
Responsible Investment Policy

FINECO ASSET MANAGEMENT DAC

Legal and Investments Team

Version 2.0

BOARD OF DIRECTORS

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1. Introduction

Fineco Asset Management Dac (“**FINECO AM**” or the “**Firm**”) is an authorised UCITS Management Company and is a signatory to the UNPRI, committed to adhering to its 6 Principles for Responsible Investments, since becoming a signatory in October 2020. We believe that investors, whether working individually or collectively, have the ability to influence the behaviour of the companies and funds into which they invest. We also believe that companies that fail to incorporate ESG related issues into their business models and decision-making can be exposed to significant risks including reputational risk, while companies that address these issues can gain a competitive advantage, while also providing an attractive range of investment options to investors. FINECO AM as a company, has made a commitment to manage many of its funds in a responsible and sustainable manner. Within its range of funds, FINECO AM integrates ESG responsible investment analysis into its investment process where applicable. This Policy provides a framework for the integration of this ESG analysis throughout the range of investment processes and outlines the guiding principles FINECO AM will utilise for responsible investing. To access a full list of the SFDR Article 8 & 9 funds which fall under the management of FINECO AM, please access the following link: <http://finecoassetmanagement.com/wp-content/uploads/FAM-Funds-Classification-19012022.pdf>

2. Regulatory 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 Sustainable Finance Disclosure Regulation and the Low Carbon and Positive Impacts Benchmarks Regulation. These changes are also going to be supplemented with ESG related changes to the UCITS frameworks.

In particular the:

- EU Regulation 2019/2088, ‘Sustainable Finance Disclosure Regulation’ or ‘SFDR’; and
- EU Regulation 2020/852 (the “Taxonomy Regulation”);

require firms to disclose to customers detail of the integration of sustainability factors into their investment processes and to consider the adverse impacts of their investments on sustainability factors.

From 10 March 2021 the SFDR regulation came into force, the aim of which was to harmonise rules on transparency for UCITS funds on the integration of sustainability risks, the consideration of adverse sustainability impacts and the provision of sustainability related information. SFDR and Taxonomy Regulation Level 2 measures are scheduled to come into force by 1 January 2023 and thus as legislation related to this topic is under continuous assessment it is possible that additional recommendations and legislation will be added in the near future, potentially requiring further amendment to this policy.

FINECO AM will continually monitor any applicable regulation or technical standards issued by its various regulators to ensure FINECO AM remains in compliance with all applicable regulations and in line with best practice as it pertains to responsible investing.

3. General Principle

The Firm has made a commitment to integrate sustainability into many of its investment processes as disclosed in the relevant supplements of the applicable funds under management. There is a growing recognition in the financial services industry and in academia that ESG factors influence investor returns. The explicit and systematic incorporation of ESG issues in investment analysis and decisions – to better manage risks and improve returns – is called ESG integration. FINECO AM seeks to recognize the importance of ESG integration to all our stakeholders and to integrate ESG into all aspects of the investment management activity (where applicable and disclosed).

4. ESG Integration into Fineco AM's Investment Processes

FINECO AM recognises that integrating ESG criteria into its investment processes is of critical importance and can create a positive impact in the world and for society at large. In recognition of the Firm's commitment to incorporating ESG topics into the investment decision-making and ownership practices, FINECO AM is a proud signatory to the UN Principles of Responsible Investing (PRI). FINECO AM is firmly committed to the fulfilment of the six PRI principles which are outlined below:

***Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.*

***Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.*

***Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

***Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.*

***Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.*

***Principle 6:** We will each report on our activities and progress towards implementing the Principles.*

In order to align with these principles and achieve FINECO AM's objectives of investing responsibly and sustainably, FINECO AM recognises the importance of having explicit ESG measures embedded within its investment processes. These measures will necessarily differ across the Firm's product types given the differing types of fund managed by the Firm. How ESG criteria is embedded into the investment process of each differing fund type is outlined in more detail under the sections below.

- Delegated funds

For investment funds where FINECO AM delegates the investment management duties to a third party but still retains the ultimate responsibility for the overall management of a fund, FINECO AM will conduct thorough initial and ongoing investment sustainability due diligence to ensure that each delegated fund is being managed in accordance with the ESG criteria disclosed in its offering documentation. Obtaining satisfactory information pertaining to the delegated manager's ESG approach will be one of the key goals of this investment due diligence.

Initial Investment Due Diligence

Initial investment due diligence will gather information on a delegate investment managers integration

of ESG criteria into its investment process through a combination of some or all of the following steps:

- Initial calls with delegate portfolio managers / investment team with the goal of obtaining an overview of the investment process. This will specifically cover the approach taken to sustainability / ESG integration and the responsibilities of the parties involved.
- Completion of FINECO AM due diligence questionnaires (further details below).
- Follow-up calls and ongoing communication to address any gaps or perceived weaknesses in ESG approach and to assess conformity with SFDR regulation and most importantly, the Prospectus and supplement disclosures made to shareholders of the relevant fund.

FINECO AM's proprietary initial investment due diligence questionnaire incorporates questions specifically targeted at understanding the delegated manager's approach to ESG. Examples of the type of questions included in this questionnaire are provided below (note these are examples and therefore subject to change):

- a. **Please confirm whether ESG considerations are taken into account as part of the investment process. Please provide a detailed response.**
- b. **Please provide information on how the fund is classified under SFDR regulation requirements.**
- c. **Does the fund apply ethical or norms-based exclusion lists or policies?**
- d. **Does the fund target a specific ESG-related issue (such as climate change, circular economy, workplace equality, board diversity) or one or several of the UN Sustainable Development Goals) within its investment objective?**
- e. **Does the Fund Manager, Team or investment company actively engage with companies and/or use their shareholder voting rights for positive impact and to promote ESG standards in said companies?**
- f. **Please provide details of the Team structure (including dedicated analysts, ESG specialists etc.)**
- g. **Please confirm whether "principal adverse impacts" of the Fund Manager's investment decisions on sustainability factors are considered and explain how. In explaining "how", please demonstrate both quantitative and qualitative indicators used, if any.**

Ongoing Investment Due Diligence

Additional detail is sought every 6 months for any delegate investment managed funds which are classified as Article 8 or Article 9 under SFDR. Examples of these questions are as follows:

- i. **Please outline the criteria on which you are continuing to assess this fund as Article 8 or Article 9 under SFDR. Please also confirm that you are managing the Fund in accordance with the Article 8 / Article 9 SFDR Disclosures as currently included in the Fund supplement.**
- ii. **What criteria are considered in evaluating the Environmental, Social and Governance ("ESG") characteristics of your potential investments and how are these incorporated into the portfolio construction? Please provide examples to illustrate where possible.**
- iii. **Please provide examples of ESG research which has been used in investment decision-making. This should include at least one example of a company which satisfied your ESG criteria and was added to the portfolio, and one example of a name which was not added due to unsatisfactory ESG measures.**
- iv. **Please outline the responsibilities of the team relating to ESG analysis, distinguishing between the roles of portfolio managers, analysts, dedicated ESG specialists or other personnel involved.**

- v. Can you estimate what proportion of your investment decisions are made with ESG criteria considered as a material input?
- vi. What portion of the Fund do you assess to have strong sustainable characteristics compared with ESG laggards or improvers? Please provide a breakdown of ESG scores where available.
- vii. What measures do you take to ensure that you are not managing the Fund in a way that could be considered as “greenwashing”?
- viii. Please confirm whether your principal adverse impacts (“PAI”) analysis has identified any areas of risk within the portfolio?

- Direct investing funds

For investment funds managed by FINECO AM where the underlying securities are predominantly directly purchased securities such as equities or bonds, FINECO AM will take a holistic approach to ESG integration. In this way, ESG criteria are considered alongside more fundamental or financial metrics in analysing potential investments. Performance and risk implications are also considered in order to avoid mechanically seeking high ESG scores at the expense of investor returns, or taking on unwanted risks such as crowding in popular ESG names.

FINECO AM have subscribed to a third party data provider, MSCI, for the provision of ESG data, research and screening tools. MSCI is a global leader in the provision of such data, including ESG Ratings, ESG Controversies, Business Involvement Research, Governance Metrics, Carbon Metrics and Government Ratings. While the ESG measures employed will vary from fund to fund, the practices outlined below are all within the capabilities of the Firm’s Portfolio Management team:

- Basic exclusions / ethical filters (e.g. tobacco, weapons, thermal coal)
- Negative ESG screening (e.g. low ESG-rated companies; high level of controversies; companies with high carbon intensity; particularly harmful E, S or G practices)
- Positive ESG attributes (e.g. best-in-class selection; bias towards lower carbon emissions; tilt towards higher social or governance scores)
- ESG Improvers (e.g. identifying alpha opportunity from a company transitioning from weaker to stronger ESG practices)
- Valuation adjustments to reflect ESG rating

Portfolio Managers can use some or all of these measures in analysing investment opportunities and constructing a more sustainable portfolio.

- Fund of Funds

For investment funds managed by FINECO AM where the underlying securities are predominantly mutual funds and ETFs, FINECO AM has a clearly defined ESG integration process relating to the screening and selection of underlying funds.

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 is 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 will 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. This may be indicated by implementing ethics-based exclusions, targeting a specific sustainability issue or applying ESG criteria more broadly. The underlying fund's ESG approach will be considered alongside more traditional qualitative and quantitative measures such as performance track record, strength of investment team, and the clarity and stability of investment process. All else equal, preference will be given to an underlying fund with a stronger ESG approach.

Each fund of funds investment process will define specific requirements for each underlying 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?

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. 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, each portfolio manager will seek to take due consideration on portfolio returns of sustainability risks when assessing potential investments. To avoid introducing any unwanted sustainability-related risks,

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

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

FINECO AM portfolios are not currently constructed or monitored relative to any pre-defined ESG risk levels or ESG reference benchmarks. If an ESG reference benchmark is applied to any Fineco AM fund under management, details of said benchmark will be contained in the supplement of the relevant fund.

PAI Statement

The concept of "principal adverse impacts" ("**PAI**") is defined by EU institutions as follows:

"Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."

As a financial market participant, Fineco AM is required to publish (on its website) information on if and how the adverse impacts of investment decisions on sustainability factors are considered (Article 4(1) SFDR). The statement in this section of this Policy has been prepared to address this requirement.

Fineco AM, at entity level, consider PAI of investment decisions of its funds under management (both internally and externally managed) on sustainability factors.

The below is a brief overview of "how" the PAI is taken into account by the Firm (with specific regard to the requirements of Article 4(2) (a) - (d) SFDR):

(a) Information about policies on the identification and prioritisation of principal adverse sustainability impacts and indicators:

Fineco AM has incorporated the PAI on sustainability factors into its investment due diligence process in the following manner through which both quantitative and qualitative aspects are considered:

- **Internally Managed Funds:** Fineco AM combines both quantitative and qualitative assessments when considering PAIs for internally managed funds' investment decisions. From a quantitative perspective, the Firm applies metrics from the MSCI SFDR Adverse Impact Metrics Methodology which methodology considers both mandatory and voluntary adverse impact indicators. From a qualitative perspective, each portfolio manager will consider the output of the above metrics and apply his/her final judgment to determine the negative impacts of investment decisions on sustainability factors and the actions that need to be taken therefrom.
- **Externally Managed Funds:** As explained above, for externally managed funds, Fineco AM

conducts an initial and an ongoing due diligence process on the Delegate Investment Managers with the aim to also assess whether or not the relevant Delegate Investment Manager considers PAIs in its investment decisions and how. This is reflected in the questions prepared by Fineco AM's Investment Team, an example of which is included above in this Policy under section 4. Those questions ask the Delegate Investment Managers to consider and report on both qualitative and quantitative indicators.

(b) Description of PAIs and of any actions in relation thereto taken or, where relevant, planned;

As mentioned under (a) above, depending on the relevant Fund, the Fineco AM Investment Team will assess the PAIs and any additional relevant indicators in order to understand any action that needs to be taken arising from such an assessment. This assessment of the actions to be taken is also conducted on Delegate Funds, indirectly by Fineco AM, via the due diligence on the relevant Delegate Investment Managers that are required to report to the Investment Team on the negative impacts and on the actions taken therefrom.

(c) Engagement policies:

Fineco AM is currently working towards putting in place an engagement policy and a summary of same will be provided in this Responsible Investment Policy as soon as the above is in place.

(d) Adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.

At entity level, Fineco AM has adhered to the internationally-recognised standards of UNPRI. Please refer to the above sections for an overview of the UNPRI Principles.

The above PAI statement will be reviewed at least annually.

Other Considerations

FINECO AM 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 risk-adjusted returns 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.

5. Voting

From the end of Quarter 1 2022, FINECO AM recognises and adheres to the principle of active ownership and exercising the right to vote on issues submitted to a shareholder vote as a way of promoting good ESG policies. FINECO AM is currently working with our third party proxy voting

provider to incorporate ESG criteria into our voting policy in line with the sustainability characteristics of the relevant funds under management.

In voting, FINECO AM will generally also consider supporting proposals that call for actions beyond what is contained in the investment policy of a relevant fund including supporting topics such as addressing climate change, climate change mitigation & adaptation and incorporation of sustainability related performance metrics into executive compensation.

6. Exclusions

Each fund under management that incorporates ESG characteristics into its investment decision making process will maintain criteria (if deemed relevant by the Investment team) for the exclusion of assets based on the ESG criteria contained in that fund's investment policy.

7. Monitoring

Compliance

FINECO AM's Compliance function is tasked with the monitoring of the Compliance of this Policy with all applicable Regulations and the application of this Policy vis a vis the relevant disclosures in the Prospectus, Fund Supplement, KIID and marketing documentation of any relevant fund.

Such monitoring will include quality assurance testing on a periodic basis to ensure in the content of this Policy is being applied as set down herein, as well monitoring that each relevant fund is being managed inline with the ESG disclosure contained in the aforementioned offering documentation.

ESG Working Group

FINECO AM has put in place a weekly ESG Working Group solely focused on the integration of ESG into every part of the Firm's makeup.

This ESG Working Group will be comprised of each department's designated ESG representative as well as other invitees from FINECO AM's senior management team.

Fineco AM's legal team has been charged with the responsibility of coordinating the management and ongoing monitoring of ESG integration into every aspect of the Firm business.

8. Conclusion – Periodic review

The Firm will review this Policy at least annually.



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Fineco Asset Management D.A.C. is part of the FinecoBank Group. Fineco Asset Management D.A.C. is regulated by the Central Bank of Ireland.