

2025

# NICHE ASSET MANAGEMENT

*SUSTAINABLE INVESTMENT PROCESS*

**CINEF** ETHICAL GLOBAL TRENDS  
investments

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INTEGRATED  
ASSET MANAGEMENT

# INTRODUCTION

## NEF Global Ethical Trends



Launched in 2019, **NEF Ethical Global Trends** is a global sustainable equity fund classified under Article 9 of the EU's SFDR. It has a social sustainability objective to target companies that make a positive contribution to achieving the UN's Sustainable Development Goals, while seeking to invest mainly in stocks issued by companies with good quality Environmental, Social, and Governance (ESG) profiles.

This document aims to offer stakeholders a thorough understanding of the sustainable framework of the fund, with explicit details on the methodologies and criteria utilized in our sustainability investment strategy.

### Overview of the Sustainable Investment Process

The investment process is divided into pre-investment and post-investment stages.

The pre-investment analysis involves verifying the eligibility of stocks through various assessments, including SDG analysis, ESG analysis, DNSH analysis, sector screening, minimum governance scores, safeguards, and controversy checks. Each stock must meet specific minimum thresholds to be considered for inclusion in the portfolio.

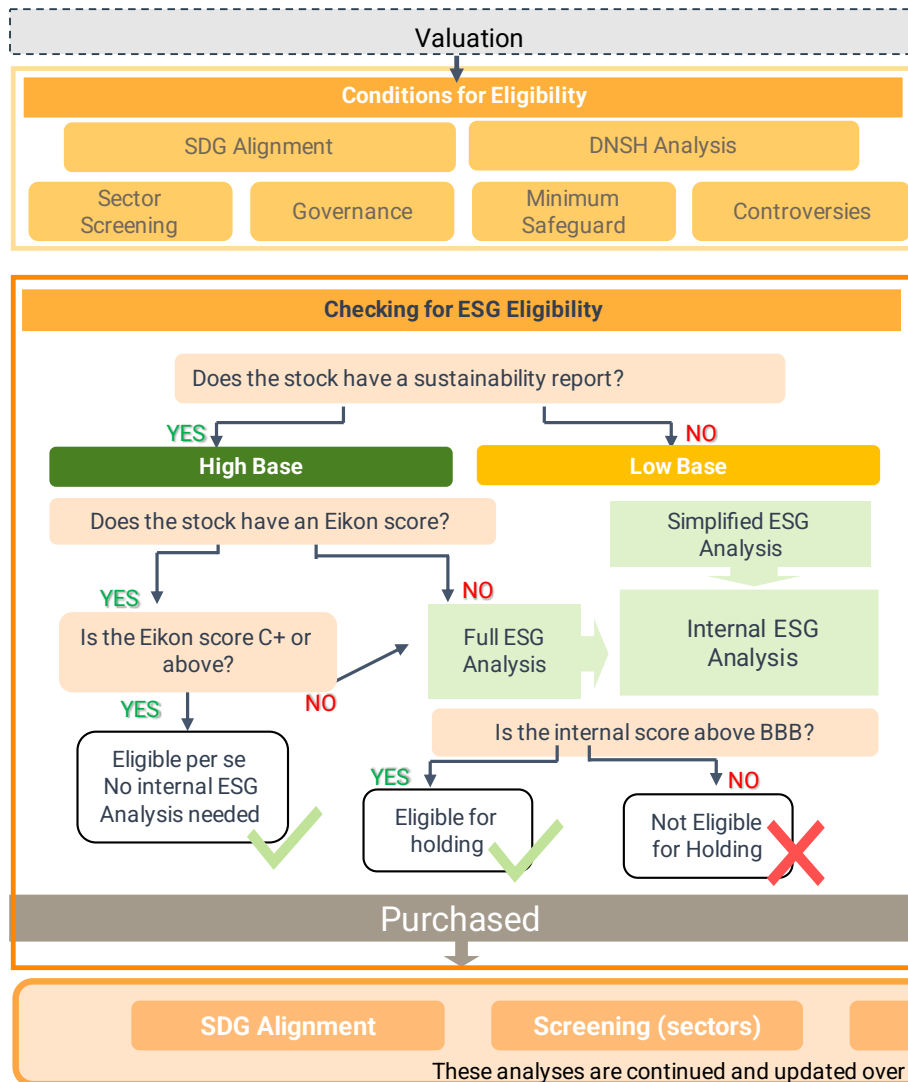
As stocks are added onto the portfolio, screenings and analyses are continuously updated and monitored throughout the investment period.

| Summary of analyses' deadlines |           |
|--------------------------------|-----------|
| <b>SDG Analysis</b>            | 30 months |
| <b>Controversy Analysis</b>    | 18 months |
| <b>ESG Analysis</b>            | 18 months |
| <b>DNSH Analysis</b>           | 18 months |

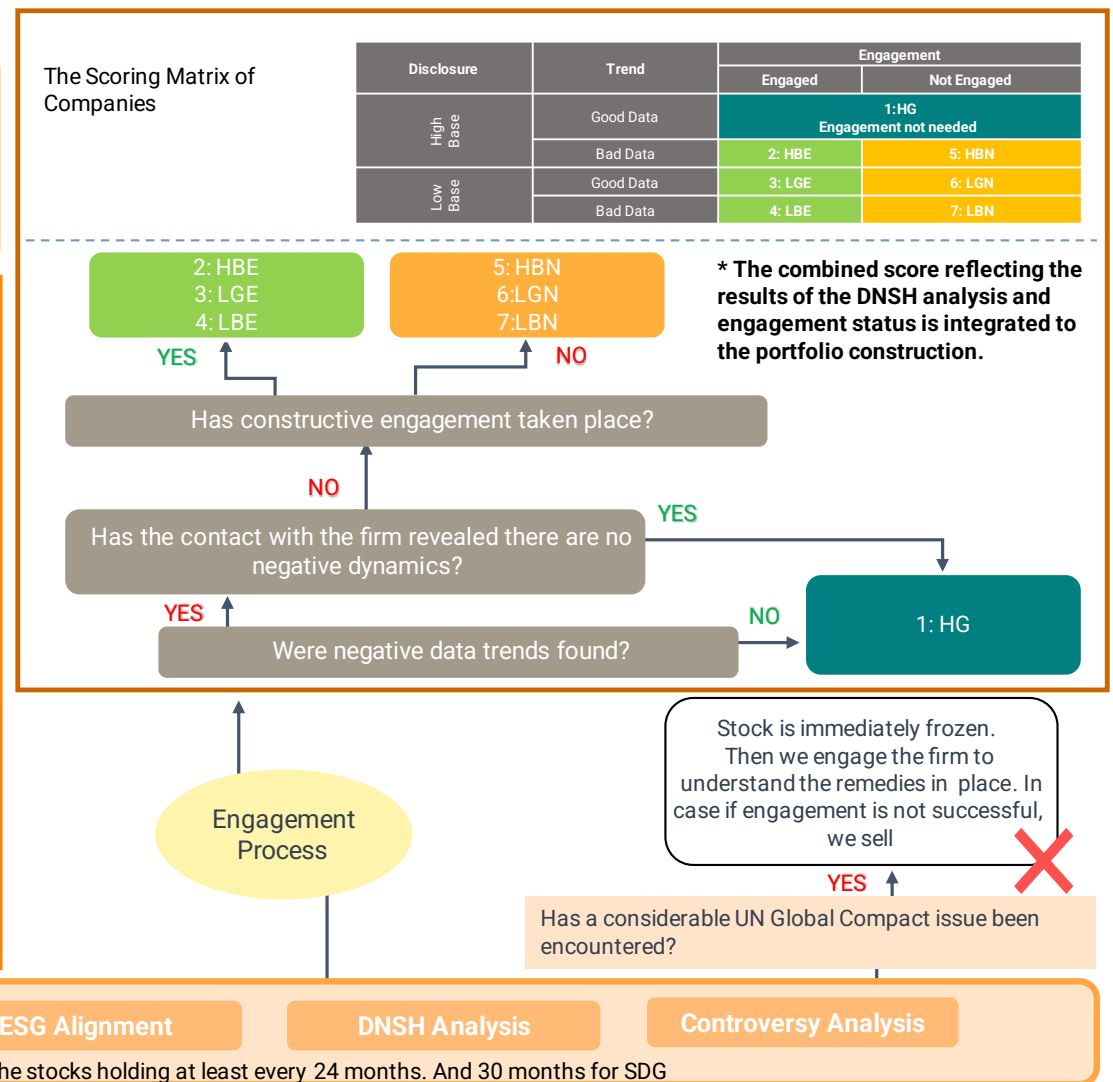
Engagement with management serves as a strategy to investigate and call for improvement on any negative trends identified, thereby exercising sustainability stewardship over the companies in our portfolio.

Detailed explanations of each analysis approach and its purpose will be provided in the following sections.

## Pre-Investment Process



## Post-Investment Process



# SDG ANALYSIS



Niche AM pioneered a combined **quantitative** and **qualitative** methodology for assessing the SDG impact of the portfolio. Prior to 2019, all methodologies focused solely on quantitative analyses.

All companies must have an SDG score assessed by the Investment Manager through its sustainable analysis, while each component of the portfolio must pass the SDGs test performed by the Investment Manager.<sup>1</sup>

## Methodology

The SDG analysis of Niche AM is further enhanced by industry-specific frameworks developed internally, providing a standardized and objective method to compare each company's SDG performance within its own sector. The SDG frameworks provide guidelines for each of the three steps of the SDG analysis per industry.

The approach is based on three steps: Business Segmentation Analysis, SDG Repercussion Analysis, and SDG Business Growth Analysis.

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<sup>1</sup> pre-contractual disclosure for the financial products referred to in Article 9

## Business Segmentation Analysis

### ➤ How much of the business of the company contributes to SDG?

The business segmentation analysis assesses the percentage of business contributing to the achievement of Sustainable Development Goals (SDGs) by examining the company's business activity breakdown and how each segment contributes or does not contribute to the SDGs. The internally developed SDG industry methodology provides guidance on the assessment of the contribution to the SDGs of each specific business activity, which is often a narrower representation than presented in the company's annual report to analyse the contribution to specific SDG targets. The aggregate of the contributing business segments then represents the total SDG-aligned portion of the business.

### Sample of business segment analysis:

| FY24                                                   |                           |                |                  |                    |
|--------------------------------------------------------|---------------------------|----------------|------------------|--------------------|
|                                                        | Revenue<br>(Dollar Mills) | Contribution % | SDG %<br>applied | Revenue on<br>SDG% |
| Mining/Smelting metals used for energy transition      | 5,788                     | 82%            | 100%             | 5,788              |
| Mining/Smelting Precious metals                        | 1,298                     | 18%            | 0%               | -                  |
|                                                        |                           |                |                  |                    |
|                                                        |                           |                |                  |                    |
|                                                        |                           |                |                  |                    |
|                                                        |                           |                |                  |                    |
| TOTAL Sales                                            | 7,086                     | 100%           |                  | 5,788              |
|                                                        |                           |                |                  |                    |
| TOTAL OF REVENUE DEDICATED TO as a % of total revenues | 5788.00                   |                |                  | 81.7%              |

#### 1. SDG % applied - Methodology

The Revenue of the firm was analysed to find the SDG contribution per business segment.

**Mining /smelting/refining of minerals and metals used for energy transition (ex. Copper, Cobalt, Nickel, Lithium): 100% SDG**

**Instrumentality: Very High**

Mining and manufacturing energy transition commodities like lithium and cobalt significantly contribute to several SDGs, supporting clean energy production (SDG 7.2), efficient infrastructure (SDG 9.4), sustainable cities (SDG 11.2), and climate action (SDG 13.1), thus driving a low-carbon future. These materials are also vital for automotive, engineering, and construction. • Copper: Essential for electrical wiring in solar panels, wind turbines, and electric vehicles (EVs). • Cobalt: A key component of lithium-ion batteries used in EVs and energy storage systems.

**Mining/Smelting Precious metals: NOT SDG**

Precious metals such as gold and silver are classed as luxury items and therefore are considered to not contribute to the SDGs.

#### 2. Revenue Segmentation

The firm report their business in the following segments:

**Copper Mining and Refining**

The company operates 3 copper mines and refines the metal for sale.

**Gold and Silver Mining and refining**

The company mines for gold and silver which is used in the jewellery industry.

**3. The Revenue** of each business segment was analysed above to find what percentage of the revenue was relevant to the achievement of the SDGs.

As shown above, was est. **81.7% of revenue on SDG.**

## SDG Repercussion Analysis

### ➤ What is the extent of the company's impact on sustainable development?

The second phase is the SDG Repercussion analysis, which is composed of the analysis of the positioning of the company in the SDGs-related business and the measurement of the SDGs instrumentality of the company's business.

The **SDG instrumentality** quantifies the intensity of the exposure the business activity has to the Sustainable Development Goals (SDGs). As most businesses are made up of different business activities which have an instrumentality level defined by our industry-specific methodology, each business segment is therefore evaluated based on its specific instrumentality. Ultimately, the total instrumentality of all segments weighted against their business contribution is calculated, providing an SDG instrumentality score (the company's impact on sustainable development.)

#### *SDG Instrumentality Categories:*

| Categories | Score | How instrumental the business for the sustainable development goals?                                                                                                           |
|------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Very High  | 6.7   | The business activities substantially advance SDG outcomes within the industry. Moreover, achieving these goals would be impossible without the contributions of this company. |
| High       | 5.3   | The company plays an important role in achieving the SDGs, utilising adequate practices or methods that result in significant contribution to SDG achievements.                |
| Medium     | 4     | The company makes a positive contribution towards achieving the SDGs, reflecting a beneficial but not leading role in their advancement.                                       |
| Low        | 2.7   | The company's operations have a minimal impact on the SDGs and may employ technologies and methods that are less effective compared to other available alternatives.           |

The Business Positioning analysis evaluates how much the company in question is needed for the smooth operation of the SDG-related industry. This analysis considers factors such as market fragmentation, the company's market share, competitive advantages, operational regions, innovation capabilities, and other relevant aspects. Importantly, this analysis is conducted in collaboration with the investment team to ensure a comprehensive perspective. The outcome, which integrates these considerations and the team's insights, determines the firm's business positioning. It considers the negative repercussions (such as higher prices, lower quality or reduced supply) if the company were to cease its SDG activities.

#### *Business Positioning Analysis Categories:*

| Categories | Score | How instrumental the company is for the industry and the economy?                                                                          |
|------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Very High  | 3.3   | The consequences would be <b>disruptive</b> , prices would skyrocket and there would be a shortage of goods.                               |
| High       | 2.7   | The consequences are <b>serious</b> , but the industry is able to recover. In due time other companies would cover this gap in the market. |
| Medium     | 2     | There would be <b>some level of disruption</b> , but it will be covered by competitors in time.                                            |
| Low        | 1.3   | <b>Negligible</b> disruption and very small consequences.                                                                                  |

The SDG Instrumentality and business positioning are evaluated on a scale that ranges from low to very high, with corresponding scores of. Together, these scores form the SDG repercussion score. However, the weighting of these scores differs to

reflect their relative importance. Recognizing the greater significance of the intensity of business activities towards sustainable goals, Niche AM has assigned a double weight to the SDG Instrumentality score compared to the business positioning score in our SDG repercussion calculations.

A score is calculated for the company’s overall SDG repercussion, by classifying the **positioning** and **functionality** scores in a matrix.

*Sample of SDG positioning and functionality Analysis:*

|                       |                                  |           |      |        |     |       |
|-----------------------|----------------------------------|-----------|------|--------|-----|-------|
| SDG impact: Valuation |                                  | Very High | High | Medium | Low | score |
|                       | SDG Instrumentality              | x         |      |        |     | 66.7  |
|                       | Business Positioning             |           |      | x      |     | 20.0  |
|                       | Total Impact Score               |           |      |        |     | 86.7  |
|                       | Total Impact Score rebased to 10 |           |      |        |     | 8.7   |

|                           |           |                     |                      |       |
|---------------------------|-----------|---------------------|----------------------|-------|
| SDG impact: Scoring Rules |           | SDG Instrumentality | Business Positioning | Total |
|                           | Very High | 66.7                | 33.3                 | 100   |
|                           | High      | 53.3                | 26.7                 | 80    |
|                           | Medium    | 40.0                | 20.0                 | 60    |
|                           | Low       | 26.7                | 13.3                 | 40    |

SDG Instrumentality is considered 'Very High' as the majority of the firms because is related to metals which advance the energy transition.

Business positioning is considered 'High' because if the company were to stop operating, the consequences are serious but the industry is able to recover. In due time other companies would cover this gap in the market.

### SDG Business Growth Analysis

In the business growth analysis, the sustainability team verifies whether the SDG-related business of the company is growing and whether and to what extent the company is investing in that business. This examination focuses on the company’s commitment to either grow their SDG business or change how the business is operated in way to further benefit the SDGs. Using the internally developed methodology which provides guidance and how to examine SDG business growth by industry, the team analyses and synthesizes data to determine if the SDG business is truly growing. Given the critical nature of this section and the potential for subjective interpretations, all findings are cross-checked among the sustainability team to ensure a well-substantiated conclusion.



**‘Super growth’** serves as a bonus scoring system that highlights companies' exceptional efforts to adapt their business models in support of the SDGs. These efforts are reflected into the overall SDG scoring system, enhancing their overall score.

The awarding of ‘super growth’ score is discretionary to the analyst but must only be awarded in exceptional circumstance where the company

publishes a detailed plan with concrete goals that show that the company is transitioning a very large proportion of their business model in support of the SDGs.

## SDG Background and Focus Analysis

- *What is the extent of the company's specific reporting on their commitment and action on the sustainable development goals?*

This section has been newly added to our SDG analysis to assess the company's public level of commitment and action toward the SDGs. By analysing if the company show commitment in the following area:

| SDG Commitment                                                                                                                                                                               | SDG Materiality assessment                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Does the company mention the SDG?</li><li>• Does the company publish SDG commitment Statement?</li><li>• Are the company a UNGC signatory?</li></ul> | <ul style="list-style-type: none"><li>• Has the company conducted an SDG materiality assessment to identify the SDGs/sustainability issues most relevant to their business operations and stakeholders</li><li>• Is this analysis, including the methodology and stakeholder engagement process, publicly disclosed?"</li></ul>                                 |
| SDG Targets                                                                                                                                                                                  | SDG Action                                                                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"><li>• Are there any KPI/targets related to the material SDG areas</li><li>• Is there reporting on their progress against these targets</li></ul>           | <ul style="list-style-type: none"><li>• For identified material SDGs, can the company provide specific examples of initiatives, projects, or changes in business practices that have been implemented?</li><li>• Are these initiatives integrated into just their core business strategy and operations, rather than being standalone CSR activities?</li></ul> |

If the company's SDG reporting doesn't meet the level, we deem sufficient based on our scoring (3 out of 9), we'll engage with them to increase their awareness of the SDGs and encourage further participation in achieving these goals.

We also note down any specific SDG related engagement/conversation held with the firm in this section, even if the company are scored well for their SDG reporting and participation.

# Impact Calculation

The final SDG score of a firm integrates findings from three key analyses to comprehensively evaluate the company's impact on achieving the SDGs. Firms that align with the highlighted green sections of the matrix—achieving a score above the minimum threshold of 6—demonstrate a positive contribution to one or more SDGs.

## Scoring Breakdown:

|                |          | SDG Repercussion |      |                    |        |                 |     |
|----------------|----------|------------------|------|--------------------|--------|-----------------|-----|
|                |          | Very High        | High | Medium and growing | Medium | Low and growing | Low |
| % SDG Business | 90%-100% | 10               | 9    | 8                  | 7      | 7               | 6   |
|                | 50%-90%  | 9                | 9    | 7                  | 6      | 6               | 5   |
|                | 25%-50%  | 8                | 8    | 7                  | 6      | 5               | 4   |
|                | 0-25%    | 8                | 7    | 6                  | 5      | 4               | ≤3  |

|                |          | SDG Repercussion |      |                    |        |                 |     |
|----------------|----------|------------------|------|--------------------|--------|-----------------|-----|
|                |          | Very High        | High | Medium and growing | Medium | Low and growing | Low |
| % SDG Business | 90%-100% | AAA              | AA   | A                  | BBB    | BBB             | BB  |
|                | 50%-90%  | AA               | AA   | BBB                | BB     | BB              | B   |
|                | 25%-50%  | A                | A    | BBB                | BB     | B               | CC  |
|                | 0-25%    | A                | BBB  | BB                 | B      | CCC             | C   |



Rarely, when super growth is awarded, the scoring area is advanced by one block on the SDG repercussion matrix as part of the final scoring.

The final score of the firms indicates the SDG contribution as below.

| SDG Score | Numerical Score | Description                                                                                                                                                            |
|-----------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AAA       | 10              | Indicates a very high contribution to the SDGs in terms of the mix of business activity, repercussions, market positioning, and SDG Business Growth.                   |
| AA        | 9               | Indicates a high contribution to the SDGs in terms of the mix of business activity, repercussions, market positioning, and SDG Business Growth.                        |
| A         | 8               |                                                                                                                                                                        |
| BBB       | 7               |                                                                                                                                                                        |
| BB        | 6               | Indicates a positive contribution to the SDGs in terms of the mix of business activity, repercussions, market positioning, and SDG Business Growth.                    |
| B         | 5               | Indicates a minor, neutral, or negative contribution to the SDGs in terms of the mix of business activity, repercussions, market positioning, and SDG Business Growth. |
| CCC       | 4               |                                                                                                                                                                        |
| CC        | 3               |                                                                                                                                                                        |
| C         | ≤2              |                                                                                                                                                                        |

SDG analysis must be made for each stock in the portfolio and must be **updated within 30 months**. As the SDG analysis is mainly focused on the company's business activities, the analysis does not need to be updated as frequently unless there is a large change in the company's business structure (i.e., a merger).

## Portfolio SDG Analysis

The Investment Manager has identified 28 themes, called *TrendSDG*, which are pivotal to the achievement of one or more SDGs. Each *TrendSDG* is represented by a correlated portfolio of companies. The Investment Manager calculates the SDG impact of each *TrendSDG* portfolio (SDG score) on a monthly and annual basis.

Below, the relevant SDGs for each of the 28 TrendSDG themes are highlighted and organized into seven macro-themes for ease of reading: **Infrastructure, Mobility, Health, Materials, Finance, Food, and Communication**.

## Themes and trends with SDG contribution as of September 2025:

|                                | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|--------------------------------|--------------|---------------|------------------------------|---------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------------------|-------------------------|---------------------------------------|-------------------------------------------|-------------------|---------------------|-----------------|-------------------------------------------|-------------------------------|
| Infrastructure                 | ✓            |               |                              |                     |                   | ✓                            | ✓                             | ✓                                 | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           | ✓                             |
| Waste and Sewage Management    | ✓            |               |                              |                     |                   | ✓                            |                               |                                   | ✓                                         |                         | ✓                                     |                                           |                   | ✓                   | ✓               |                                           |                               |
| Smart Housing                  |              |               |                              |                     |                   |                              | ✓                             |                                   | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 |                     |                 |                                           |                               |
| Globalisation of Transport     |              |               |                              |                     |                   |                              |                               | ✓                                 | ✓                                         |                         | ✓                                     |                                           |                   |                     |                 |                                           | ✓                             |
| Renewable energy               |              |               |                              |                     |                   |                              | ✓                             |                                   |                                           |                         | ✓                                     |                                           | ✓                 |                     |                 |                                           |                               |
| Civil Infrastructures          | ✓            |               |                              |                     |                   | ✓                            |                               | ✓                                 | ✓                                         |                         | ✓                                     |                                           |                   | ✓                   | ✓               |                                           |                               |
| Infrastructure for work        | ✓            |               |                              |                     |                   |                              |                               | ✓                                 | ✓                                         |                         | ✓                                     |                                           |                   |                     |                 |                                           |                               |
| Mobility                       | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|                                |              |               |                              |                     |                   |                              | ✓                             |                                   |                                           |                         | ✓                                     |                                           | ✓                 |                     |                 |                                           |                               |
| Electric Mobility              |              |               |                              |                     |                   |                              | ✓                             |                                   |                                           |                         | ✓                                     |                                           | ✓                 |                     |                 |                                           |                               |
| Smart Mobility                 |              |               |                              |                     |                   |                              |                               |                                   |                                           |                         | ✓                                     |                                           | ✓                 |                     |                 |                                           |                               |
| Materials                      | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|                                |              |               |                              |                     |                   |                              |                               |                                   | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           | ✓                             |
| Plastic and Steel Substitution |              |               |                              |                     |                   |                              |                               |                                   | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           | ✓                             |
| Fibres for the Future          |              |               |                              |                     |                   |                              |                               |                                   | ✓                                         |                         |                                       | ✓                                         | ✓                 | ✓                   | ✓               |                                           |                               |
| Recycling Materials            |              |               |                              |                     |                   |                              |                               |                                   | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 |                     |                 |                                           | ✓                             |

| Health                           | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|----------------------------------|--------------|---------------|------------------------------|---------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------------------|-------------------------|---------------------------------------|-------------------------------------------|-------------------|---------------------|-----------------|-------------------------------------------|-------------------------------|
|                                  | ✓            |               | ✓                            |                     |                   |                              |                               |                                   | ✓                                         | ✓                       | ✓                                     |                                           |                   |                     |                 |                                           | ✓                             |
| Aging Population                 |              |               | ✓                            |                     |                   |                              |                               |                                   |                                           |                         | ✓                                     |                                           |                   |                     |                 |                                           |                               |
| Epidemic and Pandemic Prevention |              |               | ✓                            |                     |                   |                              |                               |                                   | ✓                                         |                         | ✓                                     |                                           |                   |                     |                 |                                           | ✓                             |
| Genetics and Diagnostics         |              |               | ✓                            |                     |                   |                              |                               |                                   | ✓                                         |                         |                                       |                                           |                   |                     |                 |                                           |                               |
| Generic Medicines                | ✓            |               | ✓                            |                     |                   |                              |                               |                                   |                                           | ✓                       |                                       |                                           |                   |                     |                 |                                           |                               |
| Oncology                         |              |               | ✓                            |                     |                   |                              |                               |                                   | ✓                                         |                         |                                       |                                           |                   |                     |                 |                                           | ✓                             |
| Psychiatric Disorders            |              |               | ✓                            |                     |                   |                              |                               |                                   |                                           | ✓                       |                                       |                                           |                   |                     |                 |                                           |                               |
| Communication                    | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|                                  | ✓            |               |                              | ✓                   | ✓                 |                              |                               | ✓                                 |                                           | ✓                       | ✓                                     |                                           |                   |                     |                 | ✓                                         | ✓                             |
| 5G                               | ✓            |               |                              | ✓                   | ✓                 |                              |                               | ✓                                 |                                           | ✓                       | ✓                                     |                                           |                   |                     |                 | ✓                                         | ✓                             |
| Inclusive Education              | ✓            |               |                              | ✓                   | ✓                 |                              |                               | ✓                                 |                                           | ✓                       |                                       |                                           |                   |                     |                 | ✓                                         | ✓                             |
| Transparent Information          |              |               |                              |                     |                   |                              |                               |                                   |                                           | ✓                       |                                       |                                           |                   |                     |                 | ✓                                         | ✓                             |

| Finance                      | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|------------------------------|--------------|---------------|------------------------------|---------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------------------|-------------------------|---------------------------------------|-------------------------------------------|-------------------|---------------------|-----------------|-------------------------------------------|-------------------------------|
|                              | ✓            | ✓             |                              |                     | ✓                 |                              |                               | ✓                                 | ✓                                         | ✓                       |                                       |                                           |                   |                     |                 | ✓                                         | ✓                             |
| Responsible Asset Management | ✓            | ✓             |                              |                     | ✓                 |                              |                               | ✓                                 | ✓                                         | ✓                       |                                       |                                           |                   |                     |                 |                                           | ✓                             |
| Good Insurance               | ✓            | ✓             |                              |                     | ✓                 |                              |                               | ✓                                 | ✓                                         | ✓                       |                                       |                                           |                   |                     |                 | ✓                                         | ✓                             |
| Good Banking                 | ✓            | ✓             |                              |                     | ✓                 |                              |                               | ✓                                 | ✓                                         | ✓                       |                                       |                                           |                   |                     |                 | ✓                                         | ✓                             |
| Food                         | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS |
|                              |              | ✓             |                              |                     |                   |                              |                               | ✓                                 | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           |                               |
| Ethical Farming              |              | ✓             |                              |                     |                   |                              |                               |                                   |                                           |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           |                               |
| New Lifestyles               |              |               |                              |                     |                   |                              |                               |                                   |                                           |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           |                               |
| Local Resource Development   |              | ✓             |                              |                     |                   |                              |                               |                                   |                                           |                         | ✓                                     | ✓                                         | ✓                 |                     |                 |                                           |                               |
| Sustainable Agriculture      |              | ✓             |                              |                     |                   |                              |                               | ✓                                 |                                           |                         | ✓                                     | ✓                                         | ✓                 | ✓                   | ✓               |                                           |                               |
| New Distribution Models      |              | ✓             |                              |                     |                   |                              |                               |                                   | ✓                                         |                         | ✓                                     | ✓                                         | ✓                 |                     |                 |                                           |                               |

# MINIMUM SAFEGUARD AND CONTROVERSIES

## Minimum Safeguard Tools

To ensure that the minimum safeguard is met in the investments, the following three analyses are conducted to complete the initial assessment of a company eligibility for investment:



To ensure that the minimum safeguard is met in the investments, the following criteria must be met to meet minimum safeguards.

### Controversial sector exclusion policy

The Sub-Fund shall exclude all of the following companies from its eligible universe as these are business areas not deemed to be in line with the fund's objectives.

- Companies involved in the production or sale of **cluster bombs** and related activities.
- Companies that derive more than **5% of revenues from Armaments**.
- Companies that derive more than **10% of revenues from Tobacco**.
- Companies that derive more than **10% of revenues from Gambling**.
- Companies in violation of the **United Nations Global Compact (UNGC) principles** or the **Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**.
- Companies whose **main business activity** (according to Workspace Refinitiv) is carried out in any of the following business areas:
  - Coal
  - Integrated Oil and Gas
  - Oil and Gas Exploration and Production
  - Oil and Gas Drilling
  - Oil-related Services and Equipment
  - Adult Publishing
  - Adult Entertainment Production & Broadcasting
  - Adult Products Retailers Gambling

## Pre-Investment

**The risk team** first screens the stocks based on the industry and Refinitiv's classification system before adding the firm to the IMS.

## Post-Investment

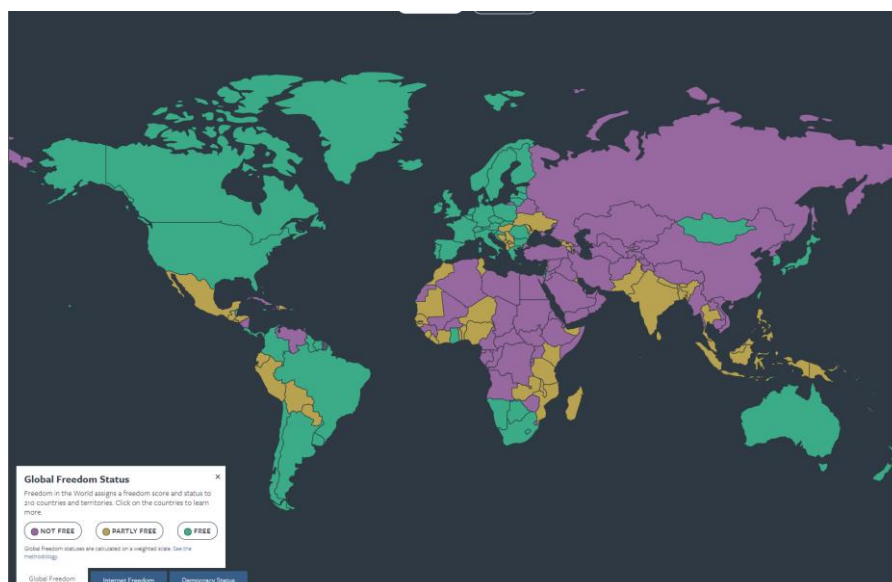
**The Risk team** monitors the exclusions exposure via Refinitiv's classification system through weekly 'limit reports.'

*\*If an issuer's business activity becomes involved in the exclusion sectors after investment, 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.*

## Autocratic Countries Exclusions

Since March 2022, the fund **does not invest** in countries that are **autocratic** according to Freedom House or are in FATF's grey list and black list. If the company is listed in a market on the grey list, but it has more than 50 per cent of its assets in foreign markets, the stock can remain in the portfolio.

China is currently the only market rated as 'not free' by Freedom House in which NEF EGT maintains an investment, though with minimal exposure. New investments in Chinese securities have been restricted and only sell trades are allowed.



Source: Freedom House

## Good Corporate Governance

As the fund is classified as *Article 9 SFDR*, investments are subject to **good governance policy** (sound management structures, employee relations, staff remuneration and tax compliance) while considering the size, the risks, and the resources of the company. To ensure the respect of good governance, the Fund **only invests in publicly traded companies** as a minimum safeguard, as several policies and audits take place before a company goes public.

In the case of companies scored by Refinitiv Eikon, **a minimum governance score of 25 is required (according to Refinitiv Eikon, a governance score above 25 indicates satisfactory ESG performance)**. In the case that no Eikon data is available or if the Eikon governance score is not deemed appropriate, **the minimum score of 50 as per the Investment Manager internal score** is required. The internal Governance analysis must then be approved by the management company. Please see the internal ESG analysis section of the document for more information on the methodology.

## Controversy Analysis

### Methodology of the Controversy Analysis

Controversy analyses must be made for each stock in the portfolio and must be **updated within 18 months**.

Controversy analysis utilizes a variety of sources to ensure the identification of material controversies. This includes annual reports, press releases, online media, and third-party data providers.

| Structure of the Controversy Analysis: data gathering           |                                                                                                                                                                                       |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual Report analysis:</b>                                  | The review of the annual report examines any pending legal proceedings, disputes, litigations, and incidents involving the company during the fiscal year.                            |
| <b>Internet Research:</b>                                       | The internet research focuses on scandals and controversies related to the company, typically covering the past 2-5 years.                                                            |
| <b>Workspace Refinitiv Analysis:</b>                            | A review of any controversies which are flagged on Workspace Refinitiv. The analyst should include a screenshot summarizing the controversy along with a link to the related article. |
| <b>Sanction Check Verification (Lexis Nexis Due Diligence):</b> | An analysis of sanctions and watchlists through our external provider.                                                                                                                |

## Structure of the Controversy Analysis: data analysis

- Identified controversies are first archived in their designated information channel segment before being assessed to determine their materiality regarding the company's negative impact on the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises.
- Once a controversy is analysed to be relevant, it is reported upon the summary sheet. If the controversy is judged to not correspond to the above matters, the controversy is left within the archives. Corporate related controversies may be signalled if important but are not relevant to the controversies we deem material.
- When added to the summary sheet, the controversy is analysed to a higher degree, pinpointing the true subject matter of the controversy and analysing consequence, gravity, and resolution of the controversy. After this has been analysed, the action of the fund manager is discussed.

To screen for relevant and material issues, we investigate relevant controversies as set out below.

| Controversy                                              | Details                  |
|----------------------------------------------------------|--------------------------|
| Breaches of the UN OECD MNE Guidelines or ILO Guidelines | Bribery                  |
|                                                          | Fraud                    |
|                                                          | ESG Violations           |
|                                                          | Embezzlement             |
|                                                          | Money laundering         |
|                                                          | Application of Sanctions |
|                                                          | Human Rights Violations  |

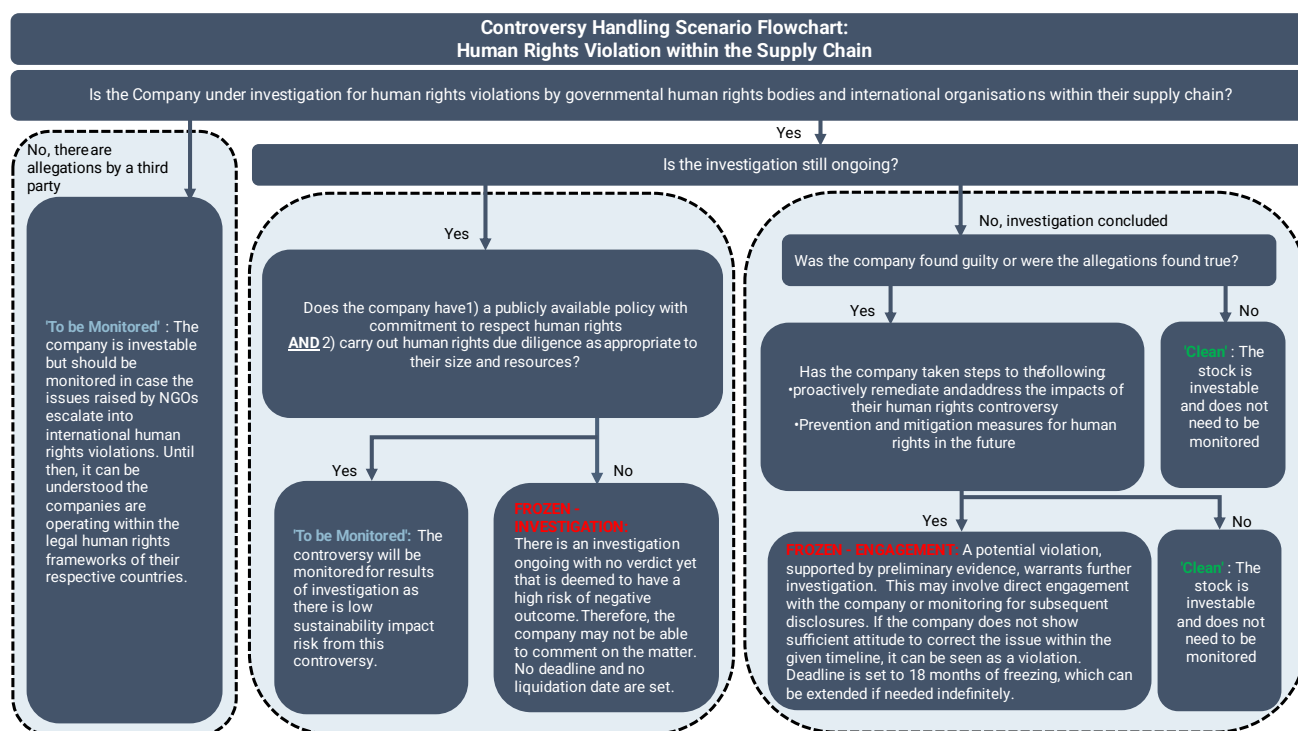
### Non-material Controversies

| Controversy                    | Details                                                                                                                                                                                                               |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business related Controversies | All business-related controversies (e.g. PR related, strikes, IP related etc.), resolved past controversies, or controversies related to previous management, and the Board of Directors are not considered material. |

### Classification of Controversies

The classification of the controversies varies based on the materiality and whether the controversy is confirmed or is still in dispute. The controversies classed under the UN OECD MNE Guidelines have its own methodology in determining the status of the controversy. Each methodology follows a flowchart-based approach to assess relevant factors such as the status of the litigation, the company's position and efforts, the effectiveness of its internal control systems, and others.

## Example of controversy handling scenario flowchart:



Based on this assessment, controversies are classified as follows:

| Classification         | Controversies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Not applicable</b>  | The controversy is found not to be material to the analysis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Resolved</b>        | <p>If a controversy has emerged but the company has taken a proactive approach to address and resolved the issue, the matter can be considered resolved.</p> <p><i>E.g. A company where a senior manager committed fraud has removed the individual and implemented new controls to prevent future occurrences.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>To be monitored</b> | <p>The controversy will be monitored every 3 months until the controversy is resolved.</p> <p><i>E.g. The controversy will be monitored to wait for results of investigation as there is lower sustainability impact risk from this controversy. This is because the company's internal controls are in place which means the firm must amend the issue.</i></p> <p><i>E.g. The company is investable as the allegations are from individual entity's which and lack any sound basis but should be monitored in case the issues raised by independent entities escalate into legal violations/sanctions. Until then, it can be understood the companies are operating within the legal frameworks of their respective countries.</i></p> <p><i>E.g. Companies can also be monitored for being part of sensitive industries (e.g., the palm oil industry), even if they do not have any active controversies. This ensures more frequent monitoring, considering the sector's sensitivity.</i></p> |

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>To be investigated</b>     | The company should be immediately contacted to understand the materiality of the controversy before considerations of freezing, as the controversy is yet to enough information available on the matter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Frozen – Investigation</b> | Due to the material risk and high potential for a negative outcome from the ongoing case/investigation related to the controversy, the stock will be frozen until further information becomes available. Under these circumstances, no liquidation is required, and no deadline has been set.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Frozen – Engagement</b>    | <p>A potential violation, supported by preliminary evidence, warrants further investigation. This may involve direct engagement with the company or monitoring for subsequent disclosures. This also applies if an investigation finds tche company guilty, it may be granted time to rectify the issue. The specifics of correction (e.g., management reshuffle, new preventive procedures, sufficient remediation) will be determined by methodology. If the company fails to demonstrate a sufficient commitment to correcting the issue within the given timeline, it will be considered a violation.</p> <p>A <b>deadline of 18 months</b> is set for the company to demonstrate sufficient action to remediate the issue and prevent re-occurrence; otherwise, the company <b>will be liquidated</b>. In some specialist cases, the company may remain in a "frozen" status beyond this <b>18-month period</b>, preventing further stock purchases. Such exceptions require justification and a majority vote by the sustainability committee.</p> |
| <b>Frozen – MANCO</b>         | Frozen due to management company request. Liquidation is not required unless agreed with the Management Company. There is no deadline for the freezing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

If upon constructive engagement, the firm implements measures to enhance and resolve their sustainability management, the stock may be **unfrozen by the decision of the Sustainability Committee**. Please see details below of the process undertaken once the stock has been frozen. The process has been created based on recommendations by the [OECD](#).

# ESG ANALYSIS

## Introduction

NEF Ethical Global Trends invests in stocks issued by companies with good Environmental, Social and Governance (ESG) profiles. To achieve this, Niche AM mostly uses Refinitiv's ESG scores to confirm that the company meets the minimum threshold of a good ESG profile (C+).

If an issuer is downgraded below C+, the Investment Manager should sell its stock within a reasonable timeframe. However, it may continue to hold it if consent has been explicitly and specifically obtained from the Management Company (explained on the next page). The average ESG Portfolio Rating should not be below Refinitiv's 65 (or equivalent as per the Investment Manager's internal score).

| Refinitiv ESG Grade | Refinitiv ESG Score Range | Description                                                                                                                            |
|---------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| D-                  | 0.00 - 8.33               | 'D' score indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.     |
| D-                  | 8.33 - 16.67              |                                                                                                                                        |
| D+                  | 16.67 - 25.00             |                                                                                                                                        |
| C-                  | 25.00 - 33.33             | 'C' score indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly. |
| C-                  | 33.33 - 41.67             |                                                                                                                                        |
| C+                  | 41.67 - 50.00             |                                                                                                                                        |
| B-                  | 50.00 - 58.33             | 'B' score indicates good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.    |
| B-                  | 58.33 - 66.67             |                                                                                                                                        |
| B+                  | 66.67 - 75.00             |                                                                                                                                        |
| A-                  | 75.00 - 83.33             | 'A' score indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.        |
| A-                  | 83.33 - 91.67             |                                                                                                                                        |
| A+                  | 91.67 - 100.00            |                                                                                                                                        |

*\*Source: Refinitiv Environmental, Social and Governance (ESG) Scores from Refinitiv - May 2022 (Iseg.com)*

Refinitiv Eikon's ESG database, while comprehensive, does not extend to a significant segment of the market, particularly mid- to small-cap companies. Consequently, numerous attractive firms remain outside the scope of Refinitiv's coverage.

In addition, there are cases where Niche AM has found the providers' scores do not fairly reflect the company's ESG positioning as it does not recognise the diverse landscape of investee companies, each with varying degrees of sustainability maturity and disclosure practices, specifically in the area of small caps, where there is a possibility to make a real change in term of improving sustainability practises.

If a company lacking a Refinitiv ESG-score or lacks a score that is deemed proper significantly contributes to achieving one or more SDGs, an internal ESG rating derived from the Investment Manager's assessment or other sources may be utilized, but only with explicit authorization from the Management Company and provided that full disclosure is made.

Depending on the company's size and level of sustainability disclosure, a different ESG analysis approach is used to provide a fair scoring system which is inclusive to companies which are still at the early stage of their sustainability journey.

## Grouping Classification

Firms are categorized into four groups (A, B, C, D) based on the level of their ESG data disclosure in order to provide a standardized insight.

*Group Classification of stocks based on sustainability disclosure:*

A

**With Eikon data coverage:** For companies that are covered by Refinitiv Eikon, the Refinitiv ESG score is used when accurately available (when the peer selection is considered proper), offering a standardised sustainability comparison.

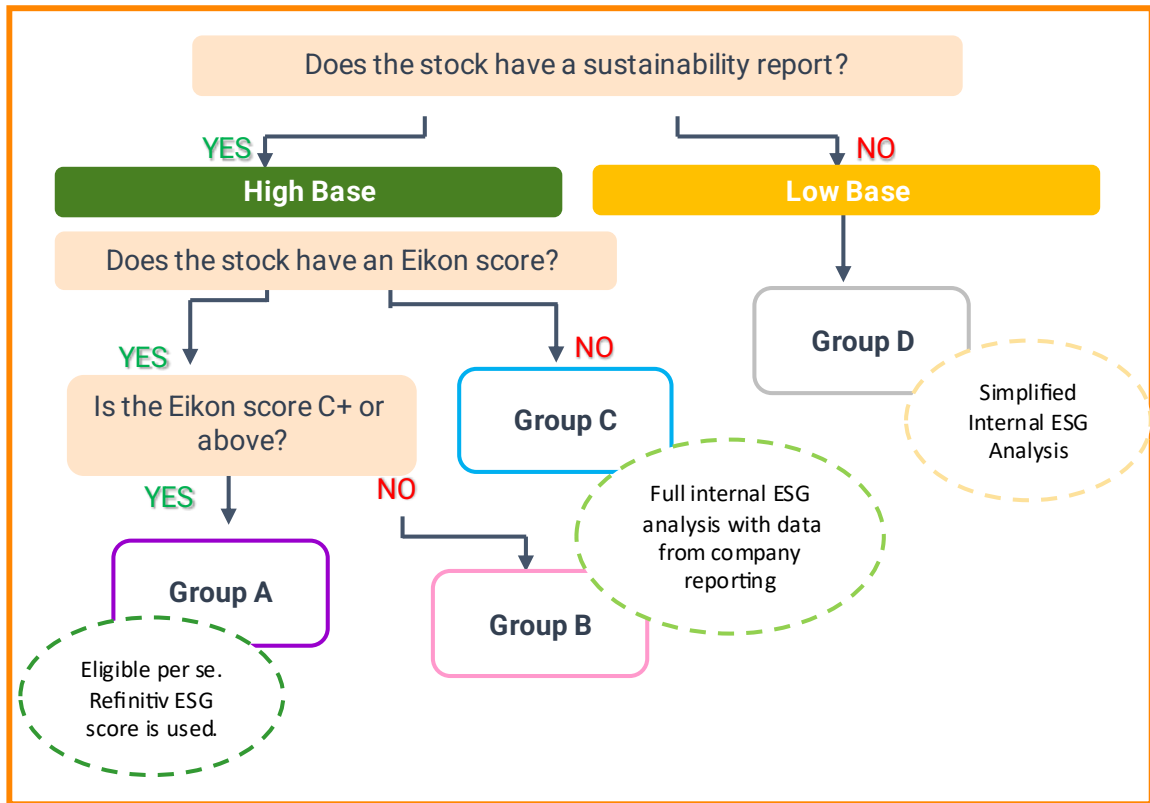
B/C

**With Sustainability Reporting:** For companies that publish sustainability report that adheres to global sustainability reporting frameworks, and do not have proper Refinitiv ESG data coverage, we carry out an internal full ESG analysis.

D

**Without Sustainability Reporting:** For companies that do not publish a sustainability report, we carry out an internal simple ESG analysis to understand their starting point in sustainability.

The accompanying flowchart outlines the grouping process for firms. As seen in the flow chart, for Group A, we do not conduct internal ESG analysis but only DNSH. For groups B and C, we employ the internal full ESG analysis, and for group D, we employ the internal simplified ESG analysis.



# FULL ESG ANALYSIS

## Framework

The goal of the internal full ESG analysis is to evaluate the company's sustainability level in an easily understandable and transparent manner, rather than using hard-to-understand algorithms.

Our internally developed ESG analysis methodically selects between **24 to 46 indicators within 3-5 categories per section**, ensuring a comprehensive yet focused approach. This selection is based on their relevance and impact.

The analysis is further complemented by a **double weighting system**, including peer comparison, and considering improvement in each indicator. The individual context of the industrial characteristic is taken into consideration, using three different analysis methods.

*Categories of Indicators of the ESG Analysis:*

| Environmental<br>Indicator Categories                                                                                                                              | Social<br>Indicator Categories                                                                                                   | Governance<br>Indicator Categories                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>▪ Targets</li><li>▪ Emissions</li><li>▪ Waste</li><li>▪ Water</li><li>▪ Energy</li><li>▪ Additional Key Indicators</li></ul> | <ul style="list-style-type: none"><li>▪ Workforce</li><li>▪ Human &amp; Community</li><li>▪ Product and Responsibility</li></ul> | <ul style="list-style-type: none"><li>▪ Board and Management</li><li>▪ Shareholders</li><li>▪ CSR Strategy Score</li></ul> |

## Methodology

### Peer Group Selection

The selection of peers for our ESG analysis follows the Niche AM methodology, ensuring a balanced and representative comparison. For each company analysed, we select 12 peers from the same industry on a global scale: 6 with a lower market capitalization and 6 with a higher market capitalization with ESG data coverage on Refinitiv Workspace.

### Industry Specification

The Niche Methodology for ESG analysis is tailored to reflect the specific characteristics and impacts of different industries by utilizing three distinct templates. These templates cater to:

- White collar services

- Heavy industries/Manufacturers
- Transportation/construction.

Each template is structured to account for the ESG factors most relevant to the industry it represents. The weighting assigned to each indicator within these templates also varies, ensuring that the final score accurately reflects the sustainability performance of a company in its respective sector.

## Environmental Indicators

|                                                                                          | Heavy Industries                                                                                                                                                                                              | Transportation/<br>Construction | White Collar<br>Service |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|
| Key Indicators                                                                           | Weight                                                                                                                                                                                                        | Weight                          | Weight                  |
| <b>Environment</b>                                                                       | <b>Weight</b>                                                                                                                                                                                                 | <b>Weight</b>                   | <b>Weight</b>           |
| <b>Targets</b>                                                                           | <b>13%</b>                                                                                                                                                                                                    | <b>13%</b>                      | <b>20%</b>              |
| Long term targets                                                                        | 4.4%                                                                                                                                                                                                          | 6.6%                            | 20%                     |
| Midterm Targets                                                                          | 4.4%                                                                                                                                                                                                          | 6.6%                            |                         |
| Short term targets                                                                       | 4.4%                                                                                                                                                                                                          |                                 |                         |
| <b>Emissions</b>                                                                         | <b>34%</b>                                                                                                                                                                                                    | <b>34%</b>                      | <b>25%</b>              |
| Policy Emissions                                                                         | 17.0%                                                                                                                                                                                                         |                                 | 12.5%                   |
| Total CO2 Equivalent Emissions To Revenues USD in million                                | 17.0%                                                                                                                                                                                                         | 34.0%                           | 6.3%                    |
| CO2 Equivalent Emissions Direct, Scope 1 (tonnes)                                        | <p><i>We score the emission category based on the main indicator of Emissions, the GHG intensity scope1+2+3.</i></p> <p><i>However, data of other emissions are used for granularity in the analysis.</i></p> |                                 |                         |
| CO2 Equivalent Emissions Indirect, Scope 2 (tonnes)                                      |                                                                                                                                                                                                               |                                 |                         |
| CO2 Equivalent Emissions Indirect, Scope 3 (tonnes)                                      |                                                                                                                                                                                                               |                                 |                         |
| CO2 Equivalent Emissions Total (tonnes - scope 1+2+3)                                    |                                                                                                                                                                                                               |                                 |                         |
| Revenue                                                                                  |                                                                                                                                                                                                               |                                 |                         |
| GHG intensity Scope 1+2+3 to revenues                                                    |                                                                                                                                                                                                               |                                 |                         |
| NOx Emissions To Revenues USD in million                                                 |                                                                                                                                                                                                               |                                 |                         |
| SOx Emissions To Revenues USD in million                                                 |                                                                                                                                                                                                               |                                 |                         |
| <b>Waste</b>                                                                             | <b>13%</b>                                                                                                                                                                                                    | <b>13%</b>                      | <b>5%</b>               |
| Waste Reduction Initiatives                                                              |                                                                                                                                                                                                               |                                 | 5%                      |
| Total Hazardous Waste To Revenues USD in million                                         | 4.4%                                                                                                                                                                                                          | 6.6%                            |                         |
| Total Hazardous waste tonnes                                                             |                                                                                                                                                                                                               |                                 |                         |
| Waste Recycled Ratio (Percent)                                                           | 4.4%                                                                                                                                                                                                          | 6.6%                            |                         |
| Toxic Chemicals Reduction                                                                | 4.4%                                                                                                                                                                                                          |                                 |                         |
| <b>Water</b>                                                                             | <b>13%</b>                                                                                                                                                                                                    | <b>13%</b>                      | <b>0%</b>               |
| Water Use to Revenues USD million                                                        | 4.4%                                                                                                                                                                                                          | 6.6%                            |                         |
| Water recycled to total wastewater                                                       |                                                                                                                                                                                                               |                                 |                         |
| Water Management Policy                                                                  | 4.4%                                                                                                                                                                                                          |                                 |                         |
| Water Pollutants emissions tonnes                                                        |                                                                                                                                                                                                               |                                 |                         |
| Water Pollutants emissions to Revenues USD                                               | 4.4%                                                                                                                                                                                                          | 6.6%                            |                         |
| <b>Energy</b>                                                                            | <b>13%</b>                                                                                                                                                                                                    | <b>13%</b>                      | <b>10%</b>              |
| Total Renewable energy use to Energy use total (production for utility companies)        | 6.6%                                                                                                                                                                                                          | 6.6%                            | 6.7%                    |
| Share of non-renewable energy consumption and production                                 |                                                                                                                                                                                                               |                                 |                         |
| Total Energy Use in Gigajoules to Revenues USD in million (Energy consumption Intensity) | 6.6%                                                                                                                                                                                                          | 6.6%                            | 3.3%                    |
| <b>Additional Key Indicators</b>                                                         | <b>13%</b>                                                                                                                                                                                                    | <b>13%</b>                      | <b>40%</b>              |
| Fossil Fuel Divestment Policy                                                            |                                                                                                                                                                                                               |                                 | 8%                      |
| Environmental Products                                                                   |                                                                                                                                                                                                               |                                 | 8%                      |
| Policy Environmental Supply Chain                                                        | 3.3%                                                                                                                                                                                                          | 5.3%                            |                         |
| Environmental Supply Chain Monitoring                                                    | 3.3%                                                                                                                                                                                                          |                                 |                         |
| Biodiversity impact reduction                                                            | 3.3%                                                                                                                                                                                                          | 5.3%                            | 8%                      |
| ISO 14000 or EMS                                                                         | 3.3%                                                                                                                                                                                                          | 5.3%                            | 8%                      |
| Environmental Partnerships                                                               |                                                                                                                                                                                                               |                                 | 8%                      |

## Social Indicators

|                                                      | Heavy Industries | Transp/ Constr. | White Collar Serv |
|------------------------------------------------------|------------------|-----------------|-------------------|
| Key Indicators                                       | Weight           | Weight          | Weight            |
|                                                      |                  |                 |                   |
| <b>Social</b>                                        | <b>Weight</b>    | <b>Weight</b>   | <b>Weight</b>     |
| <b>Workforce</b>                                     | <b>45%</b>       | <b>45%</b>      | <b>45%</b>        |
| Policy Employee Health & Safety                      | 3.5%             | 7.5%            | 4.1%              |
| Policy Supply Chain Health & Safety                  | 3.5%             | 3.8%            | 4.1%              |
| Training and Development Policy                      | 3.5%             | 3.8%            | 4.1%              |
| Health & Safety Training                             | 3.5%             | 3.8%            | 4.1%              |
| Turnover of Employees                                | 3.5%             | 3.8%            | 4.1%              |
| Gender Pay Gap Percentage                            | 3.5%             | 3.8%            | 4.1%              |
| Women Employees (percent)                            | 3.5%             | 3.8%            | 4.1%              |
| Women Managers (percent)                             | 3.5%             | 3.8%            | 4.1%              |
| Employees With Disabilities (percent)                | 3.5%             | 3.8%            | 4.1%              |
| Employee Fatalities (as percentage of employees)     | 3.5%             | 7.5%            |                   |
| Contractor Fatalities (as percentage of contractors) | 3.5%             | 3.8%            |                   |
| Accidents Total                                      | 3.5%             | 3.8%            | 4.1%              |
| Average Training Hours                               | 3.5%             | 3.8%            | 4.1%              |
| <b>Human &amp; Community</b>                         | <b>45%</b>       | <b>45%</b>      | <b>45%</b>        |
| Human Rights Policy                                  | 5.6%             | 5.6%            | 5.6%              |
| Policy Fair Competition                              | 5.6%             | 5.6%            | 5.6%              |
| Policy Bribery and Corruption                        | 5.6%             | 5.6%            | 5.6%              |
| Policy Business Ethics                               | 5.6%             | 5.6%            | 5.6%              |
| Policy Community Involvement                         | 5.6%             | 5.6%            | 5.6%              |
| Whistleblower Protection                             | 5.6%             | 5.6%            | 5.6%              |
| Donations % EBIT                                     | 5.6%             | 5.6%            | 5.6%              |
| <b>Product and Responsibility</b>                    | <b>10%</b>       | <b>10%</b>      | <b>10%</b>        |
| Cyber Security Policy                                | 5.0%             | 5.0%            | 5.0%              |
| Data Privacy Policy                                  | 5.0%             | 5.0%            | 5.0%              |

## Governance Indicators

| Governance                                     | Weight     | Weight     | Weight     |
|------------------------------------------------|------------|------------|------------|
| <b>Board &amp; Management</b>                  | <b>33%</b> | <b>33%</b> | <b>33%</b> |
| Nomination Board Committee                     | 3.3%       | 3.3%       | 3.3%       |
| Audit Board Committee                          | 3.3%       | 3.3%       | 3.3%       |
| Compensation Board Committee                   | 3.3%       | 3.3%       | 3.3%       |
| Policy Board Independence                      | 1.7%       | 1.7%       | 1.7%       |
| Policy Board Diversity                         | 1.7%       | 1.7%       | 1.7%       |
| Policy Executive Compensation Performance      | 1.7%       | 1.7%       | 1.7%       |
| Executive Compensation LT Objectives           | 1.7%       | 1.7%       | 1.7%       |
| Policy Executive Compensation ESG Performance  | 1.7%       | 1.7%       | 1.7%       |
| Audit Committee Mgt Independence               | 1.7%       | 1.7%       | 1.7%       |
| Compensation Committee Mgt Independence        | 1.7%       | 1.7%       | 1.7%       |
| Nomination Committee Mgt Independence          | 1.7%       | 1.7%       | 1.7%       |
| Board Meeting Attendance Average               | 1.7%       | 1.7%       | 1.7%       |
| Board Background and Skills                    | 1.7%       | 1.7%       | 1.7%       |
| Board Gender Diversity, Percent                | 1.7%       | 1.7%       | 1.7%       |
| Independent Board Members                      | 3.3%       | 3.3%       | 3.3%       |
| Shareholders' Approval Stock Compensation Plan | 1.7%       | 1.7%       | 1.7%       |
| <b>Shareholders</b>                            | <b>33%</b> | <b>33%</b> | <b>33%</b> |
| Shareholder Rights Policy                      | 33.3%      | 15.0%      | 33.3%      |
| <b>CSR Strategy Score</b>                      | <b>33%</b> | <b>33%</b> | <b>33%</b> |
| CSR Sustainability Committee                   | 11.1%      | 11.1%      | 11.1%      |
| CSR Sustainability Reporting                   | 11.1%      | 11.1%      | 11.1%      |
| CSR Sustainability External Audit              | 11.1%      | 11.1%      | 11.1%      |

# SIMPLIFIED ESG ANALYSIS

## Framework

Niche AM's internally developed simplified ESG analysis framework represents a selection of 11-13 indicators per section, purposefully chosen to capture the critical ESG factors relevant to small to mid-cap companies.

Within each section of our framework, we have selected indicators that provide mostly qualitative insights complemented by a few carefully chosen quantitative metrics. This deliberate approach enables us to obtain a more contextualized and comprehensive understanding of a firm's performance across various ESG dimensions with fewer resources.

Our focus on **qualitative indicators** aims to recognize the importance of firms that may not extensively publish or disclose ESG data, ensuring they are not unfairly penalized.

We recognize that these companies may be actively trying to enhance their sustainable business practices. By focusing on qualitative indicators, we can uncover subtle yet impactful aspects of their operations, initiatives, and commitments that contribute to their sustainability journey.

## Methodology

Our **qualitative indicators** focus on three major categories: **the firm's attitude, data disclosure, and the framework in place.**

These indicators aim to assess whether there is an evident effort on behalf of management to enhance the company's sustainability attitude, and whether adequate frameworks have been established for improving the company's sustainability footprint.

The qualitative indicators also examine the level and quality of data disclosure, as data transparency is key to identifying the firm's accountability towards sustainability efforts.

On the other hand, the **quantitative indicators** leverage on disclosed numerical data to derive meaningful insights. These insights are contextualized within the firm's

operational environment, providing a concrete analysis of its performance, impact, and standing.

**Engagement** is incorporated as a key indicator of the firm's attitude and commitment to ESG improvements.

The approach in the governance section of the internal simplified ESG analysis includes a tailored specification by country, acknowledging the nuances of cultural, geographical, and market-specific factors

## Environmental

|                 | Indicators                                               | Weighting   |
|-----------------|----------------------------------------------------------|-------------|
| Commitment      | Commitment to reduce environmental impact                | 9%          |
|                 | Environmental initiatives                                | 100% if Yes |
|                 | Resources reduction targets                              | 100% if Yes |
|                 | Waste reduction initiatives                              | 100% if Yes |
| Data Disclosure | CO2 emissions (Scope 1 - 2) disclosure                   | 100% if Yes |
|                 | Electricity usage disclosure                             | 100% if Yes |
|                 | Renewable energy use/<br>Renewable energy use commitment | 100% if Yes |
|                 | Water Management policy                                  | 100% if Yes |
| Framework       | ISO14001 certification/ Environmental Management System  | 100% if Yes |
|                 | Policy Environmental Supply Chain                        | 100% if Yes |

## Social

|            |                               |             |
|------------|-------------------------------|-------------|
| Framework  | Employee Health & Safety      | 100% if Yes |
|            | Supply Chain Health & Safety  | 100% if Yes |
|            | Human Policy                  | 100% if Yes |
|            | Quality Mgt Systems           | 100% if Yes |
|            | Training system               | 100% if Yes |
|            | Whistle-blower Protection     | 100% if Yes |
|            | Data Privacy                  | 100% if Yes |
|            | Business Ethics Policy        | 100% if Yes |
|            | Bribery and Corruption Policy | 100% if Yes |
|            | Community Involvement         | 100% if Yes |
| Commitment | Diversity and Opportunity     | 100% if Yes |

|              | Quantitative Indicators                    |      | Weight /Metrics                                                                                       |
|--------------|--------------------------------------------|------|-------------------------------------------------------------------------------------------------------|
| Quantitative | Number of industrial accidents (cases)     | 100% | No accidents or accidents show a decreasing trend over historical data                                |
|              |                                            | 50%  | The number of accidents shows an increase since the previous year but is in line with historical data |
|              |                                            | 0%   | Significance increases compared to the historical data                                                |
|              | Average Employee Length of Service (years) | 100% | If the figure is reported and in line with country/industry average                                   |
|              | Women employees                            | 100% | Above 38% in any sector or above 25% in an industrial sector                                          |
|              |                                            | 50%  | 10-25% in an industrial company                                                                       |
|              |                                            | 0%   | Less than 10%                                                                                         |

## Governance

|                 | Indicators                          | Weighting   |
|-----------------|-------------------------------------|-------------|
| Framework       | Nomination Board Committee          | 100% if Yes |
|                 | Audit Board Committee               | 100% if Yes |
|                 | Compensation Board Committee        | 100% if Yes |
|                 | Policy Board Diversity              | 100% if Yes |
|                 | Policy Board Experience             | 100% if Yes |
|                 | Shareholder Rights Policy           | 100% if Yes |
| Attitude        | Commitment to strengthen governance | 100% if Yes |
|                 | CSR Sustainability Committee        | 100% if Yes |
|                 | Employee focus/relations            | 100% if Yes |
|                 | Absence of disputes with workers    | 100% if Yes |
| Data Disclosure | Absence of tax disputes             | 100% if Yes |
|                 | CSR Sustainability Reporting        | 100% if Yes |

|              | Quantitative Indicators     |      | Weight /Metrics                      |
|--------------|-----------------------------|------|--------------------------------------|
| Quantitative | Non-Executive Board Members | 100% | NE ratio of the board above 33%      |
|              |                             | 50%  | NE ratio of the board between 20-33% |
|              |                             | 0%   | NE ratio below 20%                   |
|              | Independent Board Members   | 100% | NE ratio of the board above 33%      |
|              |                             | 50%  | NE ratio of the board between 20-33% |
|              |                             | 0%   | NE ratio below 20%                   |
|              | Number of Directors         | 100% | Number of directors between 6-12     |
|              |                             | 50%  | Number of directors between 4-6      |
|              |                             | 0%   | Number of directors between 6-12     |

# DNSH ANALYSIS

## Introduction to DNSH Analysis

The “do no significant harm” (DNSH) analysis is an assessment of **principal adverse impact (PAI)** indicators of single investee companies, which ensures that the sustainable investments held in the portfolio do not cause significant harm to any of the SDGs promoted by the fund. The focus of the DNSH analysis is not the intensity recorded for each factor, but its dynamics. Summarising, it is important that the investee company demonstrates an improving trend, that shows that it is gradually minimizing the negative impact of its business.

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

## Description of the Principal Adverse Impacts Indicators

The mandatory indicators required by the SFDR are in the table below. Out of these, Niche AM selected 17 to be analysed at a stock level via our internal DNSH analysis. The indicators that have not been included in the DNSH analysis are covered by the sustainable investing policy of the fund, and therefore, do not require any further analysis.

| PAI Indicators included / not included in Dynamic PAI Report |                                        |                                                 |                                                                           |
|--------------------------------------------------------------|----------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------|
| Climate and other environmental-related indicators           |                                        |                                                 |                                                                           |
| Adverse sustainability indicator                             |                                        |                                                 | Niche AM DNSH Analysis                                                    |
| Greenhouse gas emissions                                     | 1. GHG emissions                       | Scope 1 GHG emissions                           | Included                                                                  |
|                                                              |                                        | Scope 2 GHG emissions                           | Included                                                                  |
|                                                              |                                        | Scope 3 GHG emissions                           | Included                                                                  |
|                                                              |                                        | Total GHG emissions                             | Included                                                                  |
|                                                              | 2. Carbon footprint                    | Carbon footprint                                | Not included as it is covered by GHG emissions and GHG intensity analysis |
|                                                              | 3. GHG intensity of investee companies | Scope 1+2 GHG intensity of investee companies   | Included<br>(Scope 1+2 to revenue USD)                                    |
|                                                              |                                        | Scope 1+2+3 GHG intensity of investee companies | Included<br>(Scope 1+2+3 to revenue USD)                                  |

|                                                                     |                                                                                                                                                                      |                                                                                                                                  |                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     | 4. Exposure to companies active in the fossil fuel sector                                                                                                            | Share of investments in companies active in the fossil fuel sector                                                               | <b>Not included as the responsible investment policy prevents investments in these sectors.</b>                                                                                                                                                                                                                           |
| <b>PAI Indicators included / not included in Dynamic PAI Report</b> |                                                                                                                                                                      |                                                                                                                                  |                                                                                                                                                                                                                                                                                                                           |
| Climate and other environmental-related indicators                  |                                                                                                                                                                      |                                                                                                                                  |                                                                                                                                                                                                                                                                                                                           |
| Adverse sustainability indicator                                    |                                                                                                                                                                      |                                                                                                                                  | Niche AM DNSH Analysis                                                                                                                                                                                                                                                                                                    |
| Energy performance                                                  | 5. Share of non-renewable energy in consumption and production                                                                                                       | Share of non-renewable energy consumption and non-renewable energy production expressed as a percentage of total energy sources. | <b>Included</b>                                                                                                                                                                                                                                                                                                           |
|                                                                     | 6. Energy consumption intensity per high impact sector<br>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | Energy consumption in GWh per million EUR of revenue, per high climate impact sector                                             | <b>Included</b><br><br><i>(Total energy consumption to revenue USD)</i>                                                                                                                                                                                                                                                   |
| Biodiversity                                                        | 7. Activities negatively affecting biodiversity                                                                                                                      | Share of investment in investee companies with sites/operations negatively affecting biodiversity                                | <b>Included with variation to acknowledge the positive initiatives undertaken by the investee company</b><br><br><i>(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?)</i> |
| Water, waste, and material emissions                                | 8. Emissions to water                                                                                                                                                | Tonnes of emissions to water per million EUR invested, expressed as a weighted average                                           | <b>Included with variations for calculations</b>                                                                                                                                                                                                                                                                          |

|  |                                          |                                                                                                           |                                                                                                                                                      |
|--|------------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |                                          |                                                                                                           | (Tonnes of emissions in absolute figures and tonnes of emissions to water to USD revenue)                                                            |
|  | 9. Hazardous and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste per million EUR invested, expressed as a weighted average | <b>Included with variations for calculations</b><br><br>(Tonnes of hazardous waste in absolute figures and tonnes of hazardous waste to USD revenue) |

### Indicators for social and employee matters & human rights, anti-corruption and anti-bribery matters

| Adverse sustainability indicator |                                                                                                                                                           |                                                                                                                                                                                                                                                                                                      | Niche AM DNSH Analysis                                                              |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Social and employee matters      | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  | Share of investments in investee companies that have been involved in violations of UNGC principles or OECD Guidelines for Multinational Enterprises                                                                                                                                                 | <b>Covered by controversy analysis and screened by responsible investing policy</b> |
|                                  | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanism to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | <b>Covered by controversy analysis and screened by responsible investing policy</b> |
|                                  | 12. Unadjusted gender pay gap                                                                                                                             | Average unadjusted gender pay-gap of investee companies                                                                                                                                                                                                                                              | <b>Included</b>                                                                     |

|  |                                                                                                                         |                                                                                                                    |                                                                                  |
|--|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
|  | 13. Board gender diversity                                                                                              | Average ratio of female to male board members in investee companies expressed as a percentage of all board members | <b>Included</b>                                                                  |
|  | 14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investment in investee companies involved in the manufacturing or selling of controversial weapons        | <b>Not included as the responsible investment policy prevents these sectors.</b> |

In addition to the above set of mandatory indicators, from 2023 Niche AM has added two optional PAI indicators, as set out in the table below.

| Additional climate and other environment-related indicators                                                              |                                                               |                                                                              | Niche AM DNSH                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Water, waste and material emissions                                                                                      | 7. Investments in companies without water management policies | Share of investments in investee companies without water management policies | <b>Included with variation</b><br><br>Does the company have a policy to improve its water efficiency? |
| Additional indicators of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters |                                                               |                                                                              | Niche AM DNSH                                                                                         |
| Human rights                                                                                                             | 9. Lack of human rights policy                                | Share of investments in entities without a human rights policy               | <b>Included</b>                                                                                       |

#### *Niche AM's DNSH Analysis Indicators:*

| CO2 Equivalent Emissions Direct, Scope 1                 | CO2 Equivalent Emissions Indirect, Scope 2  | CO2 Equivalent Emissions Indirect, Scope 3            | CO2 Equivalent Emissions Total         | GHG Intensity Scope 1 + 2                  | GHG intensity Scope 1+2+3                |
|----------------------------------------------------------|---------------------------------------------|-------------------------------------------------------|----------------------------------------|--------------------------------------------|------------------------------------------|
| A                                                        | B                                           | C                                                     | D                                      | E                                          | F                                        |
| Share of non-renewable energy consumption and production | Total Energy Use To Revenues local currency | Activities negatively affecting biodiversitysensitive | Total Water Pollutant emissions tonnes | Water Pollutants emissions to Revenues USD | total hazardous waste tonnes             |
| G                                                        | H                                           | I                                                     | J                                      | K                                          | L                                        |
| Total Hazardous Waste To Revenues local currency         | Gender Pay Gap Percentage                   | Board Gender Diversity, Percent                       | Water management policy                | Human Rights Policy                        | Improvements in Sustainability Reporting |
| M                                                        | N                                           | O                                                     | P                                      | Q                                          | R                                        |

# Classification of firms

As the DNSH analysis is dynamic, we focus on both **improving indicator trends**, and **engagement** with company management. We classify the companies into the seven clusters below:

| Disclosure | Trend     | Engagement                    |             |
|------------|-----------|-------------------------------|-------------|
|            |           | Engaged                       | Not Engaged |
| High Base  | Good Data | 1:HG<br>Engagement not needed |             |
|            | Bad Data  | 2: HBE                        | 5: HBN      |
| Low Base   | Good Data | 3: LGE                        | 6: LGN      |
|            | Bad Data  | 4: LBE                        | 7: LBN      |

*\*High Base ( $8 \geq$  PAI Indicators are reported by the firm)*

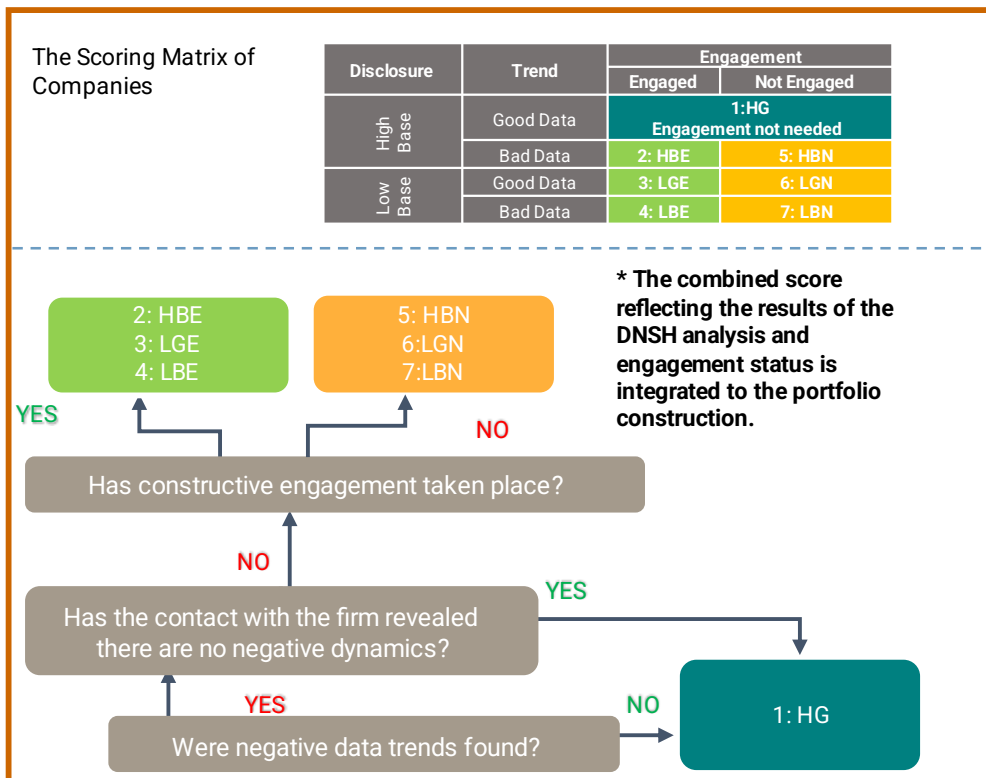
*\*Low Base ( $8 <$  PAI Indicators are reported by the firm)*

|                            |                                                                                                                           |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 1: HG                      | DNSH analysis produces high base of data with no negative dynamics.                                                       |
| 2: HBE<br>3: LGE<br>4: LBE | DNSH analysis produces some negative dynamics or lacks reporting, and the company <b>IS</b> responsive to engagement.     |
| 5: HBN<br>6: LGN<br>7: LBN | DNSH analysis produces some negative dynamics or lacks reporting, and the company is <b>NOT</b> responsive to engagement. |

The DNSH phases include the outcomes of the PAI analysis and the firm's engagement response. These results are displayed on the fund monitoring system, enabling the Investment Manager to integrate the sustainability function into the investment strategy.

Negative data trends without constructive engagement will weigh on the portfolio exposure to the stock.

### DNSH analysis process flowchart:



## Methodology of DNSH Analysis

### Data Analysis

For the PAI indicators, the DNSH analysis compares the latest 3 years of available company data to see if there has been an increase or decrease in an indicator in the latest year compared to the average of the previous two years. The data is collected from the third-data provider, Refinitiv Workspace or other company sources such as their sustainability report, annual report, and company website etc.

To assess the different dynamics, specific metrics are analysed for their respective trends and impacts.

🔍 *Emissions: A reduction in emissions over three years is viewed positively, indicating a company's effective environmental management and commitment to reducing its carbon footprint.*

🔍 *Board Gender Diversity: An increase in gender diversity on the board is considered a positive outcome. This reflects the company's dedication to enhancing diversity and inclusion at the governance level, which is often associated with broader perspectives and improved decision-making.*

## Analysis of the Dynamics

To gain an understanding of the dynamics, the analyst thoroughly investigates the indicators showing negative trends using available company reporting resources. This aims to uncover the underlying reasons behind these trends. If explanations or rationales suggest the dynamics are not inherently negative, these indicators are reinterpreted accordingly, and the initially perceived negative trend is excluded.

 *Scope 2 emissions may increase in absolute terms, but their intensity decreases relative to business activity, indicating a positive trend with no negative dynamics.*

 *The increase in non-renewable energy consumption and production is attributed to a drought impacting renewable energy supply, necessitating the use of coal-derived energy. This anomaly does not negate the firm's commitment to renewable energy but reflects external circumstances. Therefore, there's no inherent negative dynamic, but rather a temporary deviation due to unforeseen factors.*

## Measurement and Classification of the Dynamics

To analyse the dynamics and smooth out the volatility of year-by-year changes, Niche AM analyses the dynamics by reviewing the data for the latest year compared to the average of the two previous years for each PAI indicator.

## Actions Based on the Analysis – Initial action

Following the initial analysis, actions are planned for all indicators using the following guidelines:

| Dynamics          | Classification                      | Action                                                                                                                                                                                                                                                                             |
|-------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No negative trend | Good                                | No action required as the data trend is positive.                                                                                                                                                                                                                                  |
|                   | Explanation - Improvement           | No action is required. While the data initially appeared to show a decline, our analysis has explained the dynamics of this trend, revealing it's actually an improvement.                                                                                                         |
|                   | Explanation - Dynamics not negative | No action is required. While the data initially appeared to show a decline, our analysis has explained the dynamics of this trend, revealing that although there is not an improvement trend, the dynamics are not negative and therefore the negative data trend can be excluded. |
| Negative trend    | Engagement                          | Engagement in the negative dynamics found or any other area that the firm could improve on.                                                                                                                                                                                        |
|                   | Investigation/Engagement            | Investigating the reason for negative dynamics which may potentially lead to engagement.                                                                                                                                                                                           |

## Good (No Action Required)

No analyst action is required for two reasons:



- 1) There is a positive trend in DNSH.
- 2) The firm already reports 8 or more PAI indicators, fulfilling a strong sustainability disclosure base. Further engagement for additional indicators is unnecessary unless deemed material.

## Explanation (No Action Required)



The analyst's internal analysis concludes that there is no negative dynamic behind the data trend, hence the negative trend can be excluded. Through analysis, the dynamics were found to either be positive or not deteriorating. Consequently, there is no need to contact the company regarding this indicator, and it is classed as an

"explanation."

*e.g. the absolute amount of carbon intensity has increased, but the GHG Intensity (Carbon emission/Revenue) is decreasing. This indicates that the emission of carbon emission was less than the growth of the business and therefore, in fact a positive dynamic.*

## Engagement (Action required)



In some cases, certain 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.

Engagement is also employed to encourage companies to report material indicators that they do not yet disclose.

*e.g., if the company's reliance on non-renewable energy is negligible or if there's a lack of female representation on the board of directors, proactive discussions can drive positive change.*

## Investigation/Engagement (Action required)



The company must be contacted about the reasons behind any negative trends that persist after initial analysis. This initial investigation may evolve into direct engagement, depending on the firm's response.

If the company cannot explain the negative trends, further engagement will be pursued to encourage efforts to improve the indicator dynamics in the future.

# Actions Based on the Analysis – Post-Engagement

| Classification                                    | Criteria                                                                                                                                                                                  |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contacted/<br>Explained –<br>Improvement          | The firm has provided a valid explanation which means the negative trend is excluded and instead classed as an improvement trend.                                                         |
| Contacted/Explained<br>– Dynamics not<br>negative | The firm has provided a valid explanation revealing that although there is not an improvement trend, the dynamics are not negative and therefore the negative data trend can be excluded. |
| Engaged                                           | Direct engagement has occurred over a negative data trend or lack of reporting                                                                                                            |

## Contacted/Explained (Improvement, Dynamics not negative)



Following contact with the company, a valid explanation was provided for the negative trend observed in the DNSH indicator. As a result, it is determined that there is **no negative dynamic**, and the negative trend of the indicator can be excluded from further consideration.

## Engaged

The company's response fell into one of the following scenarios:



1) A **direct engagement** was initiated regarding a specific indicator. *e.g. future disclosure or increasing renewable energy use.*

2) The indicator was initially investigated. If no satisfactory explanation was provided, the **analyst proactively encouraged improvement** in the area.

3) The company acknowledges the negative dynamic of an indicator and **explicitly commits to making improvements**. This scenario qualifies as engagement since our intervention highlighted the issue and strengthened the company's commitment to reverse the negative dynamic.

## Other actions:

If a company consistently exhibits material negative trends in the same indicator over a two-year period, as identified by DNSH analyses, and also fails to respond to engagement regarding these trends, the stock will be frozen as an escalation measure.

The company must be contacted at least three times concerning the indicator's negative trend, based on the latest DNSH results. If the company remains unresponsive within a nine-month period from the first engagement regarding that latest DNSH, the stock will be frozen to prevent increased exposure.

The stock can be unfrozen once the company responds to engagement or demonstrates an improving trend in the reference indicator in the following year's DNSH analysis.

## Methodology of DNSH Safeguard Analysis

As an SFDR article 9 fund, Safeguards are part of the “Do No Significant Harm” principle which must be met for an investment to be classed as sustainable.

Sustainable investments must be aligned with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights outlined in the 8 fundamental conventions identified in the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights at the best of the investment managers knowledge.

Niche AM undertakes the two safeguard PAIs as part of the DNSH principle as below:

*\*The topics identified in the OECD MNE Guidelines referenced in Article 18:  
[Final Report on Minimum Safeguards \(Europa. eu\)](#)*

## PAI 10

### What is PAI 10?

Violations of UN Global Compact principles and [Organisation for Economic Cooperation and Development \(OECD\) Guidelines for Multinational Enterprises](#)

### How do we monitor?

Violations are screened for as part of Niche AM's internal controversy analysis which is conducted for every portfolio company and updated annually (within 24 months). For more information on the controversy analysis, please refer to the [controversy section](#).

## PAI 11

### What is PAI 11?

Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

### How do we monitor?

Recommendations on minimum safeguards can, and should, be worked out to be consistent and closely aligned with existing and upcoming EU legislation in the field of due diligence. This means that **whenever there is legislation that wholly or partly implements Article 18 standards\*, or introduces disclosure requirements related to these standards, they should be taken as a reference for alignment with minimum safeguards.**

Niche AM has conducted a thorough investigation to identify legislation and laws which apply to the companies in our portfolio. This was done to ensure, to the best of our ability, that these countries have legislation in place to wholly or partially implement Article 18, thereby meeting the requirements for PAI 11.

# ENGAGEMENT

## Engagement Procedure

Since 100% of the companies in the portfolio meet the initial sustainability criteria by having a positive SDG score, engagement primarily focuses on minimizing negative impacts. The team, therefore, directs its engagement activities toward companies with identified critical issues based on analyses of ESG, DNSH, Minimum Safeguards, and Controversies. This approach ensures that resources and time are allocated to areas needing the most attention, rather than to companies that already have strong sustainability disclosures and progress. However, engagement on SDGs also happens frequently, as it's a good opportunity to discuss a company's SDG direction during a meeting.

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, subsequent follow-up emails are 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.

# Engagement Results in Inclusion in Investment Decisions

The investment team integrates the results of company engagements into its investment process. Along with DNSH improvement analysis and ESG scores, these results are displayed on the fund's monitoring system, enabling the Investment Manager to incorporate the sustainability function into the investment strategy. The results of the sustainability Analyses are updated every two weeks.



# NICHE ASSET MANAGEMENT

## *SUSTAINABLE INVESTMENT PROCESS*