



Responsible Investment Policy

imagine



NICHE AM

Contents

1. Objective	3
2. Regulatory Framework	3
3. Definitions	3
4. Responsible Investment Policy summary	4
4.1 Exclusion Policy	5
5. ESG analysis	5
5.1 ESG Issues	5
5.2 ESG tools	6
5.3 ESG Integration	9
6. SDGs	10
6.1 SDGs analysis method	11
7. Oversight and Ongoing Monitoring	11
8. Divestments	12
9. Stewardship: Active ownership and engagement	12
10. Governance	13
11. Team	13
12. Active participation in market bodies	13
SUSTAINABILITY-RELATED DISCLOSURES FOR NAM'S MANAGED FUND	15
PHARUS ELECTRIC MOBILITY NICHES	15
PHARUS ASIAN NICHES	17
NEF ETHICAL GLOBAL TRENDS SDG	19
13. Annex	23
ANNEX 1 - ESG internal analysis example	23
ANNEX 2 - SDG internal analysis example	31
ANNEX 3 – Data process	34

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. This provided such that 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 the 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.
- Companies that have their revenue from weapons exceed 10%.
- Companies that have their revenue from tobacco exceed 10%.
- Companies that have their revenue from thermal coal exceed 10%.
- Companies that have their revenue from oil upstream exceed 10%.

If the business activity of an issuer in which the Sub-Fund is invested in, becomes ineligible for the ICAV exclusion policy, the investment managers will sell it within a reasonable timeframe.

The exclusion policy also includes the legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargoes).

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

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

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. There is no exhaustive list of such issues however, 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

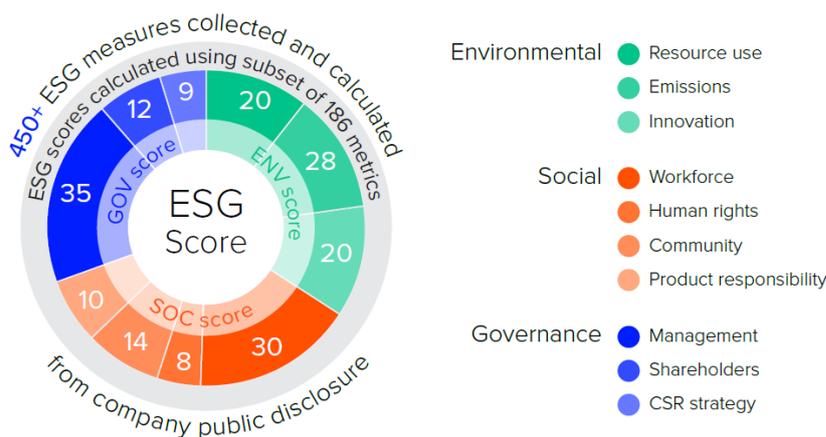
NAM's ESG analysis is based on the analysis of extra-financial data provider (Thomson Reuters) and on proprietary analysis tools. Only the proprietary analysis is being used in case of lack of coverage from the external ESG provider.

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. ESG magnitude (materiality) weightings – 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 – 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', to provide investor with 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 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 centre of 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. The same quantitative data, however, can be used as a base to generate much more industry specific information. For instance, 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. Within a high energy consumption industry such as the steel sector, Scope 1-2 emissions can also 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 the 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
Environmental	40%	59%
Resource Use	13%	73%
Emissions	13%	55%
Env. Innovation	13%	50%
Social	40%	78%
Workforce	13%	81%
Human & Community	13%	86%
Product	13%	67%
Governance	20%	73%
Board	7%	54%
Shareholders	7%	78%
CSR	7%	88%

Source: Niche AM

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 element weighing at the discretion of NAM's ESG team. (Please refer to Annex 1, presenting '2x' weighted elements).

Overall judgement bonuses:

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

- **Region:** understanding of a company's business model within the context of its operating environment represents an essential element of ESG analysis. 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. 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 regions.
- **Trend:** another element for NAM that 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).

* 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

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.

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 for instance 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 internal analysis that uses extra-financial data provider (Thomson Reuters) and proprietary analysis tools. Only the proprietary analysis is being used in case of lack of coverage from the external ESG provider.

If a Sub-Fund is focused on companies with a small capitalization, it is very likely that the sustainability analysis cannot be fulfilled satisfactorily, as those companies very often are not able to publish a Responsible Investing Report and/or lack of sufficient sustainability information. As such NAM will positively and effectively engage with the investee companies, with the aim to embed and progressively institutionalize a healthy sustainability culture in their operating and development processes. Engagement represents the most powerful tool to expand sustainability among small companies. The Investment Manager will diligently record its engagement efforts and assess the results and impacts achieved by this activity.

NAM's 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

In addition to integrate the ESG factors in its fundamental analysis, NAM 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 the part of the revenues that could be directly related to SDGs solely into consideration, 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, including engagement with the firm. In particular the analysis presents internal and external SDGs initiatives promoted by the company. A score is allocated based on the initiatives present, in addition to a judgement upon the company's business repercussion.
- 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 is 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 also adds 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. Stewardship: 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. Consequently, it 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 joining 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).

The key criteria used by NAM to prioritise engagement targets are the materiality of ESG factors on financial and/or operational performance and the adequacy of public disclosure on ESG factors/performance by the firms.

Stewardship is coordinated across NAM organization to ensure that stewardship progress and results feed into investment vice versa. Stewardship results are included into ESG and SDG analysis and affect the companies scoring. Stewardship results can also make an ineligible company (based on internal or third parties ESG analysis), investable as it could help to spot a benign trend that cannot be inferred by the cold data. As a consequence, stewardship significantly contributes to the overall assessments of the companies NAM is invested in or could invest in the future.

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 investing 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 as well as its commitment to the six principles of the PRI; approves the exclusion and integration criteria to be applied to the managed assets, and periodically verifies that the RI Policy has been correctly implemented based on checks carried out by Risk Management and the Internal Audit.

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. NAM focuses on fundamental analysis.

We have just one investment team where we integrate every feature of the investee company, including the risks ESG and the opportunities SDG. The investment team is made of PMs and analysts; here responsible investing bears the same importance of financial, economic, commercial metrics while evaluating a company.

The ESG/SDG/Sectors Exclusion quantitative and qualitative limits are internally set and are timely checked by the Risk management team.

The respect of the responsible Investing policy is monitored by the compliance and periodically tested by the Internal Audit Committee.

The Internal Audit Committee, which is composed by two independent members of the Board of Directors, carries out an internal audit on a yearly basis.

NAM assesses the responsible investment capabilities and training needs among its team members on a yearly basis.

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.

13. Annex

ANNEX 1 - ESG internal 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
Environmental	40%	75%
Resource Use	13%	46%
Emissions	13%	79%
Env. Innovation	13%	100%
Social	40%	54%
Workforce	13%	61%
Human & Community	13%	52%
Product	13%	50%
Governance	20%	67%
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 20th, 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
Resources Use					46%	13%
						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	
Resources Use					46%	13%	
						100%	
M	Q7	Total Energy Use (MWh) / Revenues in Million	955.51	N/A	N/A	50%	4%
M	Q7	Total Energy Use (Mln MWh)	1.71	N/A	N/A	50%	4%
M	Q7	Total Renewable Energy To Energy Use in million	Not Disclosed		Not Disclosed	0%	4%
Zx	Q7	Municipal Withdrawals (Megalitres)/ Total water withdrawal	57%	N/A	N/A	50%	7%
	Q7	Water Recycled	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q7	Water Recycled / Total water Use	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q7	Total Energy Use (MWh) / Tons of Material Produced	8.77	N/A	N/A	50%	4%
	Q7	Energy Recovered / Total Energy Used	Not Disclosed		Not Disclosed	0%	4%
	Q7	Electricity Produced / Total electricity used	Not Disclosed	N/A	Not Disclosed	0%	4%
	Q7	Total Renewable Energy	Not Disclosed		Not Disclosed	0%	4%
	Q7	Water Withdrawal Total (litres) / tons of material produced	8887	N/A	N/A	50%	4%
Emissions					79%	13%	
						100%	
Zx	Q1	Targets Emissions	NO			0%	8%
Zx	Q1	Waste Reduction Initiatives	YES			100%	8%
	Q1	Policy Emissions	YES			100%	4%
	Q1	Biodiversity Impact Reduction	NO			0%	4%
	Q1	CO2 estimation method	YES			100%	4%
	Q1	Emissions Trading	NO			0%	4%
	Q1	Climate Change Commercial Risks Opportunities	YES			100%	4%
	Q1	NOx and SOx Emissions Reduction	YES			100%	4%
	Q1	VOC or Particulate Matter Emissions Reduction	YES			100%	4%
	Q1	VOC Emissions Reduction	NO			0%	4%
	Q1	Particulate Matter Emissions Reduction	YES			100%	4%
	Q1	Environmental Restoration Initiatives	YES			100%	4%
	Q1	Environmental Expenditures Investments	YES			100%	4%
	Q1	Environmental Investments Initiatives	YES			100%	4%
	Q1	Environmental Partnerships	YES			100%	4%
M	Q7	CO2 Equivalent Emissions Total mln tonnes	0.48	N/A	N/A	100%	4%
Zx	Q7	Emission Reduction Target Percentage	Not Disclosed	N/A	Not Disclosed	0%	8%
Zx	Q7	CO2 Equivalent Emissions Total tonnes / Tonnes of Material Produced	2.45	N/A	N/A	100%	8%
Zx	Q7	Total Hazardous Waste (Tonnes) / Total waste	0.02	N/A	N/A	50%	8%
Zx	Q7	Air Emission/ Tonnes of Material Produced	0.01	N/A	N/A	50%	8%
Zx	Q7	Total Expenditures related to Environmental Protection	\$ 18,455,000	\$ 16,435,000	12%	100%	8%
Zx	Q7	Environmental Expenditures Investments in Mln / Mln of revenues	1.03%	0.92%	12%	100%	8%
	Q7	CO2 Equivalent Emissions Direct, Scope 1 (Tonnes) / Tonnes of Material Produced	1.07	N/A	N/A	50%	4%
	Q7	CO2 Equivalent Emissions Indirect, Scope 2 (Tonnes) / Tonnes of material Produced	1.37	N/A	N/A	50%	4%
	Q7	Total Waste (Tonnes) / Tonnes of material produced	0.149	N/A	N/A	50%	4%
	Q7	Waste Recycled To Total Waste	Not Disclosed	N/A	Not Disclosed	0%	4%
Environmental Innovation					100%	13%	
						100%	
Zx	Q1	Environmental Products	YES			100%	67%
	Q1	Water Technologies	YES			100%	33%

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

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
Workforce					61%	13%
						100%
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	4%
M	QT	Number of convictions related to bribery and corruption	Not Disclosed	N/A	Not Disclosed	4%
M	QT	Amount of fines related to bribery and corruption	Not Disclosed	N/A	Not Disclosed	4%
2x	QT	Fatalities/employees	0.00%	N/A	N/A	7%
2x	QT	Employee Total Recordable Incident Rate (TRIR)	0.95	N/A	N/A	7%
2x	QT	Training Safety hours / employee	17.83	N/A	N/A	7%
2x	QT	Disabled Employees/Employees	Not Disclosed	N/A	Not Disclosed	7%
	QT	Injuries in lost working days	Not Disclosed	N/A	Not Disclosed	4%
	QT	Number of incidents of discrimination	Not Disclosed	N/A	Not Disclosed	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
Human & Community					52%	13%
					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	q17	Number of human rights incidents	Not Disclosed	Not Disclosed	0%	5%
M	q17	Number of insufficient actions for breaches in corruption and bribery	Not Disclosed	Not Disclosed	0%	5%
	q17	Donations / EBIT	Not Disclosed	Not Disclosed	0%	5%
	q17	Total Volunteer hours/employee	Not Disclosed	Not Disclosed	0%	5%
Product					50%	13%
					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
Board					61%	7%
						100%
Zx	ql	Audit Board Committee	YES		100%	10%
Zx	ql	Compensation Board Committee	YES		100%	10%
Zx	ql	Policy Board Independence	NO		0%	10%
Zx	ql	Policy Board Experience	YES		100%	10%
Zx	ql	Policy Executive Compensation ESG Performance	YES		100%	10%
Zx	ql	Shareholders Approval Stock Compensation Plan	YES		100%	10%
	ql	CEO-Chairman Separation	NO		0%	5%
	ql	Corporate Governance Board Committee	YES		100%	5%
	ql	Nomination Board Committee	YES		100%	5%
	ql	Policy Board Diversity	YES		100%	5%
	ql	Compensation Improvement Tools	YES		100%	5%
	ql	Audit Committee Mgt Independence	YES		100%	5%
	ql	Audit Committee Expertise	YES		100%	5%
	ql	Compensation Committee Mgt Independence	NO		0%	5%
	ql	Nomination Committee Mgt Independence	NO		0%	5%
	ql	Board Attendance	NO		0%	5%
	ql	Executive Compensation Policy	YES		100%	5%
	ql	Executive Compensation LT Objectives	NO		0%	5%
M	q17	Board Gender Diversity, Percent	13%	12.50%	0%	5%
Zx	q17	Average CEO compensation/average employee comp	Not Disclosed	N/A	Not Disclosed	10%
Zx	q17	Independent Board Members	50%	50.00%	0%	10%
	q17	Number of Board Meetings	10	5	100%	5%
	q17	Board Meeting Attendance Average	95.00%	97.00%	-2%	5%
	q17	Non-Executive Board Members	88%	75%	17%	5%
	q17	Executives members gender diversity	20.00%	25.00%	-20%	5%
	q17	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

QL: qualitative indicator

QN: quantitative indicator

	Niche AM	Prior year	Vs Prior Year %	Mark	Weight
Shareholders				89%	7%
				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%
CSR				50%	7%
				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"> Resource Use: 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. Emissions: Like the 'Resource Use' section, what penalizes XXXXX is lack of targets disclosure. Even if XXXXX reveals its will of managing emissions (CO2, NOx, Sox, PM) more efficiently, it does not publish the targets to reach in mid-long terms. However, at Niche AM, we prized the CO2 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. Environmental innovation: 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&D and water technologies.
Social detailed comment	<ul style="list-style-type: none"> Workforce: 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. Human & Community: 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.

	<ul style="list-style-type: none"> Product: 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 & safety. Furthermore, they also have a policy regarding data privacy.
Governance detailed comment	<ul style="list-style-type: none"> Board: 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. Shareholders: 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. CSR: 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.

For the full analysis that led to the results of this report, please contact Niche AM research team at research@nicheam.com

ESG analysis – Definitions and Abstract Sample

Policy	Definition	Source	Abstract-Explanation
Targets Energy Efficiency	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'.		
Environment Management Team	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."
Environment Management Training	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."
Toxic Chemicals Reduction	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>		
Green Buildings	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>		
Environmental Supply Chain Management	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 internal analysis example



SDG - Summary

Date: 02/07/21

Analysis by: XXX

Name of the company XXX

Ticker XXX

Theme & Trend XXX XXX

Description

XXX is a Japan-based company mainly engaged in the railway business. The Company operates in three business segments. The Transportation segment is engaged in the railway business, travel business, cleaning and maintenance business, station operation business, equipment maintenance business, as well as railway vehicle manufacturing and maintenance business. The Distribution and Services segment is engaged in the retail and restaurant business, wholesale business, lorry transportation business, advertising agency business and other life service business. The Real Estate and Hotel segment is engaged in the shopping center operation business, office building lending business, hotel business and other life service business. The Company is also engaged in the credit card business and information processing business.

	score
SDG Revenue Share Score	77%

	Good
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
0-25%	25%-50%	ok	ok	ok	no
25%-50%	>50%	ok	ok	ok	no
>50%		ok	ok	no	no

% SDG Revenues	0-25% 25%-50% >50%	SDG Attitude/Impact			
		Good	Average and growing	Average	Bad
0-25%	25%-50%	10	8	7	3
25%-50%	>50%	9	7	6	2
>50%		8	6	5	1

% SDG Revenues	0-25% 25%-50% >50%	SDG Attitude/Impact			
		Good	Average and growing	Average	Bad
0-25%	25%-50%	AAA	A	BBB	CCC
25%-50%	>50%	AA	BBB	BB-	CCC
>50%		A	BB-	B	D

Field Description	Score	Weight	Max Score	Weighted Score
UN SDG No. 1. End poverty in all its forms everywhere				
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	100%	1	0
Total community lending, financing and investments which are not considered donations.	N/A			0
UN SDG No. 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture				
Does the company claim to fight against obesity risk?	Bad		1	-1
UN SDG No. 3. Ensure healthy lives and promote well-being for all at all ages				
Does the company have a policy to improve employee health & safety?	Good		1	1
Does the company have a policy to improve employee health & safety in its supply chain?	Bad		1	-1
Does the company train its executives or key employees on health & safety?	Good		1	1
Does the company train its executives or key employees on employee health & safety in the supply chain?	Bad		1	-1
Does the company report on policies or programs on HSE/MSDS for the workplace or beyond?	Bad		1	-1
UN SDG No. 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all				
People Development Category measures a company's commitment and effectiveness towards providing training and development opportunities for its workforce.	OK	>50 sun	50-100 silver line	<30 cloud
Does the company have a policy to improve the skills training of its employees?	Good		1	1
Does the company have a policy to improve the career development paths of its employees?	Good		1	1
Training costs per employee in US dollars.	N/A			0
Percentage of employees with disabilities or special needs.	Good	>4% = "OK" >8% = "Good"		2
UN SDG No. 5. Advance gender equality and empower all women and girls				
Diversity Category measures a company's commitment and effectiveness towards maintaining gender diverse workforce and board member cultural diversity.	Bad	>40 sun	40-100 silver line	<30 cloud
Inclusion Category measures a company's commitment and effectiveness towards effective life-work balance, a family friendly environment and disability inclusion.	Good	>50 sun	50-100 silver line	<30 cloud
Does the company have a policy to drive diversity and equal opportunity?	Good		1	1
Has the company set targets or objectives to be achieved on diversity and equal opportunity?	Good		1	1
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 laws?	Good		1	1
UN SDG No. 6. Ensure availability and sustainable management of water and sanitation for all				
Does the company have a policy to improve its water efficiency?	Good		1	1
Has the company set targets or objectives to be achieved on water efficiency?	Bad		1	-1
Does the company report on initiatives to reduce, reuse, substitute or phase out toxic chemicals or substances?	Good		1	1
Total water withdrawal in cubic meters divided by net sales or revenue in US dollars.	Good	<0.001 sum	<0.002 silver line	<0.002 cloud
Total weight of water pollutants emissions in tonnes divided by net sales or revenue in US dollars.	OK	>0 = "OK"		1
Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out total waste?	Good		1	1
Total recycled and reused waste produced in tonnes divided by total waste produced in tonnes.	Good	>50 sun	50-100 silver line	<30 cloud
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?	Good		1	1
Does the company develop products or technologies that are used for water treatment, purification or that improve water use efficiency?	Bad		1	-1
UN SDG No. 7. Ensure access to affordable, reliable, sustainable and modern energy for all				
Does the company have a policy to improve its energy efficiency?	Good		1	1
Total energy generated from primary renewable energy sources divided by total energy.	Bad	N/A = 1	>20% = 1 <50% = 2 <30% = 0	1
Does the company develop products or technologies for clean the clean, renewable energy such as wind, solar, hydro and geo-thermal (and biomass power)?	Good		1	1
Does the company report about product features and applications or services that will promote responsible, efficient, cost-effective and environmentally preferable use?	Good		1	1
UN SDG No. 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all				
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 laws?	Good		1	1
Does the company have a policy to avoid the use of child labor?	Bad		1	0
Does the company have a policy to avoid the use of forced labor?	Bad		1	-1
Does the company have a policy to ensure the respect of human rights in general?	Good		1	1
Percentage of employees with disabilities or special needs.	Good	>2% = "OK" >5% = "Good"		2
UN SDG No. 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation				
Environmental Innovation Category score reflects a company's capacity to reduce the environmental costs and burdens for its customers, and thereby creating new market opportunities through new environmental technologies and processes or eco-designed products.	Good	>50 sun	50-100 silver line	<30 cloud
Total community lending, financing and investments which are not considered donations.	N/A			0
Is the company selling some products or services at a discount to normal retail prices in emerging markets?	Bad		1	-1
UN SDG No. 10. Reduce inequality within and among countries				
Diversity Category measures a company's commitment and effectiveness towards maintaining gender diverse workforce and board member cultural diversity.	Bad	>40 sun	40-100 silver line	<30 cloud
Inclusion Category measures a company's commitment and effectiveness towards effective life-work balance, a family friendly environment and disability inclusion.	Good	>50 sun	50-100 silver line	<30 cloud
UN SDG No. 11. Make cities and human settlements inclusive, safe, resilient and sustainable				
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		1	0
UN SDG No. 12. Ensure sustainable consumption and production patterns				
Resource use Category score reflects a company's performance and capacity to reduce the use of materials, energy or water, and to find more eco-efficient solutions by improving supply chain management.	Good	>50 sun	50-100 silver line	<30 cloud
Emission Category score measures a company's commitment and effectiveness towards reducing environmental emissions in the production and operational processes.	Good	>50 sun	50-100 silver line	<30 cloud
Does the company claim to use environmental criteria (e.g., life cycle assessment) to source or eliminate materials?	Good		1	1
Does the company have a policy to improve its water efficiency?	OK		1	1
Does the company have a policy to improve its energy efficiency?	Good		1	1
Does the company have a policy to improve its use of sustainable packaging?	Bad		1	-1
Does the company have a policy to include its supply chain in the company's efforts to lessen its overall environmental impact?	Good		1	1
Does the company report about take-back procedure and recycling programs to reduce the potential risks of products entering the environment?	Bad		1	-1
The waste recycling ratio as reported by the company.	Good	>50 sun	50-100 silver line	<30 cloud
Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out total waste?	Good		1	1
Does the company publish a separate CSR/ESG/Sustainability report or publish a section in its annual report on CSR/ESG/Sustainability?	Good		1	1
UN SDG No. 13. Take urgent action to combat climate change and its impacts				
Is the company aware that climate change can represent commercial risks and/or opportunities?	Good		1	1
UN SDG No. 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development				
UN SDG No. 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation				
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?	Good		1	1
Does the company claim to evaluate projects on the basis of environmental or biodiversity risks as well?	Bad		1	-1
UN SDG No. 16. Promote peaceful and sustainable societies that are free from corruption				
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 laws?	Good		1	1
Does the company have a policy to avoid the use of child labor?	Bad		1	0
Does the company claim to comply with the fundamental human rights convention of the ILO or support the UN declaration of human rights?	Bad		1	-1
Does the company describe in the code of conduct that it strives to avoid bribery and corruption at all its operations?	Bad		1	-1
UN SDG No. 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development				
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		1	0

SCORING

>5	good
>2.5 <5	ok
<2.5	bad

Company score	51
Max score	86

Company score/Max score 51/86 **Good**

There are only three SDGs that Elkon does not consider the company to adhere to. However, these are not in the general focus of the company's SDGs and thus is not too much of a problem as this is offset by other initiatives that are present.

SDG - Impact-Attitude Summary

SDG Impact	9	Good
SDG Attitude	6	
average	7	
>5	Good	
>2,5 and <5	Average	
<2,5	Bad	
Are the Impact and the Attitude growing?	yes	

If **yes** explain The organisation has a clear growth attitude of which can be justifiably highlighted through the wrapping of their trains in 2019 to raise awareness for the UN SDGs, not to mention their sustainability reporting dates back to the year 2000!

SDG - Revenue Segmentation

Transportation	63.7%
Retail & Services	6.7%
Real Estate & Hotels	5.0%
Other	6.2%
TOTAL (for all revenue added back to UN ESG)	77.6%

Segment	Revenue	% Contribution
Transportation	3,286,336	63%
Retail & Services	573,684	17%
Real Estate & Hotels	326,315	15%
Other	274,685	8%
Total	5,220,923	100%

Revenue Segmentation

Transportation 50% SDG weight
The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, culture manufacturing operations, and railcar maintenance operations.

Retail & Services 50% SDG weight
The Retail & Services segment consists of the part of JR East's life-style service business that includes retail sales and restaurant operations, a wholesale business, a truck transportation business, and advertising and publicity.

Real Estate & Hotels 50% SDG weight
The Real Estate & Hotels segment consists of the part of JR East's life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.

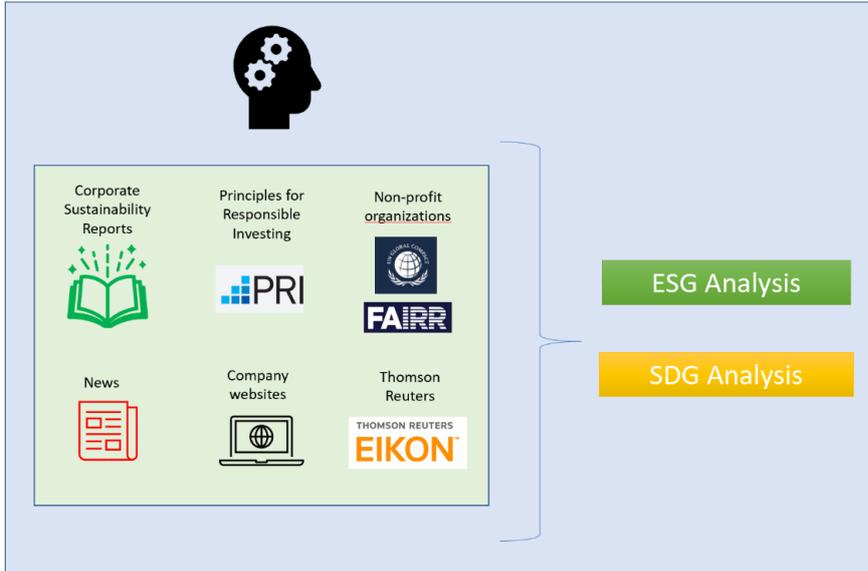
Other 75% SDG weight
"Other" comprises categories of business that are not included in reportable segments and includes IT & Service business including credit card business, information processing and certain other businesses.

Item	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Revenue	4,282,000	4,100,000	3,900,000	3,700,000	3,500,000	3,300,000	3,100,000	2,900,000	2,700,000	2,500,000	2,300,000	2,100,000	1,900,000	1,700,000	1,500,000	1,300,000	1,100,000	900,000	700,000	500,000
Operating Expenses	(1,500,000)	(1,400,000)	(1,300,000)	(1,200,000)	(1,100,000)	(1,000,000)	(900,000)	(800,000)	(700,000)	(600,000)	(500,000)	(400,000)	(300,000)	(200,000)	(100,000)	(50,000)	(20,000)	(10,000)	(5,000)	(2,000)
Operating Income	2,782,000	2,700,000	2,600,000	2,500,000	2,400,000	2,300,000	2,200,000	2,100,000	2,000,000	1,900,000	1,800,000	1,700,000	1,600,000	1,500,000	1,400,000	1,300,000	1,200,000	1,100,000	1,000,000	900,000
Operating Assets	10,000,000	9,500,000	9,000,000	8,500,000	8,000,000	7,500,000	7,000,000	6,500,000	6,000,000	5,500,000	5,000,000	4,500,000	4,000,000	3,500,000	3,000,000	2,500,000	2,000,000	1,500,000	1,000,000	500,000
Operating Liabilities	(3,000,000)	(2,800,000)	(2,600,000)	(2,400,000)	(2,200,000)	(2,000,000)	(1,800,000)	(1,600,000)	(1,400,000)	(1,200,000)	(1,000,000)	(800,000)	(600,000)	(400,000)	(200,000)	(100,000)	(50,000)	(20,000)	(10,000)	(5,000)
Operating Assets minus Liabilities	7,000,000	6,700,000	6,400,000	6,100,000	5,800,000	5,500,000	5,200,000	4,900,000	4,600,000	4,300,000	4,000,000	3,700,000	3,400,000	3,100,000	2,800,000	2,500,000	2,200,000	1,900,000	1,600,000	1,300,000



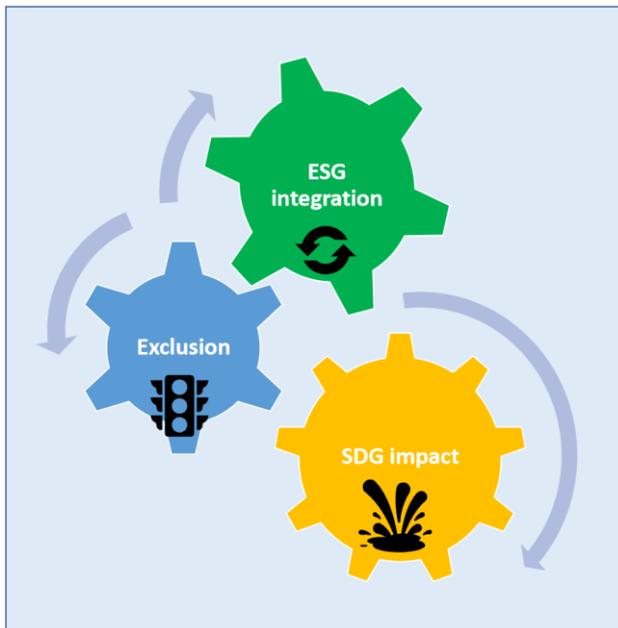
ANNEX 3 – Data process

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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