Active | Niche Funds

ESG policy and methodology

Active Niche Funds SA (ANF) has developed an internal ESG scoring model for the companies in which the long-only funds Active Solar and Active Recycling are invested.

The Sustainable Finance Disclosure Regulation (SFDR, EU Directive 2019/208) requires all financial market participants in the EU to disclose ESG data.

Both Active Solar and Active Recycling comply with article 9 SFDR and are classified as funds with a sustainable investment objective, often referred to as “dark green” funds.

Principles

To comply with article 9 SFDR, it is essential to invest primarily in companies with strong ESG credentials, while excluding those with unsatisfactory ESG credentials.

At ANF, we take direct responsibility for evaluating the ESG credentials of each company within the Active Solar and Active Recycling portfolios. We avoid relying on external ESG ratings, as they can be difficult to justify without full transparency on their sources and methodologies.

Sustainable investment objectives

Under the framework of the Taxonomy Regulation, the sustainable objectives of the long-only funds are as follows:

- **Active Solar** : The sustainable environmental objective is "climate change mitigation."
- **Active Recycling**: The sustainable environmental objectives are "contribution to the transition to a circular economy" and "pollution prevention and control."

Methodology

Investment universe

We apply a fundamental analysis methodology to all the companies in the investment universe, considering both macroeconomic and microeconomic factors. This includes assessing each company’s risk using an ESG scorecard that evaluates 13 sustainability indicators, detailed below.

Before implementing our internal ESG scoring model, we exclude companies directly involved in the following activities from the investment universe for both Active Solar and Active Recycling:

Exclusion Criteria	Threshold
Weapons	0%
Gambling	0%
Coal	0%
Tobacco	0%
Pornography	0%

Nuclear	0%
Alcohol	0%
Cannabis	0%
GMO	0%

Sources

Our assessments primarily rely on company-specific sustainability reports, including Sustainability Reports, CSR Reports, ESG Reports, Impact Reports, and Non-Financial Reports. We also use data from international providers like Bloomberg, and we corroborate our scores and assessments using Clarity AI, a sustainability technology platform with comprehensive global data coverage.

Ratings of individual factors

We individually assess the following factors:

- **Environmental Indicators**: Sustainability of the supply chain, energy usage, water usage, direct GHG emissions, global carbon footprint, and waste management.
- **Social Indicators**: Responsible employer practices, health and safety standards, and community impact.
- **Governance Indicators**: Governance structure, board composition, risk management, and code of ethics.

Each factor is rated on the following scale:

- -1: The lowest rating, indicating the criterion is either not addressed by the company or not documented in their reporting.
- 0: A passing grade, reflecting the minimum acceptable standard for responsible ESG practices.
- +1: The highest rating, representing the best ESG practices.

Overall score

An average rating is calculated for each category—Environmental, Social, and Governance—giving equal weight to each factor. The overall ESG score of the company is determined by averaging the three category scores, resulting in a final score between -1 and +1.

Impact on Portfolio Management

Our portfolio management is directly influenced by ESG scores through the following rules:

- If the ESG score is between -1 and -0.5, the company is excluded from the portfolio.
- If the ESG score is between -0.5 and 0, the company may be temporarily included in the portfolio. However, its ESG performance is monitored, and if no improvement is seen after

one year, the company will be excluded. Furthermore, companies with such scores cannot be among the top five holdings in the portfolio.

In addition, the ESG score is integrated into our overall risk assessment of a company. A strong ESG score reduces the company's risk, while a borderline score increases its risk. Since our investment process prioritizes companies based on their risk/return profile, their ESG score directly influences their portfolio weighting.

Review

Each company's ESG analysis is reviewed at least annually, or more frequently if significant new information becomes available.