



Sparinvest Ethical Investment Policy

In response to demand from clients who seek to maintain certain ethical standards and values when they invest, Sparinvest makes its core strategies available with an additional ethical overlay, which excludes certain investments. Implementation of our exclusionary screening for ethical strategies is carried out in partnership with the external ESG specialists, ISS-Ethix.

Overarching screening (ALL Sparinvest funds)

- Banned weapons
 - Anti-personnel mines
 - Cluster munitions
 - Biological weapons
 - Chemical weapons
 - Nuclear weapons outside the Nuclear Non-Proliferation Treaty
- Securities prohibited by EU Sanction

Ethical Screening - Norms-based

Checks for violations of:

- Human rights • Labour conditions
- Environment • Anti-corruption

Ethical Screening - Sector-based

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.)

alongside other fundamental considerations - in order to establish fair value. Potential investments are also subject to the overarching screening that applies to all Sparinvest funds. They then go through a negative ethical screening designed to exclude companies from investment on certain specific, values-based grounds. The exclusionary criteria for these funds result from ongoing consultation with clients, but are broadly categorized as being either norms-based or sector-based. (See box)

Ethical Analysis – Norms-Based

ISS-Ethix assesses the corporate conduct of holdings within the context of a global normative framework, which, broadly speaking, covers human rights, labour standards, the environment, and anti-corruption. The 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

Exclusionary Effect of Ethical Norms-Based Screen

The analysis results in a list of companies classified as RED by ISS-Ethix, for a verified and unaddressed breach of the relevant norms.

Norms-based analysis may also result in companies being given an 'AMBER' rating by ISS-Ethix. This may indicate an alleged but unconfirmed breach, a verified breach which the company is addressing, a potential breach which has not yet occurred, and other situations.

Responsible Analysis plus Ethical Screening

Sparinvest's ethical funds originated as carve-outs from our most popular value investment strategies. As such, they are subjected first to our rigorous risk/reward analysis that integrates environmental, social and governance 'ESG' issues -

Norms-based Divestment policy

Stocks classified as RED by ISS-Ethix may not be bought or, if reclassified as RED after investment, must be divested as soon as reasonably practical (trading strategy subject to considerations of market impact and best execution).

In addition to this, we can also divest companies with AMBER assessments, depending on the nature of the situation. The decision to do so would be on the basis of a qualitative investigation by portfolio managers into the nature of the alleged breach, or risk of breach and the company's speed of reaction to it, as well as the remedial actions that it has taken/has announced.

Ethical Screening – Sector-based

The analysis seeks to identify companies operating in certain industries. The degree of their involvement is measured in terms of the shares of total revenues derived from the activities being screened. Data or estimates of revenue shares are based on company public information, information provided by the company in response to ISS-Ethix's inquiries or reliable secondary information.

Sector-based Divestment policy

The analysis results in a list of companies classified as RED by ISS-Ethix for an exposure to relevant sectors that exceeds agreed tolerance levels. Such stocks may not be bought or, if reclassified as RED after investment, must be divested as soon as reasonably practical (trading strategy subject to considerations of market impact and best execution).

Engagement Policy in relation to Ethical Funds

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. Engagements are typically either direct, collaborative, by service providers or a combination of these.

Where ISS-Ethix have identified a normative issue, we choose to engage with the company in order to seek improvement and the prevention of recurrence. This engagement is collaborative with other investors and is led by ISS-Ethix, a combination which we believe offers efficiency and good potential for impact.

Where possible, we will also 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.

Carbon Footprinting

As signatories of the Montreal Carbon Pledge, we have committed to the annual publication of the carbon footprints of our two ethical equity funds. These are available to view on our websites.

Emissions data revealed about individual portfolio holdings during this carbon footprinting exercise will be used by the Portfolio Managers to guide future engagement plans.

Signatory of:



Sparinvest is a signatory, member or service user of the following institutions that seek to promote sustainable and responsible investment and the consideration of environmental, social and governance issues:



Disclaimer:

The mentioned sub-funds are part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The investor bears a higher risk for investments into emerging markets. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees. For investors in Switzerland the funds' representative and paying agent is RBC Investor Services Bank SA, Zurich Branch, Badenerstrasse 567, P.O. Box 101, CH-8066 Zurich. Published by Sparinvest, 28, Boulevard Royal, L-2449 Luxembourg.