

*based on United Nations Principles
and providing an extra tier of risk management*

As required by signatories of the United Nations Principles for Responsible Investment, Sparinvest's Responsible Investment policy prioritises its fiduciary duty to clients.

Sparinvest signed the principles in 2009 after determining that to implement them would be entirely consistent with our existing focus on both financial and non-financial risk management and our company vision to provide sensible long-term investments with a superior relationship between risk and return.

The UN Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will report on our activities and progress towards implementing the Principles

Sparinvest has implemented these six principles as follows:

Principle 1.

We integrate environmental, social and governance (ESG) issues into the investment analysis and decision-making processes for all our strategies – active and passive. In doing so, we place information regarding ESG factors on an equal footing with analysis of traditional financial key metrics, meaning that ESG issues are the responsibility of our fund managers and embedded in our investment process check list. This does not necessarily require the exclusion of companies with high ESG risks attached to them. It simply means that the investment case must be convincing even after all downside risks – including ESG risks - are taken into consideration.

Principle 2.

We are active owners of the securities that we invest in, and in general, our responsible investment policy advocates dialogue and engagement rather than exclusion. The primary purpose of our Active Ownership Programme is to move investment portfolios towards

higher ESG standards, thereby improving the risk profile of the investments that we hold, moving them towards better long-term performance. Our programme consists of:

- A company dialogue programme with portfolio holdings. This is conducted directly and respectfully between our portfolio managers and company management
- A supra-company dialogue programme focusing on collaborative engagement with other institutional investors.
- A proxy voting programme on portfolio holdings, again with the objective of using the rights inherent in stock ownership to influence companies towards higher awareness on ESG issues.

Sparinvest uses an internationally-renowned Proxy Voting services provider to assist with voting research and operations. In general, we support the following principles:

- one-share, one vote
- fair access to propose shareholder resolutions
- protection of minority shareholder rights
- independence of Board members
- dealing with M&A in the interest of creating long-term shareholder value
- opposition to any kind of 'poison pills'
- companies should comply with corporate governance standards in their country of domicile or else explain non-compliance
- companies should be transparent

In the interests of transparency, Sparinvest's voting record is available on our homepage.

Principle 3.

We seek appropriate disclosure on ESG issues by our portfolio companies. We have a systematic approach to ESG information gathering and analysis. Our ESG information platform comprises input from our internationally-acknowledged ESG research providers as well as information provided directly to us by companies to whom we have sent our own proprietary Company ESG Questionnaires. Our external research partners give us:

- **ESG industry reports.** As well as giving us specific information on individual companies, these sector-based industry reports also give us an overview of ESG issues within different sectors, enabling us to establish the framework for seeking disclosure from less transparent companies.
- **Norm-based reports.** Our research covers the entire MSCI universe looking for violations of UN Norms.
- **Corporate governance reports.** These give us increased clarity on governance within companies. We also use the World Bank Governance Indicators to establish country indicators of good governance.

Principle 4.

We promote acceptance and implementation of the principles within the investment industry. We do this in a number of ways, including participation in Responsible Investment awareness events and conferences. In addition, we are transparent regarding our own policies and records.

Principle 5.

To enhance our effectiveness in promoting the principles, Sparinvest has joined other industry bodies such as Eurosif and Dansif (the European and Danish Sustainable Investment Forums). We are also involved in collaborative projects such as the Sustainable Stock Exchanges Initiative and the Anti-corruption initiative.

Principle 6.

We report on our activities and progress towards implementing the principles through our own website and through our responses to the annual questionnaires from UN PRI. Sparinvest has elected to have its responses made public on the UN PRI website unpri.org.

Our Exclusion Policy

We believe that by excluding companies violating ESG standards, we renounce our right to impact on the future behaviour of the company, thereby enabling it to carry on its business unhampered. For this reason, we advocate dialogue rather than exclusion. However, we will always exclude:

- Companies in affirmed critical violations of national laws with no attempts to remedy the violations
- Companies in affirmed violations of international arms treaties (including illegal weapons such as cluster munitions) with no attempt to remedy the violations.

Summary

We view the UN Principles for Responsible investment as being entirely compatible with our fiduciary duty to clients and our own risk-averse attitude to investment.

The consideration of ESG risk factors is integrated into all our investment processes and considered as essential by our Portfolio Management teams.

We believe in exerting influence to improve ESG issues through active ownership. We advocate dialogue, collaborative initiatives and proxy voting policy rather than exclusion.

We respect investors that prefer to exert influence through exclusion and, for such investors; we offer the possibility of accessing our core strategies with the addition of independent ethical screening.

This document is a summary of Sparinvest's full Responsible Investment policy which details how the policy is implemented for each of our strategies and is available at sparinvest.eu.