



ESG INTEGRATION POLICY

Alken Asset Management Ltd

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A. INTRODUCTION

This document provides an overview of Alken Asset Management’s incorporation of environmental, social, governance and human rights (ESG) considerations into its investment process¹.

The policy aims to explain the firm’s ESG objectives, its guiding principles, its resources, and the process the firm has put in place.

1. RATIONALE FOR ESG INTEGRATION

Allocator of capital, Alken sees finance as a vehicle to achieve long-term oriented goals and not just an end in itself. We therefore work to achieve a sustainable global financial system by embedding the sustainability-related linkages that underpin economic growth into our investment strategy. Alken understands that failing to both evaluate and integrate ESG factors in the same way as we do for any other financial factor are likely to lead to a company’s poor performance. Every day, corporate scandals remind us that ESG issues will affect a company’s performance. In an increasingly complex and interconnected world, we believe in long-term investments as the financial system of tomorrow, where ESG issues are no longer a distant threat on the horizon but ones that are here and now, with potential multi-billion-dollar economic consequences such as climate change. We recognise that this new trend has now become *the* proxy to measure how markets and societies are evolving and how concepts of valuation are adapting to these changes.

Believer of the new mantra “Who Cares Wins²”, Alken sees the integration of ESG factors within the business’ DNA as a catalyst for forward-looking solutions. From the management’s investment decisions to its relationship with key stakeholders, ESG issues are now incorporated in every aspect of an institutional investor’s core business culture and are on their way to becoming part of investors’ fiduciary duties. We therefore believe that the selection and integration process of ESG criteria contributes to the robustness of the investment decision process.

¹ This integration process was implemented for five of Alken strategies: Alken Fund European Opportunities, Alken Fund Absolute Return, Alken Fund Continental Europe, Alken Fund Income Opportunities, Alken Fund Global Convertibles.

² The Who Cares Wins initiative has been actively engaging with mainstream financial companies and organizations in an effort to assist in the integration of ESG issues in investment analysis. The conference took place in Zurich in 2005 and marked an importance milestone in this effort.



2. ESG INVESTMENT OBJECTIVES

As an asset manager, our fiduciary duty is to respect our clients' needs and ensure a sustainable long-term value creation. Today, the integration of ESG criteria has become a great way to ensure a steady performance, to manage risk better as well as to make sure our investments are better in line with our clients' values.

As an asset manager, our duty is also to all work towards a more sustainable financial system where asset managers play an active role in mobilising finance for sustainable growth. Together with other firms, we believe that implementing an ESG strategy can help promote sustainable activities, channelling investments as a tool to support economic growth while reducing pressures on the environment, social and governance aspects.

In order to drive its ESG integration priorities, Alken follows the Sustainable Development Goals (SDGs) objectives. Thanks to a team effort between the PMs, the investment analysts and the ESG analyst, Alken has developed its proprietary ESG mapping which helps us identify material ESG issues for each sector in which we invest in.

As a traditional stock picking firm and endowed with a team of innovative and motivated individuals, we believe to be well positioned to meet this new sustainable investing challenge. Independently owned, with an expertise in research and thorough analysis, our small and diverse team keeps us flexible and easily adaptable in this fast-changing environment.



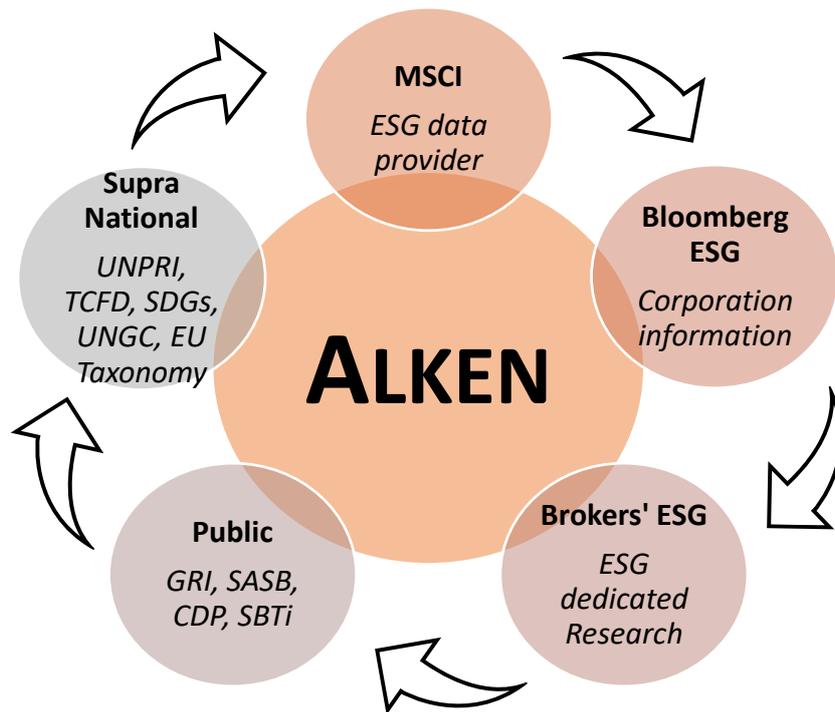
B. OUR RESOURCES & TRAINING

Back in 2019 the ESG function was assigned to one dedicated person to oversee and manage the enhancement of our ESG processes across the firm, together with the COO, the PMs and investment analysts. The ESG officer has a few years of experience in the field of ESG with an ESG data provider and also additionally took the PRI Certificate in Responsible Investment.

The firm gathers internal information, research, analysis or ESG scoring via our proprietary internal ESG platform which is available to the relevant staff members.

The ESG officer provides at least a yearly face-to-face presentation to all staff members on top of a yearly ESG only training that everyone has to take.

Alken uses a number of different information vehicles in order to operate the integration of ESG issues in its investment process.





C. ALKEN'S PROCESS

1. ESG EXCLUSION AND SCREENING

1.1 EXCLUSIONS

Alken put in place a few years ago a firm-wide exclusion of issuers which are either linked to controversial activities or prohibited products in relation to controversial weapons.

We also put in place several specific strategies additional exclusions based on sins (i.e.: tobacco producers) or based on specific activities (i.e.: oil & gas exploration and production).

Controversial Weapons ³	✓	✓	✓	✓	✓	✓
Tobacco producers ⁴	✗		✗	✗	✗	
Thermal Coal Producers ⁵	✓		✓	✓	✗	
Shale Oil Producers ⁶	✓		✓	✓	✗	
Oil & Gas Exploration and Production ⁷	✗		✗	✗	✗	
Poorly Governed Companies (soft exclusion) ⁸	✓		✓	✓	✗	

³ Controversial weapons using MSCI ESG: **Controversial Weapons - Any Tie- CWEAP_TIE**

⁴ Tobacco producers using MSCI ESG: **Tobacco Total - Any Tie: TOB-TIE**

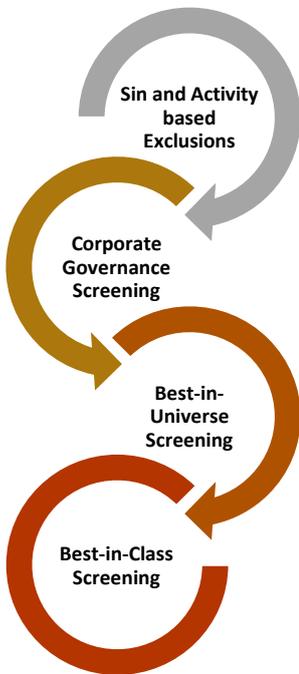
⁵ Thermal coal producers using MSCI ESG: **THERMAL_COAL_MAX_REV_PCT** [Thermal Coal – 30% of Revenue

⁶ Shale oil producers using MSCI ESG: **SHALE_OIL_MAX_REV_PCT** [Shale Oil – 30% of Revenue]

⁷ Oil and gas exploration and production using MSCI ESG: **OG_REV_EXTRACTION_PROD** [O&G – Extraction and Production – 30% of Revenue], *unless using MSCI List unless contradicts GICS classification.*

⁸ Poorly governed companies using MSCI ESG: **CORP_GOVERNANCE_SCORE**: below 3/10, *unless overridden by investment team explanation, reviewed, audited, and confirmed by ESG and Compliance team.*

1.2 SCREENING



Alken also put in place a screening stock selection process. The rationale behind this selection process is to ensure that the screening of each security has been made so to match the long-term performance objectives of the given strategy, the amount of risk we believe it can sustain, and a number of minimum ESG standards. Our screening process has therefore two objectives:

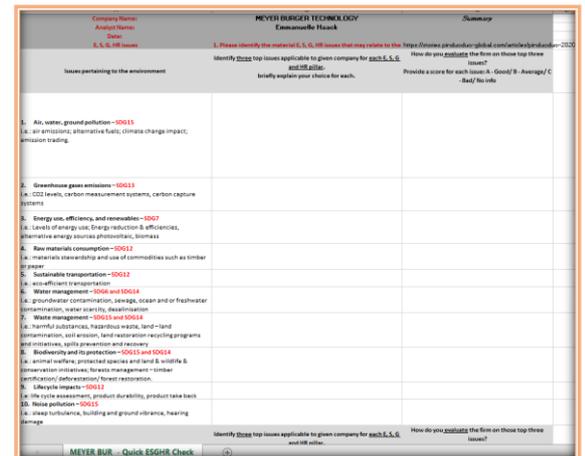
- Filter the universe via a selection of ESG filters to organise companies into categories depending on their ESG maturity levels.
- Assign an internal initial score⁹ to every company entering the portfolio, helping us prioritise the internal deeper assessment that we conduct as part of our “ESG Integration” process.

Scenario 1: We can extract a company ESG report from our external ESG data provider:

- We screen based on an overall **Governance** parameter,
- We identify the **Best-In-Universe** and **Worst-In-Universe** globally,
- We identify the **Best-In-Class** and **Worst-In-Class** companies for each sector.

Scenario 2: There is little or no data available from our ESG data provider:

- We work on a **selection of governance indicators available on Bloomberg¹⁰** (i.e.: ISS Overall Score; ISS Board Score; ISS Audit Score; Beneish Score; Short Ratio; Prominent Shorts).
- We go through our internal **“ESG checklist” review** where we identify the most relevant E, S, G and HR indicators for the company business. We then evaluate the company level of ESG integration across those indicators. We use this review to assign an internal score to the company.



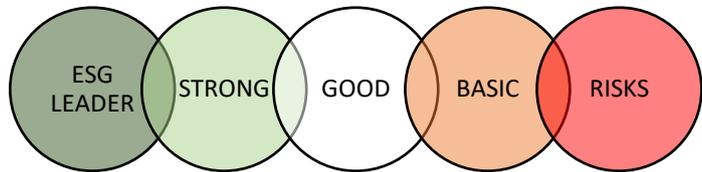
Company Name: Analyst Name: Date:	MEYER BURGER TECHNOLOGY Environmental Check	Summary
1. Please identify the material E, S, G, HR issues that may relate to the firm's business production global commodities/standards – 2022		
Identify three top issues applicable to given company for each E, S, G, HR issue? How do you estimate the firm on these top three issues? Provide a score for each issue: A – Good/ B – Average/ C – Bad/ No info		
Issues pertaining to the environment	Identify three top issues applicable to given company for each E, S, G, HR issue? Initially explain your choice for each.	How do you estimate the firm on these top three issues? Provide a score for each issue: A – Good/ B – Average/ C – Bad/ No info
1. Air, water, ground pollution – SDG11 a. air emissions, alternative fuels, climate change impact, emission trading.		
2. Greenhouse gas emissions – SDG13 a. CO2 levels, carbon measurement systems, carbon capture systems		
3. Energy use, efficiency, and renewable – SDG7 a. source of energy use, energy reduction & efficiencies, alternative energy sources, photovoltaic, biomass		
4. Raw materials consumption – SDG12 a. materials stewardship and use of commodities such as timber or paper		
5. Sustainable transportation – SDG13 a. sea-efficient transportation		
6. Water management – SDG6 and SDG14 a. groundwater contamination, sea level, ocean and or freshwater contamination, water scarcity, desalination		
7. Waste management – SDG13 and SDG14 a. harmful substances, hazardous waste, land – land contamination, soil erosion, land reclamation recycling programs and initiatives, spill prevention and recovery		
8. Biodiversity and its protection – SDG15 and SDG14 a. animal welfare, protected species and land & wildlife & conservation initiatives, forests management, timber certification, deforestation, forest restoration		
9. Climate Resilience – SDG13 a. life cycle assessment, product durability, product take back		
10. Noise pollution – SDG11 a. sleep turbulence, building and ground vibration, hearing damage		
Identify three top issues applicable to given company for each E, S, G, HR issue? How do you estimate the firm on these top three issues?		
MEYER BUR – Quick ESGHR Check		

⁹ Note this initial internal score which derives from our screening process and data extracted from ESG provider can be overridden following our internal assessment and subsequent internal re-evaluation of the initial scoring.

¹⁰ This governance pre-investment screening is available on request in a xlsx format. Where no information can be extracted on the above parameters, we have the discretion to decide not to invest in the company.



Our screening process categorises companies into **five different sections**:



Grade A +: ESG Leader

- **Disclosure:** excellent
- **ESG strategy** integrates ESG opportunities
- **ESG risks:** measures fully in place to mitigate them
- **CSR culture:** part of the firm's DNA

Grade A -: Strong ESG Company

- **Disclosure:** very good
- **ESG strategy** integrates a number of ESG opportunities
- **ESG risks:** several measures are in place to mitigate them
- **CSR culture:** mostly part of the firm's DNA

Grade B: Good ESG quality

- **Disclosure:** adequate
- **ESG strategy** integrates *some* ESG opportunities
- **ESG risks:** measures in place to mitigate *some* ESG risks
- **CSR culture:** the firm has made significant effort to integrate sustainability in its culture

Grade C +: Basic quality, light exposure to ESG risks

- **Disclosure:** some weaknesses or gaps were identified
- **ESG strategy:** missing integration on several material ESG opportunities
- **ESG risks:** missing mitigating measures on several ESG material risks
- **CSR culture:** CSR is not yet embraced in the firm's DNA

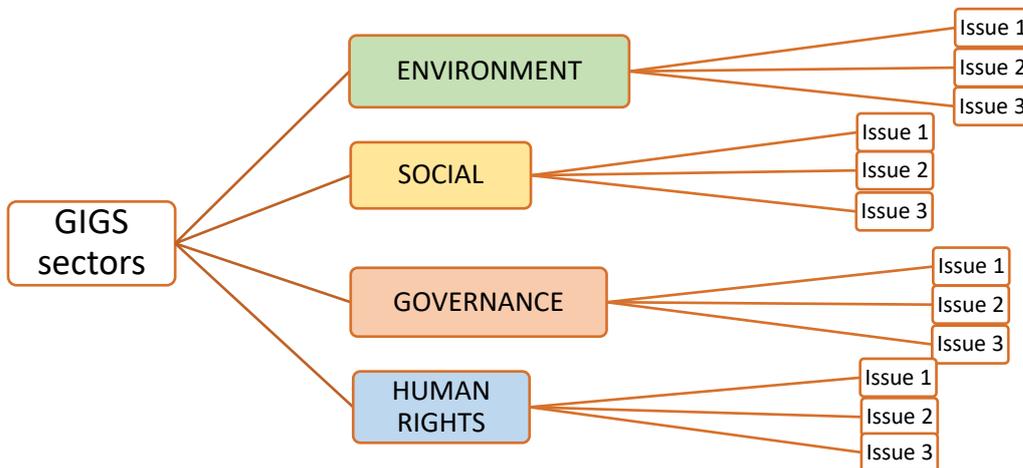
Grade C -: Strong exposure to ESG risks

- **Disclosure:** extremely poor
- **ESG strategy:** *Most* ESG opportunities fail to be integrated or mentioned within the strategy
- **ESG risks:** *Most* ESG risks are not considered in the strategy
- **CSR culture:** is not part of the firm's DNA

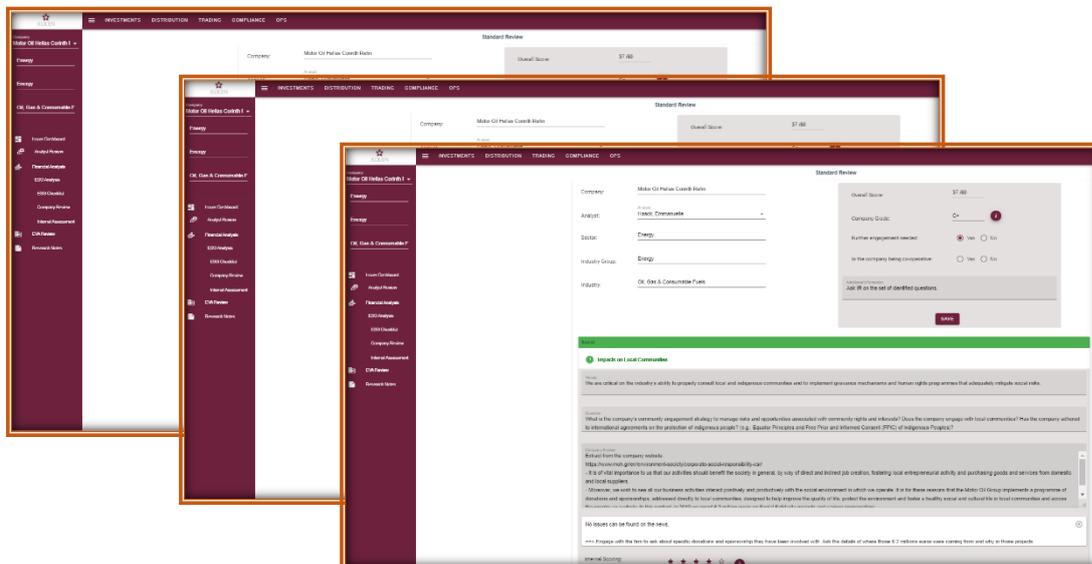
2. ESG EVALUATION AND INTEGRATION

The objective sought by our ESG integration process is to use the company’s internal evaluation and subsequent rating to measure the ability of the given company to adequately manage its ESG risks and opportunities. This process seeks to help us better evaluate our portfolio’s exposure to emerging ESG trends per sectors as well as potential ESG risks that should be monitored.

To achieve this, Alken has defined a set of **three different sub-themes** for its **four ESG pillars: environmental, social, governance and human rights**. The three sub-themes vary **depending on the sector/ sub-industry** of the analysed company. Over time, Alken continues to improve and extend its proprietary methodology. **This process is implemented on a firm-wide level.**



We use our **proprietary ESG platform** to analyse companies through *our* ESG lens:



D. ESG PILLARS AND THEIR SUB-FACTORS

The below shows some of the key **cross sectorial ESG criteria** that we have identified at Alken. Note we identified specific ESG criteria to each and every sector as well.



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	OL GAS, CO2, 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	Competition and Ethics 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	Competition and Ethics Prevention	Executive Remuneration	Ownership structure	Social Security	Workers' Rights	Anti-Slavery Prevention	
		TRANSPORTATION - AIRLINES	CO2 Emissions	Carbon Transition Management	Impact on 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	AUTO & COMPONENTS	CO2 Emissions	Use of Recyclable and Renewable Materials	Waste Management	Human Capital Management	Health & Safety	Product Safety	Supply Chain Management	Competition and Ethics Prevention	General Corporate Governance	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention	
		FURNITURE, APPAREL & LUXURY GOODS	CO2 Emissions	Raw Material Sourcing	Impact on ecosystems and landscape	Fundamental Labour Rights	Animal Welfare	Customer 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 welfare management	Impact on ecosystems and landscape	Fundamental Labour Rights	Health & Safety	Automation of Labour Transitions on	Product Safety	Supply Chain Management	General Corporate Governance	General Human Rights	Anti-Discrimination and harassment measures	Anti-Slavery Prevention	
6	HEALTH CARE	PHARMA & BIOTECH	Toxic Emissions and waste management	Water Management	Impact on ecosystems and landscape	Contribution to social cause	Product Innovation	Product Safety	Fair pricing	Ethics 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	Ethics Prevention	General Corporate Governance	Human Rights' protection	Anti-discrimination and harassment	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 & People management	Business Ethics	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention	
		DIVERSIFIED FINANCIALS										General Human Rights	Child Labour Prevention	Anti-Slavery Prevention	
		INSURANCE										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	Health & Safety	Gender Diversity	Human Capital Management	Privacy and Security	Audit & Internal Controls	Anti-Corruption Practices	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention
		HARDWARE & EQUIPMENT	Conflict Minerals & E-Waste	Lifecycle Management & E-Waste	Climate Change Risk	Labour Management	Health & Safety	Social Dialogue	Competitive Behaviour	Managing specific risks from technology disruption	Anti-Corruption Practices	General Human Rights	Child Labour Prevention	Anti-Slavery Prevention	



We mapped those E, S, G and HR factors to the relevant sectors, as shown in the below, to build our internal materiality map. This ESG mapping helps us identify the key factors to look at for each sector and its underlying company.



Priority for ESG review: We endeavour to conduct our **internal ESG assessment** based on the degree of ESG risk the company is posing, as defined via our **screening process and categorisation methodology**. Priority is given to “Red” companies as well as the companies being on our *Watch list*.

Sources of our ESG review: We evaluate companies first using the information the company disclosed in its ESG/annual reports, ESG section on the website, or any other publicly available information shared by the company.

Engagements for our ESG review: Where no information can be gathered, we send a specific ESG questionnaire to the IR or ESG representatives of the given company¹¹. A call is most often time organised to discuss the different questions we have.

Evaluation and scoring of company’s communication and actions: Following the company’s official response or answers to our questions, we conduct an assessment on the quality of the ESG communication provided and on the depth of their commitment on ESG. Further information on this process can be found in our *ESG Investment Process Guidelines*. With this evaluation, an internal score and grade is assigned to the company¹².

E. ESG CONTROVERSIES MANAGEMENT & EXIT STRATEGY

Once invested in the portfolio, Alken can decide to reduce exposure or exist a particular investment in three situations¹³:



➤ **Limited number of poor ESG companies in portfolio**

For instance: As we put in place that only 20% of “RED” classified companies can be invested in ¹⁴strategy X, we can decide to sell any “RED” company if going above the threshold.

➤ **Unsatisfactory controversy outcomes**

An event takes place on a specific company, putting heavy risks on ESG. Following our internal analysis and potential further engagement, we are unsatisfied and can re-consider the investment.

¹¹ For more information on our engagement, please refer to our Engagement & Voting Policy.

¹² Again, more information on our methodology, score card, or criteria can be found in this document, available for both, our Fixed-Income and our Equity ESG strategies: *ESG Investment Process Guidelines*.

¹³ Note there might be other situations which are not listed here.

¹⁴ We wish to keep flexibility in this assessment, so we have not established specific timelines or minimum requirements for this.



➤ **Strong long-term E, S, G or HR concerns**

A company repetitively failing to improve identified key ESG and HR risks over the long period of time can make us re-consider the investment.

➤ **Red companies failing to improve**

Where companies have been categorised RED via our ESG screening process, ESG analyst has to go through its internal assessment review as soon as possible. If ESG Officer confirms serious issue, this can lead to further engagement, or directly to an exit, after being approved by the ESG Committee.

F. ALKEN INTERNALLY

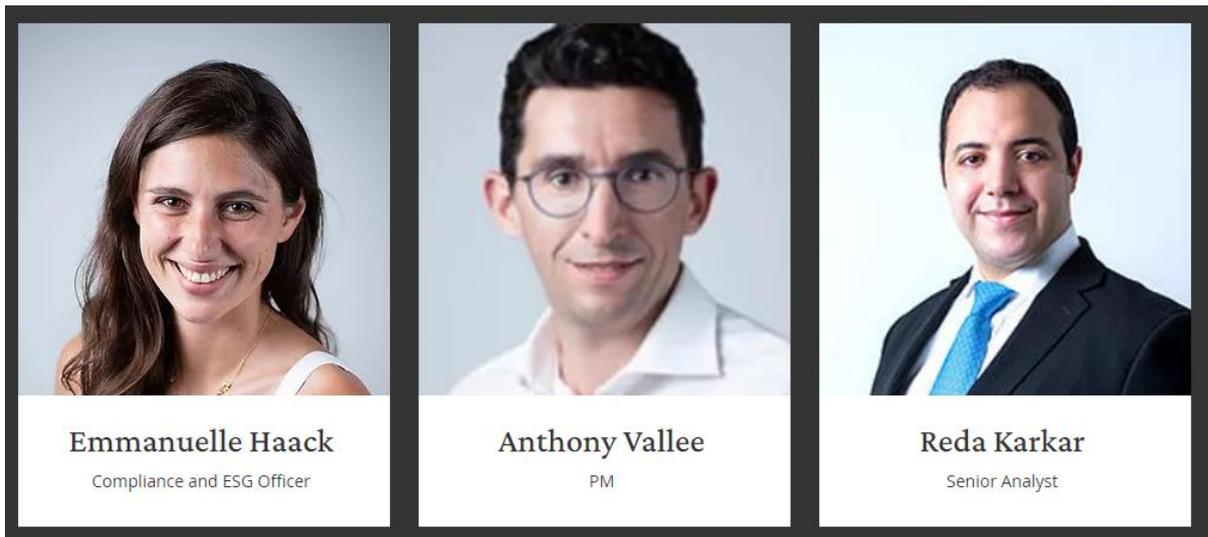
1. INCLUSION, DIVERSITY AND CULTURE EFFORTS

We endeavour to promote a culture of openness and inclusion at the firm level. We believe that implementing an internal culture of greater inclusiveness will foster better business ideas and outcomes.

Furthermore, alongside Policy, Alken has adopted a number of complementary ESG investment related policies which include, but are not limited to the following:

- Equal Opportunity Policy (which includes our Diversity & Inclusion Guidelines)
- Modern Slavery Statement
- Parental Leave Policy
- Code of ethics

2. ALKEN ESG TEAM



Please visit our website for more information: <https://www.alken-am.com/esg>