

Value Bonds – Global Ethical High Yield

FIXED INCOME

Climate, Climate, Climate

Fund Update

This quarter our energy was focused on climate related endeavors. We had a meeting with an oil & gas company, a call with one of the largest contributors to the funds' carbon footprint and took our thematic carbon engagement to the next step.

ESG Meeting: We mentioned previously that we reopened an engagement case with an oil & gas company regarding environmental concerns. The company was very open to dialogue, and not only, they also accepted our invitation to host an investor meeting in Copenhagen to discuss ESG risks and opportunities for the sector and for their operations. We invited also ESG rating agencies to be able to hear their views on this sector and the company. We viewed it as a very valuable opportunity to bridge the information gap between the rating agencies and the company but also the perception gap between the investment community and oil & gas companies. From our discussions with the company and their disclosures we felt that their progress on several ESG matters was not widely known and there was a perception gap between how they are managing environmental risks and their progress on some issues vs how that is widely seen. The event was a success in terms of bridging these gaps and while our dialogue with the company is ongoing, we see it as an extremely good first step and a positive engagement outlook.

Climate Call: As part of Climate Action 100+, we are collaborating with other investors on engagement on climate with one of our portfolio companies that has a very substantial contribution to the carbon footprint of the fund. Engaging with the company together with other asset managers and owners has helped build a stronger voice and show the company the importance of these issues for both its shareholders and bondholders. We were glad to see that the company took the matter just as seriously and answered the call to action by summoning its most relevant internal stakeholders to engage with us.

The CEO, board members and corporate sustainability responsibilities participated in the call and demonstrated their commitment to Climate Action. This set a great ground level for further engagement and work to ensure continued progress towards ambitious climate goals shared by the company and the investor group.

Thematic Engagement: The next step of our thematic carbon initiative in which we aim to engage with companies in our portfolio on carbon took place at the end of this quarter. Companies answered our questionnaire and we were able to make individual recommendations for companies to address weaknesses in their governance on climate and carbon or push further their disclosures and ambitions on carbon emissions reductions. This round targeted XX companies that answered the questionnaire satisfactorily and that we are asking them to commit to even further disclosures or specific timelines for governance changes. We have previously engaged with the other companies on asking them to strengthen their climate commitment along the same lines as we are doing now, asking them to establish clear governance with board oversight, a responsible department, climate change policy and carbon emissions targets.

Other News/Group Engagements

The investor meeting event with the oil & gas company was a success in bridging the mentioned gaps and in creating the right forum to discuss ESG risks for oil & gas among investors, ESG ratings agencies and companies. Which is why we look forward to hosting similar events in the future.

To stay updated with new developments in Responsible Investing in the Nordic investment community team representatives also attended an event focused on Impact Investing. The event showcased how different investors work with the strategy while the recognizing the limited reach the strategy has.

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.