
Responsible Investment Policy

FINECO ASSET MANAGEMENT DAC

Legal and Investments Team

Version 3.0

BOARD OF DIRECTORS

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1. Purpose and Scope

Fineco Asset Management Dac (“Fineco AM” or the “company”) is an authorised UCITS Management Company. We believe that safeguarding economic, environmental, and social assets is a prerequisite for a healthy economy and as such it is our responsibility to deliver attractive returns by supporting international norms and being a responsible investor. We also believe that companies that fail to incorporate Environmental, Social and Governance (“ESG”) related elements into their business models and decision-making can be exposed to significant ESG risks, while companies that address these issues can gain a competitive advantage while providing an attractive range of investment options to investors. Therefore, Fineco AM as a company, has made a commitment to manage its funds in a responsible and sustainable manner.

At Fineco AM, we believe that Responsible Investing means integrating ESG risks and factors in our business activities, identifying sustainable outcomes and where deemed appropriate, taking actions to promote same.

Fineco AM is a signatory to the UN Principles for Responsible Investment (“PRI”) since October 2020 and are thus committed to integrating ESG factors into our investment analysis, decision-making processes, and active ownership practices. We have developed policies, procedures and investment products to support our commitment.

- *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.*

The purpose of the Responsible Investment Policy (the “Policy”) is to describe the framework governing the approach of Fineco AM to responsible investments and ESG/sustainability. The Policy is approved by the Fineco AM board and by the Fineco AM Sustainable Investment Committee (the “SFC”).

2. Investment Processes

The Fineco AM range of products include the following;

- i. Funds which *do not promote* any Environmental nor Social Characteristics, therefore those Funds will be subject to the general SFDR Article 6 requirements.
- ii. Funds which *promote*, among other characteristics, environmental or social characteristics or a combination of both, and are therefore subject to the requirements of article SFDR Article 8 requirements.
- iii. Funds which *have sustainable investment* as their objective and are therefore subject to the SFDR Article 9 requirements.

Our approach to integrating ESG factors into our investment process is dependent on the specific product type, strategy, and asset class. Please refer to our ESG/Sustainable Investment Process for fund specific information on internally managed Fineco AM funds, and also refer to the list of Article 8 & 9 funds on our website, which has links containing further information in relation to the ESG/Sustainable Investment Process of delegate managed Fineco AM funds.

3. Sustainability Governance

The Fineco AM Board of Director's has ultimate responsibility for setting the company's sustainability/ESG strategy. The responsibility for implementing this strategy is allocated by the Fineco AM Board of Director's to the Fineco AM Sustainable Finance Committee ("SFC").

The SFC is composed of members of Fineco AM's Executive Committee, as well as senior managers and "Sustainability Leads" from different departments. The Committee is chaired by Fineco AM's Head of Legal and ESG project integration lead. The SFC has the authority to approve policies (for ultimate approval by the board of directors) and set practical guidelines for the implementation of Fineco AM's sustainable investing strategy.

The ESG Integration Team co-ordinates the day-to-day implementation and oversight of the Fineco AM sustainability/ESG strategy. This team drives ESG integration across the company and ensures consistency between teams in the overall quality and robustness of their approach. The ESG Integration Team is also responsible for coordinating the SFDR and Taxonomy Workgroup. This group meets regularly to discuss and report on sustainability matters from a company-wide perspective and is composed of the "Sustainability Leads" from each department.



4. Regulatory Requirements

SFDR And Related Legislation

In March 2021, the Sustainable Finance Disclosure Regulation (“SFDR”) regulation came into force, the aim of which was to harmonise rules on transparency for UCITS funds (amongst other financial product types) 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.

ESG-Related Amendments to Delegated Acts Under UCITS

The provisions of the Delegated UCITS Directive applied from 1 August 2022. The amendments require that Sustainability Risks are to be taken into account in the Fineco AM organisational procedures, the management of conflicts of interest and risk management policies, in addition to placing an obligation on UCITS management companies to consider sustainability risks and factors when undertaking Investment Due Diligence.

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.

5. Our Responsible Investment Approach

5.1 ESG Integration for Internally Managed Funds

5.1.1 SFDR Article 8 - ESG-Integrated Strategies

Fineco AM is explicitly and systematically including ESG criteria in investment analysis and decisions – to better manage risks and improve returns – as part of our ESG integration project. Our approach to integrating ESG factors into our investment process is dependent on the specific product type, strategy, and asset class. The Fineco AM range of products includes Funds which promote, among other characteristics, environmental or social characteristics or a combination of both, and are therefore subject to the requirements of SFDR Article 8 requirements. These ESG-Integrated Strategies use ESG information to improve investment decisions. It is focused on the integration of risks and opportunities in the investment decision-making/selection process and responsible ownership (voting & stewardship), with the goal of improving corporate behavior and long-term investment returns.

Fineco AM has developed policies and procedures to ensure that the companies we invest in meet our expectations of ESG performance and that ESG risk/sustainability risk is managed in all our investment processes. Fineco AM's responsible investment framework builds on our commitment to the UN PRI and is supported at the Firm level by the following;

- General ESG integration (Investments, Data, Due Diligence, Sustainability Risk)
- Negative Screening (Norm-based exclusions)
- Principal Adverse Impact ("PAI") Integration
- Active ownership: Proxy Voting and Stewardship

To align with the UN PRI Principles for Responsible Investment and achieve Fineco AM's objectives of investing responsibly and sustainably, we recognise the importance of having explicit ESG/sustainability measures embedded within our investment processes. These measures will differ across the Firm's product types given the various types of funds 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.

The following are examples of environmental, social and/or governance characteristics which are considered/promoted by Article 8 Fineco AM funds;

a. External ESG Data Integration

We use MSCI ESG Manager, which may be complimented by third party or internal research, to enable us to fully integrate ESG data into our front office trading platform. This allows us to ensure ESG criteria and sustainability risks are taken into consideration at the point of purchase. As part of our ongoing ESG enhancements, we have integrated Environmental, Social and Governance data

into the Trading Platform on both a holdings and aggregated Fund level. This is to facilitate the formal integration of ESG factor consideration into investment decision making; to allow Portfolio Manager's to run simulations to analyse the impact of a trade on a fund's ESG profile, as well as provide the ability to evidence same as a key part of the standard trade notification emails process.

b. Positive Sector and Value-Based Screening

Consideration of ESG factors are a key element of portfolio construction/security selection. Portfolio Managers will take a holistic approach which includes the analysis of ESG factors as part of their overall risk adjusted valuation assessment. This supports the overall promotion of issuers/funds that have involvement in various business activities which the Portfolio Manager deems desirable on ESG grounds for the particular Fund. By incorporating ESG Factors as part of the overall portfolio construction/security selection it supports a tilt towards more positive impacts on the environment or society at large and investments that do not cause significant harm.

c. Holding Level ESG Ratings

Fineco AM Article 8 funds promote ESG characteristics by applying minimum MSCI ESG ratings, which ensures a positive tilt of portfolios towards higher-rated ESG holdings. MSCI ESG methodology derives a rating based on a multi-faceted approach which incorporates key factors under ESG Pillars. Through the application of minimum MSCI ESG rating, Portfolio Managers are ensuring a positive tilt towards higher rated holdings and away from lower rated holdings.

d. Fund Level ESG Scoring

A monthly independent analysis and classification of each fund's ESG score is performed by the Fineco AM Risk team. A minimum ESG scoring threshold is applied at Fund Level to ensure that the Fund score does not fall below a level deemed by Fineco AM to be appropriate for a fund promoting ESG characteristics. Monthly risk reporting highlights any instances where this threshold may be breached. Subsequently, where appropriate, the ESG quality of the fund may be formally investigated with findings reported to the SFC. This additional control serves to maintain a minimum fund level ESG scoring and supports engagement and challenge with fund managers on ESG topics.

e. Negative Screening (Norm-based exclusions)

Certain Fineco AM funds (see link to Exclusion Policy for specific fund types) apply norms-based exclusions. Fineco AM wants its funds under management to avoid making any investments which we or our clients might deem incompatible with minimum responsible investing principles. To align our investments with this

sustainable investment approach, we have adopted a firm wide exclusion policy which screens all investments for their compliance with minimum international standards and norms. In 2022, Fineco AM published an Investment Exclusion Policy, from which an Exclusion List is derived which outlines the various exclusions applied to all Fineco AM funds irrespective of their ESG classification. Any addition to – or removal from – the list is decided by the SFC.

Exclusion categories considered by Fineco AM:

- United Nations Global Compact Principles
- Controversial Weapons
- Tobacco
- Climate Change
- Forced Labour

[Please refer to our Fineco AM Investment Exclusion Policy for more information.](#)

f. Principal Adverse Impact (“PAI”) Integration

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). Fineco AM, at entity level, considers PAI of investment decisions of its funds under management on sustainability factors. Fineco AM considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment process and investment due diligence process.

g. Good Governance

We commit to making investments in companies which govern their business in a manner that promotes sound management of ESG risks and promotes value creation for shareholders and stakeholders. The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires that products classified as Article 8 or Article 9 products do not invest in companies who do not follow good governance practices. Please refer to the [Fineco AM Good Governance policy](#) which describes how Fineco AM determines if an investee company does not follow good governance practices and should therefore be excluded from the initial investment universe for Article 8 and 9 products.

5.2 ESG Integration for Externally Managed Funds

For investment funds where Fineco AM delegates the investment management duties to a third party, Fineco AM will conduct thorough initial and ongoing investment ESG due diligence to ensure that each delegated fund is 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.

5.2.1 Initial ESG Investment Due Diligence

This initial due diligence will be assessed via the following steps;

- i. Initial calls will be held with the 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.
- ii. Completion of the Fineco AM long form ESG Questionnaire. Our proprietary initial investment due diligence questionnaire incorporates questions specifically targeted at understanding the delegated manager's approach to ESG.
- iii. 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.

5.1.1. Ongoing ESG Investment Due Diligence

In addition to the above, Fineco AM will conduct Ongoing ESG due diligence in the form of additional ESG questionnaires and ongoing calls with delegate investment managers with monthly confirmations from delegate managers that they are continuously managing the fund in line with its responsible investment pre-contractual disclosures.

6. Active Ownership

6.1. Proxy Voting

Fineco AM uses the Institutional Shareholder Services ("ISS") voting platform and proxy voting recommendations for all of the meetings in which we vote. ISS provides voting recommendations based on Fineco AM's selected voting policy. Fineco AM has incorporated sustainability considerations into our voting approach through subscribing to the ISS International Sustainability policy and proxy voting guidelines. Each portfolio manager analyses the recommendations before voting.

ISS has developed proxy voting guidelines that are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG import, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), Ceres Roadmap 2030, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

Key ISS Sustainability Policy considerations include;

- **Operational Items:** *e.g. Financial Results/Director and Auditor Reports, Approval of Non-Financial Information Statement/Report, Appointment of Auditors and Auditor Fees / Internal Auditor*
- **Board of Director's:** - *e.g. Independence, composition, Director Elections; Diversity, Material ESG Failures, Climate Accountability*
- **Capital Structure:** *e.g. Share Issuance Requests, Increases in Authorized Capital etc.*
- **Compensation:** *e.g. Executive Compensation-Related Proposals, Non-Executive Director Compensation, Equity-Based Compensation Guidelines*
- **Environmental & Social:** *e.g. Social and Environmental Proposals - Overall Approach Climate Change, Say on Climate (SoC) Management Proposals*

6.2. Stewardship

Engagement consists of a constructive dialogue between institutional investors and investee companies to discuss how they manage ESG risks and seize business opportunities associated with sustainability challenges. Given our size and scale, we believe that the best way to promote improved market practices is through active membership in collaborative platforms. The most important principles for engagement followed by Fineco AM are the UN Global Compact and UN PRI and therefore we have joined the “UN PRI Advance; a stewardship initiative for human rights and social issues.”

Through this initiative, Fineco AM can collaborate with other investors to engage with companies with the objective to advance human rights and positive outcomes for people. The first phase of engagement (Q4 2022) will cover 40 companies from the Metals and mining and Renewables sectors. Based on portfolio holdings, Fineco AM has identified investee companies within the renewable sector for engagement.

Under these circumstances, we will take an active role in collaborative engagement by promoting stewardship beyond corporate dialogue through;

- Voting Escalation
- Investment chain engagement
- Sector-level engagement
- Policy engagement

Whilst Fineco AM might use such platforms for collaborative engagement, Fineco AM will not outsource our engagement responsibilities to third parties

7. Sustainability Focused/Impact Strategies

7.1. Defining Sustainable Investments for Internally Managed Funds

Article 2 (17) of SFDR defines a “sustainable investment” as “...an investment in **an economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in **an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments **do not significantly harm** any of those objectives and that the investee companies follow **good governance** practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”

At Fineco AM, in order to classify an investment as “sustainable” we assess its suitability based on the following criteria; Good Governance, Do No Significant Harm and Positive Contribution tests.

7.2. SFDR Article 9 - Sustainability focused/Impact strategies

At Fineco AM, we offer products which have sustainable investment as their objective and are therefore subject to the SFDR Article 9 requirements.

Sustainability focused strategies build from the same basis as the ESG-integrated strategies but add an ex-ante focus on stocks that score better on ESG and environmental factors.

Sustainability Impact strategies invest in companies that help solve problems related to specific sustainability themes. They differ from sustainability focused strategies in that they contain biases towards certain sectors or industries that have more exposure to sustainable development. These strategies are meant for investors wanting to make a positive impact on society, and/or those who want to have a clear exposure to certain sustainable development areas, and who believe that in doing so they can generate appropriate investment returns.

Example:

- **Diversity And Inclusion Fam Fund** - The investment objective of the Fund is to maximise total returns through a combination of income and capital appreciation through investing in companies that have demonstrable gender and/or ethnic diversity, or which provide solutions empowering social equality.
- **Global Sustain Paris Aligned Fam Fund** - The investment objective of the Fund is to provide a higher total return (capital growth plus income) than that of global equity

markets over any five-year period and to invest in companies that contribute towards the Paris Agreement climate change goal. The “Paris Agreement” is an international treaty on climate change, adopted by 196 parties at the Paris climate conference (COP21) in December 2015. The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming this century to well below 2°C and pursuing efforts to limit it to 1.5°C compared to pre-industrial levels. It also aims to strengthen countries’ ability to deal with the impacts of climate change and support them in their efforts.

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/sustainable-funds-11.pdf>

8. Greenwashing risk

ESMA defines the term greenwashing as *“referring to market practices, both intentional and unintentional, whereby the publicly disclosed sustainability profile of an issuer and the characteristics and / or objectives of a financial instrument or a financial product either by action or omission do not properly reflect the underlying sustainability risks and impacts associated to that issuer, financial instrument, or financial product. As such, greenwashing typically gives rise to potential detriment to investors who wish to allocate resources to sustainable investments. Greenwashing could, therefore, be generally identified as a misrepresentation, mislabeling, mis-selling and / or mis-pricing phenomenon. However, these terms may only represent the ultimate symptoms, since the causes of greenwashing may relate to multiple aspects of the functioning of the investment value chain, sometimes affecting nodes of that chain long before a certain financial product reaches the final investor.”*

At Fineco AM, we have identified and included Greenwashing risks as part of our annual Global Risk Scan. Examples of these risks include Greenwashing (Distribution) and Greenwashing (Investments) etc. As outlined within this policy, we have put in place various ESG/Sustainability-related policies, procedures, and controls to mitigate these risks. For example, integration of a suite of responsible investment policies and procedures, third party ESG data integration in our front office trading system, ESG due diligence on our third-party delegate managed funds, a monthly independent analysis and classification of each fund’s ESG score performed by the Fineco AM Risk team. Furthermore, as signatories to the UN Global Compact and UN PRI, we follow the principles of responsible investing and have implemented a firm-wide investment Exclusion Policy on this basis to ensure that minimum standards of ESG considerations are taken into account, thus, mitigating greenwashing risk across the board at a firm level.

9. 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.

10. Compliance

Fineco AM's second line function (Risk and Compliance) will monitor the firm's adherence with this Policy and the application of this Policy vis a vis the relevant pre-contractual disclosure documentation of any relevant fund. Such monitoring will include quality assurance testing on a periodic basis to ensure the content of this Policy is being applied as described herein, as well monitoring that each relevant fund is being managed in line with the ESG disclosure contained in the pre-contractual disclosure documentation.

11. Periodic review

Fineco AM will review this Policy and update as required.



FINECO

ASSET
MANAGEMENT

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.