

## SPARX FUNDS PLC

### First Addendum to Prospectus

This First Addendum (this “Addendum”) should be read in conjunction with, and forms part of, the prospectus for SPARX Funds plc (the “Company”), the Fund Information Cards for SPARX Japan Fund, SPARX Japan Smaller Companies Fund and SPARX OneAsia Growth Equity Fund dated 22 April, 2020 and the Fund Information Card for SPARX Japan Sustainable Equity Fund dated 22 July, 2020 (hereinafter referred to as the “Prospectus”). All capitalised terms contained herein shall have the same meaning in this Addendum as in the Prospectus unless otherwise indicated.

The Directors of the Company accept responsibility for the information contained in this document and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document and the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

#### **1. Amendment to the Prospectus**

- (i) **Addition of a new definition for “Taxonomy Regulation” as follows, in the section of the Prospectus entitled “Definitions”:-**

*“Taxonomy Regulation” means Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment.*

#### **2. Amendments to the Fund Information Card for SPARX Japan Fund**

- (i) **Addition of the following paragraphs following the last paragraph of the sub-section entitled “Investment Policy” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Fund:-**

*“The environmental and/or social characteristics promoted by the Fund comprise of a lower carbon footprint in comparison to the Reference Benchmark and do no significant harm to environmental and/or social issues. Notwithstanding this, the Fund has not designated a reference sustainable benchmark and that the existing Reference Benchmark is not aligned with the environmental and social characteristics promoted by the Fund.”*

*In identifying investments which allow the Fund to promote environmental or social characteristics, the Investment Advisor adopts exclusion strategies through the use of environmental, social and governance (“ESG”) data provided by third party data providers (“Data Providers”) and implementation of positive screening based on proprietary analysis carried out by the Investment Advisor.*

*The Investment Advisor also assesses the governance practices of issuers through the use of governance ratings provided by Data Providers and analysis conducted on the relevant issuer by the investment management team in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, good employee relations, reasonable remuneration of staff and tax compliance.*

*The Investment Advisor monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through the use of sustainability indicators such as carbon footprint and ESG rating provided by Data Providers.”*

**(ii) Addition of the following sub-section following the sub-section entitled “Principal Investment Strategies” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Fund:-**

*“Management of Sustainability Risk*

*The management of sustainability risk forms a part of the due diligence process implemented by the Investment Advisor.*

*When assessing the sustainability risk associated with underlying investments, the Investment Advisor is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition (“ESG Event”).*

*Using both quantitative and qualitative processes, sustainability risk is identified, monitored and managed by the Investment Advisor in the following manner:*

- (i) Prior to acquiring investments on behalf of the Fund, the Investment Advisor uses ESG metrics of Data Providers such as Sustainalytics and Trucost in order to screen the relevant investment against sustainability risk and to identify whether it is vulnerable to such risk. This process incorporates applying both an exclusion policy whereby potential investments are removed from the investment universe on the basis that they pose too great a sustainability risk to the Fund and positive screening whereby those investments which have a low sustainability risk rating as well as strong financial performance are included in the investment universe. The Investment Advisor also conducts fundamental analysis on each potential investment in order to allow it to assess the adequacy of ESG programmes and practices of an issuer to manage the sustainability risk it faces. The information gathered from the fundamental analysis conducted will be taken into account by the Investment Advisor in deciding whether to acquire a holding in an issuer and may, in certain circumstances, result in the Investment Advisor investing in an issuer which has a lower ESG rating where it believes that the relevant existing ESG rating does not fully capture recent positive sustainability-related changes which have been implemented by the relevant issuer.*
- (ii) During the life of the investment, sustainability risk is monitored through review of ESG data published by the issuer (where relevant) or selected Data Providers to determine whether the level of sustainability risk has changed since the initial assessment has been conducted. Where the sustainability risk associated with a particular investment has increased beyond the ESG risk appetite for the relevant Fund, the Investment Advisor will consider selling or reducing the Fund’s exposure to the relevant investment, taking into account the best interests of the Shareholders of the Fund.*

*The Investment Advisor has determined that the sustainability risk (being the risk that the value of the Fund could be materially negatively impacted by an ESG Event) faced by the Fund is lower than the Reference Benchmark.”*

### **3. Amendments to the Fund Information Card for SPARX Japan Sustainable Equity Fund**

- (i) **Addition of two new definitions for “UNGC” and “UNGC Principles” as follows, in the section of the Fund Information Card for SPARX Japan Sustainable Equity Fund entitled “Interpretation”:-**

*“UNGC” means the United Nations Global Compact, which is a strategic initiative that supports global companies that are committed to operating responsible business practices in the areas of human rights, labour, environment and anti-corruption.*

*“UNGC Principles” means the ten operating principles outlining the values of the UNGC. The UNGC Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.*

- (ii) **Deletion of the current paragraph and replacing it with the following paragraph under the sub-section entitled “Investment Objective” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Sustainable Equity Fund:-**

*“The Fund aims to achieve long term sustainable capital growth by investing in shares of Japanese equities. The Fund will invest primarily in sustainable investments by acquiring a selection of Equity Securities based on the companies issuing these Equity Securities’ compliance with environmental, social and/or governance criteria and/or based on their efforts to reduce carbon emissions.”*

- (iii) **Deletion of the first paragraph and replacing it with the following paragraph under the sub-section entitled “Investment Policy” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Sustainable Equity Fund:-**

*“In order to achieve this objective, the Fund will invest in any event at all times at least 90% of its assets in Equity Securities issued by companies which are domiciled or exercise the predominant part of their economic activity in Japan, the investment universe of the Fund. The Fund may invest the rest of its assets in ancillary liquid assets such as money market instruments (including banker’s acceptances, commercial paper and negotiable certificates of deposit) or cash deposits.”*

- (iv) **Deletion of the third paragraph and replacing it with the following paragraph under the sub-section entitled “Investment Policy” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Sustainable Equity Fund:-**

*“The Investment Advisor looks at factors which include, but are not limited to, themes such as the conservation of natural resources, the improvement in living standards and social equality, while also paying close attention to the ability of the company to maintain stable profits over the long-term. As a result of this sustainable approach, the Fund will not invest in companies which have substantial interests in any of the following sectors: tobacco; alcohol; gambling; controversial weapons; military contracting and small arms; thermal coal and coal generation;*

conventional oil and gas; unconventional oil and gas; power production. The Fund also applies a conduct-based screening in accordance with the UNGC Principles.”

**(v) Addition of the following paragraphs following the last paragraph of the sub-section entitled “Investment Policy” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX Japan Sustainable Equity Fund:-**

*“The environmental and/or social characteristics promoted by the Fund comprise inter alia of; a lower carbon footprint in comparison to the Reference Benchmark, sound management structures, good employee relations, reasonable remuneration of staff and tax compliance. The Fund is particularly concerned with the environmental sustainability of the companies, i.e., companies implementing comprehensive carbon reduction targets and expanding their commitment into renewable energies, in which it invests and will abstain from and exclude any investments that may significantly harm any other environmental and/or social objectives. Notwithstanding this, the Fund has not designated a reference sustainable benchmark and that the existing Reference Benchmark is not aligned with the environmental and social characteristics promoted by the Fund.*

*Pursuant to a rating upgrade approach, the Fund's portfolio as a whole has a higher non-financial rating in comparison to the Reference Benchmark, even after removing at least 20% of the least well-rated securities of the Reference Benchmark.*

*The Fund uses a thematic approach based on binding negative and positive screening using best-in-universe and best-efforts approaches depending on the investment theme. The environmental, social and governance (“ESG”) criteria are taken into account first in the definition and filtering of the investment universe and then in the portfolio construction and final stock selection.*

*In identifying investments which allow the Fund to promote environmental or social characteristics, the Investment Advisor adopts exclusion strategies through the use of ESG data provided by third party data providers (“Data Providers”) such as Trucost and implementation of positive screening based on proprietary analysis carried out by the Investment Advisor.*

*The Investment Advisor also assesses the governance practices of issuers through the use of governance ratings provided by Data Providers and analysis conducted on the relevant issuer by the investment management team in order to satisfy itself that the relevant issuers follow good environmental, social and governance practices, in particular with respect to the reduction of carbon emissions, sound management structures, good employee relations, reasonable remuneration of staff and tax compliance.*

*The Investment Advisor monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through the use of sustainability indicators such as carbon footprint and ESG rating provided by Data Providers.*

*The Investment Advisor is particularly concerned with the environmental sustainability of the companies in which it invests and will analyse data from ESG metrics of Data Providers such as Trucost, to evaluate the progress and contribution towards mitigation of greenhouse gases, while maintaining minimum standards in social and governance criteria. Some climate-related measures could include carbon intensity (tons of carbon dioxide per million USD*

(tCO2/USDm)), total carbon emissions (tons of carbon dioxide), greenhouse gas reduction targets (tons per revenue), total renewable energy production (tons of carbon dioxide per kilowatt hours (tCO2/kwH)). At present, the Investment Advisor evaluates the following measures to a lower percentage of the Fund's portfolio; carbon emissions saved (tons of carbon dioxide), waste recycled (tons) or toxic waste reduced (tons). The target carbon intensity is to be constantly at a lower level than that of the Reference Benchmark."

**(vi) Addition of the following sub-section after the sub-section entitled "Principal Investment Strategies" within the section entitled "Investment Objective and Policies" in the Fund Information Card for SPARX Japan Sustainable Equity Fund:-**

*Management of Sustainability Risk*

*The management of sustainability risk forms a part of the due diligence process implemented by the Investment Advisor.*

*When assessing the sustainability risk associated with underlying investments, the Investment Advisor is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition ("ESG Event").*

*Using both quantitative and qualitative processes, sustainability risk is identified, monitored and managed by the Investment Advisor in the following manner:*

- (i) Prior to acquiring investments on behalf of the Fund, the Investment Advisor uses ESG metrics of Data Providers such as Sustainalytics and Trucost in order to screen the relevant investment against sustainability risk and to identify whether it is vulnerable to such risk. This process incorporates applying both an exclusion policy whereby potential investments are removed from the investment universe on the basis that they pose too great a sustainability risk to the Fund and positive screening whereby those investments which have a low sustainability risk rating as well as strong financial performance are included in the investment universe. The Investment Advisor also conducts fundamental analysis on each potential investment in order to allow it to assess the adequacy of ESG programmes and practices of an issuer to manage the sustainability risk it faces. The information gathered from the fundamental analysis conducted will be taken into account by the Investment Advisor in deciding whether to acquire a holding in an issuer and may, in certain circumstances, result in the Investment Advisor investing in an issuer which has a lower ESG rating where it believes that the relevant existing ESG rating does not fully capture recent positive sustainability-related changes which have been implemented by the relevant issuer.*
- (ii) During the life of the investment, sustainability risk is monitored through review of ESG data published by the issuer (where relevant) or selected Data Providers to determine whether the level of sustainability risk has changed since the initial assessment has been conducted. Where the sustainability risk associated with a particular investment has increased beyond the ESG risk appetite for the relevant Fund, the Investment Advisor will consider selling or reducing the Fund's exposure to the relevant investment, taking into account the best interests of the Shareholders of the Fund.*

*The Investment Advisor has determined that the sustainability risk (being the risk that the value of the Fund could be materially negatively impacted by an ESG Event) faced by the Fund is lower than the Reference Benchmark.”*

#### **4. Amendments to the Fund Information Card for SPARX OneAsia Growth Equity Fund**

- (i) **Addition of the following paragraphs under a new headings entitled “Taxonomy Regulation” and “” following the last paragraph of the sub-section entitled “Investment Policy” within the section entitled “Investment Objective and Policies” in the Fund Information Card for SPARX OneAsia Growth Equity Fund:-**

*“Taxonomy Regulation*

*The Fund does not have as its objective sustainable investment, nor does it promote environmental or social characteristics. As a result, the Fund does not fall within the scope of the Taxonomy Regulation. The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.*

*“Integration of Sustainability Risk into the Investment Decision Making Process”*

*Pursuant to Article 6 of the Sustainable Finance Disclosure Regulations (EU) 2019/2088 (the ‘SFDR’), the Company is required to disclose the extent sustainability risks are integrated into the investment decision making process and the anticipated impacts of those risks on the financial returns of the Fund.*

*Sustainability risks are defined in the SFDR as environmental, social or governance events or conditions that, if they were to occur, could have actual or potential material negative impacts on the value of the investments of the Fund.*

*The management of sustainability risk forms a part of the due diligence process implemented by the Investment Advisor.*

*When assessing the sustainability risk associated with underlying investments, the Investment Advisor is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition (“ESG Event”).*

*Using qualitative processes, sustainability risk is identified, monitored and managed by the Investment Advisor in the following manner:*

- (i) The Investment Advisor conducts fundamental analysis on each potential investment in order to allow it to assess the adequacy of ESG programmes and practices of an issuer to manage the sustainability risk it faces. The information gathered from the fundamental analysis conducted will be taken into account by the Investment Advisor in deciding whether to acquire a holding in an issuer.*
- (ii) During the life of the investment, sustainability risk is monitored through review of ESG data published by the issuer (where relevant) to determine whether the level of sustainability risk has changed since the initial assessment has been conducted. Where the sustainability risk associated with a particular investment has increased beyond the ESG risk appetite for the relevant Fund, the Investment Advisor will consider selling or*

*reducing the Fund's exposure to the relevant investment, taking into account the best interests of the Shareholders of the Fund.*

*The Investment Advisor acknowledges that the Fund's exposure to sustainability risks is changeable in the current environment and shall keep the Fund's exposure to these risks under periodic review. Where the Investment Advisor considers, as a result of such a review, that the Fund's exposure to sustainability risks has materially changed, these disclosures will be updated accordingly."*

Dated: 9 March, 2021