




LEA 02	Engagement: Mandatory	Materiality: Customary	Page: 123
Type of engagement Individual/ internal staff engagements Collaborative engagements Service provider engagements		Reason for interaction - To support investment decision-making by company investors - To encourage companies to take on climate risks - To ensure timely - To do so in support of internal staff - To ensure companies' activities are aligned with - To ensure companies' activities are aligned with - To ensure companies' activities are aligned with - To ensure companies' activities are aligned with	

RI TRANSPARENCY REPORT 2018

Sparinvest S.A.

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services and funds you offer

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

OO 02	Mandatory	Peering	General
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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).

1

2-5

6-10

>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, Luxembourg and Sweden

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 03.3 Additional information. [Optional]

Our signature of the Principles applies to all parts of our organisation.

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2017

OO 04.2 Indicate your total AUM at the end of your reporting year, Exclude subsidiaries you have chosen not to report on and any advisory/execution only assets.

Total AUM

11,224,880,785 EUR

13,318,284,752 USD

OO 05	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO 05.1 Provide an approximate percentage breakdown of your AUM at the end of your reporting year using the following asset classes:

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income	>50%	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0

Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

OO 05.2 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 **Mandatory** **Descriptive** **General**

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

as percentage breakdown

as broad ranges

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

OO 07.1 Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

Private

OO 09 **Mandatory to Report, Voluntary to Disclose** **Peering** **General**

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

Private

OO 09.2 Additional information. [Optional]

Private

OO 10 **Mandatory** **Gateway** **General**

OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We do not engage directly and do not require external managers to engage with companies on ESG factors.

Listed equity – voting

We cast our (proxy) votes directly or via dedicated voting providers

We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

Fixed income SSA – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We do not engage directly and do not require external managers to engage with companies 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.

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 both difficult and potentially undemocratic to attempt to influence nation states. Direct Engagement Policy 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.

Fixed income Corporate (financial) – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

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

We engage with companies on ESG factors via our staff, collaborations or service providers.

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 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
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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. <input type="checkbox"/> We do not do ESG incorporation.
Cash	<input checked="" type="checkbox"/> We address ESG incorporation. <input type="checkbox"/> We do not do ESG incorporation.

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	<table border="1"> <tr> <td style="background-color: #0070C0; color: white;">Direct - Listed Equity incorporation</td> <td> <input checked="" type="checkbox"/> Listed Equity incorporation </td> </tr> <tr> <td style="background-color: #0070C0; color: white;">Direct - Listed Equity active ownership</td> <td> <input checked="" type="checkbox"/> Engagements <input checked="" type="checkbox"/> (Proxy) voting </td> </tr> <tr> <td style="background-color: #0070C0; color: white;">Direct - Fixed Income</td> <td> <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 </td> </tr> </table>	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
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						
Closing module	<input checked="" type="checkbox"/> Closing module						

OO LE 01	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO LE 01.1	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
Private	
OO LE 01.2	Additional information. [Optional]
Private	

OO FI 01	Mandatory to Report, Voluntary to Disclose	Gateway	General
OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies		
	<i>Private</i>		
OO FI 01.2	Additional information. [Optional]		
	<i>Private</i>		
OO FI 03	Mandatory to Report, Voluntary to Disclose	Descriptive	General
OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.		
	<i>Private</i>		
OO FI 03.3	Additional information. [Optional]		
	<i>Private</i>		

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"/> 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 <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> 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 and related issues

SG 01.3a CC Describe how your products or investment strategy might be affected by the transition to a lower-carbon economy.

Private

SG 01.3b CC Describe how climate-related risks and opportunities are factored into your investment strategies or products.

Private

- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4 Describe your organisation's investment principles and overall investment strategy, and how they consider ESG factors and real economy impact.

At Sparinvest we believe that investing responsibly goes to the heart of our fiduciary duty to clients to generate strong long-term investment returns. When considering investments our analysts and portfolio managers consider a wide range of risks and opportunities. Some are shorter term, with the potential for an immediate impact. Others are longer term, but no less significant to the intrinsic value of the investment. It is only natural that as part of this assessment, we consider ESG (Environmental, Social and Governance) issues, many of which tend to impact over the longer term. We aim to incorporate these considerations throughout our investment processes, across our asset classes. This means looking at ESG-related risks and opportunities at the individual security level, and also considering the impact of broader themes which may impact on values across an entire sector, country, or portfolio.

Responsible investment does not end with an investment decision. It is crucial to continue monitoring investments in their treatment of risks and opportunities. We also seek to foster the long-term value of our investments and – in our corporate bond and equity funds - to improve corporate behaviour, by being active owners through voting and engagement.

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]

Subject to the limitations imposed by certain strategies, Sparinvest invests its entire fund range responsibly. We see the integration of ESG issues in our investment process, along with an active stewardship programme involving both voting and engagement, as being part of our fiduciary duty.

ALL Sparinvest strategies apply the following overarching exclusions:

- Controversial weapons
- Securities prohibited by EU Sanction

Below we give a brief indication of the RI approaches used for each of our strategy groups.

More detailed information is available on the RI section of our website:

[Http://www.sparinvest.lu/strategies%20and%20solutions/responsible%20investing.aspx](http://www.sparinvest.lu/strategies%20and%20solutions/responsible%20investing.aspx)

Equity Funds

In our **Actively-Managed Fundamental Equity** strategies, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction

- Screening (non exclusionary, for information purposes)
- Integration of ESG
- Stewardship

We work to understand the ESG issues faced by a company, assess the implications for corporate value and whether risks are adequately compensated. We consider how stewardship can be used to nurture corporate value and to encourage improvements in sustainability. Portfolio Managers direct our engagement and voting activities. Engagement can be direct, collaborative and/or via our service providers. Where our service providers engage with portfolio companies, we aim for close supervision. Our policy is to vote on all holdings.

In our **Actively-Managed Ethical Equity** strategies, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction
- Norms and Sector based screening (for negative exclusionary purposes)
- Integration of ESG
- Stewardship (Engagement and Voting)

Sparinvest's ethical strategies apply the same responsible investment approach as our core actively managed fundamental equity strategies. However, a growing number of clients seek to maintain certain ethical standards and values when they invest. For this reason Sparinvest makes some 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. Sparinvest has signed the Montreal Carbon Pledge on behalf these funds.

In our **Quantitatively-Managed Equity** strategies, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction
- Integration of ESG (at a total portfolio level)
- Stewardship (Collaborative Engagement and Voting on significant holdings)

In our quantitative strategies, the emphasis is on overall portfolio characteristics rather than on the individual holdings. Accordingly, consideration of ESG-factors is integrated in the investment process at the total portfolio level, with the aim of improving the portfolio's ESG score over time. On behalf of these funds, we participate in collaborative engagements and vote at companies where our shareholding is valued at EUR 1 million or more.

In our **Passively-Managed Equity** strategies, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction
- Stewardship (Voting on significant holdings, and Collaborative Engagement)

In Denmark, Sparinvest offers a range of passively-managed index funds for which the sole objective is to mimic the returns achieved by a given index. On behalf of these funds, we participate in collaborative engagements and vote at companies where our shareholding is valued at EUR 1 million or more. This enables us to maintain the low charging structure that Danish clients demand of these strategies

Fixed Income Funds

In our **Actively-Managed Corporate Bond strategies**, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction
- Screening (non exclusionary, for information purposes)
- Integration of ESG
- Stewardship (Engagement - collaborative and direct)

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 majority of engagements for Sparinvest's fixed income funds are conducted, on a collaborative basis, by our engagement services provider.

In our **Actively-Managed Ethical Corporate Bond** strategies, we aim to be responsible through:

- Exclusion of controversial weapons and securities under EU sanction
- Norms and Sector based screening (for negative exclusionary purposes)
- Integration of ESG
- Stewardship (Engagement)

Our Ethical Corporate Bond strategies apply the same responsible investment approach as our core corporate bond strategies described above. However, there is also an additional independent ethical screening conducted independently by the external ESG screening services provider ISS-Ethix. Sparinvest has signed the Montreal Carbon Pledge on behalf of Sparinvest Corporate Value Bonds.

In our **Actively-Managed Sovereign Bond** strategies, we aim to be responsible through:

- Exclusion of countries under multilateral sanction
- Country screening for Human Rights
- Integration of ESG

The formal consideration of governance risk factors is a vital and integral part of - the process of evaluating the credit spread. 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 repay its debts (as well as look after its people and protect the environment). An externally conducted country screening and World Governance Indicators are used as input, with adjustments on the basis of other, more forward-looking data.

In our **Actively-Managed Securitized Bond** strategies, we aim to be responsible through:

- Exclusion of securities or countries under EU sanction
- Norms-based screening of issuer banks
- Integration of ESG
- Stewardship (Engagement)

Sparinvest's investments in covered/securitized bonds are currently restricted to a universe consisting entirely of Nordic covered bonds, as well as government bonds. These issuers are subject to rigorous regulatory requirements and strong governance systems operating in nations with strong environmental and social legislation. The Danish covered bond system is perhaps the most sustainable method for financing property purchase yet invented. In more than two centuries of existence, there has never been a default on a Danish mortgage bond.

No

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 http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

Asset class-specific RI guidelines

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

Screening / exclusions policy

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

Engagement policy

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

(Proxy) voting policy

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

Other, specify (1)

Other, specify (1) description
Stewardship Policy

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx
<input checked="" type="checkbox"/> Attachment (will be made public) Files: link , link

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 http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment link

Time horizon of your investment

Governance structure of organisational ESG responsibilities

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

<http://www.sparinvest.lu/~ /media/international/downloads/ri/28-03-2018%20ri%20policy.ashx>

Attachment
link

ESG incorporation approaches

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~ /media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment link

Active ownership approaches

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~ /media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx
<input checked="" type="checkbox"/> Attachment link

Reporting

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~ /media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx
<input checked="" type="checkbox"/> Attachment link

Climate-related issues

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.sparinvest.lu/~ /media/international/downloads/ri/28-03-2018%20ri%20policy.ashx
<input checked="" type="checkbox"/> Attachment link

Climate change and related issues

Private
 We do not publicly disclose any investment policy components

SG 02.3	Indicate if your organisation's investment principles, and overall investment strategy is publicly available
<input checked="" type="radio"/> Yes	http://www.sparinvest.lu/strategies%20and%20solutions/investment%20solutions.aspx
<input type="radio"/> No	

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.				
<input checked="" type="radio"/> Yes	<table border="1"> <thead> <tr> <th>SG 03.2</th> <th>Describe your policy on managing potential conflicts of interest in the investment process.</th> </tr> </thead> <tbody> <tr> <td colspan="2"> <p>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.</p> <p>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.</p> <p>Link to English version: http://www.sparinvest.lu/about%20us/governance.aspx</p> </td> </tr> </tbody> </table>	SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.	<p>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.</p> <p>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.</p> <p>Link to English version: http://www.sparinvest.lu/about%20us/governance.aspx</p>	
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<input type="radio"/> No					

SG 04	Voluntary	Descriptive	General
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SG 04.1	Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies.
Private	

SG 04.2	Describe your process on managing incidents
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Private

SG 05	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.
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- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

SG 05.2	Additional information. [Optional]
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How RI goals are set/measured:

Formed in Q3 2014, 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 the Board of Sparinvest to give an update on Group progress towards achieving RI goals.

SG 06	Voluntary	Descriptive	General
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SG 06.1	List the main responsible investment objectives that your organisation set for the reporting year.
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Private

SG 06.2	Additional information.
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Private

SG 07	Mandatory	Core Assessed	General
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SG 07.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation	
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- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), 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
- ESG portfolio manager
- 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
- External managers or service providers
 - 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)

SG 07.2	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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- Board Members/ trustees: Oversight gained via annual reporting at Board meeting by Head of RI
- CEO/CIO/Investment Committee: Oversight gained via monthly 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 Manager: Title: RI Committee Deputy CIO: Oversight of RI policy implementation by Asset Management teams. Additionally involved with shaping RI policy/strategy as part of Responsible Investment Committee
- Portfolio Manager: Title: RI Committee representative (Equities): Responsible for ensuring that RI policy is adhered to by Equity team. Additionally involved with shaping RI policy/strategy as part of Responsible Investment Committee
- Portfolio Manager: Title: RI Committee representative (Quant and Passive funds): Responsible for ensuring that RI policy is adhered to by Quant and Passive team. Additionally involved with shaping RI policy/strategy as part of Responsible Investment Committee
- Portfolio Manager: Title: RI Committee representative (Fixed Income): Responsible for ensuring that RI policy is adhered to. Additionally involved with shaping RI policy/strategy as part of Responsible Investment Committee
- 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 ESG assistants and one Fixed Income Analyst: Assist PM 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.
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1

SG 07.4	Additional information. [Optional]
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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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Private

SG 07.1 CC	Indicate the roles in your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for climate-related issues.
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Private

SG 07.1a CC	For the board level roles or for which you have climate-related issues oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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Private

SG 07.1b CC	For the management-level roles which assess and manage climate-related issues, provide further information on the structure and process involved.
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Private

SG 08	Voluntary	Additional Assessed	General
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SG 08.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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Private

SG 08.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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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]

Sparinvest acted as joint leading investor in a collaborative engagement on Human Rights in the Extractive Industries, facilitated by PRI. This initiative ended in Q3 2017.

During 2017, Sparinvest signed up to the following UN PRI collaborative engagements:

- Cyber security (as lead investor with two companies)
- Climate Action 100+ (dialogue partner still to be assigned)
- 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.
- Sparinvest's 3 ethical funds have committed to the Montreal Carbon Pledge.

- 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
- EVCA – 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)

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

Basic

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

ICGN seeks to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. Two of our Portfolio Managers are members of ICGN and regularly attend events in order to keep abreast of latest developments in corporate governance and stewardship matters.

- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)

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

Basic

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

We are supporters and signatories of the IIRC Investor Statement (<https://integratedreporting.org/resource/investor-statement/>) 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

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]

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.

During 2017, Sparinvest was actively involved in Eurosif's redrafting of the European Transparency Label questionnaire to reflect the requirements of France's Energy Transition Law.

- 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 February 2017, Sparinvest participated in the ALFI Amsterdam roadshow as speaker in a panel discussion on the topic of 'Responsible Investing: the time is now!'

(RI experts will discuss ESG techniques and trends as well as climate finance and impact investing.)

Another ALFI initiative is the Luxembourg Finance Labelling Agency (LuxFLAG) which is designed to identify funds that have high ESG standards. In 2017, Sparinvest - Ethical Global Value and Sparinvest - Ethical Emerging Markets were re-awarded the LuxFLAG ESG label.

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

- Other collaborative organisation/initiative, specify

DANSIF

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

- Other collaborative organisation/initiative, specify

CSR Europe

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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CSR Europe is the European Business Network for Corporate Social Responsibility. <https://www.csreurope.org/>. During 2017, Sparinvest participated in two workshops organised by CSR Europe for its member companies, both on the subject of integrated reporting.

- Other collaborative organisation/initiative, specify

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 ran a day-long Responsible Investment Seminar for its entire asset management team to educate them about latest developments and thinking from the RI industry and regulators. We examined how these would impact on Sparinvest's RI policy development and, consequently, investment products.

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

Description
In February and November 2017, Sparinvest participated in workshops in Brussels run by CSR Europe, the European Business Network for Corporate Social Responsibility. The aim of both was to encourage ESG transparency through integrated reporting. The first workshop was titled the 'Hitachi Stakeholder Dialogue – The Future of Integrated Reporting'. Several listed companies were present to share their experience with the "Integrated Reporting" implementation process. Hitachi presented its first integrated report and requested feedback - which Sparinvest subsequently provided. The second workshop was on the topic 'Integrate sustainability in your company'. The intention was to help CSR/Sustainability managers to convince other departments in their organisations about the importance of integrated reporting to investors. Sparinvest participated as an investment group that uses integrated reporting in its investment analysis whenever possible. Subsequently, Sparinvest was invited by IIRC to sign its Investor Statement to confirm that institutional investors value integrated reporting.

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

- Spoke publicly at events and conferences to promote responsible investment

Description
In addition to the two CSR Europe workshops mentioned above, Sparinvest also spoke on the topic of 'Responsible Investing: the time is now!' at the ALFI Amsterdam Roadshow in February 2017.

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

Description
Sparinvest is an active participant in the Investor Working Group within the PRI's Sustainable Stock Exchanges Initiative. During 2017 we provided input into what we thought should be the next stage of the SSE's work – especially in support of shareholder rights.

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 <input type="radio"/> Ad hoc <input type="radio"/> Other

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

No

SG 10.3	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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On Feb 17th 2017, Sparinvest attended the 'Ring the Bell for Gender Equality' event at the London Stock Exchange and subsequently gave feedback on the event to its SSE dialogue partner stock exchange in the hope that they will hold their own bellingring event in future.

SG 11	Voluntary	Additional Assessed	PRI 4,5,6
SG 11.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.		
Private			
SG 11.4	Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.		
Private			

SG 12	Mandatory	Core Assessed	PRI 4
SG 12.1	Indicate whether your organisation uses investment consultants.		
	<input type="checkbox"/> Yes, we use investment consultants <input checked="" type="checkbox"/> No, we do not use investment consultants.		
SG 13	Mandatory	Descriptive	PRI 1
SG 13.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.		
	<input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future environmental trends <input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future social trends <input type="checkbox"/> We execute scenario analysis which includes factors representing the investment impacts of future governance trends <input type="checkbox"/> We consider scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities <input type="checkbox"/> We execute other scenario analysis, specify <input checked="" type="checkbox"/> We do not execute such scenario analysis and/or modelling		
SG 13.3	Additional information. [OPTIONAL]		
	<p>We do not incorporate ESG issues 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.</p>		
SG 14	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1
SG 14.1	Describe the process used to identify short, medium and long-term risks and opportunities that could have a material impact on your organisation and its activities.		
	Private		
SG 14.1 CC	Describe the processes used to determine which climate-related short, medium and long-term risks and opportunities could have a material impact on your organisation and its activities.		
	Private		
SG 14.2	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.		
	Private		
SG 14.4a CC	Please provide further details on these key metric(s) used to assess climate related risks and opportunities.		
	Private		
SG 14.5	If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.		
	Private		
SG 14.6	Additional information [Optional]		
	Private		
SG 14.7 CC	Describe your risk management processes for identifying, assessing, and managing climate-related risks.		
	Private		
SG 14.8 CC	Describe your processes for prioritising climate-related risks.		
	Private		
SG 14.9 CC	Do you conduct engagement activity with investee companies to encourage better disclosure and practices around climate-related risks?		
	Private		
SG 14.10 CC	Describe how you use data from climate-related disclosures.		
	Private		
SG 15	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.		
	Private		
SG 16	Mandatory	Descriptive	General
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 2% 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 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"> • 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. • The degree to which responsible investment principles are integrated across asset classes, including corporate bonds. 	
<input type="radio"/> No	

SG 19	Mandatory	Core Assessed	PRI 6
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SG 19.1	Indicate whether your organisation proactively discloses asset class specific information. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
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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

<http://www.sparinvest.lu/library/download.aspx>

Listed equity - Engagement

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

- Details on the overall engagement strategy
- Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals
- Number of engagements undertaken
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the progress achieved and outcomes against defined objectives
- Examples of engagement cases
- 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.)
- Details on whether the provided information has been externally assured
- Outcomes that have been achieved from the engagement
- Other information

Biannually

http://www.sparinvest.lu/~media/international/downloads/ri/q12017_ri_review.ashx
http://www.sparinvest.lu/~media/international/downloads/ri/q22017_ri_review.ashx

Listed equity – (Proxy) Voting

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

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

Quarterly

<http://www.sparinvest.lu/strategies%20and%20solutions/stewardship.aspx>

Listed equity - Incorporation

Do you disclose?

- We do not proactively disclose it to the public and/or clients/beneficiaries
- We disclose to clients/beneficiaries only.
- We disclose it publicly

The information disclosed to clients/beneficiaries is the same

- Yes
- No

Disclosure to public and URL

Disclosure to public and URL

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

Quarterly or more frequently

<http://www.sparinvest.lu/strategies%20and%20solutions/responsible%20investing.aspx>

LEI 01	Mandatory	Core Assessed	PRI 1
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%)		
	<input type="checkbox"/> Screening alone (i.e. not combined with any other strategies) <input type="checkbox"/> Thematic alone (i.e. not combined with any other strategies) <input type="checkbox"/> Integration alone (i.e. not combined with any other strategies) <input checked="" type="checkbox"/> Screening and integration strategies <div style="border: 1px solid black; display: inline-block; padding: 2px;">Percentage of active listed equity to which the strategy is applied</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">100%</div> <input type="checkbox"/> Thematic and integration strategies <input type="checkbox"/> Screening and thematic strategies <input type="checkbox"/> All three strategies combined <input type="checkbox"/> We do not apply incorporation strategies		
LEI 01.2	Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.		
	<p>Our actively managed equity fund range includes active fundamental stock-selecting funds and active quantitative funds.</p> <p>ALL FUNDS: All Sparinvest funds apply an exclusionary screen for controversial weapons and securities subject to EU sanctions. All funds are screened on a regular basis to check for breaches of global norms relating to environmental, social and governance issues. This analysis aims to identify breaches of international initiatives and guidelines such as: UN Global Compact Principles, The UN Guiding Principles on Business and Human Rights, International Labour Organisation Conventions, United Nations Convention Against Corruption, OECD Guidelines for Multinational Enterprises and the Paris Climate Accord. This screening is conducted for the purpose of highlighting investments that may need to be included in engagement activities or divested - either for reasons of value destruction or ethical policy requirements.</p> <p>ACTIVE FUNDAMENTAL FUNDS: In our active fundamental funds, our aim is to understand the long-term intrinsic value of company, and any risks to that value. We aim to assess the downside risk before the upside potential. Risks and opportunities that may impact a company 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. We also engage with companies as deemed appropriate (see separate section on engagement).</p> <p>In addition, certain of our equity funds (labelled 'Ethical') use a negative screen to exclude companies. The exclusionary criteria for these funds result from ongoing consultation with clients, but are broadly categorised as norm-based and sector-based criteria:</p> <ul style="list-style-type: none"> • Norm-based screen for violations of global norms: environmental protection, human rights, labour standards and anti-corruption. • Sector-based screen for companies with certain exposures to sectors such as: alcohol, tobacco, gambling, pornography, weapons and thermal coal & oil sands. <p>ACTIVE QUANTITATIVE FUNDS: With our quantitative funds, there is an aim that the portfolio's ESG score gradually improves over time, so that at rebalancing quantitative ESG information is integrated into portfolio construction decisions on a ceteris paribus basis. We apply active ownership (Principle 2) to these funds, specifically proxy voting on holdings of EUR1 million+ and service provider engagement.</p>		
LEI 01.3	If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]		
	<p>As noted above in 01.2, ESG risk factors are integrated into our investment process and investment decisions, across all active equity funds. This extends to ongoing monitoring of existing holdings, exercise of proxy voting, and engagement with holdings, and supra-holding engagements. We use certain external service providers for ESG research and proxy voting advice, while ultimate decisions are made internally.</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>Research for these weapons, norms and sector screens is provided by an external service provider, ISS-Ethix. We find that the research provided by ISS-Ethix in this regard has useful crossover application in our ESG integration strategy.</p>		
LEI 02	Voluntary	Additional Assessed	PRI 1
LEI 02.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.		
	Private		
LEI 02.2	Provide a brief description of the ESG information used, highlighting any different sources of information across your ESG incorporation strategies.		
	Private		
LEI 02.3	Indicate if you incentivise brokers to provide ESG research.		
	Private		
LEI 02.5	Additional information. [Optional]		
	Private		
LEI 03	Voluntary	Additional Assessed	PRI 1

LEI 03.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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Private

LEI 03.2	Additional information. [Optional]
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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.
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- Negative/exclusionary screening
 - Product
 - Activity
 - Sector
 - Country/geographic region
 - Environmental and social practices and performance
 - Corporate governance

Description

Across all funds, we exclude companies involved in controversial weapons and securities in breach of EU sanctions. (On occasion, certain sanctions may have the effect of excluding specific countries, but we have no direct country exclusion screens ourselves).

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". Note that we do not have any broad GICS sector-level exclusions).

- 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

Note that our Norm-Based screening is a negative exclusionary screen, as detailed above. It assesses companies' adherence to international norms for human rights, the environment, labor standards and anti-corruption. It adheres to the UN Global Compact Principles.

LEI 04.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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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 vial both direct communication such as presentations or coverage in our Responsible Investment Review, and via our website.

LEI 05	Mandatory	Core Assessed	PRI 1
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LEI 05.1	Indicate which processes your organisation uses to ensure screening is based on 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
- 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.
- 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

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

LEI 05.3	Indicate how frequently third party ESG ratings are updated for screening purposes.
	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Bi-annually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually

LEI 05.4	Indicate how frequently you review internal research that builds your ESG screens.
	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Bi-annually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually

LEI 05.5	Additional information. [Optional]
	Normative and sector-based screens are researched and implemented by an external service provider (ISS-Ethix). Internal staff, including both dedicated RI staff and portfolio managers and analysts will review the analysis 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.

LEI 06	Voluntary	Additional Assessed	PRI 1
LEI 06.1	Indicate which processes your organisation uses to ensure fund criteria are not breached		
	<i>Private</i>		
LEI 06.2	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.		
	<i>Private</i>		
LEI 06.3	Additional information.[Optional]		
	<i>Private</i>		

LEI 08	Mandatory	Core Assessed	PRI 1																																						
LEI 08.1	Indicate which 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.																																								
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LEI 09	Voluntary	Additional Assessed	PRI 1
LEI 09.1	Indicate which processes your organisation uses to ensure ESG integration is based on a robust analysis.		
	<i>Private</i>		
LEI 09.5	Describe how ESG information is held and used by your portfolio managers.		
	<i>Private</i>		

LEI 09.6	Additional information.[Optional]		
<i>Private</i>			
LEI 10	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 1
LEI 10.1	Indicate which aspects of investment analysis you integrate material ESG information into.		
<i>Private</i>			
LEI 10.5	Additional information.		
<i>Private</i>			
LEI 11	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
LEI 11.1	Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.		
<i>Private</i>			
LEI 12	Voluntary	Descriptive	PRI 1
LEI 12.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.		
<i>Private</i>			
LEI 12.2	Additional information.[Optional]		
<i>Private</i>			
LEI 13	Voluntary	Additional Assessed	PRI 1
LEI 13.1	Indicate whether your organisation measures how your approach to responsible investment in Listed Equity has affected your portfolio's financial and/or ESG performance.		
<i>Private</i>			
LEI 13.2	Describe how you are able to determine these outcomes.		
<i>Private</i>			
LEI 14	Voluntary	Descriptive	PRI 1
LEI 14.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.		
<i>Private</i>			
LEI 14.2	Additional information.[Optional]		
<i>Private</i>			

LEA 01	Mandatory	Core Assessed	PRI 2
LEA 01.1	Indicate whether your organisation has a formal engagement policy.		
	<input checked="" type="checkbox"/> Yes		
LEA 01.2	Attach or provide a URL to your engagement policy.		
	<input type="checkbox"/> Attachment provided: <input checked="" type="checkbox"/> URL provided: http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx		
LEA 01.3	Indicate what your engagement policy covers:		
	<input checked="" type="checkbox"/> Conflicts of interest <input checked="" type="checkbox"/> Insider information <input checked="" type="checkbox"/> Alignment with national stewardship code requirements <input checked="" type="checkbox"/> Due diligence and monitoring process <input checked="" type="checkbox"/> Prioritisation of engagements <input checked="" type="checkbox"/> Transparency of engagement activities <input checked="" type="checkbox"/> Environmental factors <input checked="" type="checkbox"/> Social factors <input checked="" type="checkbox"/> Governance factors <input type="checkbox"/> Other, describe <input type="checkbox"/> None of the above		
LEA 01.4	Provide a brief overview of your organization's approach to engagement		
	<p>Engagement at Sparinvest seeks to be a respectful and constructive dialogue with investee companies, focussed on cases where we see potential for meaningful impact on corporate value and sustainability. For actively managed fundamental funds, our engagements are typically direct, collaborative, or led by service providers. Combining these methods can be powerful.</p> <p>Direct Engagement is by members of our investment teams who can best contextualise issues within the overall investment case and corporate value. Triggers include:</p> <ul style="list-style-type: none"> • Specific ESG Risks or Opportunities: Based on materiality and the potential for meaningful change. • Voting-related: Where agenda items are contentious or in breach of voting policy. • Breach of International Norms: In conjunction with our Service Provider (see below) <p>Collaborative Engagement is typically via industry bodies such as the PRI. Our level of involvement is a function of our specific relationship with the target company and our available resources.</p> <p>Service Provider Engagement is selected where companies are alleged or confirmed to have breached normative principles, such as the UN Global Compact. We directly engage with affected holdings to indicate concern and encourage response. The aim is to seek deeper understanding and suggest any appropriate remedial actions and policy improvements.</p> <p>For quant/passive funds, see Stewardship Policy</p>		
	<input type="checkbox"/> No		
LEA 01.6	Additional information [optional]		
	<p>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.</p> <p>Sparinvest's stewardship activities are directed and monitored by the portfolio management teams and reviewed at meetings of the Responsible Investment Committee. The Head of Responsible Investment reports on these activities to Sparinvest's Investment Committee and to the Board of Sparinvest.</p> <p>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.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p>		
LEA 02	Mandatory	Gateway	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"/> Other, specify To discuss voting related issues. <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 type="checkbox"/> Other, specify <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 type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2 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.

In leading collaborative engagements for Sparinvest and other institutional investors, ISS Ethix' represents combined AUM of USD 1.1 trn.

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA 03.1 Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

✓ Yes

LEA 03.2 Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography / market of the companies
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In response to ESG impacts that have already occurred.
- As a response to divestment pressure
- Consultation with clients/beneficiaries
- Consultation with other stakeholders (i.e. NGOs, trade unions etc.)
- As a follow-up from a voting decision
- Client request
- Other, describe

other description

For efficacy, we may focus some engagements on specific themes/countries, where we see positive context for change (tailwinds of governance reform, etc)

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**

LEA 04.1 Indicate if you define specific objectives for your engagement activities.

- ✓ Yes
 - ✓ Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out by internal staff.

LEA 04.2 Indicate if you monitor the actions that companies take during and following your engagements activities carried out by internal staff.

- ✓ Yes
 - ✓ Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out by internal staff.

LEA 04.3 Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities carried out by internal staff.

- Define timelines for your objectives
- Tracking and/or monitoring progress against defined objectives
- Tracking and or monitoring progress of actions taken when original objectives are not met
- Revisit and, if necessary, revise objectives on continuous basis
- Other, please specify
- We do not monitor and evaluate progress of engagement activities carried out by internal staff

LEA 04.4 Additional information. [Optional]

Engagements are monitored and reviewed by the Responsible Investment Committee; a quarterly Stewardship Meeting on voting and engagement 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.

LEA 05 **Mandatory** **Core Assessed** **PRI 2**

LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements
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Yes

LEA 05.2	Describe the criteria used to identify and prioritise collaborative engagements.
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- Potential to learn from other investors
- Ability to add value to the collaboration
- Geography / market of the companies targeted by the collaboration
- Materiality of ESG factors addressed by the collaboration
- Systemic risks to global portfolios addressed by the collaboration
- Exposure (holdings) to companies targeted by the collaboration
- In reaction to ESG impacts addressed by the collaboration that have already occurred.
- As a response to divestment pressure
- As a follow-up from a voting decision
- Consultation with clients/beneficiaries
- Consultation with other stakeholders (i.e. NGOs, trade unions etc.)
- Other, describe

No

LEA 05.3	Additional information [Optional]
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Thematic Collaborative Engagements

Direct engagements are always prioritised on the basis of the potential for material impact on our investments, with due regard for the team resources available to conduct such engagements.

Similar thinking applies to our decisions to become involved in thematic collaborative engagements. In order to develop efficiencies within our process, the Responsible Investment Committee has gone through an exercise of shortlisting those ESG topics that we feel have the most potential for material impact on our investments – across equities and bonds - looking to find key areas of broad relevance.

Having identified these material topics, where resources allow, we join collaborations not just to effect change at individual holdings but to learn from other investors/industry experts and NGOs and to create processes for having impact at any holding where such issues might occur in future.

During 2017, we were involved in the final stages of the PRI collaborative engagement on Human Rights in the Extractive Industries. When this ended, we opted to join the PRI collaborative engagement on Cyber Security and the global collaborative engagement on Climate Action 100+.

LEA 06	Mandatory	Core Assessed	PRI 2
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LEA 06.1	Indicate if you define specific objectives for your engagement activities carried out collaboratively.
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Yes

- Yes, for all engagement activities
- Yes, for the majority of engagement activities
- Yes, for a minority of engagement activities

We do not define specific objectives for engagement activities carried out collaboratively.

LEA 06.2	Indicate if you monitor the actions companies take during and following your collaborative engagements.
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Yes

- Yes, in all cases
- Yes, in the majority of cases
- Yes, in the minority of cases

We do not monitor the actions that companies take following engagement activities carried out collaboratively

LEA 06.3	Indicate if you do any of the following to monitor and evaluate the progress of your collaborative engagement activities.
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- Define timelines for your objectives
- Tracking and/or monitoring progress against defined objectives
- Tracking and or monitoring progress of actions taken when original objectives are not met
- Revisit and, if necessary, revise objectives on continuous basis
- Other, please specify
- We do not monitor and evaluate progress of engagement activities carried out by internal staff

LEA 06.4	Additional information. [Optional]
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Where we are involved in thematic collaborative engagements, we aim to apply the lessons learnt to future engagement activities. For example, our participation in the 2013-2015 PRI-coordinated engagement on anti-bribery and corruption has given us a very useful framework for assessing the ABC policies and disclosures (or lack thereof) that we see in other companies. We now use this ABC scoring system systematically before entering a governance related direct engagement.

LEA 07	Mandatory	Core Assessed	PRI 2,4
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LEA 07.1 Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

Yes

LEA 07.2 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 07.3 Additional information. [Optional]

Our main route of service provider engagement is via ISS-Ethix, engaging with companies involved in normative breaches. At a general level we have input into the criteria which determine the companies to be engaged with. We also aim for internal staff engagement directly with holdings which are covered by this service provider engagement, often to encourage the company into a more constructive dialogue with the service provider. Sparinvest's investment professionals review the service provider's engagement activities on an ongoing basis and regularly have detailed exchanges with the service provider regarding specific engagements.

LEA 08 Mandatory Core Assessed PRI 2,6

LEA 08.1 Do you monitor and review the outcomes of the engagement activities undertaken by your service providers on your behalf?

- Yes, periodically
- Yes, ad hoc basis
- We do not monitor or review them

LEA 08.2 Additional information. [Optional]

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 09 Voluntary Additional Assessed PRI 1,2

LEA 09.1 Indicate if insights gained from your engagements are shared with your internal or external investment managers.

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

LEA 09.2 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.

During 2015-2017, Sparinvest acted as joint lead investor in the PRI collaboration targeting Human Rights in the Extractive Industries. This involved close cooperation with the external investment manager that was the other joint lead. As with all PRI collaborations, there was also a regular quarterly reporting process for sharing information with all the asset managers supporting the initiative.

LEA 10 Mandatory Gateway PRI 2

LEA 10.1	Indicate if you track the number of your engagement activities.	
	Type of engagement	Tracking engagements
	Individual / Internal staff engagements	<input checked="" type="checkbox"/> Yes, we track the number of our engagements in full <input type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track
	Collaborative engagements	<input checked="" type="checkbox"/> Yes, we track the number of our engagements in full <input type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track and cannot estimate our engagements
	Service provider engagements	<input checked="" type="checkbox"/> Yes, we track the number of our engagements in full <input type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track and cannot estimate our engagements

LEA 10.2 Additional information. [OPTIONAL]
 As mentioned before we have an engagement database where all engagement activities are tracked.

LEA 11 Mandatory to Report, Voluntary to Disclose Core Assessed PRI 2

LEA 11.1 Indicate the amount of your listed equities portfolio with which your organisation engaged during the reporting year.
 Private

LEA 11.2 Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue.
 Private

LEA 11.3 Indicate the percentage of your collaborative engagements for which you were a leading organisation during the reporting year.
 Private

LEA 11.4 Indicate the percentage of your service provider engagements that you had some involvement in during the reporting year.
 Private

LEA 11.5 Additional information. [Optional]
 Private

LEA 12 Voluntary Additional Assessed PRI 2

LEA 12.1 Indicate which of the following your engagement involved.
 Private

LEA 12.2 Additional information. [Optional]
 Private

LEA 13 Voluntary Descriptive PRI 2

LEA 13.1 Indicate whether you track the number of cases during the reporting year in which a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.
 Private

LEA 13.3 Additional information [Optional].
 Private

LEA 14 Voluntary Additional Assessed PRI 2

LEA 14.1 Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.
 Private

LEA 14.2 Additional information. [Optional]
 Private

LEA 15 Mandatory Core Assessed PRI 1,2,3

LEA 15.1 Indicate whether your organisation has a formal voting policy.

Yes

LEA 15.2 Indicate what your voting policy covers:

- Conflicts of interest
- Share blocking
- Securities lending process
- Prioritisation of voting activities
- Decision making processes
- Environmental factors

- Social factors
- Governance factors
- Filing/co-filing resolutions
- Extraordinary meetings
- Regional voting practices
- Transparency of proxy voting activities
- Company dialogue pre/post vote
- Other, describe

other description

The voting policy is part of our overall Stewardship Policy which covers conflict of interest and securities lending.

- None of the above

LEA 15.3 Attach or provide a URL to your voting policy. [Optional]

<http://www.sparinvest.lu/~media/international/downloads/ri/28-03-2018%20stewardship%20policy.ashx>
Files: link, link

LEA 15.4 Provide a brief overview of your organization's approach to (proxy) voting.

Actively-Managed Fundamental Funds

We aim vote at all relevant investee company meetings, based on our general voting principles, and a specific consideration of the company-specific context. Our guiding principle is to serve the long-term interests of our investors. Voting rights are a powerful part of active ownership. However, votes are also blunt tools, 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, we seek to engage with the company in question.

Quant and Index Funds

In our quantitative and index funds, bearing in mind the overall focus on low costs, we choose to vote only on holdings of a significant size - currently those where we invest over EUR 1 million. 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 investment team of those funds. Otherwise voting for all Sparinvest funds is conducted in line with Sparinvest's voting policy whereby our guiding principle is to serve the long-term interests of our investors.

- No

LEA 16

Mandatory

Descriptive

PRI 2

LEA 16.1 Indicate how you typically make your (proxy) voting decisions.

Approach

- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

Based on

- the service provider voting policy signed off by us
- our own voting policy
- our clients' requests or policy
- other, explain
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) that make voting decisions on our behalf.

LEA 16.2 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 (if applicable).

Voting Process

We vote in accordance with our general voting principles, except where inconsistent with applicable laws and regulations or with specific client instructions.

Sparinvest uses the proxy advisory company Institutional Shareholder Services (ISS) to assist with the operational practicalities of voting, and to provide research and analysis on the voting agendas. ISS provides analysis of voting agendas, based on a customized voting policy specified by Sparinvest. The value equity investment team reviews that analysis internally, and voting decisions are then made on a case-by-case basis at the discretion of the team, based on our voting principles. Our decisions can, and do, vary from ISS recommendations. As noted earlier, on controversial items we are keen to have a constructive dialogue with the company in question.

Vote Confirmation

In our passive and quantitative funds, an automated voting monitoring system from our proxy services provider enables us to ensure that our votes have been cast according to our instructions. As mentioned above, all voting agendas are looked on at a case-by-case basis for our actively-managed fundamental funds, which ensures that we vote on time. We regularly monitor that we are voting our shares. The head of responsible investment reviews a sample of voting decisions to ensure compliance with the voting policy.

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. It 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 16.3	Additional information. [Optional]
<p>We aim to exercise the voting rights at all relevant meetings of investee companies, with our decisions based on our general voting principles, and a specific consideration of the company-specific context. Our guiding principle is to serve the long-term interests of our investors.</p> <p>Voting rights are a powerful part of active ownership, by which shareholders can have their say on a wide range of issues, many of which touch on ESG matters. 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 for our actively managed fundamental funds, we inform them of our voting policy. Also, where agenda items breach our voting policy, or are contentious for other reasons, we seek to notify and engage with the company in question.</p> <p>Overarching Voting Principles</p> <p>We subscribe to the below list of general principles. However, we consider all situations on a case-by-case basis, and voting decisions may deviate from the below principles where considered to be in the best interests of our investors. In some 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.</p> <p>Note that our voting principles are reviewed and updated periodically. The most up to date version is contained in the Stewardship Policy document on our website.</p> <p>Overarching principles:</p> <ul style="list-style-type: none"> • We support the principle of one-share, one-vote • We support strong protection of minority shareholders' rights • We support fair access to propose shareholder resolutions • We support the principle of independence of Board members: the board, and where applicable, the committees on remuneration, nomination and auditing, should predominantly consist of independent members • We support the principle that 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 shareholder value • We are generally opposed to any kind of 'poison pills' • We support the principle of companies being transparent • We support the principle that accounts should be audited by independent external auditing firms whose other relationships with the company cannot be considered to impair that independence • We support the principle that a transparent remuneration policy should align the interests of management with those of long-term shareholders • 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 non-compliance 	

LEA 18	Voluntary	Descriptive	PRI 2
LEA 18.1	Describe your involvement in any projects to improve the voting trail and/or to obtain vote confirmation .		
<i>Private</i>			
LEA 18.2	Additional information. [OPTIONAL]		
<i>Private</i>			

LEA 19	Voluntary	Additional Assessed	PRI 2
LEA 19.1	Indicate if your organisation has a securities lending programme.		
<i>Private</i>			

LEA 20	Mandatory	Core Assessed	PRI 2
LEA 20.1	Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting		
<p><input type="radio"/> Yes, in most cases</p> <p><input checked="" type="radio"/> Sometimes, in the following cases:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Votes for selected markets <input type="checkbox"/> Votes relating to certain ESG issues <input type="checkbox"/> Votes for significant shareholdings <input type="checkbox"/> Votes for companies we are engaging with <input type="checkbox"/> On request by clients <input checked="" type="checkbox"/> Other <p style="padding-left: 40px;">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.</p> <p><input type="radio"/> Neither we nor our service provider raise concerns with companies ahead of voting</p>			
LEA 20.2	Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.		
<p><input checked="" type="radio"/> Yes, in most cases</p> <p><input type="radio"/> Sometimes, in the following cases.</p> <p><input type="radio"/> We do not communicate the rationale to companies</p> <p><input type="radio"/> Not applicable because we and/or our service providers do not abstain or vote against management recommendations</p>			
LEA 20.3	Additional information. [Optional]		

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 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1 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%)
49%

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

LEA 21.2 Explain your reason(s) for not voting 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)
- On request by clients
- Other

We do not track or collect this information

LEA 21.3 Additional information. [Optional]

Whereas our voting on actively-managed fundamental funds was around 99% in 2017, 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 22	Mandatory	Additional Assessed	PRI 2
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LEA 22.1 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 22.2 Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	88%
Against (opposing) management recommendations	10%
Abstentions	2%

LEA 22.3 Describe the actions you take in relation to voting against management recommendations.

On behalf of our actively managed fundamental funds, it is our policy to inform company management about any voting decision against their recommendations.

No, we do not track this information

LEA 23	Voluntary	Descriptive	PRI 2
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LEA 23.1 Indicate if your organisation directly or via a service provider filed or co-filed any ESG shareholder resolutions during the reporting year.

Private

LEA 23.6 Describe whether your organisation reviews ESG shareholder resolutions filed by other investors.

Private

LEA 23.7 Additional information. [Optional]

Private

LEA 24	Voluntary	Descriptive	PRI 2
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LEA 24.1 Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

Private

LEA 24.2

Additional information. [Optional]

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 a single passive securitized bonds strategy .

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

FI 02.1 Indicate which ESG factors you systematically research as part of your analysis on issuers.

Private

FI 02.2 Indicate what format your ESG information comes in and where you typically source it

Private

FI 02.3 Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.

Private

FI 02.4 Additional information. [Optional]

Private

FI 03 Mandatory Additional Assessed PRI 1

FI 03.1 Indicate how you ensure that your ESG research process is robust:

- 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 of ESG research are undertaken in a systematic way
- ESG analysis is benchmarked for quality against other providers
- Other, specify
- 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 a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' 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 04 Mandatory Gateway PRI 1

FI 04.1 Indicate the type of screening you conduct.

	SSA	Corporate (financial)	Corporate (non-financial)	Securitised
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 **Mandatory** **Descriptive** **PRI 1**

FI 05.1 Indicate why you conduct negative screening.

SSA
<input checked="" type="checkbox"/> For legal reasons
<input checked="" type="checkbox"/> For non-legal reasons
Corporate (fin)
<input checked="" type="checkbox"/> For legal reasons
<input checked="" type="checkbox"/> For non-legal reasons
Corporate (non-fin)
<input checked="" type="checkbox"/> For legal reasons
<input checked="" type="checkbox"/> For non-legal reasons
Securitized
<input checked="" type="checkbox"/> For legal reasons
<input checked="" type="checkbox"/> For non-legal reasons

FI 05.2 Describe your approach to ESG-based negative screening of issuers from your investable universe.

Our ESG-based negative screening consists of a further screening for our ethical strategies in addition to those legally required and detailed in FI 07.2.

Where we provide funds under an ethical label, this is based on negative screening to exclude companies from the investment universe or investment shortlist, on certain specific grounds. The exclusionary criteria for these funds result from ongoing consultation with clients, but are broadly categorized as norm-based and sector-based criteria:

A norm-based screen for violations of global norms: environmental protection, human rights, labor standards, anti-corruption and climate change.

A sector-based screen for companies operating within sectors such as: alcohol, tobacco, gambling, pornography, weapons, thermal coal and oil sands.

Note that our norm-based screening is a negative exclusionary screen. It assesses companies' adherence to international norms for human rights, the environment, labor standards and anti-corruption. It adheres to the UN Global Compact Principles.

FI 05.3 Additional information. [Optional]

We comply with legal requirements for exclusions but we also comply with our clients' wishes, particularly with regard to ethical strategies.

FI 06 **Voluntary** **Additional Assessed** **PRI 1**

FI 06.1 Provide examples of how ESG factors are included in your screening criteria.

Private

FI 06.2 Additional information.

Private

FI 07 **Mandatory** **Core Assessed** **PRI 1**

FI 07.1 Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

Type of screening	Checks

Negative/exclusionary screening?	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least every 2 years. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input checked="" type="checkbox"/> Other, specify <div style="border: 1px solid black; padding: 2px; margin-top: 5px;"> other description Data used for the overarching screening criteria is updated on an on-going basis to capture new exclusions as they arise. </div> <input type="checkbox"/> None of the above
Norms-based screening	<input checked="" type="checkbox"/> Checks are performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least every 2 years. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken regularly by internal audit or compliance functions <input checked="" type="checkbox"/> Other, specify <div style="border: 1px solid black; padding: 2px; margin-top: 5px;"> other description Data used for the overarching screening criteria is updated on an on-going basis to capture new exclusions as they arise. </div> <input type="checkbox"/> None of the above

FI 07.2	Additional information. [Optional]
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Sector-based screening checks (for ethical strategies) are performed to ensure that issuers meet screening criteria on a semi-annual basis. Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet the sector screening criteria. Audits of fund positions are undertaken regularly by internal audit and compliance functions.

FI 11	Mandatory	Descriptive	PRI 1
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FI 11.1	Describe your approach to integrating ESG into traditional financial analysis.
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The formal consideration of environmental, social and governance (ESG) risk factors has been fully integrated into the investment process of the Group's Corporate Bonds Team. Specifically, ESG risk considerations are included in the analysis phase of the investment process and taken into account in every on-going investment update. This is designed to strengthen portfolios by minimizing exposure to potential ESG downside risk. The investment process for Sparinvest's range of corporate bond portfolios is essentially that ESG factors are incorporated into the investment process on an equal footing with traditional financial data; and, as with the financial key metrics, environmental, social and governance issues are part of the investment process 'check list'. All potential targets must meet the criteria of the check list before becoming eligible for investment.

FI 11.2	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: 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)

In previous internal studies, Sparinvest has found that the World Governance Indicators have explanatory powers regarding historic returns on sovereigns. Therefore the World Governance Indicators are used as input. Nearly 200 countries are analysed annually on key metrics, focusing on government/regulatory governance and human rights ('S') in particular. Specifically, countries are ranked according to:

- Voice and Accountability,
- Political Stability and Absence of Violence,
- Government Effectiveness,
- Regulatory Quality,
- Rule of Law,
- Control of Corruption.

However, the World Governance Indicators are retrospective and there is a built in time-lag in the data. Therefore, in order to keep up to date with more

immediate potential sovereign risk 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.

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
- 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 and EU sanctions)
- 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 and securities prohibited by EU sanctions
- Integration of ESG
- Stewardship (Engagement)

Sparinvest's investments in covered/securitized bonds is currently restricted to a universe consisting entirely of Nordic covered bonds, as well as government bonds. These issuers are subject to rigorous regulatory requirements and strong governance systems operating in nations with strong environmental and social legislation. The majority of the securitized bonds held are part of the Danish covered bond system.

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 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.

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 12		Mandatory	Core Assessed	PRI 1	
FI 12.1		Indicate how ESG information is typically used as part of your investment process.			
		SSA	Corporate (financial)	Corporate (non-financial)	Securitised
	ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis is integrated into security weighting decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis is a standard part of internal credit ratings or assessment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis for issuers is a standard agenda item at investment committee meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis is regularly featured in internal research notes or similar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis is a standard feature of ongoing portfolio monitoring	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	ESG analysis features in all internal issuer summaries or similar documents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 13		Mandatory	Additional Assessed	PRI 1
FI 13.1		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	
Securitised	<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 13.2		Please provide more detail on how you review E, S and G factors in your integration process.
SSA		<p>Responsible Investment in Sovereign Bonds</p> <p>In these funds, we aim to be responsible through:</p> <ul style="list-style-type: none"> • 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) <p>Exclusions</p> <p>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:</p> <ul style="list-style-type: none"> • 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 . [NM1] 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 2017, 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.

In previous internal studies, Sparinvest has found that the World Governance Indicators have explanatory powers regarding historic returns on sovereigns. Therefore we continue to use World Governance Indicators input in the investment process. More than 200 countries are analysed annually on key metrics, focusing on government/regulatory governance and human rights ('S') in particular. Specifically, countries are ranked according to:

- Voice and Accountability,
- Political Stability and Absence of Violence,
- Government Effectiveness,
- Regulatory Quality,
- Rule of Law,
- Control of Corruption.

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.eu/~ /media/international/downloads/ri/ri%20policy%20for%20fixed%20income%20funds_eng.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 and securities prohibited by EU sanctions
- Integration of ESG
- Stewardship (Engagement)

ESG Integration

Sparinvest's investments in covered/securitized bonds is currently restricted to a universe consisting entirely of Nordic covered bonds, as well as government bonds. We are confident that our funds investing in this universe meet the highest ESG standards. Given the rigorous regulatory requirements and strong governance systems that issuers in this universe must comply with, we anticipate that breaches of international norms will seldom (if ever) occur.

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 13.3

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 14	Voluntary	Descriptive	PRI 1
FI 14.1	Describe your RI approach for passively managed fixed income assets.		
<i>Private</i>			
FI 15	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
FI 15.1	Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.		
<i>Private</i>			
FI 15.3	Additional information.[OPTIONAL]		
<i>Private</i>			
FI 16	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
FI 16.1	Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)		
<i>Private</i>			
FI 16.2	Indicate how your organisation prioritises engagements with issuers		
<i>Private</i>			
FI 16.3	Indicate when your organisation conducts engagements with issuers.		
<i>Private</i>			
FI 16.4	Indicate how your organisation conducts engagements with issuers.		
<i>Private</i>			
FI 16.5	Indicate what your organisation conducts engagements with issuers on.		
<i>Private</i>			
	If 'other' has been selected, please give a description		
<i>Private</i>			
FI 16.6	Indicate how your organisation shares the outcomes of the engagements internally.		
<i>Private</i>			
FI 16.7	Additional information.[OPTIONAL]		
<i>Private</i>			
FI 17	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
FI 17.1	Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.		
<i>Private</i>			
FI 17.3	Additional information [OPTIONAL]		
<i>Private</i>			
FI 18	Mandatory to Report, Voluntary to Disclose	Additional Assessed	General
FI 18.1	Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance.		
<i>Private</i>			
FI 18.2	Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]		
<i>Private</i>			
FI 18.3	Additional information.[OPTIONAL]		
<i>Private</i>			
FI 19	Voluntary	Descriptive	PRI 1,2

FI 19.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.
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Private

FI 19.2	Additional information.
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Private

CM1 01.1	Mandatory	Core 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 implementation of RI processes (that have been reported to the PRI this year) <input type="checkbox"/> Internal audit conducted by internal auditors of the implementation of RI processes and/or 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"> <input checked="" type="checkbox"/> Whole PRI Transparency Report has been internally verified <input type="checkbox"/> Selected data has been internally verified <input checked="" type="checkbox"/> Other, specify RI processes for two funds have been reviewed by an external audit firm as part of the application procedure for obtaining LuxFLAG labels. <input type="checkbox"/> None of the above		
CM1 01.2 & 01.8	Mandatory	Descriptive	Planned assurance of this year's PRI Transparency Report
CM1 01.2	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 01.3 & 01.9	Mandatory	Descriptive	General
CM1 01.3	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, or we did not have such a report last year.		
CM1 01.4, 10:12	Mandatory	Descriptive	General
CM1 01.4	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 01.12	Describe the process of external/third party ESG audit of holdings, including which data has been assured.		
	Description of process (including what 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 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 underpinned by an external audit firm review of its entire portfolio to ensure that it retains the high standards of ESG integration expected of it. We find this a very credible approach, providing smaller investors with the same kind of level of due diligence that institutional investors get by employing consultants, and at the same time impressing institutional investors when they see it.</p>		
	<input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above		
CM1 01.7	Mandatory	Descriptive	General
CM1 01.7	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		
	Sign-off or review of responses		
	<input checked="" type="checkbox"/> Sign-off <input checked="" type="checkbox"/> Review of responses		
	<input type="checkbox"/> The Board <input checked="" type="checkbox"/> Investment Committee		

Sign-off or review of responses

- Sign-off
- Review of responses

- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)