



## *Responsible Investment Policy*

*imagine*



NICHE AM

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## 1. Objective

The objective of the Responsible Investment Policy is to provide a detailed description of the activities carried out towards the appropriate integration of Sustainability criteria into the management of the Funds for which Niche Asset Management (hereafter “NAM”) performs the function of delegated Investment Manager.

In the scope, we are considering funds under Article 8 and 9 of the Regulation (EU)2019/2088 – Under article 8 of Regulation (EU)2019/2088 we find financial products that promote environmental and social characteristics, though they do not have sustainability investment as their objective. Under Article 9 of Regulation (EU)2019/2088, we find financial products that promote a sustainable investment objective.

## 2. Regulatory Framework

The Policy has been drawn up pursuant to the European Union’s Sustainable Finance Disclosure Regulation (SFDR - (EU)2019/2088), which imposes transparency and sustainability related disclosure requirements to Financial Markets Participants (FMP).

The Funds delegated to NAM are required to disclose the process through which sustainability risks, within the meaning of SFDR, are integrated into the investment decision and the results of the assessment of the likely impacts of sustainability risks on the returns of the Sub-Funds.

## 3. Definitions

For the purpose of the Policy, and aligned with the Regulation, the following definitions apply:

- “Sustainable Investment” means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices;
- “Sustainability Factors” mean Environmental, Social and Governance (ESG), hereafter also referred to as “ESG” or “ESG Factors”;
- “ESG Investing” refers to the integration of Sustainability Factors into the investment decision-making process. Typically, market participants will consider the risk and rewards of a broad range of ESG criteria on which companies are measured.

## 4. Responsible Investment Policy summary

Niche Asset Management (NAM) have signed up to the United Nations Principles for Responsible Investments (PRI), therefore NAM incorporates the PRI guidelines in its investment policy.

NAM's investment policy commits to the followings:

1. incorporating environmental, social and governance aspects into its investment analysis and decision-making processes.
2. operating as an active shareholder, integrating ESG issues into shareholder policies and practices.
3. the companies invested in are requested to proceed to appropriate disclosure of news pertaining to environmental, social and governance factors and if they are small entities the company will open a dialogue and will apply the necessary pressure in order to prepare to work in this direction;
4. promotion, embracement and implementation of the Principles in the community of investors;
5. collaborating with sector operators and bodies to improve efficiency in implementing the Principles.
6. Disclosure to the public of reports on the AM company's activities and on the progress made in applying the Principles.
7. NAM does have a due diligence process based on both external providers and/or internal analysis, in order to assess the principal adverse impacts of investment on "*sustainability factors*".
8. NAM does have a due diligence process based on internal proprietary unique qualitative/quantitative analysis, in order to assess the companies' impact on the 17 Sustainable Development Goals (SDG) set by UN.
9. For all the products managed by NAM that bear ESG / SDG characteristics or objectives the company will disclose on its website:
  - a description of the relevant ESG / SDG characteristics and/or ESG / SDG objective of the product;
  - the methodologies used to assess, measure and monitor the ESG / SDG characteristics of the product and/or impact of the product on the ESG objective;
  - how the ESG / SDG characteristics are met;
  - where an index is designated as a reference benchmark for ESG characteristics: whether and how the index is consistent with those characteristics, and where the methodology for the index can be found;
10. NAM does have a due diligence process based on both external providers and/or internal analysis, in order to assess the compliance of its exclusionary screening policy (see below).

#### 4.1 Exclusion Policy

NAM do not invest in companies that are involved in the following business area:

- companies involved in the production, sale or storage of uranium weapons;
- companies involved in the production or sale of anti-personnel mines and cluster bombs, prohibited by the Oslo and Ottawa treaties;
- companies that violate, repeatedly and seriously, one or more of the ten principles of the Global Compact, without credible corrective action.

In addition, NAM implements specific sectoral exclusion policies for controversial industries, if their main business activity is significantly involved (above 30% of revenue):

- weapons;
- tobacco;
- thermal coal;
- oil upstream.

If an issuer business activity in which NAM is invested becomes significantly involved in the above, NAM will sell it within a reasonable timeframe.

NAM can apply further and more targeted exclusion policies for specific products.

## 5. ESG analysis

### 5.1 ESG Issues

ESG issues are the set of topics that, though, are difficult to measure in monetary terms, have emerged as decisively when evaluating risks and rewards of investments. Although there is no exhaustive list of such issues, the following examples can be considered:

Environmental Issues
Climate Change
Air and Water Pollution
Biodiversity
Deforestation
Waste Management

Social Issues
Human Rights
Data Protection and Privacy
Gender and Diversity
Labor Standards
Community Relations

Governance Issues
Board Composition
Bribery and Corruption
Executive Compensation
Political Contributions
Whistleblowing schemes

Source: CFA Institute

## 5.2 ESG tools

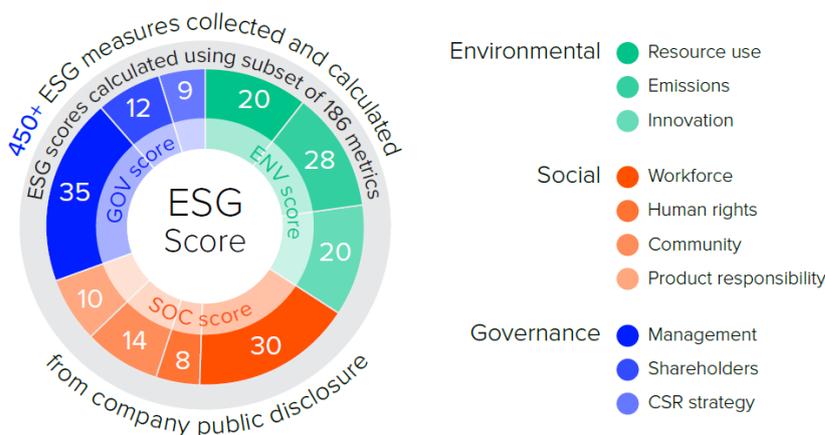
NAM's ESG analysis is based on the analysis of extra-financial data provider (Thomson Reuters) and on proprietary analysis tools. Only the proprietary analysis is being used in case of lack of coverage from the external ESG provider.

### 5.2.1 Thomson Reuters Refinitiv ESG Analysis

Refinitiv has developed one of the most comprehensive ESG databases, covering over 70% of the global market cap (9,000 companies globally), across more than 450 different ESG metrics.

Refinitiv's ESG scoring methodology has a number of key calculation principles set out below:

1. Unique ESG magnitude (materiality) weightings have been included – as the importance of ESG factors differs across industries, mapping each metric's materiality for each industry on a scale of 1 to 10.
2. Transparency stimulation – company disclosure. With applied weighting, not reporting "immaterial" data points doesn't greatly affect a company's score, whereas not reporting on "highly material" data points will negatively affect a company's score.
3. ESG controversies overlay – The scoring methodology aims to address the market cap bias from which large companies suffer by introducing severity weights, which ensure controversy scores are adjusted based on a company's size.
4. Industry and country benchmarks at the data point scoring level – to facilitate comparable analysis within peer groups.
5. Percentile rank scoring methodology – to eliminate hidden layers of calculations. This methodology enables Refinitiv to produce a score between 0-100, as well as easy-to-understand letter grades.



## 5.2.2 NAM ESG Internal Analysis

### *NAM ESG score calculation methodology*

The overall grade is calculated out of 100.

The overall score is also converted into ratings from 'AA' to 'CCC', in a way to provide investor a more direct indicator, close to the typical taxonomy used by the credit agencies.

### *Macro categories*

The three macro ESG challenges (Environment, Social, Governance) are divided, in turn, into three sub-categories that enclose specific elements, data, and fields to make the analysis more linear.

As already indicated, Environmental and Social are equally weighted (40%), twice as much as Governance (20%).

The overall judgement is out of 100 to allow straightforwardness for understanding and analysing the results.

### *Sub-categories:*

Each one of the three sub-category presents a variable number of items, which will vary from one company to another and between sectors. This allows a better perceptiveness, taking into consideration the firm's reference sector.

### *Items*

Both qualitative & quantitative analysis are placed at the center the process.

The qualitative/binary items are managed through Boolean questions (for example: *Does the company use environmental criteria in the selection process of its suppliers or sourcing partners?*). The answers to those questions are converted to numerical data (Yes=100; "No"/"Not Disclosed" = 0).

The binary/qualitative items are mostly referred to policies, rules, norms and data with whom obtain an unbiased measurement of the efficacy of the same policies, rules and norms. Most of these qualitative items are inspired by external providers such as Thomson Reuters, but several proprietary ratios have been internally built, with the ambition to introduce a more effective tool on a single company or sector basis. For example, with regard to the quantitative data, the greenhouse gas emissions (GHG), that highlight the firm's carbon footprint, are analysed under the traditional Scope 1 and Scope 2 parameters. But the same quantitative data can be used as a base to generate much more industry specific information. For example, within the telecom sector, the relationship between Scope 1-2 emissions and traffic data (terabytes) can provide useful information, as well as Scope 1-2 emissions and the number of customers. And, within a high energy consumption industry such as the steel sector, Scope 1-2 emissions can be compared to the total material processed.

### *Weight allocation*

Here below the weight allocation by macro and sub-category are presented. It can be seen that each of three sub-categories presents has the same weight, hence 1/3 of each one (13% for every Environmental and Social sub-categories and 7% for each Governance sub-categories). To be able to assign an understandable score for each sub-category, the mark is out of 100.

### *NAM – Overall score rating example*

	Weight	NAM Score
<b>Environmental</b>	<b>40%</b>	<b>59%</b>
Resource Use	13%	73%
Emissions	13%	55%
Env. Innovation	13%	50%
<b>Social</b>	<b>40%</b>	<b>78%</b>
Workforce	13%	81%
Human & Community	13%	86%
Product	13%	67%
<b>Governance</b>	<b>20%</b>	<b>73%</b>
Board	7%	54%
Shareholders	7%	78%
CSR	7%	88%

No differentiation in the weighting and calculation of qualitative/quantitative data items has been applied.

Since some specific indicators might be more valuable and important, depending on the sector/geographic region, this can lead to higher single item weighing at the discretion of NAM's ESG team.

#### *Overall judgement bonuses:*

Two bonuses have been added to overcome some important elements that investors need to contemplate:

- **By region:** understanding of a company's business model within the context of its operating environment represents an essential element of ESG analysis. And this is even more true in the case of Emerging Markets (EM), characterized by weaker standards compared to developed countries, and also by lower transparency. Fortunately, policies and habits within EM are quickly improving, since urbanization, pollution, and climate change are just some of the elements which are increasing the pressure on policymakers to commit to addressing environmental and social issues. And stock exchanges are encouraging clearer reporting and disclosures. Despite global standards are converging, the current gap is still substantial and this would penalise the companies located in EM. For this reason NAM applies a 5% bonus on the overall ESG rating if the company is located\* in those region.
- **Trend:** another element that for NAM leads to a reward or penalty is the trend analysis in the last few years. If the situation is constantly improving, then the company gets a 5% bonus. On the other hand, if the company scores have been deteriorating over the last few year, the company gets a malus of 5% (-5% on the overall ESG grade, including the eventual EM region bonus).

#### *Controversies*

NAM ESG analysis pays special attention to the controversies in which the company has been involved. The focus is totally qualitative. Here below some example of the points subject to particularly scrutiny are presented:

- are the controversies related to "past" issues and to the old management team?
- are the controversies based on tangible elements?
- what was the company reaction to the controversy?
- does the controversy regards only the firm or its entire industry or geography?

Differently from some ESG providers, NAM doesn't take into consideration the quantitative data related to all media materials published on a single controversy, since this approach would penalize the big cap universe, whose media coverage is structurally larger.

NAM's proprietary analysis includes a malus of 5% if the controversy impact is found to be concrete and some new developments related to the controversy may still be seen in the following years.

*\* the focus regards the business geographical breadth of the firm; a listing on the emerging market doesn't necessarily represent a prerequisite to obtain the bonus*

### 5.3 ESG Integration

NAM integrates Environmental, Social and Governance (ESG) factors into fundamental investment analysis and decision making.

NAM recognizes that various sustainability risks can threaten the investments at individual asset level and portfolio level. These sustainability risks may include climate change transition and physical risks, natural resources depletion, waste intensity, labour retention, turnover and unrest, supply chain disruption, corruption and fraud and reputational concerns associated with human rights violations.

NAM incorporates the materially relevant sustainability risks into due diligence and research, valuation, asset selection, portfolio construction, and ongoing investment monitoring alongside with other material risk factors.

Additionally, NAM conducts top-down sustainability investment risk analysis of all portfolios. This includes exposure to sustainability risks, controversial business exposures, compliance with UN Global Compact.

NAM also recognizes that the universe of relevant sustainability risks will grow and evolve over time. The materiality of such risks and financial impacts on an individual asset and on a portfolio as a whole depends on industry, country, asset class, and investment style.

The assessment of sustainability risk does not mean that NAM aims to invest in assets that are more sustainable than peers or even avoid investing in assets that may have public concerns about their sustainability. Such integrated assessment shall consider all other parameters used by NAM and it can e.g. be deemed that even a recent event or condition may have been overreacted in its market value. Similarly, a holding in an asset subject to such material negative impact does not mean that the asset would need to be liquidated.

NAM's ESG analysis is based on the analysis of extra-financial data provider (Thomson Reuters) and on proprietary analysis tools. Only the proprietary analysis is being used in case of lack of coverage from the external ESG provider.

NAM own investment process is based according to PRI best practise:

- integration of the financial and ESG information;
- identifying material financial and ESG factors, based on companies and sectors specific characteristics;
- assessing the potential impact of material financial factors and ESG factors;
- making investment decisions that include considerations of all material factors, including ESG factors.

The UN Global Compact, the OECD's guiding principles on corporate governance and the International Labour Organization (ILO) are duly taken into account.

## 6. SDGs

NAM, in addition to integrate the ESG factors in its fundamental analysis, also integrates an impact assessment based on the SDGs (Sustainable Development Goals as set by UN - [THE 17 GOALS | Sustainable Development \(un.org\)](https://www.un.org/sustainabledevelopment/)).

### *Sustainable Development Goals*



Source: <https://sdgs.un.org/goals>

An internal SDG analysis is applied to the stocks under analysis, and this will affect their internal scoring and their investment eligibility.

The contribute to the achievement of the SDGs, as defined by the United Nations, is implemented through an internal review of the company practices and its business, based on a qualitative and quantitative proprietary analysis. (see appendix)

### *6.1 SDGs analysis method*

- 1) The objective of the analysis is to define whether or not a company contributes to the SDGs achievement
- 2) Differently from the mainstream approach, NAM doesn't take solely into consideration the part of the revenues that could be directly related to SDGs as a company could actually act against the principles of SDGs despite its revenue being 100% SDGs related. And vice versa.
- 3) NAM divides the analysis in two phases.
- 4) The first phase is made up of a qualitative part and a quantitative part.
- 5) Through the qualitative approach the analyst assesses the impact of the company to the achievement of SDGs.
- 6) The tools used are the internet site of the company, its reporting, third party analysis, newsflow and all that can help in the analysis of its activity. In particular the internal and external SDGs initiatives promoted by the company are analysed and so the repercussions that its business had, has or will likely have. The analyst gives a scoring to the company based on such analysis.
- 7) In the quantitative part of the first phase of the analysis, the analyst partially uses the ESG analysis made by our ESG provider. This will be the part directly related to the SDGs that will then be carved out. NAM evaluates the company answers based on an internal scoring system.

- 8) In the final part of the first phase NAM puts together the score of the qualitative analysis with the qualitative analysis. NAM adds also the indication of the direction of the process. The analyst stresses if the company SDGs impact and attitude is growing.
- 9) In the second phase the analyst analyses the segment break-down of the company revenues, defining the % of such a revenue that is directly related to SDGs.
- 10) Finally, the analyst puts together the data in a matrix to assess whether or not the company can be considered having an impact in achieving the SDGs

All the passages are duly documented, and the process is repeated annually or earlier if something new and significant arises.

## 7. Oversight and Ongoing Monitoring

The Responsible Investment Policy consideration and integration is a firm-wide approach, as such, all of the NAM's functions seek to ensure the consistency and quality in sustainability factors. Nonetheless, it will be the responsibility of the Compliance, Risk Management and Portfolio Management Functions, to oversee and monitor actively its implementation.

## 8. Divestments

In case an investee company ceases to be compliant with the fund's policy, NAM shall engage with it in order to help it to reverse such deterioration in its environmental and/or social practice. If in due time the engagement activity is not successful, NAM will gradually sell the stock. The divestment will be implemented gradually, considering the best interest of the shareholders.

## 9. Active ownership and engagement

NAM believes that good corporate governance standards contribute to greater trust in capital markets and that the active role of institutional investors contributes to the quality of dialogue with investee companies.

NAM gives consideration to the importance of monitoring and engagement with its issuer companies.

NAM promotes a proactive interaction with investee companies, in the belief that issuers that implement high corporate governance standards can generate improved long-term performance for investors. NAM wants to help out the companies where it invests in with the goal of improving ESG practices and/or improving ESG disclosure through dialogue and monitoring.

NAM also recognize the potential benefits deriving from collective engagement with other investors, adopting this approach when it is believed to be the most effective means of improving communication with investee companies. NAM is looking forward to join other members of PRI in activities of collaborative engagement via the PRI's Collaboration Platform (a private forum to pool resources, share information, enhance influence and engage with companies, stakeholders, policymakers and other actors in the investment value chain).

### 9.1 (Proxy) Voting

Participation at shareholder meetings is assessed on the basis of its relevance for the interests of the managed portfolios and the possibility of having a meaningful impact on the outcome of the meeting through the voting rights held. Such behaviour enables the Company to avoid a box-ticking approach,

instead focusing on a selected number of investee companies, which allows for an adequate level of analysis, minimising over-reliance on proxy advisors.

## 9.2 Constructive engagement

In consideration of the investment approach of NAM, focusing on value Niches that often involves to invest in small caps that don't have the resources nor the culture to provide the necessary disclosure in terms of ESG/SDG, it is important to be open to engage positively with the companies, ready to create a debate that could, in the due time, deliver results and awareness. NAM must strive to work with other investors in order to make the process more efficient and effective.

NAM is committing to keep and foster the necessary internal and external resources working on ESG/SDGs issues under the supervision of portfolio managers and ultimately of the BoD.

## 9.3 Reporting

Being a PRI signatory NAM is subject to mandatory annual reporting.

# 10. Governance

NAM has defined a dedicated governance system for managing responsible investment processes.

**Board of Directors** – determines the Responsible Investment (RI) policy and its subsequent revisions; approves the exclusion and integration criteria to be applied to the managed assets in accordance with the ESG Committee's proposals, and periodically verifies that the RI Policy has been correctly implemented based on checks carried out by Risk Management and the Internal Audit.

**ESG Committee** – aims to provide advisory support to the Board of Directors in the definition, review and implementation of the RI Policy. It proposes integration and exclusion criteria to be submitted to the Board of Directors for approval. It is composed by 2 members of the investment committee, 1 member of the risk management and one member of the compliance.

# 11. Team

At NAM all the functions consider responsible investing an integral part of their job. Investment, risk, compliance and audit functions integrate responsible investing in the day-by-day duties.

**Investment team.** The investment team is made of 6 PMs and analysts. Here responsible investing bears the same importance of financial, economic, commercial metrics while evaluating a company. NAM doesn't divide the Responsible Investing team from the Investment team. Integration means integration. No red tape, no marketing, no green washing structures.

**Risk management team.** The Risk management team is composed by a CRO and the Risk officers. The ESG/SDG/Exclusion features are subject to risk analysis together with the classic statistical metrics.

**Compliance team.** Composed by the CCO and the external consultants. The respect of the responsible Investing policy is monitored by the compliance.

**Audit team.** Composed by two independent member of the Board. Responsible investing is subject to internal audit.

## 12. Active participation in market bodies

NAM is a signatory of PRI, UN Global Compact and member of FAIRR (farm animal investment risk & return).



## SUSTAINABILITY-RELATED DISCLOSURES FOR NAM'S MANAGED FUND

### PHARUS ELECTRIC MOBILITY NICHES

The Sub-Fund has been categorized as a financial product falling under the scope of article 9 of the SFDR.

The Sub-Fund objective is to facilitate the transition to electric mobility with significant positive repercussion in term of environment and human health. As such the Sub-Fund invests in companies that are instrumental to the incremental adoption of electric mobility in our society. The Investment Manager will actively monitor the investee companies and issuers, on the basis of publicly available information or by relying on third party data providers.

At least 80% of the invested portfolio shall contribute to the objective of sustainable investment (transition to electric mobility). The compliance with the above-mentioned objective will be monitored continuously via internal fundamental analysis and proprietary software.

It is NAM's aim to engage, positively and consistently, with investee companies active in the mobility space that do not contribute yet to the transition to the electric mobility.

In consideration of the sustainable investment objective of the fund, the transition to electric mobility, a benchmark can hardly be indicated. However, it's clear that the transition to electric mobility in our society is instrumental to the achievement of the Paris Agreement goal, significantly reducing the GHG emissions in the atmosphere (transportation using ICE is responsible for over 25% of the CO2 in the atmosphere - *source: IEA, July 2020*).

In line with Niche Asset management (NAM) Sustainable Responsible Investments policy, the Sub-Fund do not invest in companies that are involved in the following business area:

- companies involved in the production, sale or storage of uranium weapons;
- companies involved in the production or sale of anti-personnel mines and cluster bombs, prohibited by the Oslo and Ottawa treaties;
- companies that violate, repeatedly and seriously, one or more of the ten principles of the Global Compact, without credible corrective action.

In addition, NAM implements specific sectoral exclusion policies for controversial industries, if their main business activity is significantly involved (above 30% of revenue):

- weapons;
- tobacco;
- thermal coal;
- oil upstream.

If an issuer business activity in which NAM is invested becomes significantly involved in the above, NAM will sell it within a reasonable timeframe.

In order to assess good governance practices of the investee companies, including sound management structures, employee relations, remuneration of staff and tax compliance, NAM uses Refinitiv Governance Analysis and/or internal analysis.

#### **Consideration of adverse sustainability impacts**

NAM continues to review and consider its obligations with respect to whether it considers principal adverse impacts of investment decisions on sustainability factors with respect to the Sub-Fund as set out in Art. 7 of the SFDR. In particular, the Investment Manager awaits the further consultation and/or guidance on the Level 2 regulatory technical standards (the “RTS”), and the finalisation of the RTS, which are expected to enter into force during 2022. The decisions and disclosures in relation to Art. 7 of the SFDR will be made taking into account the deadlines of the SFDR.

## PHARUS ASIAN NICHES

The Fund has been categorized as a financial product falling under the scope of article 8 of the SFDR. This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.

The Fund will solely invest in instruments from issuers meeting the Investment Manager's Sustainability policy.

The Investment Manager will actively monitor the investee companies and issuers, on the basis of publicly available information or by relying on third party data providers.

The average ESG equity portfolio rating shall not fall below 60 (based on Thomson Reuters or/and NAM internal analysis) at any time. As a consequence, the portfolio scoring is methodically reviewed.

At least 60% of the equity invested portfolio must have an ESG rating from Thomson Reuters or from internal analysis. In case of unrated issuer or missing/unavailable information at issuer level, the instrument will be classified into the "Not Available" category and excluded from the calculation of the average ESG rating at portfolio level.

The average ESG corporate bond portfolio rating shall not fall below 60 (based on Thomson Reuters or/and NAM internal analysis) at any time. As a consequence, the portfolio scoring is methodically reviewed.

Not Available score will be used for sovereign bonds (T-BILLS, BUND, BTP etc., these instruments will be excluded from our calculation).

The fund focuses on specific market niches in order to broaden up the investors' choice and so to improve its asset allocation opportunity. In doing so, the Sub-Fund can invest in small and micro capitalization companies, many of them based in Emerging Markets, which could be unable to bear the investment burden of the sustainability report or to not be accustomed to properly invest in sustainability. In these cases, the fund manager aims to engage with the investee in order to help it to better understand the issue and comply with it.

In case an investee company ceases to have the requisites required by our policy, NAM shall engage with the investee company in order to help it to reverse such deterioration in its environmental and/or social practice. If the engagement activity is not successful, NAM will gradually sell the investments.

In order to assess good governance practices of the investee companies, including sound management structures, employee relations, remuneration of staff and tax compliance, NAM uses Refinitiv Governance Analysis and/or internal analysis.

In line with Niche Asset management (NAM) Sustainable Responsible Investments policy, the Sub-Fund do not invest in companies that are involved in the following business area:

- companies involved in the production, sale or storage of uranium weapons;
- companies involved in the production or sale of anti-personnel mines and cluster bombs, prohibited by the Oslo and Ottawa treaties;
- companies that violate, repeatedly and seriously, one or more of the ten principles of the Global Compact, without credible corrective action.

In addition, NAM implements specific sectoral exclusion policies for controversial industries, if their main business activity is significantly involved (above 30% of revenue):

- weapons;
- tobacco;
- thermal coal;
- oil upstream.

If an issuer business activity in which NAM is invested becomes significantly involved in the above, NAM will sell it within a reasonable timeframe.

### **Consideration of adverse sustainability impacts**

NAM continues to review and consider its obligations with respect to whether it considers principal adverse impacts of investment decisions on sustainability factors with respect to the Sub-Fund as set out in Art. 7 of the SFDR. In particular, the Investment Manager awaits the further consultation and/or guidance on the Level 2 regulatory technical standards (the “RTS”), and the finalisation of the RTS, which are expected to enter into force during 2022. The decisions and disclosures in relation to Art. 7 of the SFDR will be made taking into account the deadlines of the SFDR.

## NEF ETHICAL GLOBAL TRENDS SDG

The Sub-Fund has been categorized as a financial product falling under the scope of article 9 of the SFDR.

Sustainability risks are integrated into the Sub-Fund's investment management process and the Sub-Fund applies a sustainable selectivity approach compared to the investment universe by mainly investing in companies that can, directly or indirectly, help the achievement of the SDGs, as stated by the UN.

### *SDG strategies:*

The Investment Manager will invest only in issuer that contribute, directly or indirectly, to the achievement of one or more SDGs. All issuers must have an SDG score assessed by Investment Manager through its own sustainable analysis each component of the portfolio has to pass the SDGs test performed by the Investment Manager.

The contribute to the achievement of the SDGs, as defined by the United Nations, is implemented through an internal review of the company practices and its business, based on a qualitative and quantitative proprietary analysis.

- 1) The objective of the analysis is to define whether or not a company contributes to the SDGs achievement
- 2) Differently from the mainstream approach, NAM doesn't take solely into consideration the part of the revenues that could be directly related to SDGs as a company could actually act against the principles of SDGs despite its revenue being 100% SDGs related. And vice versa.
- 3) NAM divides the analysis in two phases.
- 4) The first phase is made up of a qualitative part and a quantitative part.
- 5) Through the qualitative approach the analyst assesses the impact of the company to the achievement of SDGs.
- 6) The tools used are the internet site of the company, its reporting, third party analysis, newsflow and all that can help in the analysis of its activity. In particular the internal and external SDGs initiatives promoted by the company are analysed and so the repercussions that its business had, has or will likely have. The analyst gives a scoring to the company based on such analysis.
- 7) In the quantitative part of the first phase of the analysis, the analyst partially uses the ESG analysis made by our ESG provider. This will be the part directly related to the SDGs that will then be carved out. NAM evaluates the company answers based on an internal scoring system.
- 8) In the final part of the first phase NAM puts together the score of the qualitative analysis with the quantitative analysis. NAM adds also the indication of the direction of the process. The analyst stresses if the company SDGs impact and attitude is growing.
- 9) In the second phase the analyst analyses the segment break-down of the company revenues, defining the % of such a revenue that is directly related to SDGs.

- 10) Finally, the analyst puts together the data in a matrix to assess whether or not the company can be considered having an impact in achieving the SDGs
- 11) All the passages are duly documented and the process is repeated annually or earlier if something new and significant arises.

NAM shall engage with the investee companies to encourage them to constantly increase the impact of their activities on the SDGs achievement.

*ESG rating:*

All issuers must have an ESG rating from Thompson Reuters and the average ESG portfolio rating should not be below 65. The issuer minimum ESG rating should not be below 41.67 (according to Thompson Reuters). If an issuer is downgraded to below such a rating, the Investment Manager should sell it within a reasonable timeframe. However, it may continue to be held, if consent has been obtained from the Management Company.

Furthermore, in consideration of the fact that the ESG classifications are still in their infancy and very often they are not consistent among the different providers, the Investment Manager can also invest in companies that are below such a minimum rating (single C plus TR), provided that the company is judged pivotal in the achievements of one or more SDGs and that the low ESG rating can be duly justified.

The Investment Manager will not invest in ESG unrated securities. In case ESG rating is not available from TR, ESG rating based on the Investment Manager's own internal rating or other sources can be used only with the prior explicit authorization of the Management Company and only if properly disclosed.

*Exclusion list*

An exclusion list will be made of companies that are to be excluded if their main business activity is involved in some of the following business areas:

- Weapons (armaments and cluster bombs)
- Gambling
- Tobacco
- Pornographic material
- Coal
- Integrated Oil and Gas
- Oil and Gas Exploration and Production
- Oil and Gas Drilling
- Oil-related Services and Equipment

The Investment Manager will follow the exclusion list as per the above elements.

In order to assess good governance practices of the investee companies, including sound management structures, employee relations, remuneration of staff and tax compliance, NAM uses Refinitiv Governance Analysis and/or internal analysis.

#### **Consideration of adverse sustainability impacts**

NAM continues to review and consider its obligations with respect to whether it considers principal adverse impacts of investment decisions on sustainability factors with respect to the Sub-Fund as set out in Art. 7 of the SFDR. In particular, the Investment Manager awaits the further consultation and/or guidance on the Level 2 regulatory technical standards (the “RTS”), and the finalisation of the RTS, which are expected to enter into force during 2022. The decisions and disclosures in relation to Art. 7 of the SFDR will be made taking into account the deadlines of the SFDR.



ANNEX 1 - ESG analysis example

Niche AM ESG risk report

Last update: December 2, 2020

XXXXX

ESG rating:

AA

Industrial products

CCC	B	BB	BBB	A	AA	AAA
0-30%	30-40%	40-50%	50-55%	55-60%	60-80%	80-100%

Rating Overall Picture

We appreciated XXXXX efforts and commitment to sustainability: the firm has published its first sustainability report, in which it has disclosed a number of substantial and valuable data.

Key Attribution analysis

	Weight	Niche AM Mark
<b>Environmental</b>	<b>40%</b>	<b>75%</b>
Resource Use	13%	46%
Emissions	13%	79%
Env. Innovation	13%	100%
<b>Social</b>	<b>40%</b>	<b>54%</b>
Workforce	13%	61%
Human & Community	13%	52%
Product	13%	50%
<b>Governance</b>	<b>20%</b>	<b>67%</b>
Board	7%	61%
Shareholders	7%	89%
CSR	7%	50%



Bonuses

Emerging market:

Improvement Prior Year:

ESG analysis highlights

- **Environmental:** Globally, XXXXX fares well in the environmental section. In particular, if we consider that this is the first year in which XXXXX discloses the Sustainability Report and the many endemic sustainability issues of the industry in which it operates. Still, we acknowledge that the Resource Use sections has significant room for improvement. Even if many qualitative policies are disclosed, this negative performance is primarily due to the scarcity of quantitative indicators.
- **Social:** On the social side, we deem the number of policies held by XXXXX satisfying. However, many quantitative data are not disclosed, heavily penalizing the company in this section.
- **Governance:** The governance is overall acceptable despite several policies are not present. Even if XXXXX has lots of policies regarding the board and the shareholders, the company is poor in the CSR section. Still, with the first Sustainability Report being published in 2019, we expect improvements in this section in the coming years as a natural consequence.
- **Controversies** – Nothing relevant to report

Company engagement: latest company interaction on November 20<sup>th</sup>, 2020

## ENVIRONMENTAL

### ESG analysis highlights

- **Resources Use (46%):** XXXXX performs poorly in terms of resources use. Indeed, what penalizes most XXXXX is not disclosing some indicators that will be mandatory from 2022 for asset managers active in EU. Regarding sector specific indicators, firms in the Graphite Electrodes sector are widely different in terms of dimension and output mix which did make the analysis more challenging. Furthermore, XXXXX did not disclosed previous years data (we remind the reader that this is XXXXX first full Sustainability Report), making the trend analysis not feasible and weighting negatively on the result.
- **Emissions (79%):** What prevents XXXXX from obtaining an even higher result in this section is the fact of not reporting previous years data making comparison impossible. Also, the targets emissions not being disclosed/set weights negatively.
- **Environmental Innovation (100%):** In this section, XXXXX performs very well. This result is extremely positive and underlines the XXXXX's efforts in developing new products and technologies for more sustainable production. An example of this commitment is the great amount of investments in R&D and water technologies.

		Niche AM	Prior year	Vs Prior Year%	Mark	Weight
<b>Resources Use</b>					<b>46%</b>	<b>13%</b>
						100%
M	QL	Natural Species	NO		0%	4%
M	QL	Deforestation	NO		0%	4%
M	QL	Biodiversity and ecosystem preservation	NO		0%	4%
M	QL	Exposure areas of high water stress	NO		0%	4%
2x	QL	Environmental Materials Sourcing	YES		100%	7%
2x	QL	Renewable Energy Use	NO		0%	7%
2x	QL	Energy Efficient stations	YES		100%	7%
	QL	Policy Water Efficiency	YES		100%	4%
	QL	Resource Reduction Policy	YES		100%	4%
	QL	Policy Energy Efficiency	YES		100%	4%
	QL	Policy Sustainable Packaging	NO		0%	4%
	QL	Policy Environmental Supply Chain	YES		100%	4%
	QL	Resource Reduction Targets	NO		0%	4%
	QL	Targets Water Efficiency	NO		0%	4%
	QL	Targets Energy Efficiency	NO		0%	4%
	QL	Environment Management Team	YES		100%	4%
	QL	Environment Management Training	YES		100%	4%
	QL	Toxic Chemicals Reduction	NO		0%	4%
	QL	Green Buildings	NO		0%	4%
	QL	Environmental Supply Chain Management	YES		100%	4%
	QL	Environmental Supply Chain Monitoring	YES		100%	4%
	QL	Env Supply Chain Partnership Termination	YES		100%	4%
	QL	Land Environmental Impact Reduction	YES		100%	4%

M: adverse sustainability indicator according to JC 2020 16 – mandatory from 2022

2x: high ranking importance indicator: double weighted

M – 2x: Mandatory indicator from 2022 and double weighted

QL: qualitative indicator

QN: quantitative indicator

		Niche AM	Prior year	Vs Prior Year%	Mark	Weight	
<b>Resources Use</b>					<b>46%</b>	<b>13%</b>	
						100%	
M	Q1	Total Energy Use (MWh) / Revenues in Million	955.51	N/A	N/A	50%	4%
M	Q1	Total Energy Use (Mln MWh)	1.71	N/A	N/A	50%	4%
M	Q1	Total Renewable Energy To Energy Use in million	Not Disclosed		Not Disclosed	0%	4%
2x	Q1	Municipal Withdrawals (Megalitres)/ Total water withdrawal	57%	N/A	N/A	50%	7%
	Q1	Water Recycled	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q1	Water Recycled / Total water Use	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q1	Total Energy Use (MWh) / Tons of Material Produced	8.77	N/A	N/A	50%	4%
	Q1	Energy Recovered / Total Energy Used	Not Disclosed		Not Disclosed	0%	4%
	Q1	Electricity Produced / Total electricity used	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q1	Total Renewable Energy	Not Disclosed		Not Disclosed	0%	4%
	Q1	Water Withdrawal Total (litres) / tons of material produced	8887	N/A	N/A	50%	4%
<b>Emissions</b>					<b>79%</b>	<b>13%</b>	
						100%	
2x	QL	Targets Emissions	NO			0%	8%
2x	QL	Waste Reduction Initiatives	YES			100%	8%
	QL	Policy Emissions	YES			100%	4%
	QL	Biodiversity Impact Reduction	NO			0%	4%
	QL	CO2 estimation method	YES			100%	4%
	QL	Emissions Trading	NO			0%	4%
	QL	Climate Change Commercial Risks Opportunities	YES			100%	4%
	QL	NOx and SOx Emissions Reduction	YES			100%	4%
	QL	VOC or Particulate Matter Emissions Reduction	YES			100%	4%
	QL	VOC Emissions Reduction	NO			0%	4%
	QL	Particulate Matter Emissions Reduction	YES			100%	4%
	QL	Environmental Restoration Initiatives	YES			100%	4%
	QL	Environmental Expenditures Investments	YES			100%	4%
	QL	Environmental Investments Initiatives	YES			100%	4%
	QL	Environmental Partnerships	YES			100%	4%
M	Q1	CO2 Equivalent Emissions Total mln tonnes	0.48	N/A	N/A	100%	4%
2x	Q1	Emission Reduction Target Percentage	Not Disclosed	N/A	Not Disclosed	0%	8%
2x	Q1	CO2 Equivalent Emissions Total tonnes / Tonnes of Material Produced	2.45	N/A	N/A	100%	8%
2x	Q1	Total Hazardous Waste (Tonnes) / Total waste	0.02	N/A	N/A	50%	8%
2x	Q1	Air Emission/ Tonnes of Material Produced	0.01	N/A	N/A	50%	8%
2x	Q1	Total Expenditures related to Environmental Protection	\$ 18,455,000	\$ 16,435,000	12%	100%	8%
2x	Q1	Environmental Expenditures Investments in Mln / Mln of revenues	1.03%	0.92%	12%	100%	8%
	Q1	CO2 Equivalent Emissions Direct, Scope 1 (Tonnes) / Tonnes of Material Produced	1.07	N/A	N/A	50%	4%
	Q1	CO2 Equivalent Emissions Indirect, Scope 2 (Tonnes) / Tonnes of material Produced	1.37	N/A	N/A	50%	4%
	Q1	Total Waste (Tonnes) / Tonnes of material produced	0.149	N/A	N/A	50%	4%
	Q1	Waste Recycled To Total Waste	Not Disclosed	N/A	Not Disclosed	0%	4%
<b>Environmental Innovation</b>					<b>100%</b>	<b>13%</b>	
						100%	
2x	QL	Environmental Products	YES			100%	67%
	QL	Water Technologies	YES			100%	33%

M: adverse sustainability indicator according to JC 2020 16 – mandatory from 2022

2x: high ranking importance indicator: double weighted

M – 2x: Mandatory indicator from 2022 and double weighted

QL: qualitative indicator

QN: quantitative indicator



## SOCIAL

### ESG analysis highlights

- **Workforce (61%):** What leads to this result is having nearly all policies present but not disclosing most of the data, and again, not having disclosed those of previous years making a comparison hard. We are pleased to see no fatalities in the last year.
- **Human & Community (52%):** The results is the consequence of some policies, including those mandatory for fund managers from 2022, not being disclosed yet. Moreover, all quantitative items are not disclosed.
- **Product (50%):** on this subcategory, the result needs to be improved. This is attributable to 50% of the policies we deem relevant absent.

		Niche AM	Prior year	Vs Prior Year %	Mark	Weight	
<b>Workforce</b>					<b>61%</b>	<b>13%</b>	
M	QL	Policy Employee Health & Safety	YES		100%	4%	
	QL	Supplier Code of Conduct	YES		100%	4%	
	QL	Complaints handling mechanism	YES		100%	4%	
	QL	Health & Safety Policy	YES		100%	4%	
	QL	Policy Supply Chain Health & Safety	YES		100%	4%	
	QL	Training and Development Policy	YES		100%	4%	
	QL	Policy Skills Training	YES		100%	4%	
	QL	Policy Career Development	YES		100%	4%	
	QL	Policy Diversity and Opportunity	YES		100%	4%	
	QL	Targets Diversity and Opportunity	NO		0%	4%	
	QL	Employees Health & Safety Team	YES		100%	4%	
	QL	Health & Safety Training	YES		100%	4%	
	QL	Supply Chain Health & Safety Improvements	YES		100%	4%	
	QL	Day Care Services	NO		0%	4%	
	QL	Internal Promotion	YES		100%	4%	
	QL	Supplier ESG training	YES		100%	4%	
M	QT	Gender pay gap	Not Disclosed	N/A	Not Disclosed	0%	4%
M	QT	Number of convictions related to bribery and corruption	Not Disclosed	N/A	Not Disclosed	0%	4%
M	QT	Amount of fines related to bribery and corruption	Not Disclosed	N/A	Not Disclosed	0%	4%
2x	QT	Fatalities/employees	0.00%	N/A	N/A	100%	7%
2x	QT	Employee Total Recordable Incident Rate (TRIR)	0.95	N/A	N/A	50%	7%
2x	QT	Training Safety hours / employee	17.83	N/A	N/A	50%	7%
2x	QT	Disabled Employees/Employee	Not Disclosed	N/A	Not Disclosed	0%	7%
	QT	Injuries in lost working days	Not Disclosed	N/A	Not Disclosed	0%	4%
	QT	Number of incidents of discrimination	Not Disclosed	N/A	Not Disclosed	0%	4%

M: adverse sustainability indicator according to JC 2020 16 – mandatory from 2022

2x: high ranking importance indicator: double weighted

M – 2x: Mandatory indicator from 2022 and double weighted

QL: qualitative indicator

QN: quantitative indicator

		Niche AM	Prior year	Vs Prior Year%	Mark	Weight
<b>Human &amp; Community</b>					<b>52%</b>	<b>13%</b>
					100%	100%
M - 2x	ql	Human Rights Policy	YES		100%	5%
M - 2x	ql	Policy Bribery and Corruption	YES		100%	5%
M	ql	Policy Child Labor	YES		100%	5%
M	ql	Policy Forced Labor	YES		100%	5%
M	ql	Fundamental Human Rights ILO UN	NO		0%	5%
M	ql	Whistleblower Protection	YES		100%	5%
M	ql	Human Rights due diligence	NO		0%	5%
M	ql	Human being traffic	YES		100%	5%
M	ql	Exposure to controversial weapons	NO		0%	5%
	ql	Policy Freedom of Association	NO		0%	5%
	ql	Human Rights Contractor	YES		100%	5%
	ql	Human Rights Breaches Contractor	YES		100%	5%
	ql	Policy Fair Competition	YES		100%	5%
	ql	Policy Business Ethics	YES		100%	5%
	ql	Policy Community Involvement	YES		100%	5%
	ql	Employee Engagement Voluntary Work	NO		0%	5%
	ql	Crisis Management Systems	NO		0%	5%
M	a7	Number of human rights incidents	Not Disclosed	Not Disclosed	0%	5%
M	a7	Number of insufficient actions for breaches in corruption and bribery	Not Disclosed	Not Disclosed	0%	5%
	a7	Donations / EBIT	Not Disclosed	Not Disclosed	0%	5%
	a7	Total Volunteer hours/employee	Not Disclosed	Not Disclosed	0%	5%
<b>Product</b>					<b>50%</b>	<b>13%</b>
					100%	100%
2x	ql	Policy Customer Health & Safety	YES		100%	33%
2x	ql	Quality Mgt Systems	NO		0%	33%
	ql	Policy Responsible Marketing	NO		0%	17%
	ql	Policy Data Privacy	YES		100%	17%

M: adverse sustainability indicator according to JC 2020 16 – mandatory from 2022

2x: high ranking importance indicator: double weighted

M – 2x: Mandatory indicator from 2022 and double weighted

QL: qualitative indicator

QN: quantitative indicator

## GOVERNANCE

### ESG analysis highlights

- **Board (61%):** the lack of some policies prevents XXXXX from obtaining a higher score in this section, in particular the “Policy Board Independence” and the “CEO compensation / average employee compensation” that we consider to be extremely important.
- **Shareholders (89%):** The good result is attributable to the presence and good quality of the most meaningful policies such as Shareholders Rights and the Equal voting right.
- **CSR (50%):** the firm has not yet structured approach to stakeholder engagement that we deem relevant, as a tool to achieve the social interest and develop a responsible and sustainable business model. Furthermore, the company is not a signatory of Global Compact yet. We expect an improved score in the coming years due to management commitment to sustainability.

		Niche AM	Prior year	Vs Prior Year%	Mark	Weight
<b>Board</b>					<b>61%</b>	<b>7%</b>
						100%
Zx	Q1	Audit Board Committee	YES		100%	10%
Zx	Q1	Compensation Board Committee	YES		100%	10%
Zx	Q1	Policy Board Independence	NO		0%	10%
Zx	Q1	Policy Board Experience	YES		100%	10%
Zx	Q1	Policy Executive Compensation ESG Performance	YES		100%	10%
Zx	Q1	Shareholders Approval Stock Compensation Plan	YES		100%	10%
	Q1	CEO-Chairman Separation	NO		0%	5%
	Q1	Corporate Governance Board Committee	YES		100%	5%
	Q1	Nomination Board Committee	YES		100%	5%
	Q1	Policy Board Diversity	YES		100%	5%
	Q1	Compensation Improvement Tools	YES		100%	5%
	Q1	Audit Committee Mgt Independence	YES		100%	5%
	Q1	Audit Committee Expertise	YES		100%	5%
	Q1	Compensation Committee Mgt Independence	NO		0%	5%
	Q1	Nomination Committee Mgt Independence	NO		0%	5%
	Q1	Board Attendance	NO		0%	5%
	Q1	Executive Compensation Policy	YES		100%	5%
	Q1	Executive Compensation LT Objectives	NO		0%	5%
M	Q1	Board Gender Diversity, Percent	13%	12.50%	0%	5%
Zx	Q1	Average CEO compensation/average employee comp	Not Disclosed	N/A	Not Disclosed	10%
Zx	Q1	Independent Board Members	50%	50.00%	0%	10%
	Q1	Number of Board Meetings	10	5	100%	5%
	Q1	Board Meeting Attendance Average	95.00%	97.00%	-2%	5%
	Q1	Non-Executive Board Members	88%	75%	17%	5%
	Q1	Executives members gender diversity	20.00%	25.00%	-20%	5%
	Q1	Total Senior Executives Compensation To Revenues	0.36%	0.30%	21%	5%

M: adverse sustainability indicator according to JC 2020 16 – mandatory from 2022

Zx: high ranking importance indicator: double weighted

M – Zx: Mandatory indicator from 2022 and double weighted

Q1: qualitative indicator

Qn: quantitative indicator

	Niche AM	Prior year	Vs Prior Year %	Mark	Weight
<b>Shareholders</b>				<b>89%</b>	<b>7%</b>
				100%	
Q1	Shareholder Rights Policy	YES		100%	11%
Q1	Policy Equal Voting Right	YES		100%	11%
Q1	Policy Shareholder Engagement	YES		100%	11%
Q1	Minimum Number of Shares to Vote	NO		100%	11%
Q1	Director Election Majority Requirement	YES		100%	11%
Q1	Shareholders Vote on Executive Pay	NO		0%	11%
Q1	Public Availability Corporate Statutes	YES		100%	11%
Q1	State Owned Enterprise SOE	NO		100%	11%
Q1	Unlimited Authorized Capital or Blank Check	NO		100%	11%
<b>CSR</b>				<b>50%</b>	<b>7%</b>
				100%	
Q1	CSR Sustainability Committee	YES		100%	17%
Q1	Integrated Strategy in MD&A	YES		100%	17%
Q1	Global Compact Signatory	NO		0%	17%
Q1	Stakeholder Engagement	NO		0%	17%
Q1	GRI Reporting	Not Disclosed		0%	17%
Q1	CSR Sustainability Reporting	YES		100%	17%

DETAILED COMMENT

Environment detailed comment	<ul style="list-style-type: none"> <li><b>Resource Use:</b> XXXXX performs poorly in terms of resource use, but this is mostly due to the lack of disclosure on several. Indeed, what penalizes most XXXXX is not disclosing some indicators that will be mandatory from 2022 in particular and even other relevant ones. However, at Niche AM, we appreciated the fact that XXXXX is improving the efficiency of its stations which can recover lots of the energy utilized in business operations. Regarding sector specific indicators, we found difficulties in comparing the performance of XXXXX with other firms in the Graphite Electrodes sector since these companies are widely different in terms of dimension, material produced and area of influence. Furthermore, XXXXX did not publish the SR in previous years and did not disclose previous data also in the actual, making the comparison not feasible.</li> <li><b>Emissions:</b> Like the 'Resource Use' section, what penalizes XXXXX is lack of targets disclosure. Even if XXXXX reveals its will of managing emissions (CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, PM) more efficiently, it does not publish the targets to reach in mid-long terms. However, at Niche AM, we prized the CO<sub>2</sub> emission of XXXXX since it is like peers' emissions like XXX that is considered a 'clean' company. As a result, we decided to give 100% mark to this voice. Moreover, we appreciated the increase in the amount of environmental expenditure between 2018 and 2019. Concerning the production of waste and air emissions, even in this case, it was not possible to compare the amount produced by XXXXX with industry peers. This because we believe that the vertical integration of petroleum coke widely affects XXXXX waste production and air emissions.</li> <li><b>Environmental innovation:</b> In this section, XXXXX performs gorgeously. This result is extremely positive and underlines the XXXXX's efforts in developing new products and technologies for more sustainable production. An example of this commitment is the great amount of investments in R&amp;D and water technologies.</li> </ul>
Social detailed comment	<ul style="list-style-type: none"> <li><b>Workforce:</b> Regarding the Workforce section, we appreciated the fact that XXXXX has a lot of policies for employee health, safety, and training. Another positive aspect is that these policies also regard the suppliers and contractors. Moreover, at Niche AM, we appreciated that XXXXX is consistently investing in workforce training and safety, with specific programs and courses. A proof of this commitment is the number of fatalities in 2019 (0) and the low value of injuries among employees. Another time, what penalizes XXXXX is the lack of specific targets to reach in the mid-long terms or the lack of critical quantitative indicators disclosure.</li> <li><b>Human &amp; Community:</b> In this section, XXXXX obtained an average result. On the one hand, this is mainly due to the comprehensive code of conducts and code of conducts for contractors and suppliers published by the company. Indeed, the company has lots of policy regarding human rights, child labour and market fair competition. Moreover, we appreciate that XXXXX poses lots of attention that its supplier and contractors guarantee the same level of human rights respect to operating with the company. On the other hand, the negative aspects of this section are the lack of essential policies and numerous quantitative indicators.</li> </ul>

Product	<ul style="list-style-type: none"> <li><b>Product:</b> On the product side, XXXXX scores badly obtaining 50%. This is primarily due to the lack of policies regarding responsible marketing and the Quality Management System. However, since XXXXX is working in a dangerous sector with respect to employee and customer's safety, we appreciated that the company has a policy for customer health &amp; safety. Furthermore, they also have a policy regarding data privacy.</li> </ul>
Governance detailed comment	<ul style="list-style-type: none"> <li><b>Board:</b> In terms of the board, XXXXX has lots of policy but still missing some important ones. Regarding data, we appreciated that contrary to the environment and social sections, here we can compare XXXXX performance concerning the previous year. A negative aspect is the increase of total senior executive compensation which pass from 0.30% to 0.36%. Furthermore, XXXXX does not disclose the average employee compensation, making it impossible to calculate the 'CEO compensation/average employee compensation' ratio.</li> <li><b>Shareholders:</b> Regarding the shareholder section, XXXXX scores the best performance of all the areas. This excellent performance is primarily due to the disclosure of critical policies regarding shareholders protection and inclusion. At Niche AM, we particularly appreciated the exposure of these policies because they are a good indicator of the shareholders and the company's targets alignment.</li> <li><b>CSR:</b> In terms of CSR, XXXXX does not score well as the company does not follow guidelines for its reports such as GRI and IIRC. However, the company has a specific CSR report outside the annual financial statements, and the management discussions and comments on business evolution are included in financial statements. On the UN Global Compact Signatory, XXXXX is not part of it although, given the requirements, all the procedures the company does seem in line with it.</li> </ul>

For the full analysis that led to the results of this report, please contact Niche AM research team at [research@nicheam.com](mailto:research@nicheam.com)

ESG analysis – Definitions and Abstract Sample

Policy	Definition	Source	Abstract-Explanation
<b>Targets Energy Efficiency</b>	The company has set specific targets or objectives to be achieved regarding energy efficiency. <u>In particular, it includes short-term and long-term targets on the energy efficient use in business operations.</u> If the company does not disclose the specific targets (in numbers) to be reached in mid-long term, the value is 'no'.		
<b>Environment Management Team</b>	The company reports about a specific management team focused on environmental issues.	p7 SR 2019	"Sustainability at XXXXX is overseen by a Steering Group comprised of senior management and managed by a Working Group of cross-functional subject matter experts within XXXXX. The Working Group manages the regular tracking and reporting of data and information relevant to our material topics."
<b>Environment Management Training</b>	The company reports about training initiatives for its environment management team.	p7 SR 2019	"In determining these topics, we also assessed the availability and quality of our data, which includes policies and procedures, and determined potential performance indicators to include in this inaugural Report. XXXXX recognizes that we are at the beginning of our journey for reporting on our sustainability initiatives, and we are committed to developing and expanding these efforts."
<b>Toxic Chemicals Reduction</b>	The company has engaged in initiatives to reduce, <u>reuse</u> or substitute the toxic chemical production, which comes from business operations. <u>In particular, it includes chemicals, toxic and hazardous materials.</u>		
<b>Green Buildings</b>	The company has made specific arrangements to its sites or office to be environmentally friendly. An example is the LEED/BREEAM certifications for its building. <u>In particular, these ecologically friendly arrangements have to be already finished in the last fiscal year to be awarded 'YES'.</u>		
<b>Environmental Supply Chain Management</b>	The company evaluates suppliers with respect to environmental issues inclusion in their business operations.	p21 SR 2019	"XXXXX's Procurement Department is responsible for sourcing materials. The Department continuously evaluates environmental, social, and supply chain risks and develops potential solutions to mitigate these risks. For example, it is important that all suppliers comply with XXXXX's HS&EP and Procurement standards. To ensure this, we require suppliers to sign off on relevant policies such as the Supplier Code of Conduct, and regularly inspect suppliers' sites to validate their adherence to our standards."

SR: Sustainability Report  
AR: Annual Report  
CC: Code of Conduct  
CSCC: Code of Conduct Suppliers and Contractors

CGG: Corporate Governance Guidelines  
CCC: Compensation Committee Charter  
AMS: Annual Meeting of Stakeholders

The policy or data is present  
 The policy or data is not present

## ANNEX 2 - SDG analysis example

NICHE ASSET MANAGEMENT		SDG - Impact																								
Internet site SDG section	link																									
	description	XXXX																								
<b>Internal initiatives</b>	SDG 4 - education	- a number of training initiatives were completed to XXXX																								
	SDG 8 - 11 - 13	- the xxx unit has been started an interesting XXXX																								
<b>External initiatives</b>	SDG 5 - gender equality	XXXX																								
	SDG 10 - reduce inequalities	XXXX																								
	SDG 11 - Sustainable cities and communities	-The 2030 Agenda unequivocally recognises volunteer groups as stakeholders to achieve the SDGs and encourages connections between organisations in the voluntary and community sector. The company XXXX -Disaster fundraising is XXXX																								
	SDG 16: Promote peaceful and inclusive societies	- The Firm created XXXX																								
	SDG 3-12-13	- several projects have been launched to XXXX																								
<b>External Sources Data</b>		sustainability report, internal and external research																								
<b>Business Repercussion</b>		The Firm is committed to XXXX																								
SDG impact: Valuation		Very Good	Good	Neutral	Bad	score																				
Company SDG internal initiatives				x		0																				
Company SDG external initiatives		x				30																				
Business Repercussions		x				55																				
<b>Total Impact Score</b>						<b>85</b>																				
<b>Total Impact Score rebased to 100</b>						<b>85</b>																				
SDG impact: Scoring Rules		<table border="1"> <thead> <tr> <th></th> <th>Business Repercussions</th> <th>SDG external initiatives</th> <th>SDG internal initiatives</th> </tr> </thead> <tbody> <tr> <td>Very Good</td> <td>55</td> <td>30</td> <td>15</td> </tr> <tr> <td>Good</td> <td>45</td> <td>25</td> <td>10</td> </tr> <tr> <td>Neutral</td> <td>35</td> <td>20</td> <td>5</td> </tr> <tr> <td>Bad</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>					Business Repercussions	SDG external initiatives	SDG internal initiatives	Very Good	55	30	15	Good	45	25	10	Neutral	35	20	5	Bad	0	0	0	
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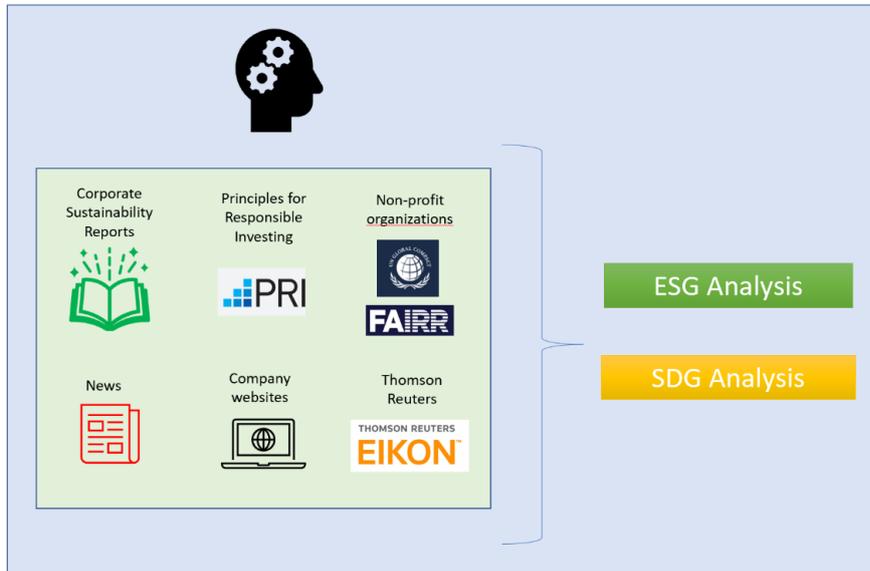
NICHE ASSET MANAGEMENT		SDG - Attitude	
Field Description			VBA O
Does the company have a policy to improve its energy efficiency?			Good
Does the company have a policy to improve its use of sustainable packaging?			Good
Does the company have a policy to include its supply chain in the company's efforts to lessen its overall environmental impact?			Good
Does the company report about take-back procedures and recycling programs to reduce the potential risks of products entering the environment?			Good
The waste recycling ratio as reported by the company.			Good
Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out total waste?			Good
Does the company publish a separate CSRI/ESG/Sustainability report or publish a section in its annual report on CSRI/ESG/Sustainability?			Good
<b>UN SDG No. 13. Take urgent action to combat climate change and its impacts(b)</b>			
Is the company aware that climate change can represent commercial risks and/or opportunities?			Good
<b>UN SDG No. 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>			
<b>UN SDG No. 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat</b>			NA
Does the company report on its impact on biodiversity or on activities to reduce its impact on the native ecosystems and species, as well as the biodiversity of protected and sensitive areas?			Bad
Does the company claim to evaluate projects on the basis of environmental or biodiversity risks as well?			Bad
<b>UN SDG No. 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and</b>			
Does the company have a policy for the exclusion of child, forced or compulsory labour, or to guarantee the freedom of association universally applied independent of local law?			Good
Does the company have a policy to avoid the use of child labor?			Good
Does the company claim to comply with the fundamental human rights convention of the ILO or support the UN declaration of human rights?			Bad
Does the company describe in the code of conduct that it strives to avoid bribery and corruption at all its operations?			Good
<b>UN SDG No. 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</b>			
Does the company distribute any low-priced products or services specifically designed for lower income categories (e.g., bridging the digital divide, telecommunications, low cost cars and micro-financing services)?			Bad
<b>SCORING</b>			
	>50%	good	
	>30% ->50%	ok	
	<30%	bad	
	Company score	40	
	max score	83	
	Company score/Max score	48%	

NICHE ASSET MANAGEMENT		SDG - Impact-Attitude Summary	
SDG Impact	126		
SDG Attitude	48		
average	87	<b>GOOD</b>	
>50	Good		
>25 and <50	Average		
<25	Bad		
Are the Impact and the Attitude growing?	yes		
If yes explain	Yes, into a Dynamic environment, as the pharmaceutical-retail market is, the company is changing its policies, always trying to improve its commitment versus SDGs.		

NICHE ASSET MANAGEMENT		SDG - Summary			
Name of the company	xxx	Date:	*****		
Ticker	xxx				
Description	xxxx				
SDG Revenue Share Score	100%	score	100		
Attitude/Impact Score		Good			
Are the Attitude and the Impact growing?		yes			
SDG MATRIX	% SDG Revenues 0-25% 25%-50% > 50%	SDG Attitude/Impact			
		Good	Average and growing	Average	Bad
		ok	ok	ok	no
		ok	ok	ok	no
		ok	ok	no	no
	% SDG Revenues 0-25% 25%-50% > 50%	SDG Attitude/Impact			
		Good	Average and growing	Average	Bad
		AAA	A	BBB	CCC
		AA	BBB	BB-	CCC
		A	BB-	B	D
		10	8	7	3
		9	7	6	2
		8	6	5	1

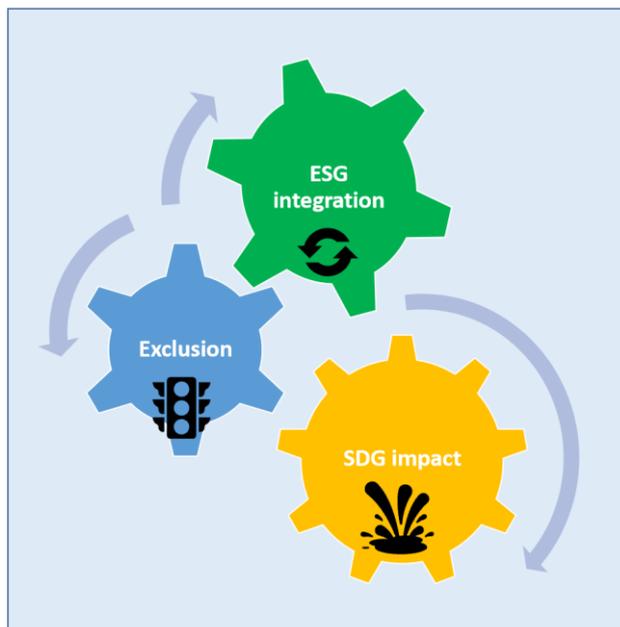
## ANNEX 3 – Data process

Our data process is mainly based on qualitative human processes.



Source: Niche AM

The SDG / ESG analysis are totally integrated in the fundamentals and valuation analysis of the company.



Source: Niche AM

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