

Sparinvest SICAV Ethical High Yield Value Bonds

FIXED INCOME

Good progress on engagements

Fund Update

This quarter we have made good progress towards our engagement goals with two portfolio companies. The team had a successful and very productive call with the company that has been undergoing remediation after a verified failure of governance norms related to bribery and corruption.

The initiatives they have described are very encouraging and indicative of the grass-roots change that we would like to see. The remediation plan is on track and the management is adapting to our requests, among others considering Sparinvest's suggestion for a public statement from the CEO on zero tolerance of corruption.

The team has also made great progress with the oil and gas company that we have been in dialogue with for a similar issue. The engagement targeted the perceived effectiveness of new anti-bribery and corruption measures and the validity of remediation efforts. The company provided the policy documents updated by the new management team and we consider that the new annual report provides helpful evidence of their remediation efforts.

While we are conscious that sustainable change in corporate culture and values can best be seen over the longer term, we view recent progress as very encouraging and we continue to monitor the company's development closely. Here also we seek a zero tolerance statement from the CEO, which is a key indicator in the Transparency International Anti-Bribery and Corruption scoring system.

At the end of the quarter we sent an initial letter to the financial company which was allegedly violating governance norms by repeatedly threatening the anonymity of a whistleblower. We have requested details about the processes and policies in place to prevent similar events in the future. We strongly believe in the importance of the anonymity principle

for whistleblower programs. Protecting and empowering employees to report wrongdoings is an essential part of good governance by preventing or reacting quickly to potential violations.

We will be concluding two engagements and sending the companies notices. The bonds of these companies have been divested from the fund for pricing and fundamental reasons. We still had investments in these companies in other funds and continued the engagements as we initially received constructive responses. We believed we could drive impact, but the dialogue has not been as productive as expected so we will be concluding the discussions. Our service provider will continue the engagement with these companies on our behalf.

Group Engagements

We attended the annual "PRI in Person" event in Berlin to keep abreast of industry developments. While there, we attended an Investor Working Group planning session for the Sustainable Stock Exchanges Initiative followed by a round-table event with SSE partner exchanges.

During the quarter, a member of our Value Bonds team have represented Sparinvest at the European Commission's Public Hearing on Sustainable Finance. The agenda covered the sustainable investment opportunities considered for helping to close the EUR 180bn/year funding gap in meeting the 2030 energy efficiency targets. We look forward to actively support the initiative going forward and to providing feedback to similar consultations in the future.

We supplied feedback to the PRI Public Consultation on Accountability and to the latest draft of the Eurosif Transparency Code questionnaire.

Responsible Investments at Sparinvest

At Sparinvest, analysts and portfolio managers will engage directly with selected portfolio companies. Furthermore, we work with ISS-Ethix, a service provider of ethical screening and collaborative engagements. Via ISS-Ethix, we participated in pooled engagements, targeting companies in confirmed or alleged breach of international norms. In addition to ISS-Ethix, we use ESG research, ratings and analysis as well as carbon footprinting services from MSCI. The development and implementation of responsible investment practices are driven by our Responsible Investment Committee, which includes representatives from Equity and Fixed Income investment teams, and reports to both the Investment Committee and the Board of Directors.

**We do not disclose the name of portfolio companies involved in neither our direct nor our service provider engagements.*

This material does not constitute individual investment advice and cannot form the basis for a decision to buy or sell (or an omission thereof) of investment certificates. The material has been prepared for information purposes only and investors are encouraged to seek necessary professional advice before buying or selling investment certificates. Sparinvest does not undertake any responsibility for the advice given and actions taken or not taken in respect of this material. The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. Investors are urged to read the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV prior to investing. The documents are available at sparinvest.lu. There are always risks involved when investing and it is stressed that past performance or past return cannot be considered as a guarantee for future performance or return. Investors may not get back the full amount invested. Sparinvest makes reservations for possible typing errors, calculation errors and any other errors in the material.