

NEF Ethical Global Trends SDG Fund

Engagement Impact Report

20

23

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Introduction

The NEF Ethical Global Trends sub-fund addresses and mitigates the adverse impacts of its investments on society and the environment through various internal processes. These include ESG ratings, exclusion strategies, DNSH (Do No Significant Harm) analysis, controversies analysis, Minimum Safeguards analysis, engagement, and PAI (Principal Adverse Impact) evolution analysis. *Engagement* is a crucial tool used to reduce the portfolio's adverse impacts. The goal is to create a *positive impact* by engaging with firms that exhibit sustained negative trends in Niche AM's internal DNSH analysis. This engagement aims to improve these indicators in the future or enhance sustainability reporting, enabling analysts to better understand the firms' adverse impacts.

Engagement Strategy Introduction

A major focus of the sub-fund's engagement activities is the results of Niche AM's internal DNSH analysis. The "Do No Significant Harm" (DNSH) analysis assesses the **Principal Adverse Impact** (PAI) indicators of individual investee companies. It is important that investee companies demonstrate an improving trend, showing they are gradually minimizing the negative impact of their businesses.

More on Principal Adverse Impacts: [Go to Site](#)

If a deteriorating or negative trend is found within the DNSH analysis, the company is contacted, leading to the following possible scenarios.

- The investee company is queried about the reasons behind any negative dynamics. In the case that a valid explanation is provided for the negative trend observed in the DNSH indicator, the negative trend can be excluded from further consideration. However, it can also be the case that this initial investigation evolves into *direct engagement* to improve the firm's deteriorating indicator dynamic
- In some cases, certain indicators may not exhibit a negative trend but may still require *engagement* with company management to promote improvements or the adoption of more sustainable practices (e.g. the company's reliance on non-renewable energy is negligible)
- The firm does not report on PAI indicators that the analyst deems material. *Engagement* is conducted to encourage the firm to disclose the indicator in the future.

More on DNSH Analysis: [here](#)

This Report focuses specifically on the impact of engagement with companies which have been responsive to engagement but have been classified under the DNSH analysis as showing a negative dynamic or insufficient reporting.

Engagement Impact Overview

Timeframe

- This report considers the engagement activities that took place between 01/11/2022 and 31/12/2023 (14 months). These activities were based on investee companies' 2021/2022 reports.
- This report aims to analyse the outcomes of these engagement activities by analysing the results of the latest DNSH analysis of the investee companies' latest reporting period since engagement of 2023.
- As the first DNSH analyses for the portfolio were completed at the end of 2022, the engagement period considered for this report has been extended to 14 months. Starting next year, the engagement period will be from 01/01/2024 to 31/12/2024 (12 months).

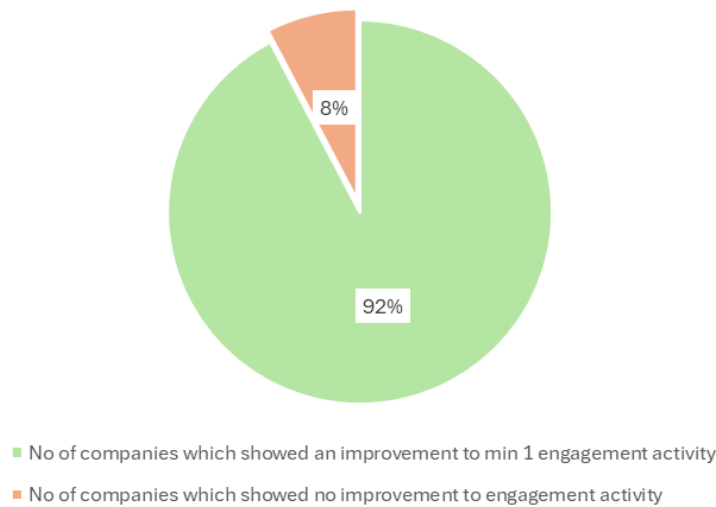
Subjects of engagement impact measurement

This engagement impact report covers 26 companies. In the specified timeframe, we engaged with a total of 28 companies but 2 of these had not published 2023 data and have therefore been excluded. Three of these companies instead have since been sold out of the fund.

Further details regarding the portfolio analysed for this report and the methodologies can be found [here](#).

Initial Engagement Results Overview

Overview of Engagement Success by Company



Out of the 26 companies engaged, only 2 did not show any improvements in at least one engagement activity.

Initial Results by Engagement Type

To produce measurable data for the portfolio on the impact of engagement, engagement activities have been split into two categories.

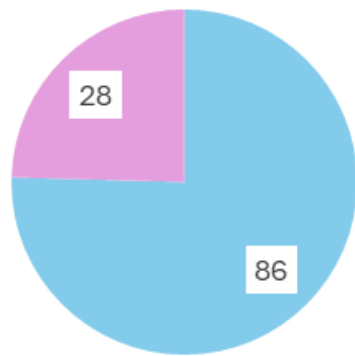
Data Disclosure Engagement

- When the investee company does not disclose 6 or more PAI indicators used in the DNSH analysis, engagement must be conducted to encourage the firm to disclose material PAI indicators which will allow for clearer analysis of the firm's adverse impacts.
- When the investee company discloses 6 or more PAI indicators but does not report an indicator which the analyst deems material, engagement is also conducted to encourage the firm to disclose the indicator in the future.

Data Trend Improvement Engagement

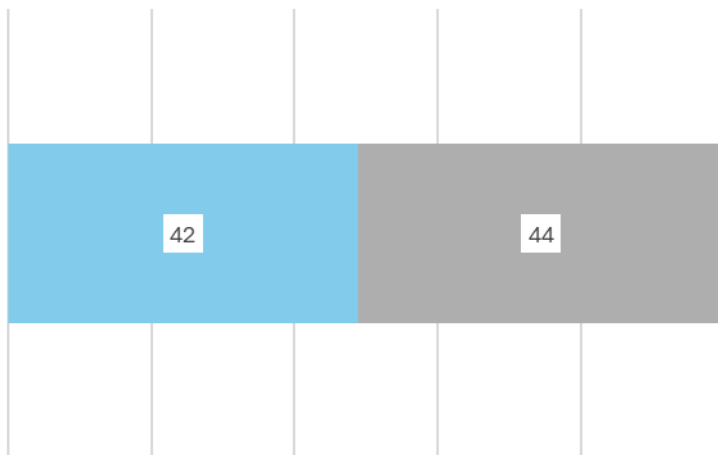
- When one or more PAI indicators exhibit a negative trend, the investee company must be queried about the reasons behind such dynamics. If the company cannot sufficiently explain the negative trends, engagement is pursued to encourage efforts to improve the indicator dynamics in the future.
- In some cases, PAI indicators may not exhibit a negative trend but may still require engaging with company management to promote improvements or the adoption of more sustainable practices (e.g. when the company's reliance on renewable energy is negligible)

Total Engagement Activities Breakdown by type



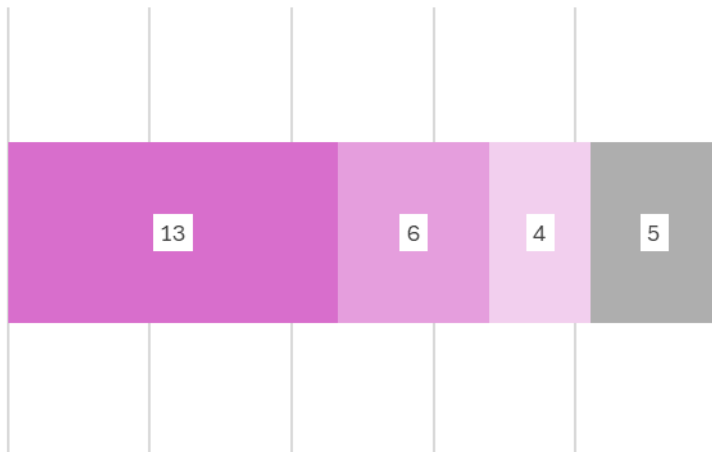
- Total number of engagement activities held regarding data disclosure
- Total number of engagement activities held regarding data trend improvement

Data Disclosure Engagement Results Overview



- Total number of engagement activities which resulted in new data disclosure
- Total number of engagement activities which did not result in data disclosure

Data Trend Improvement Engagement Results Overview



- Total number of engagement activities which showed high improvement
- Total number of engagement activities which showed medium improvement
- Total number of engagement activities which showed marginal improvement
- Total number of engagement activities which showed no improvement

Portfolio Engagement Impact Score

The aim was to develop a scoring methodology to analyse and score the improvements after engagement activities by capturing the improvement trend in three different areas. By having a score, this allows year on year comparison of the yearly impact results.

Niche AM has developed a scoring system to measure the impact of engagement with the companies in the portfolio. Three sub-scores have been produced for the purpose of this analysis:

Sub-score 1) Portfolio Data Disclosure Engagement Impact score

This sub score pillar of the score considers new data disclosure of firms. Investee companies benefit from higher levels of data disclosure for PAI indicators used in DNSH analysis. This detailed information allows for a more thorough assessment of sustainability risks, enabling better decisions regarding ESG integration to mitigate adverse impacts. Therefore, the results of companies who start newly reporting indicators after responsive engagement has taken place are analysed as part of the total engagement impact score.

This is calculated on an absolute basis to determine the number of newly reported indicators following engagement activities, out of the total number of engagement activities which encouraged the disclosure of new data for certain indicators.

PAI Indicator	Number of engagements on data disclosure	Number of success engagement	Data disclosure Engagement impact score per indicator
CO2 Equivalent Emissions Direct, Scope 1	1	1	1%
CO2 Equivalent Emissions Indirect, Scope 2	1	1	1%
CO2 Equivalent Emissions Indirect, Scope 3	7	6	7%
CO2 Equivalent Emissions Total	7	6	7%
GHG Intensity Scope 1 + 2	1	1	1%
GHG intensity Scope 1+2+3	6	5	6%
Share of non-renewable energy consumption and production	5	3	3%
Total Energy Use To Revenues USD in million	1	1	1%
Activities negatively affecting biodiversity sensitive areas	2	2	2%
Total Water Pollutant emissions tonnes	13	1	1%
Water Pollutants emissions to Revenues USD	13	1	1%
total hazardous waste tonnes	6	3	3%
Total Hazardous Waste To Revenues USD in million	5	2	2%
Gender Pay Gap Percentage	18	9	10%
Board Gender Diversity, Percent	0	0	0%
Total	86	42	49%

Sub-score 2) Portfolio Data Trend Improvement Engagement impact score (not impact weighted)

This sub score considers when engagement activities are conducted in response to sustained negative data trends. The goal is to shift these trends from negative to positive. By focusing on future positive trends, these activities aim to mitigate the adverse impacts on the portfolio.

This is calculated on an absolute basis to determine the number of improved data trends following engagement activities, out of the total number of engagement activities which encouraged improvement of data trends for certain indicators.

PAI Indicator	Number of engagement on dynamics improvement	Number of success engagement	Data trend improvement Engagement impact score (not impact weighted) per indicator
CO2 Equivalent Emissions Direct, Scope 1	0	0	0%
CO2 Equivalent Emissions Indirect, Scope 2	1	0	0%
CO2 Equivalent Emissions Indirect, Scope 3	3	2	7%
CO2 Equivalent Emissions Total	3	2	7%
GHG Intensity Scope 1 + 2	1	0	0%
GHG intensity Scope 1+2+3	3	2	7%
Share of non-renewable energy consumption and production	8	6	21%
Total Energy Use To Revenues USD in million	2	2	7%
Activities negatively affecting biodiversitysensitive areas	0	0	0%
Total Water Pollutant emissions tonnes	1	1	4%
Water Pollutants emissions to Revenues USD	1	1	4%
total hazardous waste tonnes	0	0	0%
Total Hazardous Waste To Revenues USD in million	2	2	7%
Gender Pay Gap Percentage	0	0	0%
Board Gender Diversity, Percent	3	3	11%
Total	28	21	75%

Sub-score 3) Portfolio Data Trend Improvement Engagement impact score (impact weighted)

The improvement of data trends following engagement has been divided into two categories, considering both absolute and relative impacts. This score measures the impact-weighted data trend improvement. The improvement trend is categorized into three areas: 'high impact,' 'medium impact,' and 'low impact,' based on a suitable range of the indicator. Higher weights are assigned to higher impact levels. A weighted score is then calculated for the number of improved data trends following engagement activities, relative to the total number of engagement activities that encouraged data trend improvement for certain indicators.

PAI Indicator	ABSOLUTE improving dynamics - success 'high' (>+7%)	ABSOLUTE Improving dynamics - success 'medium' (>+2-7%)	ABSOLUTE Improving dynamics - success 'low' (<+2%)	Weighted successful engagement	Data trend improvement Engagement impact score (impact weighted) per indicator
CO2 Equivalent Emissions Direct, Scope 1	0	0	0	0	0%
CO2 Equivalent Emissions Indirect, Scope 2	0	0	0	0	0%
CO2 Equivalent Emissions Indirect, Scope 3	1	1	0	5	6%
CO2 Equivalent Emissions Total	1	1	0	5	6%
GHG Intensity Scope 1 + 2	0	0	0	0	0%
GHG intensity Scope 1+2+3	1	1	0	5	6%
Share of non-renewable energy consumption and production	3	0	3	12	14%
Total Energy Use To Revenues USD in million	0	2	0	4	5%
Activities negatively affecting biodiversitysensitive areas	0	0	0	0	0%
Total Water Pollutant emissions tonnes	1	0	0	3	4%
Water Pollutants emissions to Revenues USD	1	0	0	3	4%
total hazardous waste tonnes	0	0	0	0	0%
Total Hazardous Waste To Revenues USD in million	2	0	0	6	7%
Gender Pay Gap Percentage	0	0	0	0	0%
Board Gender Diversity, Percent	2	0	1	7	8%
Total	12	5	4	50	60%

The three separate engagement impact scores are then adjusted once they reach a minimum level. If they meet this level, the score is automatically set to 60% to show the intended impact level has been reached. The rest of the score is then adjusted within the remaining 40% range, resulting in a final score between 60% and 100%.

PAI Indicator	Data disclosure Engagement impact score per indicator	Data trend improvement Engagement impact score (not impact weighted) per indicator	Data trend improvement Engagement impact score (impact weighted) per indicator
CO2 Equivalent Emissions Direct, Scope 1	1%	0%	0%
CO2 Equivalent Emissions Indirect, Scope 2	1%	0%	0%
CO2 Equivalent Emissions Indirect, Scope 3	7%	7%	6%
CO2 Equivalent Emissions Total	7%	7%	6%
GHG Intensity Scope 1 + 2	1%	0%	0%
GHG intensity Scope 1+2+3	6%	7%	6%
Share of non-renewable energy consumption and production	3%	21%	14%
Total Energy Use To Revenues USD in million	1%	7%	5%
Activities negatively affecting biodiversity/sensitive areas	2%	0%	0%
Total Water Pollutant emissions tonnes	1%	4%	4%
Water Pollutants emissions to Revenues USD	1%	4%	4%
total hazardous waste tonnes	3%	0%	0%
Total Hazardous Waste To Revenues USD in million	2%	7%	7%
Gender Pay Gap Percentage	10%	0%	0%
Board Gender Diversity, Percent	0%	11%	8%
Total	49%	75%	60%
SCORE REBASED	76%	82%	76%

	Sufficient engagement impact score
Portfolio Data disclosure Engagement impact score	10%
Portfolio Data trend improvement Engagement impact score (not impact weighted)	20%
Portfolio Data trend improvement Engagement impact score (impact weighted)	20%

The three sub scores are then weighted according to significance and combined to produce the **Portfolio Total Engagement Impact Score**.

	Weight	Score
Portfolio Data disclosure Engagement impact score	50%	76%
Portfolio Data Trend improvement Engagement impact score (not impact weighted)	17%	82%
Portfolio Data Trend Improvement Engagement Impact Score (impact weighted)	33%	76%
TOTAL Engagement Impact Score	100%	78%

The final result of the 2023 total portfolio engagement impact score is **78%**.

A detailed summary of the calculation methodology can be found in the appendix [‘here’](#)

Appendix

Appendix 1: Company engagements in the timeframe from 01/11/2022 to 31/12/2023

<p>INDUSTRY: Chemical COUNTRY: Japan</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: The firm showed a very small increase in non-renewable energy consumption in 2021 compared to 2020 and 2021. And the overall percentage of renewable energy as a percentage of energy consumption is low (below 2%), therefore engagement was conducted to promote further use and asking for commitment to a strategy to increase this. The firm took on board our engagement points and shared their current plans to increase renewable energy usage (utilisation of solar power generation equipment at group sites and initiative to lease roofs for solar power generation).</p> <p>Engagement content and response 2: Encouraging the disclosure of hazardous waste data and gender pay gap data.</p>
<p>INDUSTRY: Construction COUNTRY: United Kingdom</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: The firm showed a large increase in scope 3 emissions in 2022 compared to the previous two years. The firm were initially contacted to which they stated the increase was due to methodology. However, as no clear roadmap was produced by the firm for scope 3 emissions reduction, engagement was conducted to encourage the firm for scope 3 emission reduction in the future.</p> <p>Engagement content and response 2: Encouraging the disclosure of hazardous waste data.</p>
<p>INDUSTRY: Retail COUNTRY: United States</p>	<p>Was not included in the portfolio impact assessment as 2023 report has not been published yet. (Last check at 01/08/24)</p>
<p>INDUSTRY: Finance COUNTRY: United States</p>	<p>Was not included in the portfolio impact assessment as 2023 report has not been published yet. (Last check at 01/08/24)</p>
<p>INDUSTRY: Agriculture COUNTRY: United States</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: The firm showed a small increase in the percentage of non-renewable energy consumptions but mainly remained flatlined at approx. 25% renewable energy consumption percentage in the last 3 years.</p>

	Engagement was conducted to promote the firm to instil targets to increase the currently flatlined use of renewable energy percentage. The firm listened to our engagement point.
INDUSTRY: Steel and Plant Construction COUNTRY: Italy	Contact Methods: Email Engagement content and response 1: Encouraging the disclosure of scope 3 emissions, water pollutant emissions, and gender pay gap data.
INDUSTRY: transportation, e-commerce COUNTRY: United States	Contact Methods: Email + Meeting Engagement content and response 1: The firms share of non-renewable energy consumption has very much stagnated, at 99%, with a very small increase in 2021 compared to the average of 2020 and 2019. Engagement was conducted to promote the firm to instil targets and strategy to increase the currently low use of renewable energy percentage. The firm listened to our engagement point and let us know of their current status of being in the midst of producing a renewable procurement strategy. Engagement content and response 2: Encouraging the disclosure of water pollutant emissions and gender pay gap data.
INDUSTRY: Finance COUNTRY: Hong Kong	Contact Methods: Email + Meeting Engagement content and response 1: Encouraging the disclosure of biodiversity impact minimisation initiatives disclosure, water pollutant emissions data, and gender pay gap data.
INDUSTRY: Transport COUNTRY: Italy	Contact Methods: Email + Meeting Engagement content and response 1: Encouraging the disclosure of scope 3 emissions data, water pollutant emissions data, and gender pay gap data.
INDUSTRY: Industrial manufacturing COUNTRY: Japan	Contact Methods: Email + Meeting Engagement content and response 1: Encouraging the disclosure of scope 3 emissions data, share of non – renewable energy consumption, water pollutant emissions data, hazardous waste data, and gender pay gap data.
INDUSTRY: Electric products COUNTRY: Japan	Contact Methods: Email Engagement content and response 1: The firm showed their CO2 scope 3 emissions increased by 5% in 2022 compared to the average of the previous two year, whereas total co2 emissions increased by 4%. Engagement was conducted to improve the

	<p>dynamic going forward by asking for assurance of the firm’s strategy to meet their 2025 emissions reduction targets. The firm provided an explanation for the reason of increase beings due to recovery from covid. They also responded positively to our engagement of encouraging a reduction going forward.</p> <p>Engagement content and response 2: The firm showed an increase in water pollutant emissions and hazardous waste to which the firm were enquired about the increase and engagement conducted to work to reduce the levels going forward. The engagement point was acknowledged.</p> <p>Engagement content and response 3: Encouraging the disclosure of gender pay gap data.</p>
<p>INDUSTRY: Electrical components manufacturing COUNTRY: United States</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: The firm started reporting their renewable energy usage in 2022. However, this showed that they have up to now never consumed any energy from renewable sources. Engagement was conducted for the firm to start using renewable energy where we asked for a clear roadmap of their plans to ensure the strategy is conducted. The firm listened to our engagement point and shared with us their roadmap which is not yet published. The firm were very evident in their long term commitment.</p>
<p>INDUSTRY: Property Development COUNTRY: Hong Kong</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: By using the data from our external data provider, it was observed that there was an a large increase in non-renewable energy consumption in 2021 compared to the previous two years. When we contacted the company, they provided the correct data. This new data unfortunately also showed a negative trend of increase in 2021 of non-renewable energy use percentage and shows that the firms renewable energy use percentage is very low. However, the firm has provided reassurance of a positive attitude to expect an increase in renewable energy use soon in the future and are influenced by our engagement by bringing up the issue.</p> <p>Engagement content and response 2: Encouraging the disclosure of water pollutant emissions and gender pay gap data.</p>
<p>INDUSTRY: Information Technology COUNTRY: United States</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: CO2 scope 3 emissions increased by 5% in 2022 if compared to the average of 2021-2020, while total CO2 emissions increased by 5% and GHG intensity (scope 1+2+3/revenue USD mills) grew by 1% in the same timeframe. The firm shared the reason for increase, which was something which they tried hard to reduce, but overall could not</p>

	<p>related to demand of sales related to the Personal Systems business which influences scope 3 emissions. The firm heard our concerns as we brought this point forward to them and should aim for reduction in the future.</p> <p>Engagement content and response 2: Encouraging the disclosure of water pollutant emissions and gender pay gap data.</p>
<p>INDUSTRY: Retail COUNTRY: United Kingdom</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: Encouraging the disclosure of scope 3 emissions and hazardous waste data.</p>
<p>INDUSTRY: Financial COUNTRY: South Korea</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: Encouraging the disclosure of scope 3 emissions and gender pay gap.</p>
<p>INDUSTRY: Financial COUNTRY: Japan</p>	<p>Contact Methods: Meeting</p> <p>Engagement content and response 1: The firm's board gender diversity ratio fell in 2021 and 2022 compared to 2020. Engagement was conducted to encourage the firm to increase the ratio again. Engagement response was positive where the firm stated they will increase their board gender diversity next year and also are part of an organisation which shows their positive attitude towards equal representation on board.</p> <p>Engagement content and response 2: Encouraging the disclosure of scope 3 emissions as reporting stopped in 2022, renewable energy consumption data, and gender pay gap data.</p>
<p>INDUSTRY: Financial COUNTRY: Netherlands</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: The company's share of non-renewable energy consumption and production increased by 17% year-on-year between 2019 and 2021. The firm explained the reason for the increase but was not satisfactory – thus this was pushed as engagement by putting forward the issue to encourage improvement in the future.</p>
<p>INDUSTRY: Communications COUNTRY: Finland</p>	<p>Contact Methods: Meeting</p> <p>Engagement content and response 1: The firm have shared their clear commitment to increase board gender diversity with targets after engagement by bringing up the issue after we brought up the issue of the falling ratio as an engagement.</p> <p>Engagement content and response 2: Encouraging the disclosure of water pollutant emissions and gender pay gap.</p>
<p>INDUSTRY: Retail</p>	<p>Contact Methods: Email + Meeting</p>

COUNTRY: Japan	<p>Engagement content and response 1: Scope 2 emissions (location based) are increasing year on year since 2020. In fact, there is an 84% emissions increase in 2022 compared to average of the previous two years. There is also an increase seen in scope 1+2 emissions/revenue (emissions intensity) year on year since 2020. The firm shared the reason for increase due to circumstances related to growth in their new business which is unavoidable considering the contents (which is also SDG). They also shared their plans on how to reduce emissions, considering this business activities high emission activities in return to our engagement point of reducing the emissions going forward with the challenged of the growing business.</p> <p>Engagement content and response 2: Although in the previous two years renewable energy consumption as a % of total energy consumption was approximately 20%, in 2022 it suddenly decreases to 11.6%. The firm listened to our engagement point of increase renewable energy back up to previous levels and shared that their plans are to further increase the renewable energy use ratio again in the future.</p> <p>Engagement content and response 3: Encouraging the disclosure of water pollutant emissions and hazardous waste.</p>
INDUSTRY: Finance COUNTRY: South Korea	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: The firm was established as a spin-off in November 2021, therefore, the company lack of data disclosure. In a meeting held with the firm engagement was conducted to encourage the type of environmental data we would like to see in the upcoming sustainability report of emissions, energy related data, hazardous waste, and reporting of initiative to reduce impact to biodiversity.</p>
INDUSTRY: Industrial Manufacturing COUNTRY: Japan	<p>Contact Methods: Meeting</p> <p>Engagement content and response 1: The firm continued to have 0% women diversity ratio on the board. Engagement was conducted to encourage the addition of a female member to the board. The firm took on board the engagement points and said that we can expect an increase in board gender diversity next year.</p> <p>Engagement content and response 2: Encouraging the water pollutant emissions and disclosure of gender pay gap.</p>
INDUSTRY: Mining and smelting COUNTRY: Japan	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: There is a very small increase in the share of non-renewable energy consumption and production, of 2021 compared to an average of 2020 and 2019, however the main issue is the very small amount of renewable energy used by the company. In 2021 only 0.00037% of total energy consumption was from renewable sources. Engagement</p>

	<p>was conducted to find their attitude towards using more renewable energy sources. Engagement was listened to and the company shared their future plans where we can expect an increase in renewable energy use.</p> <p>Engagement content and response 2: Encouraging the disclosure of gender pay gap.</p>
<p>INDUSTRY: Industrial Manufacturing COUNTRY: Japan</p>	<p>Contact Methods: Email + Meeting</p> <p>Engagement content and response 1: Encouraging the disclosure of water pollutant emissions and gender pay gap.</p>
<p>INDUSTRY: Electronic components manufacturing COUNTRY: Japan</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: Encouraging the disclosure of water pollutant emissions and gender pay gap.</p>
<p>INDUSTRY: Basic materials manufacturing COUNTRY: Japan</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: Encouraging the disclosure of water pollutant emissions and gender pay gap.</p>
<p>INDUSTRY: Automotive Supply COUNTRY: France</p>	<p>Contact Methods: Email</p> <p>Engagement content and response 1: Engagement was conducted to ensure the company takes part in plans to decrease hazardous waste going forward because we have found that looking at hazardous waste in relative terms (hazardous waste tonnes/revenue USD millions) showed an increase in 2021 compared to both 2020 and 2019 data. The firm took board the engagement points and showed some progress with the new 2022 data which was to be released.</p> <p>Engagement content and response 2: Encouraging the disclosure of renewable energy consumption data.</p>
<p>INDUSTRY: Chemical COUNTRY: Norway</p>	<p>Contact Methods: Meeting</p> <p>Engagement content and response 1: Initially, the firm were contacted to ask about the declining trend in renewable energy consumption using the data from our data provider. The company then shared that the renewable energy data we have is not complete from Eikon, as the renewable energy bought from the grid is not disclosed and therefore this data was not usable. They also have anticipated future disclosure and an increase in renewable energy use as response to our engagement.</p>

Appendix 2: Portfolio Engagement Impact Score Calculation Methodology

Portfolio Data disclosure Engagement impact score

Data disclosure Engagement impact score per indicator	Portfolio Data disclosure Engagement impact score (original)
Number of indicators which have started being reported on since the engagement divided by the number of engagements conducted for each PAI indicator in question to encourage future disclosure of indicators which are not yet reported	The sum of all indicators Data disclosure Engagement impact score per indicator

Score rebasing:

Sufficient engagement impact score	Is sufficient engagement impact score met?	Rebase sufficient engagement impact score to 60%	Rebase remaining score to 40%	Rebased Portfolio Data Disclosure Engagement impact score
10%	Yes	Rebase sufficient engagement impact score (10%) of portfolio data disclosure engagement impact score to 60%	portfolio data disclosure engagement impact score minus sufficient engagement impact score (10%), which is then rebased within the remaining 40%.	New rebased sufficient engagement impact score (60%) + rebased remaining engagement impact score (out of 40%).

Portfolio Data dynamics improvement Engagement impact score (not impact weighted)

Data Trend Improvement Engagement impact score <u>per indicator</u> (not impacted weighted)	Portfolio Data trend improvement Engagement impact score – not impacted weighted (Not impact weighted)
Number of indicators which have shown improvement trend since the engagement divided by the number of engagements conducted for each PAI indicator in question to encourage future improvement trend of indicators.	The sum of all indicators Data trend improvement Engagement impact score per indicator

Score rebasing:

Sufficient engagement impact score	Is sufficient engagement impact score met?	Rebase sufficient engagement impact score to 60%	Rebase remaining score to 40%	Rebased Portfolio Data Disclosure Engagement impact score
20%	Yes	Rebase sufficient engagement impact score (20%) of portfolio data disclosure engagement impact score to 60%	portfolio data disclosure engagement impact score minus sufficient engagement impact score (20%), which is then rebased within the remaining 40%.	New rebased sufficient engagement impact score (60%) + rebased remaining engagement impact score (out of 40%).

Portfolio Data dynamics improvement Engagement impact score (Impact weighted)

	Number of indicator with improving dynamics - success 'high' (>+7%) (A)	Number of indicator with Improving dynamics - success 'medium' (>+2-7%) (B)	Number of indicator with Improving dynamics - success 'low' (<+-2%) (C)	Weighted successful engagement points (D)
PAI Indicator	The dynamic of the indicator shows an increase or decrease of more or equal to 7% indicating a positive improvement.	The dynamic of the indicator shows an increase or decrease of more or equal to 7% indicating a positive improvement.	The dynamic of the indicator shows an increase or decrease of more or equal to 7% indicating a positive improvement.	$((A)*3)+((B)*2)+(C)$

Data Trend Improvement Engagement impact score per indicator (impact weighted)	Portfolio Data trend improvement Engagement impact score – not impacted weighted (impact weighted)
$(D) / \text{total number of absolute engagements made on data trend improvement dynamics} * 3$	The sum of all indicators Data trend improvement Engagement impact score per indicator

Score rebasing:

Sufficient engagement impact score	Is sufficient engagement impact score met?	Rebase sufficient engagement impact score to 60%	Rebase remaining score to 40%	Rebased Portfolio Data Disclosure Engagement impact score
20%	Yes	Rebase sufficient engagement impact score (20%) of portfolio data disclosure engagement impact score to 60%	portfolio data disclosure engagement impact score minus sufficient engagement impact score (20%), which is then rebased within the remaining 40%.	New rebased sufficient engagement impact score (60%) + rebased remaining engagement impact score (out of 40%).

Portfolio TOTAL Engagement impact score

	<i>Weight</i>	<i>Score</i>
Rebased Portfolio Data Disclosure Engagement impact score	50% (A)	(D)
Rebased Portfolio Data trend improvement Engagement impact score (not impact weighted)	17% (B)	(E)
Rebased Portfolio Data trend improvement Engagement impact score (impact weighted)	33% (C)	(F)
TOTAL Engagement Impact Score	100%	(A*D)+(E*B)+(F*C)

Appendix 3: Engagement Procedure

The engagement process begins with a formal email requesting information about any identified critical elements. Subsequent steps depend on the firm's responsiveness.

Responsive Companies

Engagement is conducted via:

- Video calls
- Emails
- Personalised Questionnaires

All interactions are recorded to track the progress made by the investee company over time.

Since engagement is an ongoing process, it will continue annually if critical elements persist, with the aim to foster improvements in the sustainability efforts of investee companies.

Non-Responsive Companies

In the event there is no response to the initial engagement attempt, a subsequent follow-up email is sent, followed by a direct analyst phone call.

Each engagement attempt is logged, capturing the details of phone conversations and interactions with IR and Sustainability teams. These records serve as valuable references for future engagement, facilitating a constructive dialogue.

SUSTAINABILITY TEAM AT NICHE AM



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