



ANNUAL RESPONSIBLE INVESTOR  
AND  
PRINCIPAL ADVERSE IMPACTS STATEMENT REPORT  
2024

*Last updated May 2024*





## FOREWORD

This report concerns the financial market participants (FMP) Alken Asset Management (hereafter “Alken” or the “Firm”), Alken AM LEI: 549300SZ7IZI9WP81G96.

Alken Asset Management Ltd acts as the investment manager of a number of EU based sub-funds and in particular the Alken Fund which is a Luxembourg based UCITs SICAV. Some of Alken strategies have received the LuxFLAG ESG label for the past few years.

This report provides details on the sustainable development achievements of the past twelve months and of the identified sustainability impacts of our managed strategies.

This report complements our ESG Integration Policy which provides details on the methods and the means deployed for the implementation of our enhanced ESG integration strategy.

The report also seeks to detail our climate change monitoring as well as our SDGs contributions.

We encourage you to visit our ESG disclosures available on our website and welcome any additional questions which can be raised to our ESG Officer.



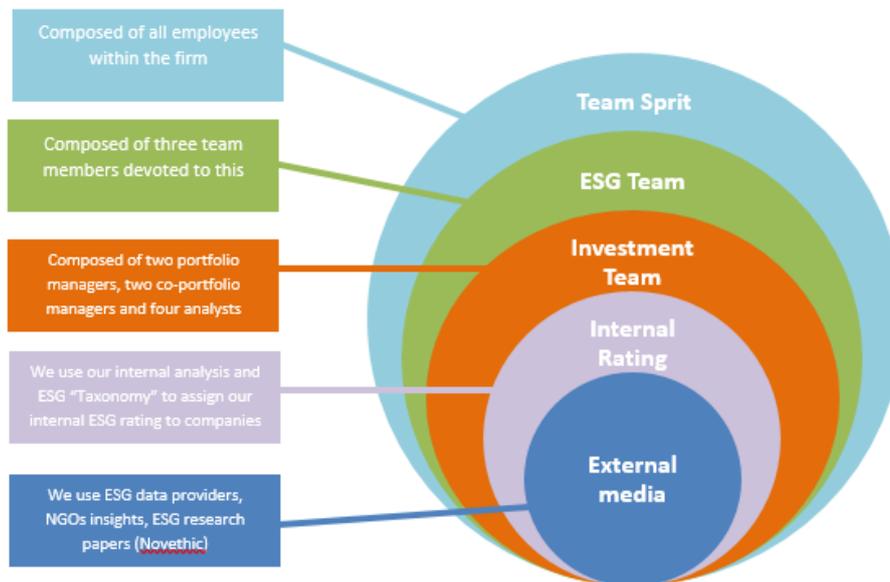
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## 1. ESG Organisation at Alken

For a few years now, we have worked to rethink our ESG investment process. Among other things, we have decided to give more weight to our ESG systems and to ensure the importance of taking these fundamentals into account in our studies and investment decisions. As such, all members of each team are encouraged to properly contribute and take part to our responsible investment process.

Altogether, we are working to optimize our organization and the quality of our work:



The asset manager combines different input as detailed below:

- **The investment manager's ESG team:** The "ESG specialists", made up of an ESG manager (7 years + of experience in ESG) and two ESG research support staff (junior experience in ESG). All three aim to deal with E, S and G issues in detail. They are the ones who carry out the detailed ESG analyses on our issuers, but also the direct commitments, and all the other collaborative participations (UNPRI initiatives) deemed relevant.
- **The investment manager's investment team:** If the managers and analysts focus primarily on financial analysis, they are also very competent on governance issues as well as are generalists on environmental themes, in particular evaluating existing transition capacities with their eye of engineer.
- **The investment manager's sales team:** Are involved with all the preparation and elaboration of ESG-related marketing documents. They are also the first contacts to clients and are the bridged between clients' expectations and the investment manager's evolving ESG strategy.
- **The investment manager's operations, IT, compliance and risk team:** This is another key aspect of our ESG implementation: the operations' team are here to make sure that exclusions lists are properly respected and monitor on a daily basis all our different ESG alerts (ESG scorings on all instruments, controversies or UNGC alerts etc). The IT team is involved with the building and maintenance of our internal ESG platform, where all our ESG internal reviews and engagements are being recorded. The compliance and risk team is involved with all the ESG regulatory checks and risks reviews.

More can be found in our Organisational and Responsibilities Map and ESG Integration policy, available on our ESG webpage: [a56f3b\\_54f2c3dfe43a4e6986507b5b82c3c799.pdf \(alken-am.com\)](https://www.alken-am.com/a56f3b_54f2c3dfe43a4e6986507b5b82c3c799.pdf).



## 2. ESG regulatory categorisations: SFDR and the AMF Doctrine

### 2.1 SFDR

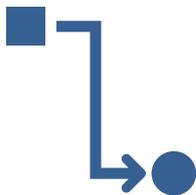
#### About the EU Sustainable Finance Disclosure Regulation (SFDR)

SFDR is a set of EU rules which purport to make the ESG profile of strategies more comparable and better understood by investors. One key aspect of SFDR is therefore the classification of strategies in three categories, laid out as Article 6, 8 and 9 of the Regulation. Additionally, and as its name suggests, the Regulation also encourages firms to be more transparent and among other things disclose the pre-defined metrics that help them assess the E, S and G levels of investee companies.

#### Strategies' categorisation according to SFDR

Alken Asset Management's core Equity and Fixed Income investment process is in our opinion in line with the Article 8 classification. The report relates to those core strategies.

#### What we mean by investor impact



It is our understanding that investors have an impact, whether consciously, or otherwise. With SFDR coming into force, firms are now even more encouraged to monitor and to measure the actual or potential detrimental impacts of their investments. In other words, what may look like a highly profitable investment may in fact also be attached to a high environmental impact, which will sooner or later turn out to have a costly impact and might consequently constitute a bad or less good investment decision.

Evaluating an investor impact is not as easy as it seems and we understand that FMPs may look at several factors, such as: what happened after we invested? What actions did we take? What evolution can we see? What did we do to mitigate the ESG impact? Could the firm have a positive impact on the given business? If not, should the firm disengage with the company, or should it continue help the business change and adapt to the identified ESG risks?

#### How do we determine our most important sustainability outcome objectives?

- We identify sustainability outcomes that are closely linked to our core investment activities.
- We consult our clients to align with their priorities.
- We assess the potential severity of specific negative outcomes over different timeframes.
- We understand the geographical relevance of specific sustainability outcome objectives.

**As such, a number of those managed strategies fall under the "Article 8" categorisation according to SFDR.**

*More can be found in the different related Policies published on our website: [Alken Asset Management | Legal \(alken-am.com\)](#) as well as on our Regulatory Categorisation Policy available on demand.*



### 2.2 French AMF Doctrine

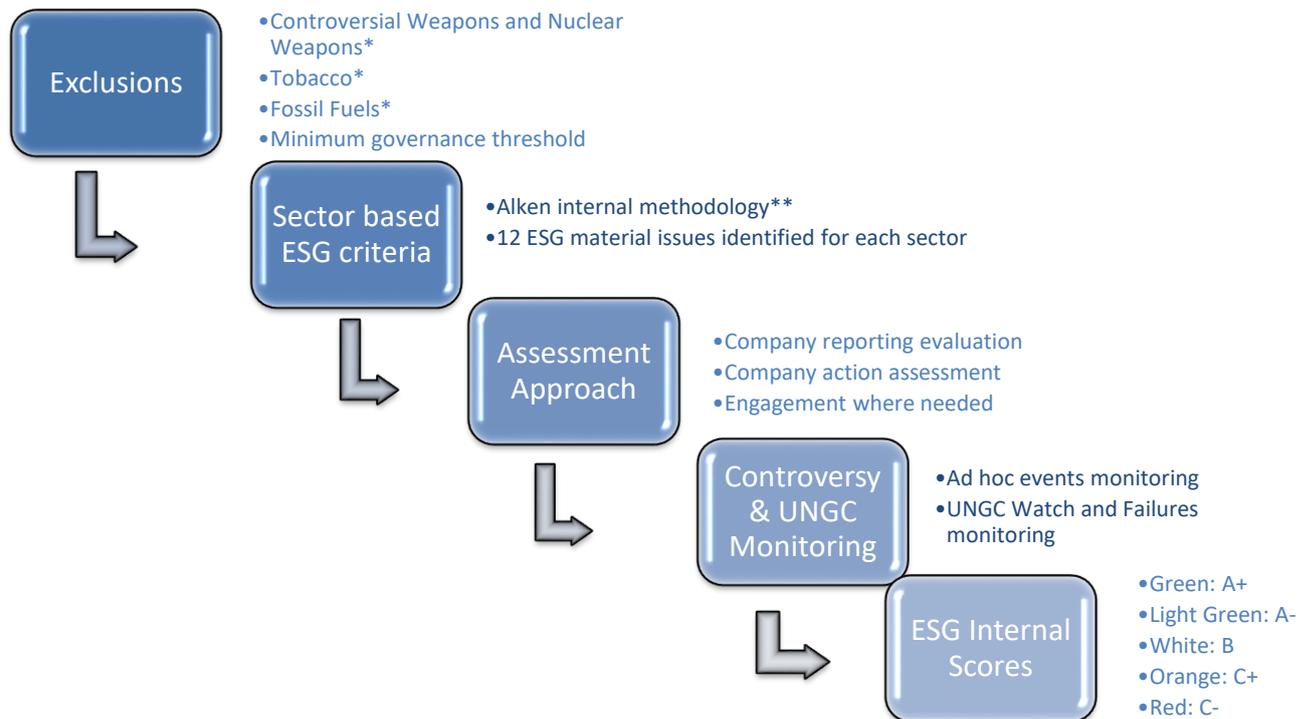
The French regulator (AMF) doctrine related to products integrating non-financial considerations (Doctrine 2020-03) requires that asset managers marketing funds in France comply with specific disclosure obligations, depending on the category they belong:

- Category 3: funds which do not take into account (or lightly) non-financial criteria should strictly limit the communication around extra-financial criteria to their prospectus;
- Category 2: funds which take extra-financial criteria into account without taking a significant commitment to using them may communicate about them without making them a central element of communication (limited communication);
- Category 1: funds which significantly commit to taking into account extra-financial criteria can make them a central element of communication.

**The majority of the managed strategies fall under the “Category 2” described above.**

*More can be found in the different related Policies on SFDR published on our website: [Alken Asset Management | Legal \(alken-am.com\)](#) as well as on our Regulatory Categorisation Policy.*

### 3. ESG internal process



*\*Depending on strategies.*

*\*\*Our ESG methodology was built based on financial research, international standards, ESG data provider analysis.*

*More can be found in the ESG Integration Policy published on our website: [Alken Asset Management | Legal \(alken-am.com\)](#)*



#### 4. Integration of sustainability risks (Article 3 SFDR)

*“ All of our strategies involve a level of risk - a financial one as well as a non-financial one, as we believe that the value of investments is linked to both types of risks.*

*Our investment team together with our ESG Committee work alongside to make sure effective processes are in place in order to anticipate, monitor, screen, process and evaluate those different potential ESG risks.” - ESG Officer, Alken AM.*

Our ESG risk management can be broken down into the following three pillars:



##### ESG EXCLUSIONS

As defined in our General Exclusion Policy and in our Controversial Weapons Policy, Alken has implemented a number of exclusions that aim to ensure the firm will not invest in products or activities which are deemed not aligned with our core values.

*More about our exclusions can be found on our website policy disclosures : [Alken Asset Management | Legal \(alken-am.com\)](#)*



##### ESG LIMITATIONS

As defined in our ESG Integration Policy, Alken has implemented an ESG screening process which categorises companies into five different levels of ESG risks and of ESG maturity. We use this internal categorisation in order to monitor the companies which are considered to have a higher level of ESG risks in order to prioritize our internal ESG deeper review and our ESG engagements.

On top of this, we use our UNGC failures and ESG related controversies alert system in order to review any potential new or upcoming ESG risks. We follow a strict ESG review process, which helps us escalate the issue to the investment team, should the ESG risk be confirmed.

Finally, we apply a number of additional investment limits for the companies which are considered to have a higher degree of ESG risks, in order to limit the level of ESG risk exposure that a portfolio can have.

*More can be found in our ESG Integration Policy available on our website: [Alken Asset Management | Legal \(alken-am.com\)](#)*



##### ESG INTEGRATION

We use our internally developed ESG Taxonomy in order to identify material ESG risks for every sector and every company in which we invest in.

As described in our ESG Integration Policy, we use our ESG review process to evaluate the level of ESG integration of our investee companies, and identify any potential weaknesses. We use those ESG reviews in order to engage with investee companies and evaluate to what extent are the issuers integrating the ESG risks identified into their business model.

*More can be found in our ESG Integration Policy as well as in our ESG Engagement Policy available on our website: [Alken Asset Management | Legal \(alken-am.com\)](#)*



## 5. Promotion of E and S characteristics (Article 8 SFDR)

### 5.1 Alken's key environmental and social characteristics

We have mapped and identified **twelve specific indicators** for each sector, meaning **three indicators** for each of the four pillars: **environment, social, governance and human rights**:

SECTOR	SUB-SECTOR	ENVIRONMENT			SOCIAL			GOVERNANCE			HUMAN RIGHTS		
		Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	Issue 3
1	ENERGY OIL, GAS, COINS FUELS	CO2 Emissions	Impacts on ecosystems and landscape	Resource Efficiency & Local Pollution Prevention	Impacts on Local Communities	Health & Safety	Gender Diversity	Corruption & Bribery Prevention	Ownership structure	Business Ethics	Right to equality	Right to peaceful Assembly	Anti-Slavery Prevention
2	MATERIALS METALS & MINING	CO2 Emissions	Impacts on ecosystems and landscape	Promotion of Renewable Energy Sources	Impacts on Local Communities	Health & Safety	Fundamental Labour Rights	Corruption and Bribery Prevention	Board structure and role	Ownership structure	Freedom from discrimination	Freedom of Expression	Anti-Slavery Prevention
	CONSTRUCTION MATERIALS	CO2 Emissions	Raw Material Sourcing	Impact on ecosystems and landscape	Fundamental Labour Rights	Health & Safety	Gender Diversity	Corruption and Bribery Prevention	Executive Remuneration	Ownership structure	Social Security	Workers' Rights	Anti-Slavery Prevention
	TRANSPORTATION - AIRLINES	CO2 Emissions	Carbon Transition Management	Use of ecosystems and landscape	Human Capital Management	Cost-Cutting	Product Safety	Privacy and Security	Supply Chain Management	Product Design & Lifecycle	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
4	CONSUMER DISCRETIONARY AUTOMOBILES & COMPONENTS	CO2 Emissions	Recyclable and Renewable Materials	Waste Management	Human Capital Management	Health & Safety	Product Safety	Supply Chain Management	Corruption and Bribery Prevention	General Corporate Governance	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
	APPLIANCES & LUXURY GOODS	CO2 Emissions	Raw Material Sourcing	Impact on ecosystems and landscape	Fundamental Labour Rights	Animal Welfare	Consumer Behaviour	Product Innovation	Supply Chain Management	Product Design & Lifecycle	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
	SPECIAL RETAIL	CO2 Emissions	Raw Material Sourcing	Impact on ecosystems and landscape	Fundamental Labour Rights	Data Security & Customer Privacy	Health & Safety	Supply Chain Management	Business Ethics	General Corporate Governance	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
5	CONSUMER STAPLES FOOD & STAPLES RETAILING	Energy use & Transportation	Sustainable agriculture & Animal rearing management	Impact on ecosystems and landscape	Fundamental Labour Rights	Health & Safety	Automated Labour Transformation	Product Safety	Supply Chain Management	General Corporate Governance	General Human Rights	Anti-Discrimination and harassment measures	Anti-Slavery Prevention
8	HEALTHCARE PHARMA & BIOTECH	Toxic Emissions and waste management	Water Management	Impact on ecosystems and landscape	Contribution to social cause	Product Innovation	Product Safety	Fair pricing	Bribery Prevention	General Corporate Governance	General Human Rights	Anti-Discrimination and harassment	Anti-Slavery Prevention
6	HEALTH CARE EQUIPMENT & SERVICES	CO2 Emissions in the transportation	Toxic emissions and hazardous waste	Water management	Contribution to social cause	Health & Safety	Product safety and manufacturing quality	Fair pricing	Bribery Prevention	General Corporate Governance	Human Rights' protection	Non-discrimination	Social dialogue
7	FINANCIALS BANKS	Environmental strategy embedded within business model	Physical Impacts of Climate Change	Energy Efficiency	Selling practice & Product Labeling	Data Security & Customer Privacy	Access & Affordability	Management of the increased regulatory risk	Product design & lifecycle management	Business Ethics	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
	DIVERSIFIED FINANCIALS		Energy Efficiency	Selling practice & Product Labeling	Data Security & Customer Privacy	Access & Affordability	General Human Rights				Child Labour Prevention	Anti-Slavery Prevention	
	INSURANCE		Energy Efficiency	Selling practice & Product Labeling	Data Security & Customer Privacy	Access & Affordability	General Human Rights				Child Labour Prevention	Anti-Slavery Prevention	
8	INFORMATION TECHNOLOGY SOFTWARE & SERVICES	CO2 Emissions	Energy Efficiency	Promotion of Renewable Energy Sources	Customer Privacy and Information Management	Gender Diversity	Human Capital Management	Privacy and Security	Audit & Internal Controls	Anti-Competitive Practices	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
	TECHNOLOGY TELECOMMUNICATIONS HARDWARE & EQUIPMENT SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT	Conflict Minerals Risk	Lifecycle Management and E-Waste	Climate Change Risk	Labour Management	Health & Safety	Social Dialogue	Competitive Behaviour	Managing systemic risks from technology disruption	Anti-competitive Practices	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention

For instance:

#### Environmental characteristics promoted for the consumer discretionary sector:

1. Clean water and sanitation, in line with SDG6
2. Responsible consumption and production, in line with SDG12
3. Encouraging the development and diffusion of environmentally friendly technologies, in line with Principle 9 of the UNGC

#### Social characteristics promoted for the same consumer discretionary sector:

1. Decent work and economic growth, in line with SDG8
2. Industry, innovation, and infrastructure, in line with SDG9
3. Supply chain management, in line with SDG12



The most prevalent **cross sectorial environmental and social characteristics** are listed as follows (in line with the SDGs):

## ENVIRONMENT



- Air, water, ground pollution – SDG15
- Greenhouse gases emissions – SDG13
- Energy use, efficiency, and renewables – SDG7 combined with PRINCIPLE 9 UN Global Compact: Businesses should encourage the development and diffusion of environmentally friendly technologies
- Raw materials consumption – SDG12
- Sustainable transportation – SDG12
- Water management – SDG6 and SDG14
- Waste management – SDG15 and SDG14
- Biodiversity and its protection – SDG15 and SDG14
- Lifecycle impacts – SDG12
- Noise pollution – SDG15



## SOCIAL

- Impact on local community - SDG1 and SDG11
- Working conditions – including health and safety – SDG10 and SDG3
- Diversity programs- SDG5 combined with PRINCIPLE 6 UN Global Compact: Businesses should uphold the elimination of discrimination in respect of employment and occupation
- Retention rate – SDG8
- Relationships with stakeholders (unions, NGOs, communities etc) combined with PRINCIPLE 3 UN Global Compact: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Supply Chain Management – SDG12
- Materials sourcing – SDG12
- Product Safety, quality, and labelling
- Customer privacy & information security
- Access to health and medicine – SDG10

### ***How are the SDG contribution actually measured?***

For each sector, we have identified the most relevant SDG indicators.

The first aspect of our internal review is one to verify if the issuer is talking about the SDG indicator, and whether it provides concrete examples of how it is integrating the SDG indicator into its business model.

The second aspect of our internal review is to evaluate the credibility of the issuer's actions, to verify that it is doing what the ESG report is stating.



We then assign a rate to the issuer based on those two aspects:

- 1/ **Communication** made on the SDGs, AND
- 2/ **Actions** performed on the SDGs.

## 5.2 Good governance monitoring (Article 8 SFDR)

As part of the requirements of Article 8 SFDR, Alken assesses the good governance of investee companies within the strategies categorised as promoting environmental or social characteristics.

Alken has placed good governance as a fundamental pillar of its investment process. As such, Alken will tend to look at the below governance factors (list non exhaustive), when considering investing in companies.



### GOVERNANCE

- Long-term objectives
- Accountability, transparency, traceability
- Audits & Internal controls
- Ownership structure
- Indépendance of the Comitties
- Honesty and integrity
- Compliance with tax systems
- Remuneration policies
- Voting rights and minority shareholders rights
- Management and oversight of its Supply Chain
- Management of the increased regulatory risk
- Independence of the Directors and of the Board
- Innovation & Technology
- Board structure & Role
- Corruption & Bribery Prevention
- Pricing Manipulation prevention
- Privacy and Security management
- Competitive Behaviour Risk

Alken will only consider companies which corporate governance score does not fall below a chosen threshold. Exceptions can be made should they be confirmed by the financial analyst, together with the ESG analyst and Compliance Officer. Those exceptions are recorded in our internal ESG platform.

Additionally, any controversies or issues raised by the UN Global Compact Principles will be identified and investigated. Reviews of those alerts are also recorded in our internal ESG platform.



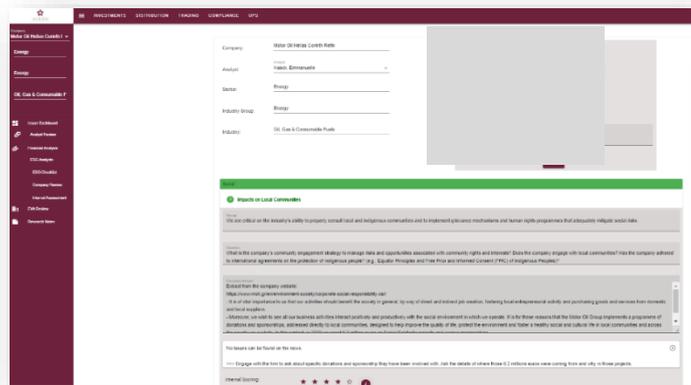
Finally, Alken has always closely engaged with investee companies, in order to establish a direct dialogue and evaluate companies' sound management structure according to its own analysis.

### 5.3 ESG Internal Assessments & Engagements

We use our internal ESG methodology in order to assess invested companies, evaluate their ESG credentials and assign them an internal scoring.

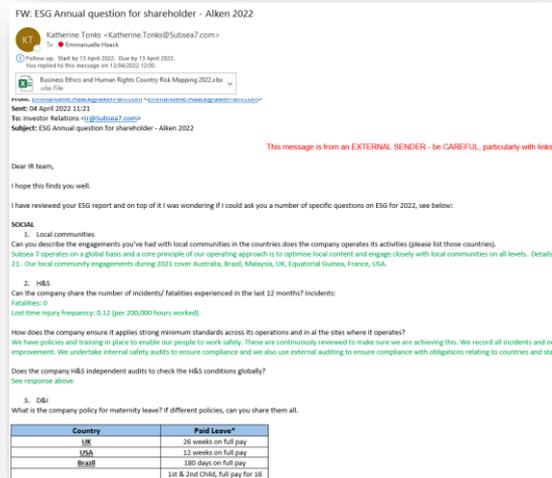
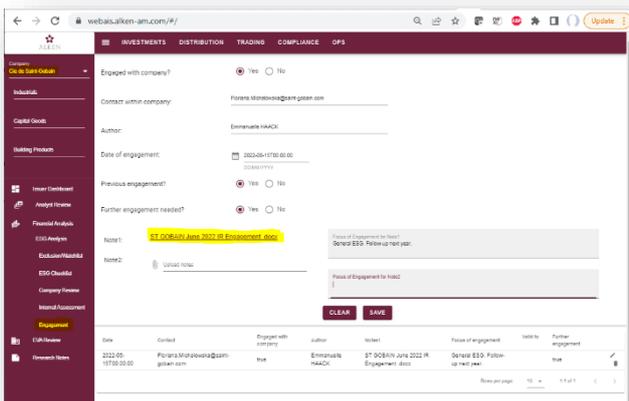
#### ESG Internal Assessment

Applying a tailored ESG methodology on a dedicated platform for official company ESG reporting, internal company evaluation, company controversy monitoring and company engagement.



#### ESG Internal Engagement

We also use our internal methodology in order to engage, either verbally or in writing, with investee companies.





## 6. Portfolio contribution to the selected E and S characteristics (Article 8 SFDR)

### 6.1 Portfolio contribution: ESG due diligence process

The first aspect of our monitoring consists in our ESG due diligence process: from the exclusion lists to the monitoring of ESG controversies. The below details this process.

#### 1. AVOID AND PREVENT

**Exclusions** have been put in place for several activities or standards of behavior which are deemed to be against Alken's core values.

#### Entity-wide exclusions:

TYPE OF ACTIVITY BEING EXCLUDED	THRESHOLD
CONTROVERSIAL WEAPONS	0% revenues tolerated having any tie
THERMAL COAL	Above 30% of revenues generation
SHALE OIL	Above 30% of revenues generation
WEAK GOVERNANCE	Below 3/10 as indicated by our ESG data provider unless internal justification

More can be found here: [a56f3b\\_8f05aeadb6584439ac60fcdcf9787475.pdf \(alken-am.com\)](https://alken-am.com/a56f3b_8f05aeadb6584439ac60fcdcf9787475.pdf)

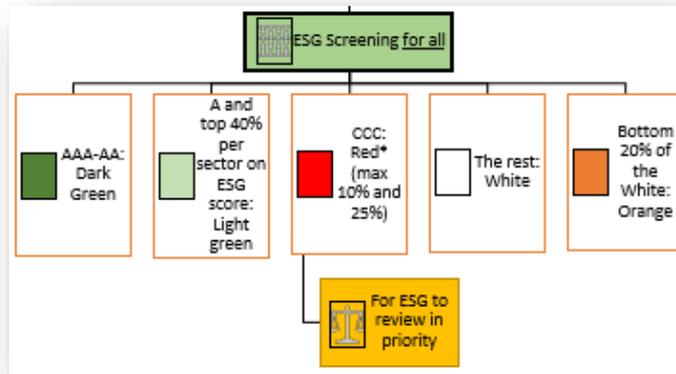
#### Strategy-specific exclusions:

TYPE OF ACTIVITY BEING EXCLUDED	THRESHOLD
NUCLEAR WEAPONS	0% revenues having any tie
TOBACCO PRODUCTION	5% revenues from tobacco production
OIL & GAS Exploration & Production	Above 30% of revenues generation

More can be found here: [a56f3b\\_8f05aeadb6584439ac60fcdcf9787475.pdf \(alken-am.com\)](https://alken-am.com/a56f3b_8f05aeadb6584439ac60fcdcf9787475.pdf)



Additionally, a **screening** process is applied, using a combination of Alken’s Environmental, Social, Governance, and Human Rights filters together with ESG data on corporate entities collected from our ESG provider.



## 2. IDENTIFY AND ASSESS IMPACTS

### IDENTIFYING ESG ISSUES

We have identified and mapped the key environmental, social, governance and human rights (“E, S, G & HR”) risk factors specific to each sector:

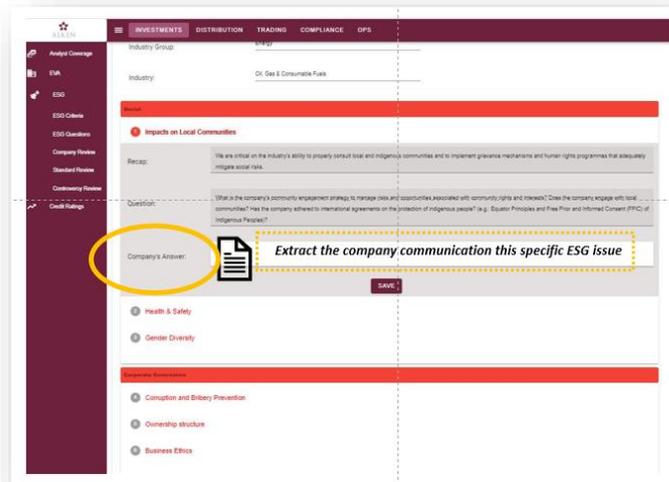
- ⇒ To this extent Alken established a broad scoping exercise identifying the main areas of ESG risk across different sectors. This is called *Alken’s ESG materiality map* and contains more than thirty sustainable metrics which are used to assess a company’s ESG credentials.
- ⇒ The idea here is to quickly identify what could cause or contribute to the development of adverse impacts on people, on the environment or on society in general.

SECTOR	SUB-SECTOR	ENVIRONMENT			SOCIAL			GOVERNANCE			HUMAN RIGHTS		
		Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	Issue 3	Issue 1	Issue 2	
1	ENERGY	Oil/Gas/Coal/Fuels	CO2 Emissions	Impacts on ecosystems and landscape	Resource Efficiency Local Pollution Flare/venting	Impacts on Local Communities	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
2	MATERIALS	Metals Mining	CO2 Emissions	Impacts on ecosystems and landscape	Flare/venting Energy Sources	Impacts on Local Communities	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
3	CONSTRUCTION	Construction Materials	CO2 Emissions	Impacts on ecosystems and landscape	Flare/venting Energy Sources	Impacts on Local Communities	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
4	TRANSPORTATION	Airplanes	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
5	CONSUMER DISCRETIONARY	Auto Components	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
6	CONSUMER DISCRETIONARY	Apparel & Luxury Goods	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
7	CONSUMER DISCRETIONARY	Special Retail	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
8	CONSUMER STAPLES	Food/ Staples/ Retailing	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
9	HEALTHCARE	Pharmaceuticals	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
10	FINANCIALS	Insurance	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions
11	TECHNOLOGY	Software & Services	CO2 Emissions	Carbon Footprint Transportation Management	Impacts on ecosystems and landscape	Human Capital Management	Health & Safety	Gender Diversity	Competition and Ethics	Business Ethics	Business Ethics	Right to peaceful Assembly	Anti-Slavery Provisions

## ASSESSING THE RISK LIKELIHOOD

Companies' exposure to actual or potential adverse impacts from E, S, G & HR factors is assessed using the following variables:

- ⇒ Our ESG due diligence follows a *"risk-based" approach*. The assessment of the ESG strengths and vulnerabilities of a given company will depend on the severity and likelihood of a particular ESG adverse impact occurring through the company's business.
- ⇒ Our ESG due diligence also follows a *"prioritisation-based" approach*. We focus on the most significant impacts: looking for the twelve most important ESG impacts for each sector.



## EVALUATING THE IMPACTS

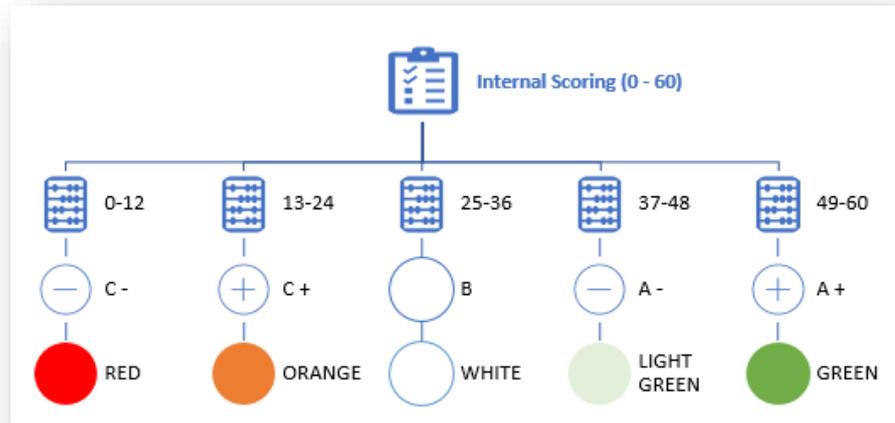
We evaluate companies' capacity to cause adverse impacts:

- ⇒ We use our *ESG material map* to assess whether a company has caused or could cause the identified adverse impact; or whether the company has contributed or could contribute to the adverse impact; or whether the adverse impact is or would be directly linked with the company's operations, products, or services.

## DRAWING CONCLUSIONS

We draw conclusions from the information obtained on actual or potential adverse impacts:

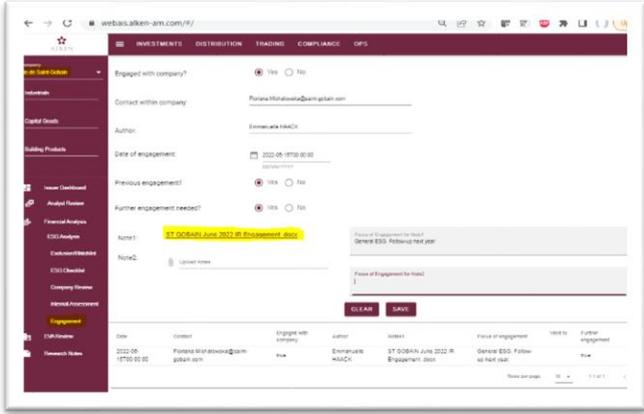
- ⇒ Alken has developed an internal scoring system whereby companies are rated from 1-5 on each of the twelve potential adverse impacts identified for its sector.



### 3. CEASE, PREVENT OR MITIGATE

Following the company assessment, we determine the appropriate level of engagement with each company. The idea is to develop a fit-for-purpose action plan to engage with the relevant business:

- ⇒ Engagement is highly recommended where red signals have been identified through our screening and integration processes.
- ⇒ Engagement is highly recommended where no ESG data is available, creating a risk of not being aware of potential adverse impacts linked to the business.
- ⇒ Engagement is highly recommended where a controversy is confirmed by both financial and non-financial analysts. Once an adverse impact has occurred, the Firm can opt between trying to mitigate the controversy, trying to remediate it, preventing future occurrences, or pressuring the business through disengagement with the business.



The screenshot shows the internal scoring system interface with the following details:

- Engaged with company?**  Yes  No
- Contact within company:**
- Author:**
- Date of engagement:**
- Previous engagement?**  Yes  No
- Further engagement needed?**  Yes  No
- Name1:**
- Name2:**
- Issue of engagement for next year:**
- Issue of engagement for next year:**

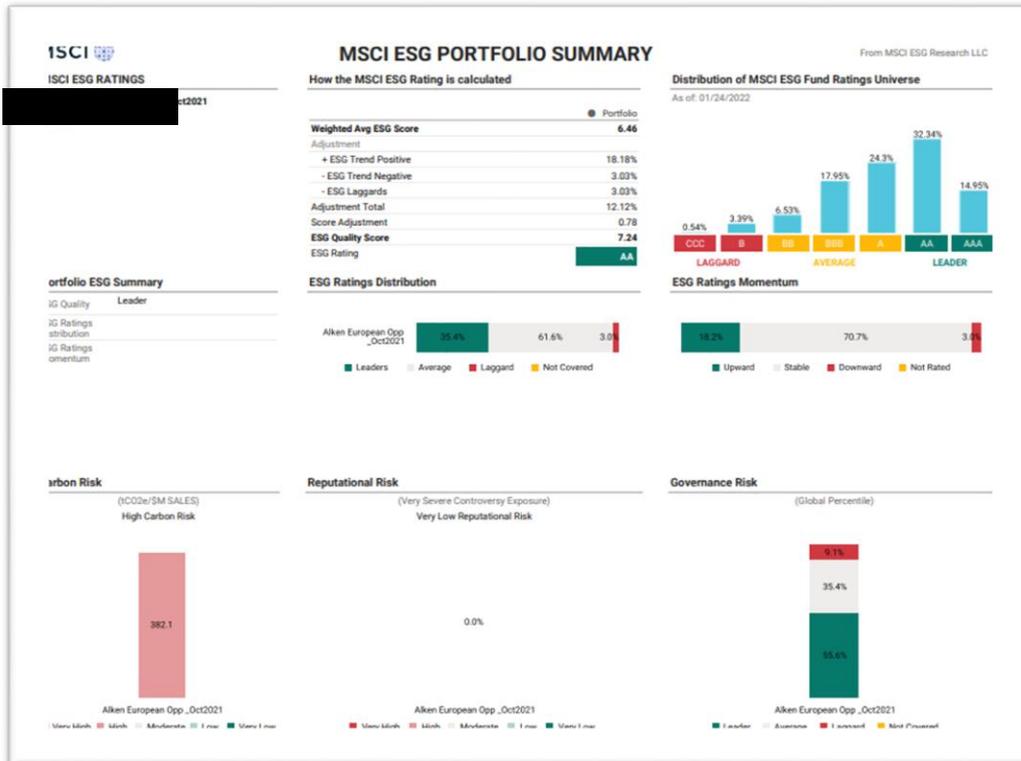
Date	Contact	Engaged with company	Author	Issue	Issue of engagement	Next year	Further engagement
2022-06-17 10:00	Florian.Morlaix@alken.com	Yes	Emmanuel HADCK	ST CORBAK June 2022 RE Engagement doc	General ESG Follow-up next year	Yes	Yes

## 6.2 Portfolio contribution: “results”

A second aspect of our monitoring consists in reviewing the overall ESG scoring at the portfolio level, and monitoring those results and their evolution over time. To this extent, we use both the data provided by our external ESG provider as well as data gathered from our internal proprietary ESG platform.

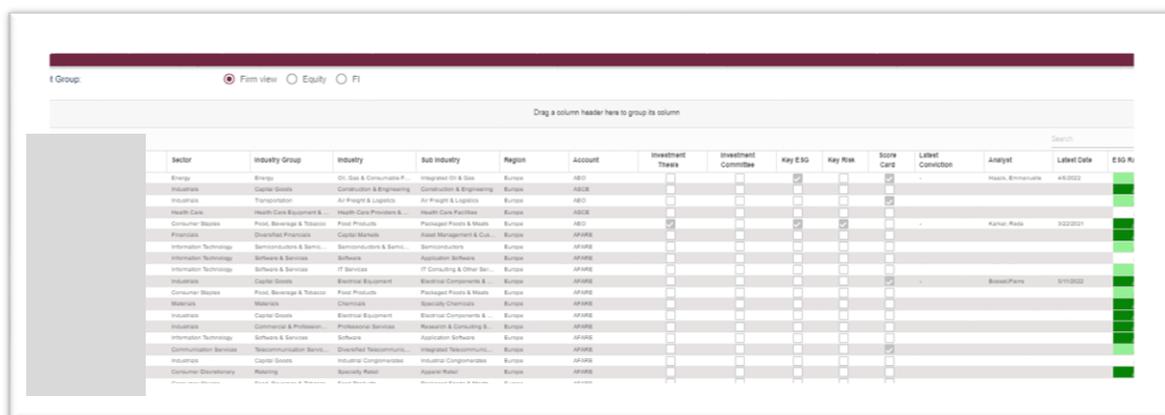
Whilst this in constant development, we share in the below some samples:

Figure 1: Portfolio ESG scoring according to external data provider



Source: INTERNAL. Data extracted from MSCI. February 2022. For illustrative purpose only.

Figure 2: Portfolio ESG scoring according to internal sources



Sector	Industry Group	Industry	Sub Industry	Region	Account	Investment Thesis	Investment Committee	Key ESG	Key Risk	Score	Label	Analyst	Label Date	ESG R
Energy	Energy	Oil, Gas & Commodities P.	Integrated Oil & Gas	Europe	AEO							Mark Binnemans	4/6/2022	
Industrials	Capital Goods	Construction & Engineering	Construction & Engineering	Europe	ASCE									
Industrials	Transportation	Air Freight & Logistics	Air Freight & Logistics	Europe	AEO									
Health Care	Health Care Equipment & Supplies	Health Care Equipment & Supplies	Health Care Equipment & Supplies	Europe	ASCE									
Consumer Staples	Food, Beverage & Tobacco	Food Products	Packaged Foods & Meats	Europe	AEO							Karlus Pata	3/22/2021	
Financials	Diversified Financials	Capital Markets	Asset Management & Cust.	Europe	AFARS									
Information Technology	Software & Services	Software	Application Software	Europe	AFARS									
Information Technology	Software & Services	IT Services	IT Consulting & Other Ser.	Europe	AFARS									
Industrials	Capital Goods	Electrical Equipment	Electrical Components & Equip.	Europe	AFARS							Brexit Plans	9/11/2022	
Consumer Staples	Food, Beverage & Tobacco	Food Products	Packaged Foods & Meats	Europe	AFARS									
Materials	Materials	Chemicals	Specialty Chemicals	Europe	AFARS									
Industrials	Capital Goods	Electrical Equipment	Electrical Components & Equip.	Europe	AFARS									
Industrials	Construction & Infrastructure	Infrastructure Services	Heavy & Contracting & Equip.	Europe	AFARS									
Information Technology	Software & Services	Software	Application Software	Europe	AFARS									
Communication Services	Telecommunication Services	Diversified Telecommuni.	Integrated Telecommuni.	Europe	AFARS									
Industrials	Capital Goods	Industrial Conglomerates	Industrial Conglomerates	Europe	AFARS									
Consumer Discretionary	Retailing	Retailing Retail	Retailing Retail	Europe	AFARS									

Source: Data extracted from Alken IS internal platform. 2022. For illustrative purpose only.

## 7. Climate change assessment

### 7.1 Monitoring our climate change impact



1

#### Key features

Figure 1: EXTERNAL MONITORING: Our MSCI Carbon Footprint Calculator Monitoring

4SCI		MSCI ESG CARBON FOOTPRINT CALCULATOR		From MSCI ESG Research LLC	
Footprint Metrics on Investor Allocation			PORTFOLIO	COVERAGE	
<b>Allocation Base</b>		<b>Market Cap</b>			
Carbon Emissions	Scope 1+2		279.6	77%	
Investor Allocation	Scope 3 - upstream		275.7	77%	
Market Cap	Scope 3 - downstream		271.1	77%	
<b>Total Carbon Emissions</b>	Scope 1+2		2,756,611	77%	
Investor Allocation	Scope 3 - upstream		2,756,785	77%	
Market Cap	Scope 3 - downstream		3,710,643	77%	
<b>Total Carbon Intensity</b>	Scope 1+2		328.0	77%	
Investor Allocation	Scope 3 - upstream		323.5	77%	
Market Cap	Scope 3 - downstream		435.4	77%	
<b>Weighted Average Carbon Intensity</b>					
			PORTFOLIO	COVERAGE	
<b>Corporate constituents</b>					
Investor Allocation	Scope 1+2		183.8	77%	
Market Cap	Scope 3 - upstream		230.9	77%	
Market Cap	Scope 3 - downstream		285.6	77%	
<b>Sovereign constituents</b>					
Investor Allocation	GHG intensity		271.0	10%	

➤ **Carbon Emissions?** Measures the carbon emissions, for which an investor is responsible, per USD million invested, by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalization).

➤ **Carbon intensity?** Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the

sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalization).

Source: MSCI. For illustrative purpose only.

Figure 2: INTERNAL MONITORING: Our Internal Green Watchlist Monitoring.

Watchlist 2: Green Roadmap (MSCI)	
Taxonomy alignment:	16.26 /100
Carbon emission score:	8.4 /10
Carbon emissions reduction target:	Aggressive target from a high base
Use of offsets:	No
SBTi approved:	-
CDP Disclosure:	Yes
Biodiversity Exposure and Management:	5.9 /10

- Taxonomy alignment?
- Carbon emissions score?
- Carbon emissions reduction targets?
- Use of offsets?
- Approved by SBTi or CDP?
- Biodiversity management?

Source: INTERNAL EXTRACT ALKEN IS. Analysis performed on one of Alken' individual stocks. May 2023 Data. For illustrative purpose only.

<sup>1</sup> Extract from MSCI for one of our sub-fund strategies, extracted February 2022.



## 7.2 Monitoring GHG Emissions Reduction Targets

Committed to support the global 2050 net zero objective, we encourage investee companies to break this long-term target into short- and medium-term targets.

We use our ESG integration process as well as our ESG engagement process to encourage invested listed issuers to implement a short and medium net zero pathway, in particular for the high-emitting sectors, but not only.

Whilst we have not defined strict targets and prefer leaving each company implement what works best, we believe that our encouragements to set clear objectives provides the necessary incentive for companies to plan ahead.

In order to monitor any 2050 net zero goals' strategy pathways, we currently use a number of climate indicators but mostly relying on our "Sustainable Development Objective" and whether investee companies meet the implemented rule on contributing to climate change mitigation.

Note a more refine strategy to monitor net zero targets will be implemented 2024/2025.

## 7.3 Contributing to climate change adaptation: Alken' sustainable investment<sup>2</sup> objective (SFDR)

According to SFDR, Alken implemented a process according to which some strategies [contribute to climate change adaptation by reducing carbon emissions](#). This objective constitutes the firm's chosen sustainable investment objective for the Article 8 strategies. The below graph details this sustainable objective and the methodology underpinning this objective. We monitor our contribution to climate change adaptation on a weekly basis thanks to a system of alerts and calculations implemented internally.

### 1/ RULE 1: Economic contribution to an environmental objective: climate change mitigation

In order to achieve the defined objective, the investment manager will look for companies that meet both a) AND b) requirements detailed below:

#### **a) Companies demonstrated a climate mitigation intent:**

For this the investment manager uses companies' disclosures of their carbon reduction targets to established climate platforms or outside:

- MSCI' CDP disclosures, looking for the "YES" indicator OR
- MSCI SBTi disclosures SBTI APPROVED, looking for the "YES" indicator OR
- MSCI' carbon emissions reduction targets, looking for anything but the "No target"
- Quantitative threshold: the Investment Manager considers that a YES to any of those three equals to a PASS

<sup>2</sup> Sustainable Investment according to SFDR

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 labour 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.



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**b) Companies which have demonstrated concrete actions to climate mitigation, by complying with at least one of those four conditions:**

- Companies that have an above average taxonomy alignment (using MSCI' taxonomy alignment estimated revenues)
  - Quantitative threshold: any percentage above 20% of taxonomy alignment amounts to a PASS
  - Companies that have reduced or mitigated their carbon risk exposure (using MSCI' Carbon Emissions Management Score).
  - Quantitative threshold: any score above 2/10 would amount to a PASS
  - Companies that are using alternative energy as a percentage of their revenues (using MSCI's field on alternative energy. This indicator is a percentage).
  - Quantitative threshold: any percentage above 20% amounts to a PASS
  - Companies has embedded the use of energy from renewable sources within their business strategy (using MSCI's renewable energy use indicator. This field is a YES/NO indicator).
  - Quantitative threshold: Any YES to this indicator would amount to a PASS.
- Both sections a) and b) shall be PASSED in order to consider that the company is contributing to the investment manager's sustainable investment.

**2/ RULE 2 : "DNSH Test"**

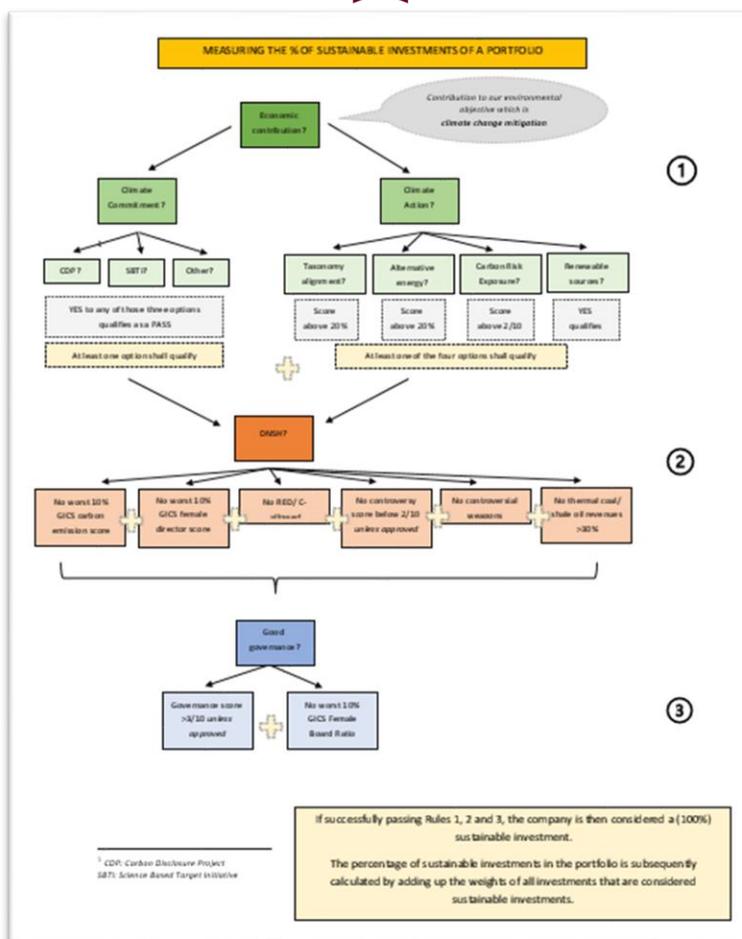
- a) Carbon emissions score: each emitter shall not be within the worst 10% of its GICS sector AND
- b) Female director: each emitter shall not be within the worst 10% of its GICS sector AND
- c) Alken IS: No RED/ C- are allowed (unless approved/upgraded via internal review) AND
- d) No controversy score <2/10 (unless approved/upgraded via internal review) AND
- e) No controversial weapons allowed (rule already in place) AND
- f) No thermal coal and shale oil revenues generation of more than 30% (rule already in place)

**3/ RULE 3: Good governance practices**

- a) Governance score >3/10 unless otherwise approved internally, AND
- b) Female board ratio: shall not be within the worst 10% of its GICS sector

If successfully passing Rules 1, 2 and 3, the company is then considered a (100%) sustainable investment.

The percentage of sustainable investments in the portfolio is subsequently calculated by adding up the weights of all investments that are considered sustainable investments



More can be provided on request or found in the published respective pre-contractual documents.



## 8. Contribution to the SDGs

Our strategies aim to integrate the Sustainable Development Goals (SDGs) through the integration, where relevant, of those issues into our analysis.



Emmanuel Flaack

Identify **three** top issues that may relate to the <https://www.purdue.edu/global/articles/indonesia> and **rate** them.

Identify **three** top issues applicable to given company for each **E, S, G**. How do you evaluate the firm on those top three issues? Provide a score for each issue: A - Good / B - Average / C - Bad / No info

Issues pertaining to the environment		
<p><b>Air, water, ground pollution – SDG15</b>            Air emissions, alternative fuels, climate change impact, ion trading.</p>		
<p><b>Greenhouse gases emissions – SDG13</b>            CO2 levels, carbon measurement systems, carbon capture etc.</p>		
<p><b>Energy use, efficiency and renewables – SDG7</b>            Levels of energy use, energy reduction &amp; efficiencies, native energy sources photovoltaic, biomass</p>		
<p><b>Raw materials consumption – SDG12</b>            Materials stewardship and use of commodities such as timber etc.</p>		
<p><b>Sustainable transportation – SDG12</b>            Co-efficient transportation</p>		
<p><b>Water management – SDG6 and SDG14</b>            Groundwater contamination, sewage, ocean and/or freshwater pollution, water scarcity, desalination</p>		
<p><b>Waste management – SDG15 and SDG14</b>            Harmful substances, hazardous waste, land – land pollution, soil erosion, land restoration recycling programs</p>		
<p><b>Biodiversity and its protection – SDG15 and SDG14</b>            Animal welfare, protected species and land &amp; wildlife &amp; re-creation initiatives, forests management – timber extraction/deforestation/forest restoration.</p>		
<p><b>Lifecycle impacts – SDG12</b>            Lifecycle assessment, product durability, product take back</p>		
<p><b>Noise pollution – SDG15</b>            Noise turbulence, building and ground vibration, hearing etc.</p>		

Identify **three** top issues applicable to given company for each **E, S, G**. How do you evaluate the firm on those top three issues?

## ENVIRONMENTAL CONSIDERATIONS

- Air, water, ground pollution – SDG15
- Greenhouse gases emissions – SDG13
- Energy use, efficiency, and renewables – SDG7
- Raw materials consumption – SDG12
- Sustainable transportation – SDG12
- Water management – SDG6 and SDG14
- Waste management – SDG15 and SDG14
- Biodiversity and its protection – SDG15 and SDG14
- Lifecycle impacts – SDG12
- Noise pollution – SDG15

## SOCIAL ASPIRATIONS

- Impact on local community- SDG1 and SDG11
- Working conditions – including health and safety – SDG10 and SDG3
- Diversity programs- SDG5
- Retention rate – SDG8
- Supply Chain Management – SDG12
- Supply Chain Management – SDG12
- Materials sourcing – SDG12
- Access to health and medicine – SDG10

## HUMAN RIGHTS ASPIRATIONS

- Quality Education – SDG4
- Local economy - SDG11
- Zero hunger and good nutrition – SDG2



## 9. Adverse sustainability impacts transparency at entity level (Article 4 SFDR)

### 9.1 PAIs Statement: Reporting June 2024 and 2023 & Voluntary disclosure

<b>Financial market participant:</b> ALKEN ASSET MANAGEMENT
<b>Summary:</b> ALKEN ASSET MANAGEMENT considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of ALKEN ASSET MANAGEMENT. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

Description of the principal adverse impacts on sustainability factors:

		Indicators applicable to investments in investee companies					Actions taken, and actions planned and targets set for the next reference period
Adverse sustainability indicator	Metric	Impact FY2022	Coverage Rate 2022	Impact FY2023	Coverage Rate 2023		
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>							
Greenhouse gas emissions	1. GHG Emissions	Scope 1 GHG emissions in tons of CO <sub>2</sub> equivalent	151,604.39	98.33%	149,522.49	72.30%	
		Scope 2 GHG emissions in tons of CO <sub>2</sub> equivalent	32,586.95	98.33%	25,201.94	72.30%	
		Scope 3 GHG emissions in tons of CO <sub>2</sub> equivalent	1,591,564.20	98.19%	750,406.83	72.22%	
		Total GHG emissions in tons of CO <sub>2</sub> equivalent	1,775,452.77	98.19%	92507021.00%	72.22%	
	2. Carbon footprint	Carbon footprint in tons of CO <sub>2</sub> equivalent per million EUR invested	1,815.69	98.19%	1,033.34	72.22%	
	3. GHG intensity of investee companies	GHG intensity of investee companies in tons of CO <sub>2</sub> equivalent per million EUR of sales	1,810.73	98.21%	1,236.01	72.26%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	26.69%	97.70%	21.65%	72.00%	



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<p>5. Share of non-renewable energy consumption and production</p>	<p>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</p>	<p>81.19%</p>	<p>71.42%</p>	<p>74.55%</p>	<p>48.82%</p>
<p>6. Energy consumption intensity per high impact sector</p>	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	<p>NACE Code A (Agriculture, Forestry and Fishing): N/A</p> <p>NACE Code B (Mining and Quarrying): 1.39</p> <p>NACE Code C (Manufacturing): 1.20</p> <p>NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply): 2.09</p> <p>NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities): 3.94</p> <p>NACE Code F (Construction): 0.08</p> <p>NACE Code G (Wholesale and Retail</p>	<p>77.21%</p>	<p>NACE Code A (Agriculture, Forestry and Fishing): N/A</p> <p>NACE Code B (Mining and Quarrying): 1.27</p> <p>NACE Code C (Manufacturing): 0.91</p> <p>NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply): 3.28</p> <p>NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities): 4.10</p> <p>NACE Code F (Construction): 0.06</p> <p>NACE Code G (Wholesale and Retail</p>	<p>57.95%</p>



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			Trade; Repair of Motor Vehicles and Motorcycles): 2.27 NACE Code H (Transportation and Storage): 7.31 NACE Code L (Real Estate Activities): 0.38		Trade; Repair of Motor Vehicles and Motorcycles): 0.31 NACE Code H (Transportation and Storage): 6.95 NACE Code L (Real Estate Activities): 0.30	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.20%	98.11%	0.07%	72.00%
Water	8. Emission to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	5.28%	0	1.58%
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	257.72	26.06%	39.66	24.56%
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2.50%	98.26%	0.47%	48.06%



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<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	<p>28.23%</p>	<p>97.35%</p>	<p>28.47%</p>	<p>71.55%</p>
<p>12. Unadjusted gender pay gap</p>	<p>Average unadjusted gender pay gap of investee companies</p>	<p>15.14%</p>	<p>24.09%</p>	<p>15.99%</p>	<p>14.23%</p>
<p>13. Board gender diversity</p>	<p>Average ratio of female to male board members in investee companies, expressed as a percentage of all board members</p>	<p>36.84%</p>	<p>98.11%</p>	<p>37.24%</p>	<p>71.81%</p>
<p>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</p>	<p>Share of investments in investee companies involved in the manufacture or selling of controversial weapons</p>	<p>0.00%</p>	<p>97.70%</p>	<p>0.00%</p>	<p>72.00%</p>
<p><b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b></p>					
<p><b>15. Deforestation (E FACTOR)</b></p>	<p>Share of investments in companies without a policy to address deforestation</p>	<p>92.38%</p>	<p>97.37%</p>	<p>91.00%</p>	<p>71.55%</p>
<p><b>7. Incidents of discrimination (S FACTOR)</b></p>	<p>Number of incidents of discrimination reported in investee companies expressed as a weighted average</p>	<p>0</p>	<p>98.19%</p>	<p>0</p>	<p>72.18%</p>
					<p>Same as above.</p>



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<p><b>12. Operations and suppliers at significant risk of incidents of child Labour (HR FACTOR)</b></p>	<p>Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation</p>	<p>13.68%</p>	<p>97.37%</p>	<p>13.68%</p>	<p>71.55%</p>
<p><b>15. Lack of anti-corruption and anti-bribery policies (G FACTOR)</b></p>	<p>Share of investments in entities without policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption</p>	<p>3.43%</p>	<p>97.37%</p>	<p>2.62%</p>	<p>71.30%</p>

## 9.2 Methodology to identify and prioritise PAIs

### Definition

Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The SFDR includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by a financial market participant.

### General Process

Alken implemented a number of safeguards to ensure it identifies, mitigates and manages principal adverse impact where possible. Those PAI safeguards include the application of exclusion lists, our ESG screening, our ESG integrating considerations, our ESG engagement and the ESG voting processes that have been implemented (described in the below).

### Core areas of interest

Alken's ESG strategy identified the following four areas of interest with regards to the PAIs:

- Climate change mitigation
- Good corporate governance
- Respect of the fundamentals of human rights
- Fight against any forms of discrimination



#### PAI integration in our ESG Exclusions – Approach

We have implemented a number of PAI-related exclusions, including exclusions on thermal coal miners if going above a defined thresholds, we as well oil and gas extraction and production if going above a certain threshold, or similarly with shale oil production.

#### PAI integration into our ESG reviews - Approach

PAI mandatory and optional indicated have been integrated into our internal ESG platform, accessible to both the ESG team and the investment team, for each investee instrument. As such, they can be monitored on day-to-day basis by both teams.

A number of the PAI metrics are also directly integrated into our internal ESG rating methodology, depending on the PAIs materiality to the sectors. Among other things, we use those metrics in order to evaluate issuers' alignment with the Paris Agreement and net zero pathways.

#### PAI integration into our ESG Engagement process – Approach

Additionally and in order to encourage investee companies improve their practices on the selected principal adverse impacts, we use our engagement process. We keep records of those engagement in our internal ESG platform in order to evidence and track advancements and progress on those indicators over the years.

The full details of our thematic engagements specifically on the PAIs consideration are displayed below.

#### PAI integration into our ESG Voting process – Approach

Although the voting process is being undertaken by the Management Company and externalized to a proxy voter, we expect and encourage our investee companies to take action to manage climate change impacts and to reduce their GHG emissions. We also encourage them to proceed to the required climate disclosures in order to increase our overall climate change impacts' awareness.

#### PAI integration into our ESG exit process – Approach

May it be for the ESG review, engagement or voting, should a company fall short of our minimum climate expectations and fail to demonstrate a willingness or plan to meet them, we have the possibility to vote against, reduce the exposure or exit the company.

#### PAI integration into our external ESG Collaboration – Approach

Finally, we encourage policy makers in helping markets meet Paris-aligned emissions reductions targets.



### 9.3 Summary of our PAI thematic engagement process

#### *Climate and other environment-related indicators:*

1. To what extent did you reduce your GHG Scope 1 emissions? Explain the situation.
2. To what extent did you reduce GHG Scope 2 emissions? Explain.
3. To what extent did you reduce GHG Scope 3 emissions? Explain.
4. To what extent did you reduce your overall carbon footprint? Explain.
5. To what extent did you reduce your overall GHG intensity? Explain.
6. To what extent did you reduce the share of your business activities being active in the fossil fuel sector (if applicable)? Explain.
7. To what extent did you reduce the share of your business activities being linked to non-renewable energy consumption and production (if applicable)? Explain.
8. To what extent did you reduce the share of your business activities being linked to an energy consumption intensity per high-impact climate sector? Explain the situation.
9. To what extent did you reduce the share of your business activities being linked to activities negatively affecting biodiversity - sensitive areas\*? Explain.  
*\*business activities with sites/operations located in or near to biodiversity sensitive areas, where the activities negatively affect those areas*
10. To what extent did you reduce the share of your business activities being subject to a high emissions to water ratio\*\* (if any)? Explain.  
*\*\* Tons of emissions to water generated by your business activities per million EUR invested, expressed as a weighted average*
11. To what extent did you reduce the share of your business activities being subject to a high hazardous waste ratio\*\*\* (if any)? Explain.  
*\*\*\*Tons of hazardous waste and radioactive waste generated by your business activities per million EUR invested, expressed as a weighted average.*

#### *Social and employee, respect for human rights, anti-corruption and anti-bribery matters:*

1. Was your company subject, in the last 12 months, to any violations of the UN Global Compact principles or of the Organizations for Economic Cooperation and Development (OECD) guidelines for multinational enterprises? YES/NO. If yes, please explain your mitigation process.
2. Did your company successfully implement compliance mechanisms and processes to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises? YES/NO. If no, please explain why.
3. Does your company monitor any unadjusted general pay gap? YES/NO. If no, please explain why.
4. Does your company encourage board gender diversity? YES/NO. If no, please explain why.
5. Is your company exposed to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)? YES/NO. If yes, please explain which weapons are exposed to.

#### *Other Indicators*

1. **Deforestation (E):** Can you disclose if your business activities fail to be supported by a policy to address deforestation? YES/NO and explain.
2. **Incidents of discrimination (S):** Can you disclose if your business activity fail to be supported by a due diligence process to identify, prevent, mitigate and address adverse human rights impacts? YES/NO and explain.
3. **Operations and suppliers at significant risk of incidents of child labour (HR):** Can you disclose if your business activities are exposed to operations and suppliers at significant risk of incidents of child labour in terms of geographic areas or type of operation? YES/NO and explain.
4. **Lack of anti-corruption and anti-bribery policies (G):** Can you disclose the share of your business activities without up-to-date policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption? YES/NO and explain.

You may find further details of our engagement activities in our [Engagement and Voting Policy](#) as well as in our [UK Stewardship Report](#) available on our [Regulatory Webpage](#).



#### 9.4 Governance

The ESG Committee (described in our ESG Organisational Policy) has the overall responsibility for defining Alken's overall sustainability approach, including Alken's company-wide values, policies, initiatives and actions.

The ESG Committee is monitored in these tasks by the Board, overseeing matters related to Alken's responsible investor' strategy.

As such, the Board has authority to approve policies and set practical guidelines for the implementation of Alken's sustainable investing strategy, that includes the approach to Principal Adverse Impact. The Board may also oversee Alken's performance with regards to Principal Adverse Impact on a quarterly basis via Alken's ESG quarterly ESG report.

#### 9.5 Data sources

Today, the PAI data are being extracted from MSCI ONE platform. The MSCI datapoints have been used in order to generate the Annual PAI Statement.

Alongside the Annual Statement, we use our ESG research and engagement process in order to further build our knowledge and monitoring on PAI progress of issuers.

#### 9.6 Adherence to international standards

##### PARIS AGREEMENT

Link with PAI 1 to 6 on Greenhouse gas emissions.

All the Article 8 strategies managed by Alken Assessment Management have committed to ensure a minimum of 20% of sustainable investment contributing to climate change mitigation. The methodology is developed in the section 7 of this Report.

On top of this, we use our engagement process in order to monitor transition targets, identify potential weaknesses or incoherence in issuers' net zero pathways, and track those as PAIs.

##### UN Global Compact/ OECD Guidelines for Multinational Enterprises/ UN Guiding Principles on Business and Human Rights

Link with PAI 10 and 11 on the UNGC and OECD Guidelines.

We recognise that the Conventions and Principles are used to assess human right practices of companies and we highly encourage our issuers to abide by those standards, no matter where and how they operate globally.

We also filter any failures on those international indicators via our ESG data provider and internalised alerts, but the specific PAIs also help us highlight any potential failures or improvements to be made.

#### 10. European Taxonomy Alignment

Whilst asset manager welcome the future CSRD regulatory obligations, today the Environmental Taxonomy alignment datapoints are provided by data providers, mostly via estimates. At Alken we use MSCI as a data provider and have access to those MSCI Taxonomy alignment estimates.

At this point in time, we however feel that we are not in the position to provide a reliable set of taxonomy alignment results and as such, we have decided to wait for issuers to report their Taxonomy alignments, or at least for data providers to fine-tune their methodology.



### 11. Decree LEC 29: unapplicable but some preliminary thoughts

Whilst Alken falls short of the obligation to comply with the new Article 29 of the French “Energy-Climate” Law (the continuation of the Article 173-VI of the Law on the Energy Transition for Green Growth), we noticed a number of overlapping considerations already disclosed thanks to our implementation of SFDR. We wish to highlight those overlapping disclosures whilst we are considering the remaining Article 29 elements, in particular the heightened consideration of climate and biodiversity risks.

<b>Consideration</b>	<b>Article 29 Requirement</b>	<b>SFDR Requirement</b>	<b>Alken Response</b>
Paris Agreement Alignment & Fossil Fuel Activities	Quantitative objective until 2030 Quantitative results Methodology Changes in the investment strategy	Promotion of environmental characteristics Minimum Sustainable Investment following an environmental objective	Climate Change Policy published on our website Exclusion Policy (detailing our fossil fuel exclusions) published on our website
Biodiversity goals long-term Alignment	Respect of the objectives of the Convention on Biological Diversity Impacts reduction analysis Biodiversity footprint indicator	PAIs biodiversity indicator	Section 9 of this Report details the PAI indicator We are integrating MSCI-specific biodiversity datapoints and exploring other sources
Risk Management	ESG Risk Integration Climate risk management Biodiversity loss risk management	ESG Risk Integration	ESG Risk Integration: section 4 of this report
ESG Remuneration Policy	ESG risks to be integrated into the remuneration policy	ESG risks to be integrated into the remuneration policy	Remuneration Policy published on our website

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The information used to write this report has been obtained from a wide range of sources that Alken Asset Management Ltd considers to be accurate.

The main sources are the annual report of companies mentioned in the report. Proprietary ESG (Environment, Social, Governance) scores are used. They are the latest available, and could be up to two years old, given the fact that these proprietary scores are updated at least every two years. Some ESG key performance indicators are calculated based on MSCI data.

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