ALKEN

RESPONSIBLE INVESTOR

AND

IMPACT STATEMENT REPORT

2021

Last updated 10th March 2021

INTRODUCTION

This report concerns the financial market participants (FMP) **Alken Asset Management and Alken Finance** (hereafter "Alken" or the "Firm"), Alken AM LEI: 549300SZ7IZI9WP81G96; Alken Finance LEI: 213800WJHEZEVIR2FM20. 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.** This report provides details on the **sustainable development achievements of 2020** 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 monitoring of **exposure to carbon footprint and our focus on energy transition**. Finally, the report identifies our portfolio **companies' exposure to a selection of SDGs.**

CONTENTS

Alken and the Sustainable Finance Disclosure Regulation.

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.

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Monitoring our overall investor impact

Setting up an enhanced ESG due diligence process

The first aspect of our monitoring of investor impact monitoring consists in our ESG due diligence process: from the exclusion lists to the monitoring of ESG controversies. ESG considerations are fully *integrated* into our analysis process – we seek to identify, monitor, evaluate and track actual or potential adverse impacts from ESG factors on our core positions.

The below details this process.

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1 AVOID & PREVENT.

EXCLUDING

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

SCREENING

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 & ASSESS ADVERSE IMPACTS.

IDENTIFYING ADVERSE IMPACTS

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.

ASSESSING LIKELIHOOD OF ADVERSE IMPACTS

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 COMPANIES' ADVERSE 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.

COMPARING WITH PEERS

We use this overall mapping to compare companies' adverse impacts within its sector:

⇨ Companies are ranked against their sectorial peers using the above rating process.

⇨ Based on the above, we provide an internal A-C score specific to the company.

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 busines through disengagement with the business.

4 TRACK.

Our ESG due diligence process seeks to track the **results of our engagement process** using its **internal ESG platform**. We seek to identify the **appropriate responses to the identified risks**.

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OUR PROCESS

Exclusions
- Controversial Weapons
- Tobacco*
- Fossil Fuels*

Negative Screening
- Minimum governance and human rights thresholds

Sector based ESG criteria
- Alken internal methodology**
- 12 ESG material issues identified for each sector

Assessment Approach
- Company reporting evaluation
- Company action assessment
- Engagement where needed

Controversy Monitoring
- Ad hoc events monitoring

ESG Internal Scores
- Green: A+
- Light Green: A-
- Yellow: B
- Orange: C+
- Red: C-

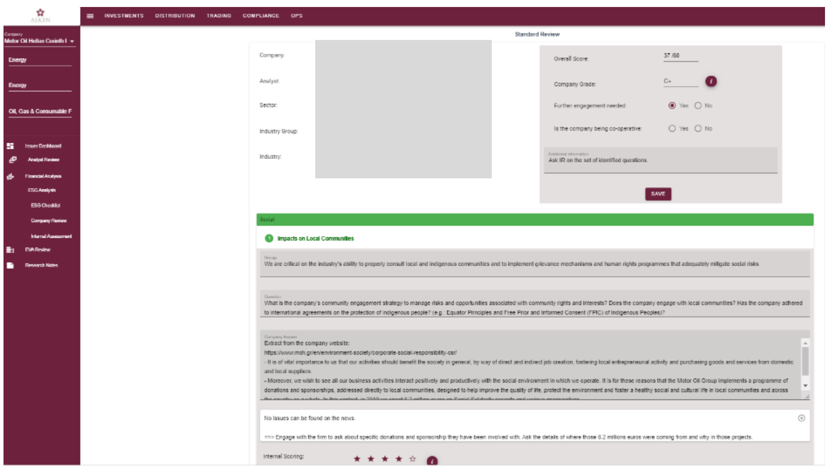
**Depending on strategies.*

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

OUR ESG INTERNAL ASSESSMENTS

Key features

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



ESG CRITERIA

Environmental Domain

Environmental strategy
CO2 emissions
Toxic Emissions Management
Conflict Minerals Risks
Decarbonization
Certification & Standards
Impacts on ecosystems and landscape
Raw Material Sourcing
Use of Recyclable and Renewable Materials

Social Domain

Impacts on Local Communities
Fundamental Labour Rights
Human Capital Management
Selling Practice & Product Labelling
Access to health and affordability of products
Customer Privacy and Information Management
Privacy & Safety
Health & Well-being of occupants
Data Security & Customer Privacy

Governance Domain

Supply Chain Management
Management of the increased regulatory risk
Pricing Manipulation
Privacy and Security
Competitive Behaviour
Independence of the Directors and of the Board
Innovation & Technology
Board structure & Role
Product design & Lifecycle management
Corruption & Bribery Prevention
Human Rights Domain

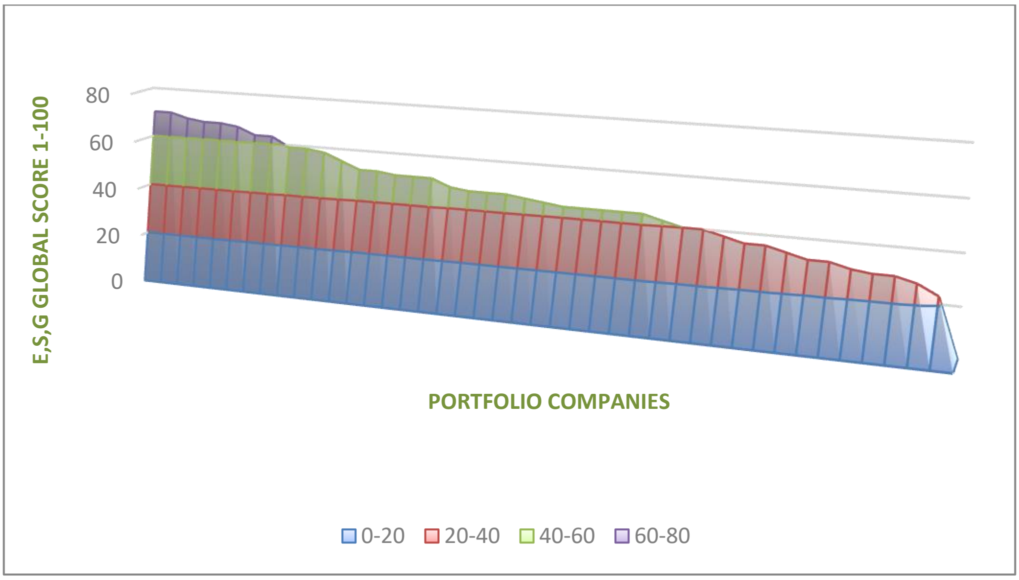
Human Rights Domain

Right to equality
Freedom from discrimination
Social security
Right to peaceful Assembly
Freedom of expression
Worker's rights
General Human Rights
Child Labour Prevention
Anti-Slavery Prevention
Anti-Discrimination and Harassment Measures

Understanding our overall portfolio impact

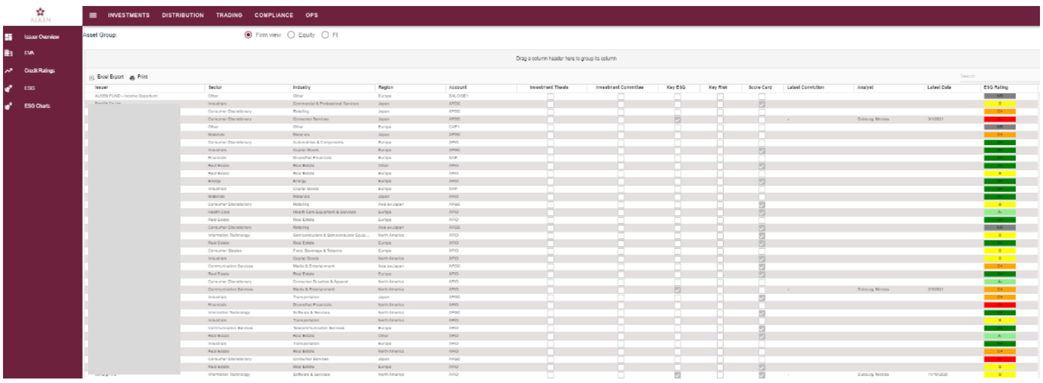
A second aspect of our investor impact monitoring consists in monitoring the overall impact of the different ESG risk factors at the portfolio level, either individually or altogether, and observing their evolution over time. To this extent, we use both the data provided by our external ESG provider as well as data gathered from our internal proprietary ESG platform. Whilst this is the first year, we implement this monitoring process, we share in the below some very first extracts:

Figure 1: Portfolio overall monitoring of E, S, G indicators



Source: INTERNAL. Data extracted from Vigeo Eiris. February 2021. **For illustrative purpose only.**

Figure 2: Portfolio overall monitoring of ESG results



Source: INTERNAL. Data extracted from Alken IS internal platform. June 2021. **For illustrative purpose only.**

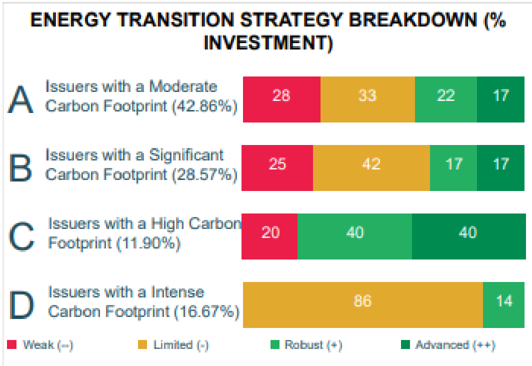
Monitoring our exposure to Carbon Emissions & Energy Transition

Figure 1: VIGEO EIRIS: Portfolio contribution to energy transition [1]

Key features

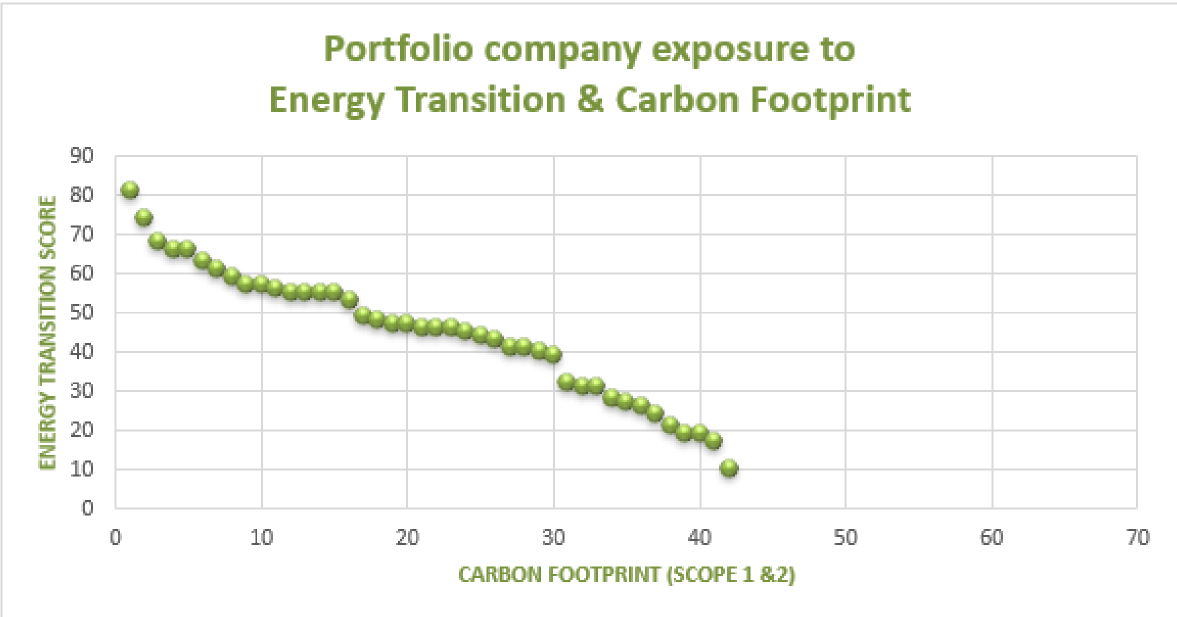
Energy transition: reflects the quality of a company's strategic management to address risks and opportunities with the transition to a low carbon economy.

Carbon footprint: GHG Scope 1, 2 and 3 emissions data.



Source: VIGEO EIRIS. **For illustrative purpose only.**

Figure 2: INTERNAL: Identifying our top green performers and green detractors.



Source: INTERNAL CALCULATIONS. Analysis performed on one of Alken' strategy. February 2021 Data. **For illustrative purpose only.**

[1] Extract from Vigeo Eiris for one of our sub-fund strategies, extracted on 09/03/2021.

Monitoring our exposure to the SDGs

EXPOSURE OF PORTFOLIO COMPANIES TO SDGs

Our strategies aim to integrate the Sustainable Development Goals (SDGs) through the integration, where relevant, of those issues into our analysis. The below lists the **most prevalent issues identified in our strategies:**

Company Name: Analyst Name: Date: E, S, G, HR issues	1. Please identify the material E, S, G, HR issues that may relate to the	*Summary* https://stories.pinduoduo-global.com/articles/pinduoduo-2020
Issues pertaining to the environment	Identify three top issues applicable to given company for each E, S, G and HR pillar, briefly explain your choice for each.	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
1. **Air, water, ground pollution – SDG15** i.e.: air emissions; alternative fuels; climate change impact; emission trading.		
2. **Greenhouse gases emissions – SDG13** i.e.: CO2 levels, carbon measurement systems, carbon capture systems		
3. **Energy use, efficiency, and renewables – SDG7** i.e.: Levels of energy use; Energy reduction & efficiencies, alternative energy sources photovoltaic, biomass		
4. **Raw materials consumption – SDG12** i.e.: materials stewardship and use of commodities such as timber or paper		
5. **Sustainable transportation – SDG12** i.e.: eco-efficient transportation		
6. **Water management – SDG6 and SDG14** i.e.: groundwater contamination, sewage, ocean and or freshwater contamination, water scarcity, desalinisation		
7. **Waste management – SDG15 and SDG14** i.e.: harmful substances, hazardous waste, land – land contamination, soil erosion, land restoration recycling programs and initiatives, spills prevention and recovery		
8. **Biodiversity and its protection – SDG15 and SDG14** i.e.: animal welfare; protected species and land & wildlife & conservation initiatives; forests management – timber certification/ deforestation/ forest restoration.		
9. **Lifecycle impacts – SDG12** I.e: life cycle assessment, product durability, product take back		
10. **Noise pollution – SDG15** i.e.: sleep turbulence, building and ground vibrance, hearing damage		
	Identify three top issues applicable to given company for each E, S, G and HR pillar,	How do you evaluate the firm on those top three issues?

SOURCES

- **OECD Due Diligence Guidance for Responsible Business Conduct**, *OECD*
- **Guidelines on reporting climate-related information,** *European Commission*
- **Frameworks for standards for non-financial reporting,** *Department for Business, Energy & Industrial Strategy*
- **The Investor's Guide to Impact,** *University of Zurich*
- **Science Based Targets,** *https://sciencebasedtargets.org/*
- **Sustainable Developments Goals,** *https://sdgs.un.org/goals*

GLOSSARY

Sustainable Investment: an investment is deemed to be sustainable where investment is made in an economic activity that contributes to an environmental or a social objective (…) provided that such investment does not significantly harm any of those objectives and that investee company follows good governance practices.

Sustainability Factors: environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matter.

Sustainability Risks: environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.