Active | Niche Funds

ESG policy and methodology

Active Niche Funds SA (ANF) has developed an in-house 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 ("dark green" funds).

Principles

In order to comply with article 9 SFDR it is key to invest mainly in companies with positive ESG credentials and to exclude companies with unsatisfactory ESG credentials.

At ANF, we believe it is our responsibility to assess the ESG credentials of each company in which Active Solar and Active Recycling are invested. We do not want to rely on an external provider of ESG analyses as the ESG ratings could be hard to justify without knowing the sources and methodology used.

Sustainable investment objectives

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

- Active Solar's sustainable environmental objective is "climate change mitigation."
- Active Recycling's sustainable environmental objectives are "contribution to the transition to circular economy" as well as "pollution prevention control."

Methodology

Investment universe

The methodology of a fundamental analysis is applied to all the companies making up the investment universe. This procedure considers both macroeconomic and microeconomic factors and integrates a risk assessment of the companies through an ESG scorecard rating based on 13 sustainability indicators mentioned below.

Prior to applying our internal ESG scoring model, we apply the following exclusions on the entire investment universe of both Active Solar and Active Recycling:

Exclusions criteria					
Weapons	0%	Gambling	0%	Coal	0%
Tobacco	0%	Pornography	0%	Nuclear	0%
Alcohol	0%	Canabis	0%	GMO	0%

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Sources

We mainly use the companies' dedicated sustainability reports, typically named: Sustainability Report, CSR Report, ESG Report, Impact Report, Non-Financial Report.

We also use the available data coming from independent assurance companies that provide labels and certifications as well as data from international data providers such as Bloomberg.

Ratings of individual factors

We rate individually each of the following factors:

Environmental factors:

- Sustainability of supply chain;
- Energy usage;
- Water usage;
- Direct GHG emissions;
- Global carbon footprint;
- Waste management.

Social factors:

- Responsible employer;
- Health and safety;
- Impact on communities.

Governance factors:

- Governance structure;
- Board of directors;
- Risk management;
- Code of ethics.

-1 is the lowest grade. This means a given criteria is either not considered at all by the company or not documented in their report.

0 is the passing grade: it is the minimum acceptable grade in order to assess that a given criteria is treated in an ESG responsible way.

+1 is the maximum grade hence the best ESG approach on a given criteria.

Overall score

An average rating is computed for each category (Environmental, Social, Governance) applying an equal weight to each of the individual factors.

A global ESG rating of the company is computed in applying a factor 3 to the Environmental grade and a factor 1 to the Social and Governance grades. We believe it makes sense to overweight the Environmental contribution because this is directly linked to the core business of the companies of the portfolios (solar/energy/recycling) and their respective sustainable environmental objectives

Therefore, each company receive an overall ESG score between -1 and +1.

Consequences on portfolio management

First, there is a direct impact on our portfolio management as we have set the following rules:

- If the ESG score is between -1 and -0.5, then the company is excluded from our portfolio;
- If the ESG score is between -0.5 and 0, then the company can only be temporarily accepted in the portfolio. We monitor the company and if its ESG score does not

improve after a year, it will be excluded from the portfolio. Furthermore, a company with such a score cannot be in the top 5 holdings of the portfolio.

Second, the ESG score is taken into account into our global risk assessment of a company. A very good ESG score will lower the risk of the company, while a just acceptable ESG score will increase the risk of the company.

As our investment process weights the companies primarily on their risk/return profile, their ESG score will have a direct impact on their weight allocated in the portfolio.

Review

The ESG analysis of a company is reviewed at least once a year or as often as new significant information is available.