendations, we will attempt to explain this to the company – if time permits, before the vote is exercised. We are keen to have a constructive dialogue with the companies in which we invest.

**Voting Process**

Sparinvest uses the proxy advisory company Institutional Shareholder Services (ISS) to assist with the operational practicalities of voting. ISS provide us with analysis of voting agendas based on a customized voting policy specified by Sparinvest, which in turn is based on our Voting Principles.

In our actively-managed fundamental equity funds (value funds), for each shareholder meeting the investment team reviews the agenda and ISS analysis. Voting decisions are then made on a case-by-case basis at the discretion of the team, consistent with our Voting Principles and the best interests of our clients. Our decisions can, and do, vary from ISS recommendations.

In our quantitative and index funds, voting decisions follow the ISS analysis based on our customized voting policy. Where a company falling into this category is also held in our actively managed fundamental equity funds, we will vote in line with the voting instructions directed by the portfolio managers of those funds.

**Example of why we might vote contrary to service provider recommendations**

Our voting policy consists of various specific principles, but note that when voting holdings in actively managed fundamental funds, we consider all situations on a case-by-case basis, and voting decisions may deviate from certain principles where dictated by the best interests of our investors. In this respect, it is important to note that we do not view voting as a standalone issue, but rather as being inherently linked to dialogue. In some cases, it may be that when taken in the context of our engagement with a company, we may choose to vote in favour on an item that we may otherwise have opposed. An example would be where we are encouraging the company to increase board independence levels, and are aware of serious efforts by the company to find suitable independent candidates, but where a suitable candidate has not been found in time for the current AGM: in such a situation, where our thoughts on board structure have already been made clear to the company, and serious efforts are underway, we may prefer not to cause unnecessary disruption by voting against current board candidates, but instead choose to abstain, or even to support, the current candidates – but on the clear understanding that this may change if the expected progress is not delivered in the near future.

LEA 12.3	Additional information.[Optional]
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**Voting Principles**

The below principles apply to all equity investments managed by Sparinvest, and are used to inform our voting decisions. In formulating our voting principles, and in making individual voting decisions, our aim is to limit risk and enhance long-term corporate value, based on the guiding principle of serving the long-term interests of investors in our funds. Precise thresholds – such as for board independence – may vary by region. In certain situations, certain principles may appear contradictory to other principles; in such cases, as always, we expect management to work in the best interests of long-term shareholders.

- Constitution:

- We support the principle of 'one-share, one-vote'.
- We are generally opposed to any kind of 'poison pills'.
- We support strong protection of minority shareholders' rights.
- We support fair access to propose shareholder resolutions.
- Directors:
  - The board may include both executive and non-executive directors, but a significant proportion – ideally a majority – should be independent non-executive directors.
  - Reflecting our belief that the board should provide effective independent oversight, we believe that the roles of chairman and chief executive should be separate, and will typically vote against appointments that combine these roles.
  - The board should include directors with an appropriate balance of relevant experience and skills.
  - The board should consider the diversity of its membership. We believe there are long-term benefits to diversity in the board, and, for example, as a basic initial threshold, we will typically vote against the appointment of the Chair of the nomination committee or the chair of the board at companies that fail to appoint at least one woman to the board.
  - Nomination committees should consist of a majority of independent non-executive directors.
  - Director nominations should include sufficient information regarding the nominee's experience, skills and links with the company, to allow shareholders to make a well-informed decision.
  - Director nominations should not be bundled.
  - The board takes steps to measure and ensure its effectiveness. This should include ensuring that directors are able to allocate sufficient time, and do not hold excessive numbers of board appointments.
- Remuneration:
  - Remuneration committees should consist entirely of independent non-executive directors
  - A transparent remuneration policy should align the interests of management with the corporate strategy for creation of long-term value.
- Reporting and Audit:
  - Companies should be transparent, providing full and meaningful disclosure of relevant information to stakeholders.
  - Such disclosure should include Environment, Social and Governance related information, which we believe can have significant financial implications, particularly over longer time-periods.
  - Accounts should be audited by independent external auditing firms whose other relationships with the company cannot be considered to impair that independence.
  - Audit committees should consist entirely of independent non-executive directors.
- Dividends, Share Buybacks and Capital Allocation:
  - Management decisions on capital deployment, the distribution of capital, and corporate actions such as M&A, should be taken in the best interests of long-term corporate value. This consideration may influence our votes on items such as dividends and share buybacks.
  - We may vote against the election of senior executive directors where measures of capital efficiency are persistently low over a number of years and where we perceive a lack of a clear and effective strategy to remedy that.

Subject to the above principles, we support the principle that companies should comply with best practice corporate governance standards applicable in their country of domicile, or explain noncompliance.

LEA 14	Voluntary	Additional Assessed	PRI 2
Private			

LEA 15	Mandatory	Descriptive	PRI 2
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LEA 15.1	Indicate the proportion of votes where you or the service providers acting on your behalf have raised concerns with companies ahead of voting.
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- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- Neither we nor our service provider(s) raise concerns with companies ahead of voting

LEA 15.2	Indicate the reasons for raising your concerns with these companies ahead of voting.
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- Vote(s) for selected markets
- Vote(s) for selected sectors
- Vote(s) relating to certain ESG issues
- Vote(s) on companies exposed to controversy on specific ESG issues
- Vote(s) for significant shareholdings
- On request by clients
- Other

	Explain
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While the aim is to raise concerns ahead of voting the realities of a hectic proxy season are such that it is not possible in all cases and therefore some communication comes after the voting.

LEA 15.3	Additional information. [Optional]
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While votes are powerful, they are also blunt tools, which we believe are more powerfully exercised in conjunction with dialogue. When first investing in a company, we inform them of our voting policy. Where agenda items breach our voting policy, or are contentious for other reasons causing us to vote against management recommendations, we seek to inform the company in question of our rationale and engage with them about the issue. Where time allows we will do this ahead of the vote, but in reality the timing is very tight and these dialogues more frequently occur after the ballot has been cast.

LEA 16	Mandatory	Core Assessed	PRI 2
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LEA 16.1	Indicate the proportion of votes participated in within the reporting year in which, you and/or the service provider(s) acting on your behalf, have communicated to companies the rationale for abstaining or voting against management recommendations.
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- 100%
- 99-75%
- 74-50%
- 49-25%
- 24-1%
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

**LEA 16.2** Indicate the reasons your organisation would communicate to companies, the rationale for abstaining or voting against management recommendations.

- Votes for selected markets
- Votes for selected sectors
- Votes relating to certain ESG issues
- Votes on companies exposed to controversy on specific ESG issues
- Votes for significant shareholdings
- On request by clients
- Other

**Explain**  
We have communicated the rationale for abstaining or voting against management for 75-99% of our active fundamental equity funds.

**LEA 16.3** In cases where your organisation does communicate the rationale for the abstention or the vote against management recommendations, indicate whether this rationale is made public.

- Yes
- No

**LEA 17** **Mandatory** **Core Assessed** **PRI 2**

**LEA 17.1** For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

- We do track or collect this information

**Votes cast (to the nearest 1%)**  
70%

**Specify the basis on which this percentage is calculated**

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

**LEA 17.2** Explain your reason(s) for not voting on certain holdings

- Shares were blocked
- Notice, ballots or materials not received in time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- Client request
- Other

**LEA 17.3** Additional information. [Optional]

Whereas our voting on actively-managed fundamental funds was around 96% in 2018, our policy with regard to our passive/index funds (as agreed with clients) is one of only voting on companies in which we have a significant holding (current threshold EUR 1 million). This results in a lower overall total voting percentage across all listed equities owned. Market demand for passives is based largely on their low charges and thus our active ownership policy for passives is a trade-off between our understanding of what clients currently want and increasing industry demand for voting across all passive holdings. We are monitoring the situation.

**LEA 18** **Voluntary** **Additional Assessed** **PRI 2**

**LEA 18.1** Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

- Yes, we track this information

LEA 18.2	Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:		
	<p><b>Voting instructions Breakdown as percentage of votes cast</b></p> <p>For (supporting) management recommendations 89.6%</p> <p>Against (opposing) management recommendations 10.2%</p> <p>Abstentions 0.2%</p> <p><input type="radio"/> No, we do not track this information</p>		
LEA 18.3	In cases where your organisation voted against management recommendations, indicate the percentage of companies you have engaged.		
	24.4		
LEA 18.4	Additional information. [Optional]		
	In our active fundamental funds, we aim to communicate with all holdings where we vote against management. Ideally this happens before the vote, but practical constraints mean it often happens subsequent to voting. In our quant and passive funds, we do not currently communicate with management where we vote against their recommendations, but are considering options to facilitate this.		
LEA 19	Mandatory	Core Assessed	PRI 2
LEA 19.1	Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.		
	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>		
LEA 19.2	Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.		
	<p><input checked="" type="checkbox"/> Contacting the company's board</p> <p><input checked="" type="checkbox"/> Contacting the company's senior management</p> <p><input type="checkbox"/> Issuing a public statement explaining the rationale</p> <p><input checked="" type="checkbox"/> Initiating individual/collaborative engagement</p> <p><input type="checkbox"/> Directing service providers to engage</p> <p><input type="checkbox"/> Reducing exposure (holdings) / divestment</p> <p><input type="checkbox"/> Other</p>		
LEA 19.3	Additional information. [Optional]		
	In our active fundamental funds, we aim to communicate with all holdings where we vote against management. Ideally this happens before the vote, but practical constraints mean it often happens subsequent to voting. For example, where a proposal which we opposed has been approved, we will explain our rationale to the company, and hope to seek change in subsequent years. We are working on a solution to extend this approach to our quant and passive funds.		
LEA 20	Voluntary	Descriptive	PRI 2
	Private		
LEA 21	Voluntary	Descriptive	PRI 2
	Private		

FI 01.1 Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.

SSA	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	100
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	100
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	100
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0

Securitized	0	Screening alone
	0	Thematic alone
	0	Integration alone
	100	Screening + integration strategies
	0	Thematic + integration strategies
	0	Screening + thematic strategies
	0	All three strategies combined
	0	No incorporation strategies applied

**FI 01.2** Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Our fixed income fund range includes active fundamental bond-selecting funds investing in corporate, government and securitized bonds. In addition, we have two passive securitized bonds strategies. (See FI 13)

ALL FUNDS: All funds (active and passive) apply an exclusionary screen for controversial weapons and securities in breach of EU sanctions.

ACTIVE FUNDAMENTAL FUNDS: In our active fundamental funds, our aim is to understand the issuer's short and long-term ability to service its debt obligations, in order to protect the principal of our investments. Indeed, we aim to assess the downside risk before the upside potential. Consequently, issues which may impact companies in the short or long-term are considered highly relevant to our analysis, and this includes many environmental, social and governance issues. As such, we integrate ESG considerations into our security analysis, alongside other fundamental factors through our 'red flags' investment checklist process. Although our investment horizon is finite and sometimes short-term due to bonds maturing, we acknowledge the impact of more long-term ESG initiatives. We also engage with companies as deemed appropriate (see section on engagement).

In addition to the above, our ethical funds strategies are subject to screening, based on client needs and values. (See section on screening).

FI 02	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 1
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Private

FI 03	Mandatory	Additional Assessed	PRI 1
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**FI 03.1** Indicate how you ensure that your ESG research process is robust:

- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
  - Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
  - Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
  - Internal audits and regular reviews of ESG research are undertaken in a systematic way.
  - A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
  - Other, specify
- |                     |  |
|---------------------|--|
| specify description | We compare and contrast ESG research from different providers with public available information and documents from the company and/or information from direct engagements. |
|---------------------|--|
- None of the above

**FI 03.2** Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**FI 03.3** Additional information. [Optional]

The investment process for Sparinvest's range of corporate bond portfolios incorporates environmental, social and governance issues with the aim of strengthening portfolios by minimizing exposure to potential ESG downside risk.

During the ideas generation stage of investment process a 'checklist' is used whereby ESG issues are considered alongside traditional financial data. Only companies meeting all the criteria of the checklist are eligible for investment. If a company passes these requirements, further ESG pre-investment analysis considers both quantitative and qualitative data.

Indicators regarding companies' ESG transparency and disclosures, performance on specific metrics compared to peers and historical development are all

part of the analysis template. This quantitative data permits an assessment of the ESG profile of the company relative to its regional, industry and rating group.

Analysts also assess qualitative data on specific issues or controversies. Taken together with the quantitative assessment, this results in an overall ESG view of the company that is used to determine a fair price for bonds. A company's bonds warrant a discount/premium depending on whether the ESG view is judged to influence fair value negatively, or positively.

Portfolio companies are subject to ongoing ESG monitoring at regular team meetings.

FI 04	Mandatory	Gateway	PRI 1
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**FI 04.1** Indicate the type of screening you conduct.

	SSA	Corporate (financial)	Corporate (non-financial)	Securitized
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Norms-based screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**FI 04.2** Describe your approach to screening for internally managed active fixed income

Across all funds, we exclude companies involved in banned weapons and securities in breach of EU sanctions for legal reasons. (We note that on occasion, certain sanctions may have the effect of excluding specific countries).

All funds are screened to ensure that they do not invest in companies manufacturing weapons of mass destruction (biological weapons, chemical weapons or nuclear weapons outside the nuclear non-proliferation treaty.) The screen also excludes manufacturers of weapons banned under international conventions such as the Oslo and Ottawa conventions - which prohibit the use and dissemination of cluster munitions and anti-personnel mines. The basis for such exclusions is a banned weapons analysis performed and updated on a daily basis by our screening services provider. We have zero tolerance of companies assessed as being manufacturers of such weapons and these are noted in an exclusion list used for pre-trade compliance checks, and daily screenings of the portfolios. Portfolio managers are notified of any relevant changes to the exclusion status. Any breaches will result in the security being divested as soon as reasonably practicable.

For our ethical strategies we apply further ESG-related screenings through international norms and banned sector screenings (see section on ESG-based negative screening).

FI 05	Voluntary	Additional Assessed	PRI 1
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Private

FI 06	Mandatory	Core Assessed	PRI 1
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**FI 06.1** Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

Type of screening	Checks
<b>Negative/exclusionary screening?</b>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria</li> <li><input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year.</li> <li><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</li> <li><input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions</li> <li><input checked="" type="checkbox"/> Other, specify</li> </ul> <div style="border: 1px solid #0070C0; background-color: #0070C0; color: white; padding: 2px; margin-top: 5px;"> <span style="float: right; font-weight: bold;">other description</span> <p>Data used for the overarching screening criteria is updated on an on-going basis to capture new exclusions as they arise.</p> </div> <p><input type="checkbox"/> None of the above</p>
<b>Norms-based screening</b>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria</li> <li><input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year.</li> <li><input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria</li> <li><input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions</li> <li><input checked="" type="checkbox"/> Other, specify</li> </ul> <div style="border: 1px solid #0070C0; background-color: #0070C0; color: white; padding: 2px; margin-top: 5px;"> <span style="float: right; font-weight: bold;">other description</span> <p>Data used for the overarching screening criteria is updated on an on-going basis to capture new exclusions as they arise.</p> </div> <p><input type="checkbox"/> None of the above</p>

**FI 06.2** Additional information. [Optional]

Our screening service provider checks for any changes to involvement in controversial weapons on a continuous basis. Similarly, because norms based controversies may arise at any time, screening for potential breaches is also continuous. We receive rolling ad hoc alerts regarding any news relating to companies in their universe. A change of assessment triggers an email alert and an update to the service provider's research information platform.

With regards to the sector-based screening that also applies to our ethical funds, our service provider updates business involvement data as and when this is available from companies' annual official financial data releases. Information regarding ad hoc corporate events that could result in changes to sector exposure is tracked via news sources and updated as soon as these financial releases become available. Any changes to sector based assessments are also communicated to us on a rolling ad-hoc basis.

Where potential investments for ethical funds are not already part of our service provider's universe, these must be undergo screening before they can be purchased. They are then added to the universe for ongoing screening.

As an additional precaution, and to ensure complete coverage of our portfolios for screening purposes, all holdings are submitted for relevant screenings on a semi-annual basis.

FI 10	Mandatory	Descriptive	PRI 1
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FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.
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As mentioned in FI 03.3, the investment process for Sparinvest's range of corporate bond portfolios incorporates environmental, social and governance issues with the aim of strengthening portfolios by minimizing exposure to potential ESG downside risk.

During the ideas generation stage of investment process a 'check list' is used whereby ESG issues are considered alongside traditional financial data. Only companies meeting all the criteria of the check list are eligible for investment. If a company passes these requirements, further ESG pre-investment analysis considers both quantitative and qualitative data.

Indicators regarding companies' ESG transparency and disclosures, performance on specific metrics compared to peers and historical development are all part of the analysis template. This quantitative data permits an assessment of the ESG profile of the company relative to its regional, industry and rating group.

Analysts also assess qualitative data on specific issues or controversies. Taken together with the quantitative assessment, this results in an overall ESG view of the company which is used to determine a fair price for bonds. A company's bonds warrant a discount/premium depending on whether the ESG view is judged to impact fair value negatively, or positively.

Portfolio companies are subject to ongoing ESG monitoring at regular team meetings.

FI 10.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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SSA
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Responsible Investment in: Actively-managed Sovereign Bonds

In these funds, we aim to be responsible through:

- Exclusion: based on multi-lateral sanctions and international norms
- Country screening for international norms, with focus on human rights
- Integration of ESG
- Stewardship (Supra company engagement)

From a fiduciary perspective, we believe that the G part of ESG analysis is of paramount importance when investing in Sovereigns because a well-governed country is more likely to establish a sound and long-term financial balance, hence also the basis for repaying or refinancing its debts. Good governance also is essential to the successful development of an economy, as well as its ability to protect its citizens and environment, therefore good governance permits good ESG behaviour. On a country level we believe the all the factors to be very closely correlated, but with the main driver being the 'G'.

The formal consideration of governance risk factors is integrated in - and considered a vital part of - the investment process for Sparinvest's range of funds investing in sovereigns.

To assist our Fixed Income team when assessing country risk for sovereign bond strategies, Sparinvest subscribes to an annual norms-based screening for countries, conducted by an external service provider and taking the following key indicators into account:

- Multi-lateral sanctions (UN and EU)
- Social risks (UN Development Programme and others)
- Arms embargoes
- Governance (World Bank)

Sparinvest makes adjustments on the basis of other, more forward looking, data - including broker and Press reports - which cover the same governance factors, as well as elections and political cycles. Such factors are included alongside other relevant risk measures when evaluating the credit spread.

Responsible Investment in: Passively-managed Sovereign Bonds

In our passively managed sovereign bond strategies, we are bound by fiduciary duty to track specific sovereign bond indices. As with all passively managed funds, it is difficult to incorporate ESG considerations, unless the index itself is constructed with in-built ESG considerations.

Corporate (financial)
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Responsible Investment in: Corporate Bonds

In these funds, we aim to be responsible through:

- Exclusions (controversial weapons)
- Norms-based screening
- Integration of ESG in the bond screening process
- Stewardship (Engagement)

Sparinvest's Responsible Investment policy does not differentiate between financial and non-financial corporate bonds in the sense that we apply the same methodical investment process to all our corporate/financial bond investments. We aim to strengthen portfolios by minimizing exposure to downside risk. Thus, consideration of environmental, social and governance issues is part of our fundamental credit analysis process. Our customized 'red flags'- investment check list includes ESG metrics alongside traditional financial key metrics. However, we do recognize the role that financial institutions play in society as sources of funding for projects, loans and insurance cover for other institutions. Thus the ESG integration process for financial corporate issuers extends beyond analysis of direct ESG risks and opportunities faced by these institutions to include the indirect factors impacting their financing or insurance activities, including -where issues are flagged up with regard to project finance - compliance with the Equator Principles.

We believe that potential governance problems form the most severe risk to credit investors, and thus it is our clear fiduciary duty to focus on identifying these prior to investment. The 'red flags' are designed to pick up - for example - allegations of fraud, frequent/recent changes of management, board members or of auditors. Our conservative approach to risk means that even where such information is as yet unverified, it is still taken into consideration and duly noted on case files.

We prioritize governance risks for both fiduciary and practical reasons. Given the shorter term investment period typically involved with Corporate Bonds, and the fact that bondholders do not have a right to vote on Management proposals at AGMs, there is potentially less time available and less

leverage available for bond investors to influence portfolio companies. For this reason, Sparinvest believes that it is prudent to consider adequate governance as a basic prerequisite for a company to be able to focus on and improve its environmental and social credentials.

This does not mean that we ignore research information on environmental and social issues. Indeed, one of our checklist items requires that all 3rd party ESG research information should have been analyzed prior to investment. This has resulted in target companies failing our adequate compensation-for-risk requirement on grounds other than governance risk. It should also be noted that our corporate bonds engagement activities cover environmental, social and governance matters.

**Corporate (non-financial)**

Responsible Investment in: Corporate Bonds

In these funds, we aim to be responsible through:

- Exclusions (controversial weapons)
- Norms-based screening
- Integration of ESG in the bond screening process
- Stewardship (Engagement)

In its Responsible Investment policy, Sparinvest does not differentiate between financial and non-financial corporate bonds. We apply the same methodical investment process to all our corporate bond investments. We aim to strengthen portfolios by minimizing exposure to downside risk. Thus, consideration of environmental, social and governance issues is part of our fundamental credit analysis process. Our customized 'red flags'- investment check list includes ESG metrics alongside traditional financial key metrics.

We believe that potential governance problems form the most severe risk to credit investors, and thus it is our clear fiduciary duty to focus on identifying these prior to investment. The 'red flags' are designed to pick up - for example - allegations of fraud, frequent/recent changes of management, board members or of auditors. Our conservative approach to risk means that even where such information is as yet unverified, it is still taken into consideration and duly noted on case files.

We prioritize governance risks for both fiduciary and practical reasons. Given the shorter term investment period typically involved with Corporate Bonds, and the fact that bondholders do not have a right to vote on Management proposals at AGMs, there is potentially less time available and less leverage available for bond investors to influence portfolio companies. For this reason, Sparinvest believes that it is prudent to consider adequate governance as a basic prerequisite for a company to be able to focus on and improve its environmental and social credentials.

This does not mean that we ignore research information on environmental and social issues. Indeed, one of our checklist items requires that all 3rd party ESG research information should have been analyzed prior to investment. This has resulted in target companies failing our adequate compensation-for-risk requirement on grounds other than governance risk. It should also be noted that our corporate bonds engagement activities cover environmental, social and governance matters.

**Securitized**

Responsible Investment in: Covered/Securitized Bonds

In these funds, we aim to be responsible through:

- Exclusion: We exclude companies involved in controversial weapons
- Integration of ESG
- Stewardship (Engagement)

Sparinvest's investments in covered/securitized bonds are currently restricted to a universe consisting entirely of Nordic government and covered bonds. The sovereign issuers in this universe are nations with strong records of governance, environmental and social legislation. The majority of the securitized bonds held are part of the Danish covered bond system where issuers are subject to rigorous regulatory requirements. Whilst there has been some controversy in recent months regarding certain parent banks being subject to allegations of norms breaches or verified norms breaches undergoing remediation, their subsidiaries remain unaffected. Accepted industry methodology for norms based screening states that the subsidiaries do not inherit the assessments of the parents. In our view, this is entirely correct because the two entities are different and separate and the risks affecting the parent's ethical assessment do not pertain directly or indirectly to the activities of the subsidiary, in this case, the Danish covered bonds issuers.

The Danish covered bond system is perceived as the most sustainable method for financing property purchase yet invented. In the wake of the sub-prime lending induced crisis of 2007-8 it was held up as a shining example of what a well-conducted mortgage market should look like. In more than two centuries of existence, there has never been a default on a Danish mortgage bond - which is probably attributable to the following factors:

- Any entity wishing to issue mortgages in Denmark must meet rigorous regulatory requirements.
- Mortgage issuers are required to retain all the credit risk on their own books and to perform the servicing functions.
- Mortgages are funded by the issuance of transparent, standardized bonds, creating a large and liquid market that offers considerable attractions for risk averse investors in search of decent returns.
- Under the 'Balance Principle', every Danish mortgage is instantly converted into a security, valued at same amount, and the two remain interchangeable at all times. This is especially relevant for 30-year callable mortgage loans that homeowners can either retire by paying them off at par, or by buying an equivalent face amount of bonds at market price.

Because the value of homes, and the associated mortgage bonds, tend to move in the same direction, homeowners have some protection of their equity. In other words, if home prices decline as a result of higher interest rates, the amount that the homeowner must spend to retire a mortgage decreases because the bonds can be bought at lower prices.

Regardless of the above, we still conduct the same detailed and exhaustive assessment of the issuers standards and procedures in dealing with ESG related issues.

FI 11	Mandatory	Core Assessed	PRI 1
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**FI 11.1 Indicate how ESG information is typically used as part of your investment process.**

	SSA	Corporate (financial)	Corporate (non-financial)	Securitized
ESG analysis is integrated into fundamental analysis	☑	☑	☑	☑
ESG analysis is used to adjust the internal credit assessments of issuers.	☑	☑	☑	☑
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	☑	☑	☑	☑
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	☑	☑	☑	☑

An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12	Mandatory	Additional Assessed	PRI 1
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FI 12.1 Indicate the extent to which ESG issues are reviewed in your integration process.

	Environment	Social	Governance
SSA	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Corporate (financial)	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Corporate (non-financial)	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Securitized	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all

FI 12.2 Please provide more detail on how you review E, S and/or G factors in your integration process.

SSA

**Responsible Investment in Sovereign Bonds**

In these funds, we aim to be responsible through:

- Exclusion: based on multi-lateral sanctions and international norms
- Country screening for international norms, with focus on human rights
- Integration of ESG
- Stewardship (Supra company engagement)

**Exclusions**

Issuers in this universe are not companies, but governments. In recognition that it is both difficult and potentially undemocratic to attempt to influence nation states through engagement, we apply exclusions with regards to our sovereign bond strategies as follows:

- Multi-lateral sanctions EU and UN sanctions may have the effect of excluding specific countries from our sovereign bond universe.
- International Norms Norms-based analysis – particularly of a country's ability to protect basic human rights – is also used to inform investment decisions and can result in the portfolio manager deciding to avoid, exclude or underweight investments in certain sovereign bonds.
- Illegal weapons . Country-based arms embargoes are amongst a number of data that feed into our norms based country screening process. At an individual security level, we exclude banned weapons producers from all Sparinvest funds. This may result in the exclusion of state-owned enterprises from our funds, but not entire states

**Country Screening for International Norms**

To assist our Fixed Income team when assessing country risk for sovereign bond strategies, Sparinvest subscribes to an annual norms-based screening for countries, conducted by an external service provider and taking the following key indicators into account:

- Multi-lateral sanctions (UN and EU)
- Social risks (UN Development Programme and others)
- Arms embargoes
- Governance (World Bank)

The findings from this screening result in a rating and ranking of countries, along with an indication of whether the country is on a trend of improvement or decline from a human rights and governance perspective. Serious violations of human rights will result in a country becoming uninvestable for us.

Country-level norms-based screening applies only to our sovereign bond strategies. For all other funds, we screen for norms breaches on an individual security basis.

In 2018, within a screening universe of 170 UN nation states, 17 countries were considered uninvestable because their Government was either subject to broad multilateral sanctions or else was incapable or unwilling to protect basic human rights.

#### **ESG Integration**

From a fiduciary perspective, Sparinvest believes that the G part of ESG analysis is of paramount importance when investing in Sovereigns because a well-governed country is more likely to establish a sound and long-term financial balance, hence also the basis for repaying its debts. Good governance also is essential to the successful development of an economy, as well as its ability to protect its citizens and environment, therefore good governance enables good ESG behaviour. On a country level we believe the all the factors to be very closely correlated, but with the main driver being the 'G'.

The formal consideration of governance risk factors is integrated in - and considered a vital part of - the investment process for Sparinvest's range of passive funds investing in sovereigns.

However, the problem with most methods of assessing countries' ESG profiles is that information tends to be retrospective and there is a built in time-lag in the data. (World Governance Indicators, for example are revised only once a year.) In the intervening period political events such as regime change, for example could result in a positive impact for human rights - which investors may wish to support by investing in a nation's bonds. Therefore, in order to keep up to date with more immediate potential sovereign risk/opportunity factors, Sparinvest makes adjustments on the basis of other, more forward looking, data - including broker and Press reports - which cover the same governance factors, as well as elections and political cycles. Such factors are included alongside other relevant risk measures when evaluating the credit spread.

#### **Limited Engagement Options**

Across all asset classes, Sparinvest's preference is to exercise active ownership to influence better and more responsible behaviour from issuers. It is recognized that government bonds constitute a unique type of investment which does not offer the same opportunities for active ownership, investor collaboration or influence as is the case where issuers are companies. It is for this reason, that we consider it necessary in certain cases to exclude investments in a country's bonds rather than to rely on an attempt to influence conditions there through engagements. However, where the option exists to join coordinated initiatives targeting heads of state in order to raise awareness of ESG concerns or to improve human rights conditions in their nations, we will consider adding our voice to these.

Similarly, where appropriate to do so, we also undertake to use supra-company engagement with index providers and stock exchanges to highlight ESG issues.

### **Corporate (financial)**

#### **Responsible Investment in: Corporate Bonds**

In these funds, we aim to be responsible through:

- Exclusions (Controversial weapons and EU Sanctions)
- Norms-based screening
- (For ethical funds only) Sector-based screening
- Integration of ESG in the bond screening process
- Stewardship (Engagement)

#### **Bond Screening**

Sparinvest screens the corporate issuers in our universe using specialist ESG research information to identify risks. The pre-investment screening process for corporate bonds consists of:

- Internally-conducted fundamental credit analysis of the bond issue and issuer. This takes into consideration MSCI ESG IVA reports and other data, with a particular focus on governance, but also on any material environmental and social factors, before determining the overall attractiveness of the investment in terms of credit spread.
- Externally-conducted exclusionary screening for controversial weapons and EU sanctions (as part of the universal exclusion described on page 7 that applies to all Sparinvest funds)
- Externally-conducted norms-based screen to flag involvement in serious controversies which could impair debt repayment potential. (Confirmed and unaddressed breaches result in exclusion/divestment for ethical bond strategies and engagement for other funds).
- (For Ethical strategies only) Externally-conducted sector-based screen to check for involvement in certain business areas.

Sparinvest is known as a value investor both in equity funds and in fixed income strategies where we have long recognised that credit market pricing inefficiencies provide opportunities to create bond portfolios with a margin of safety. As with all strategies that invest for value, it is essential to analyse all the fundamental risks and opportunities that could have the potential to affect the investment case during the holding period. This is particularly the case for bonds which have limited upside potential, compared with equities but which have a considerable downside if default risk is not properly analysed. Hence attention to all forms of risk - including ESG - is particularly important in the bond space.

#### **ESG Integration in Credit Analysis**

Sparinvest applies the same methodical investment process to all our corporate bond investments. We aim to strengthen portfolios by minimizing exposure to downside risk. Thus, consideration of environmental, social and governance issues is part of our fundamental credit analysis process. Our customized 'red flags'- investment check list includes ESG metrics alongside traditional financial key metrics. In recognition of the role that financial institutions play in society as sources of funding for projects, loans and insurance cover for other institutions, the ESG integration process for financial corporate issuers extends beyond analysis of direct ESG risks and opportunities faced by these institutions to include the indirect factors impacting their financing or insurance activities. Where issues are flagged up with regard to project finance - we check for compliance with the Equator Principles.

We believe that potential governance problems form the most severe risk to credit investors, and thus it is our clear fiduciary duty to focus on identifying these prior to investment. The 'red flags' are designed to pick up - for example - allegations of fraud, potential changes of management or of auditors. Our conservative approach to risk means that even where such information is as yet unverified, it is still taken into consideration and duly noted on case files.

We prioritize governance risks for both fiduciary and practical reasons. Given the shorter-term investment period typically involved with corporate bonds, and the fact that bondholders do not have a right to vote on Management proposals at AGMs, Sparinvest believes that it is prudent to consider adequate governance as a basic prerequisite for a company to be able to focus on and improve its environmental and social credentials.

Prioritizing governance risks, however does not mean that we ignore research information on environmental and social issues. Indeed, one of our checklist items requires that all 3rd party ESG research information should have been analyzed prior to investment. This has resulted in target

companies failing our adequate compensation-for-risk requirement on grounds other than governance risk. It also means that our corporate bonds engagement activities cover environmental and social issues in addition to governance matters.

#### Valuation and Decision making:

Certain ESG issues flagged up during the credit analysis process may have a significant enough impact on our assessment of an issuer, or on our assessment of the fair spread of its bonds, that they may lead us to decide not to invest. Once the credit analysis process has determined that the issuer passes our adequate compensation for risk criteria, the process of looking at relative valuations of individual bonds begins. Country ESG risk can have a part to play here – particularly with regard to emerging markets. World Governance Indicators assist us in assessing country risk

The case for investment is then presented to the investment team, providing the opportunity for all team members to give input. Where the decision is taken to invest, key case files are uploaded to our database and we proceed to the portfolio construction stage of the investment process.

#### Portfolio Construction and Monitoring

It is during the Portfolio construction phase that the relevant Portfolio Manager will decide whether to add a bond to a fund, and what size of position to adopt.

Ongoing Portfolio risk is monitored by the Portfolio Manager and weekly team meetings take place to discuss any fundamental risks that could affect the investment case. Decisions regarding whether to enter direct engagements with portfolio companies to mitigate any material ESG risks are taken after discussion in these meetings.

#### Engagement Policy - Actively Managed Fixed Income Funds

Whilst bondholders do not have the same voting and ownership rights as shareholders, we believe that our position as creditors, financing companies' operations, gives us both the potential and the responsibility to influence investee companies towards more sustainable behaviour. Our engagement policy is available to view at <http://www.sparinvest.lu/investing%20responsibly/~/-/media/global-docs/stewardship-policy.ashx>

#### Corporate (non-financial)

In its Responsible Investment policy, Sparinvest does not differentiate between financial and non-financial corporate bonds. We apply the same methodical investment process to all our corporate bond investments. We aim to strengthen portfolios by minimizing exposure to downside risk. Please see text relating to Corporate (financial) above.

#### Securitized

#### Responsible Investment in: Covered/Securitized Bonds

In these funds, we aim to be responsible through:

- Exclusion: We exclude companies involved in controversial weapons
- Integration of ESG
- Stewardship (Engagement)

#### ESG Integration

Sparinvest's investments in covered/securitized bonds are currently restricted to a universe consisting entirely of Nordic government and covered bonds. The sovereign issuers in this universe are nations with strong records of governance, environmental and social legislation. The majority of the securitized bonds held are part of the Danish covered bond system where issuers are subject to rigorous regulatory requirements. Whilst there has been some controversy in recent months regarding certain parent banks being subject to allegations of norms breaches or verified norms breaches undergoing remediation, their subsidiaries remain unaffected. Accepted industry methodology for norms based screening states that the subsidiaries do not inherit the assessments of the parents. In our view, this is entirely correct because the two entities are different and separate and the risks affecting the parent's ethical assessment do not pertain directly or indirectly to the activities of the subsidiary, in this case, the Danish covered bonds issuers.

The Danish covered bond system is perhaps the most sustainable method for financing property purchase yet invented. In the wake of the sub-prime lending induced crisis of 2007-8 it was held up as a shining example of what a well-conducted mortgage market should look like. In more than two centuries of existence, there has never been a default on a Danish mortgage bond – which is probably attributable to the following factors:

- Any entity wishing to issue mortgages in Denmark must meet rigorous regulatory requirements.
- Mortgage issuers are required to retain all the credit risk on their own books and to perform the servicing functions.
- Mortgages are funded by the issuance of transparent, standardized bonds, creating a large and liquid market that offers considerable attractions for risk averse investors in search of decent returns.
- Under the 'Balance Principle', every Danish mortgage is instantly converted into a security, valued at same amount, and the two remain interchangeable at all times. This is especially relevant for 30-year callable mortgage loans that homeowners can retire either by paying them off at par, or by buying an equivalent face amount of bonds at market price.

Because the value of homes, and the associated mortgage bonds, tend to move in the same direction, homeowners have some protection of their equity. In other words, if home prices decline as a result of higher interest rates, the amount that the homeowner must spend to retire a mortgage decreases because the bonds can be bought at lower prices.

#### Engagement in Securitized Bonds

In the unlikely event that a security in the portfolio universe were to be in confirmed or alleged breach of international norms, our service provider would engage with them on our behalf and if we found it appropriate to do so, we would also engage directly with the issuers.

FI 12.3

Additional information.[OPTIONAL]

#### Ethical Corporate Bond Strategies

A growing number of clients seek to maintain certain ethical standards and values when they invest. For this reason Sparinvest makes its core strategies available with an ethical overlay, adding further exclusionary criteria to our standard exclusionary screening. Our ethical screening criteria are designed to help us to create portfolios that avoid investment in companies in breach of international norms or operating in certain sectors.

Screening for our ethical funds is conducted independently by the external ESG screening services provider ISS-Ethix. There are two elements to the screening – a Norms Based screen assesses corporate behaviour in relation to internationally accepted normative standards and the sector based screen assesses company involvement in certain sectors (revenue based). Sector-based exclusion criteria are as follows:

Zero tolerance for production and max 5% tolerance for distribution of:

- Tobacco
- Alcohol
- Gambling
- Arms/Weapons\*
- Pornography
- Thermal Coal and Oil Sands\*\*

\* Zero tolerance for revenue derived from combat equipment. Max 5% tolerance for revenue derived from other military equipment and associated services.

\*\*Max 5% tolerance for thermal coal production. (Metallurgical coal, which is essential to steel production/manufacturing, is permitted.)

FI 13	Voluntary	Descriptive	PRI 1
<i>Private</i>			
FI 14	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
<i>Private</i>			
FI 15	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
<i>Private</i>			
FI 16	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
<i>Private</i>			
FI 17	Mandatory to Report, Voluntary to Disclose	Additional Assessed	General
<i>Private</i>			
FI 18	Voluntary	Descriptive	PRI 1,2
<i>Private</i>			

CM1 01	Mandatory	Additional Assessed	General		
CM1 01.1	Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:				
<input type="checkbox"/> Third party assurance over selected responses from this year's PRI Transparency Report <input type="checkbox"/> Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year <input type="checkbox"/> Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year) <input type="checkbox"/> Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year) <input checked="" type="checkbox"/> Internal verification of responses before submission to the PRI (e.g. by the CEO or the board) <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Whole PRI Transparency Report has been internally verified</li> <li><input type="checkbox"/> Selected data has been internally verified</li> </ul> <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above					
CM1 02	Mandatory	Descriptive	General		
CM1 02.1	We undertook third party assurance on last year's PRI Transparency Report				
<input type="radio"/> Whole PRI Transparency Report was assured last year <input type="radio"/> Selected data was assured in last year's PRI Transparency Report <input checked="" type="radio"/> We did not assure last year's PRI Transparency report <input type="radio"/> None of the above, we were in our preparation year and did not report last year.					
CM1 03	Mandatory	Descriptive	General		
CM1 03.1	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:				
<input type="checkbox"/> We adhere to an RI certification or labelling scheme <input type="checkbox"/> We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report <input checked="" type="checkbox"/> ESG audit of holdings					
CM1 03.4	Describe the process of external/third party ESG audit of holdings, including which data has been assured.				
<p>The LuxFLAG ESG Label is designed to reassure investors that ESG considerations are incorporated throughout the fund's investment process, an applicant fund must screen 100% of its invested portfolio according to one of the ESG strategies and standards recognised by LuxFLAG on an annual basis.</p> <p>Any fund (re)applying for the LuxFLAG ESG label not only has to be approved by an Eligibility Board, made up of senior figures from the European ESG research industry. It also has to undergo an independent annual control of its portfolio holdings, underpinned by a stringent review process which looks at ESG integration procedures and seeks confirmation that ESG issues are being addressed through engagement for certain holdings.</p> <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above					
CM1 04	Mandatory	Descriptive	General		
CM1 04.1	Do you plan to conduct third party assurance of this year's PRI Transparency report?				
<input type="radio"/> Whole PRI Transparency Report will be assured <input type="radio"/> Selected data will be assured <input checked="" type="radio"/> We do not plan to assure this year's PRI Transparency report					
CM1 07	Mandatory	Descriptive	General		
CM1 07.1	Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed				
<input checked="" type="checkbox"/> CEO or other Chief-Level staff					
<table border="1"> <tr> <td>Sign-off or review of responses</td> </tr> <tr> <td> <input checked="" type="checkbox"/> Sign-off  <input checked="" type="checkbox"/> Review of responses </td> </tr> </table>				Sign-off or review of responses	<input checked="" type="checkbox"/> Sign-off <input checked="" type="checkbox"/> Review of responses
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<input type="checkbox"/> The Board <input checked="" type="checkbox"/> Investment Committee					
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Sign-off or review of responses					
<input type="checkbox"/> Sign-off <input checked="" type="checkbox"/> Review of responses					
<input checked="" type="checkbox"/> Compliance Function <input checked="" type="checkbox"/> RI/ESG Team					

- Investment Teams
- Legal Department
- Other (specify)