

Value Bonds – Global Ethical High Yield

FIXED INCOME

Carbon thematic engagement

Fund Update

This quarter the VB team has kicked off the most ambitious responsible investing endeavor for the Ethical High Yield portfolio. We have reached out to all the companies in the portfolio to ask detailed climate-related questions with a view to conducting a major thematic engagement.

As signatories to the Montreal Carbon Pledge, we monitor carbon footprint of the fund and seek to improve carbon efficiency in our investee companies. This initiative is an important step in achieving that goal, as is our participation in the Climate Action 100+ collaborative engagement. The short term goal of our thematic engagement is a better understanding of companies' awareness and attention to climate risks and opportunities and the governance structures involved in managing these risks. On the medium and long term we strive to impact corporate value and the portfolio carbon footprint. More specifically, we aim that a majority of portfolio companies will have public climate policies, 50% state reduction goals and that the portfolio carbon footprint is reduced organically by 2021.

The initial letter that we sent to companies aims to gather information on climate related disclosures, emissions reduction targets and specific risks and opportunities. We also ask companies whether they have a climate risk policy in place and who in the organization bears ultimate responsibility for climate risk, amongst other governance related questions. Once we have gathered these responses, we will be able to tailor our engagement strategy and drive the discussion further in detail and more specific to achieve our goals.

We are glad to report that we have heard back from 23 companies out of 120, which represents 21% of AuM and many of them have answered our questions fairly satisfactory.

We are following up on the ones that have not responded and will pursue thorough answers from those that have not provided them.

The carbon engagement is an initiative where we are collaborating with our colleagues in Sparinvest's Value Equities team who are conducting a similar exercise with holdings in the ethical equity strategies.

There is an increasing focus on climate risks in the investment community, as evidenced by numerous industry developments, most notable of which is the European Commission's Sustainable Finance Action Plan which sets out actions intended to achieve the EU's climate targets of reducing greenhouse gas emissions by 40 percent by 2030.

To stay updated with industry developments, representatives from the VB team attended a conference on the future of responsible investments focused on the Nordic community.

In addition to the above, we would like to disclose that we have changed the name of the fund as seen at the top of the report. While these have been the main headlines for the team, there has not been significant news on most of the active engagements, and we will provide a more detailed status update in the next quarterly report.

Group Engagements

Sparinvest worked with ALFI to respond to draft legislative proposals from the European Commission in support of the EU Sustainable Finance Action Plan.

As a supporter of the Sustainable Stock Exchanges (SSE) initiative, Sparinvest gave input and support to a letter sent by UN PRI to the regulator of the world's securities and futures markets, IOSCO. The intention of the letter was to encourage IOSCO to endorse both SSE's model guidance for companies on reporting ESG information to investors and the Taskforce on climate-related financial disclosure (TCFD) recommendations on climate-related disclosures.

The latest ESG survey of the World Federation of Exchanges shows great progress in the number of exchanges embracing ESG initiatives. [Please click here to download the full survey.](#)

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.*

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