Responsible Investment Policy
Fineco Asset Management dac
Investment Team

Version 1.0

Board of Directors

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1. Introduction

Fineco Asset Management Dac (“FAM” or “the “Firm”) is an authorised UCITS Management Company and is a signatory to the UN PRI and has been since 2020. Our approach is closely aligned with the UN Principles of Responsible Investment. We believe that investors, whether working individually or collectively, have the ability to influence the behaviour of the companies and funds in which they invest. We also believe that companies that fail to incorporate ESG issues into their business models and decision-making can be exposed to significant risks, while companies that address these issues can gain a competitive advantage. FAM as a company has a commitment to managing funds in a responsible and sustainable manner. Within its range of funds FAM manages a dedicated sustainability funds and also integrates SRI analysis in its investment selection and due diligence process across all products where possible. This policy document provides a framework for the integration of this SRI analysis throughout the investment process and outlines the guiding principles for responsible investing.

2. Relevant UCITS Requirements

With the aim of furthering sustainable finance and environmental, social and governance (“**ESG**”) integration, the European Commission introduced a package of legislative measures in 2018 that includes three key Regulations: the Taxonomy Regulation, the Disclosures Regulation and the Low Carbon and Positive Impacts Benchmarks Regulation. These changes have been supplemented with changes to the UCITS, AIFMD and MiFID frameworks.

In particular:

- EU Regulation 2019/2088, ‘Sustainable Finance Disclosure Regulation’ or ‘SFDR’;
- EU Regulation 2020/852.

These rules require firms to integrate sustainability into their investment processes and to consider the adverse impacts of their investments on sustainability factors.

From 10 March 2021 the disclosures regulation comes into force, the aim of which is to harmonise rules on transparency for UCITS funds with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts and the provision of sustainability related information.

As this topic is under continuous assessment by the relevant legislators and regulators, it is possible that additional recommendations and legislation will be added in the near future. In particular, clarity regarding the interpretation of the article 6, 8 and 9 of EU Regulation 2019/2088 (SFDR) is expected to be provided and EU Taxonomy for Sustainable Activities is expected to progress as Level 2 Proposal on sustainability assessments, risks and factors is currently under consideration at EU Level.

3. General Principle

The Firm has responsibility for achieving sustainability of the investments managed. There is a growing recognition in the financial industry and in academia that ESG factors influence investor returns. Explicitly and systematically including ESG issues in investment analysis and decisions – to better manage risks and improve returns – is called ESG integration. FAM seeks to recognise the importance of ESG to all our stakeholders and to integrate ESG into all aspects of the investment management activity.

4. SFDR Portfolio Assessment

The Investment Team, in cooperation with third-party delegated Investment Managers, is expected to assess on a periodic basis the entire range of FAM funds in order to verify:

1) Funds which have sustainable investment as their objective and are therefore subject to the requirements of article 9 and the integration requirements of article 6 ('Dark Green Funds'); or
2) Funds which promote, among other characteristics, environmental or social characteristics or a combination or both, and are therefore subject to the requirements of article 8 and the integration requirements of article 6 ('Light Green Funds'); or
3) Funds which do not promote any Environmental nor Social Characteristics (therefore those Funds will be subject to the general requirements of the Article 6).

Once the assessment is completed or updated, the information is provided to Legal, Compliance, Operations, Distribution and Risk Management Departments.

The Company could decide also in relation to article 6, for each Fund, as follows:

Providing descriptions on how the sustainability risk are integrated into investment decisions;
Provides information otherwise that sustainability risk is not relevant.

5. Portfolio Management

Fund Screening

During the screening process of underlying funds, the Portfolio Manager or Analyst will assess the fund's merits as related to sustainability and socially responsible investing. A sustainability or ESG (Environmental, Social & Governance) rating provided by a recognised data provider should be evaluated where available. This rating will be compared to other peers within the investment universe and those being considered for investment. The rating and its position relative to peers should be reflected in the assessment given to any funds under review, and ultimately in the decision on whether to invest. The degree to which the sustainability rating impacts the investment decision will vary depending on the relevancy of sustainability to the specific portfolio.

Fund Selection

The Portfolio Manager will also seek to identify underlying funds which have an explicit commitment to responsible investing, as per the investment process. This may be indicated by implementing ethics-based exclusions, targeting a specific sustainability issue or applying ESG criteria more broadly.

The investment process will define specific requirements for each fund in relation to ESG criteria. The Portfolio Manager may consider the following in appraising the underlying fund's commitment to ESG:

- Is the parent company (or asset management division) a signatory to the United Nations Principles for Responsible Investment (UN-PRI) or similar body which encourages a responsible approach to investing?
- Does the underlying fund manager incorporate ESG factors such as waste and pollution, working conditions and board diversity and structure as a meaningful part of their investment process in identifying and evaluating a potential purchase or disposal of an investment?
- Does the fund employ a dedicated ESG analyst or team in respect of the implementation of its ESG strategy?
- Does the Fund Manager, team or investment company actively engage with companies and use their shareholder voting rights for positive impact and to promote ESG standards in said companies?

FAM also maintains investment and operational due diligence procedures to assess the ESG commitments of target investments and delegate fund managers.

Overall Portfolio ESG Ratings

Our approach to integrating ESG factors into our decision-making is dependent on the specific asset class and the investment style. Where a FAM product has its own sustainability or ESG rating on third-party data providers, it is the responsibility of the Portfolio Manager to monitor this. Each PM will estimate the effect of any proposed changes (adding/removing underlying funds) to the portfolio's overall sustainability profile. Any material enhancements or reductions in a portfolio's sustainability/ESG score resulting from an underlying fund change should be identified, and detrimental changes should be given additional consideration in order to fully justify the proposed change.

Sustainability Risks on Return

The integration of ESG criteria into the investment process has been well documented within academia as being positively correlated with strong risk-adjusted returns. In one of the largest meta-data studies of its kind, Friede et al.[1] analyse over 2000 empirical studies, over 90% of which demonstrate a relationship between ESG and financial performance that was not negative (i.e.

[1] Gunnar Friede, Timo Busch & Alexander Bassen (2015) ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Journal of Sustainable Finance & Investment, 5:4, 210-233

positive or neutral performance). The large majority of these relationships were positive, and the correlation was shown to have existed across equity, fixed income and property asset classes, as well as in aggregate.

Notwithstanding the large body of evidence supporting a responsible investment approach, FAM will seek to take due consideration of sustainability risks when assessing potential investments. To avoid introducing any unwanted sustainability-related risks, Portfolio Managers will consider, where possible, whether the investment's sustainability profile materially affects the following at a portfolio level:

- Sector/industry bias
- Valuation
- Back tested performance

Reference Benchmarks

FAM portfolios are not constructed or monitored relative to any pre-defined ESG risk levels or ESG reference benchmarks. FAM's investment team applies a long-term investment approach and believes that attention to long-term objectives (including sustainability) can be compromised by focusing on benchmark behaviour. Portfolio Managers are therefore not required to compare portfolio ESG metrics to a reference benchmark, instead they will utilise discretion and best practice in identifying investments and constructing their portfolios. ESG data from third-party data providers may be used in order to supplement this process.

In case a relevant reference benchmark the requirements of Article 8 and 9 of the SFDR will be applied, if applicable.

Other Considerations

As a fiduciary for its clients' assets, FAM is committed to fully appraising every aspect of an investment decision to ensure it is conducted in the best interests of its investors. This means that, while an investment's sustainability or ESG profile is of great importance, other concerns such as investment performance and the level of fees paid also need to be considered along with other considerations deemed important by the Portfolio Manager.

Unless specifically mandated within the fund's prospectus or supplemental documents, the Responsible Investment Policy shall not take precedence over these more fundamental attributes.

6. Voting

FAM recognises and adheres to the principle of active ownership and exercising the right to vote on issues submitted to shareholder vote as a way of promoting good ESG policies.

Details of our voting policy are available to clients upon request. This involves monitoring companies' boards for their performance in relation to ESG issues and independence and will generally support shareholder proposals that promote good corporate citizenship while enhancing long-term shareholder and stakeholder value.

Additionally, FAM will generally support proposals that call for actions beyond disclosure including supporting topics such as addressing climate change and incorporation of sustainability related performance metrics into executive compensation. It is important to note that FAM reserves the right at all times to vote on any matter in the interests of clients and in accordance with the voting policy.

7. Exclusion Policy

In line with our regulatory obligations, companies that are in breach of UN sanctions are excluded from our investment universe. Where an investment is deemed inappropriate, no further investment may be made in the instrument, however existing holdings may be retained for a period of time to facilitate orderly divestment. The exclusion policy does not extend to our externally managed mandates. FAM will maintain criteria for the exclusion of assets based on ethical / ESG credentials.

8. Review and Escalation – Risk Management

The Article 6 of the SFDR Regulation requires that an explanation is provided in relation to the integration of the sustainability risks in the Investment decisions, and the relevant impact in terms of performance of sustainability risks on the returns.

Due to the evolution of the industry and incoming regulations, it is not fully clear, how the requirement in terms of sustainability integration is applied, however once the First of Line of Defence (the Investment Team) has prepared its internal assessment, it is important to understand that also the Second Line of Defence (Risk Management and Compliance) verifies that integration of sustainability risk into the investment processes is working properly.

In order to do so the following qualitative/quantitative steps are performed:

- Organisational Requirements:
    a) Verify if a specific person has been designated within the Investment Team, as responsible for ESG topics;
    b) Ensure that senior Management, in particular the Company CIO has been put in charge of the integration of the sustainability risks.

- Operating Conditions
    a) What types of risks have been considered from the First Line of Defence, which could cause the value of the investments of the Funds to decrease or the performance to suffer;
    b) The integration of sustainability risks can bring a conflict of interest to arise;
    c) Which considerations have been given to ensure and protect the investor against 'greenwashing'.

Risk Management Framework

The integration of sustainability risk will be inserted in due course in the Risk Management Process of the Funds managed by the Company.

9. Conclusion – Periodic review

The Firm will review this policy on at least an annual basis, and as necessary in the consideration of new products and funds. The results of such reviews will be brought to the board of FAM.