



# CLIMATE CHANGE POLICY

Alken Asset Management Ltd

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### ALKEN ASSET MANAGEMENT

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## 1. Our Role in Financing the Climate Transition

The OECD estimates that EUR 6.35 trillion per year is needed globally to meet the Paris Agreement goals by 2030. As public funding alone cannot bridge this gap, institutional asset managers have a central role to play in mobilising the capital required.

### 1.1 Commitments

Alken has maintained a consistent set of sustainability commitments:

- **UNPRI signatory** since 2013
- **TCFD supporter** from 2020 to 2023, now superseded by the **IFRS S2 Climate-related Disclosures** framework, published by the International Sustainability Standards Board (ISSB), which we actively follow
- **Paris Agreement:** we are committed to supporting the decarbonisation of the global economy, including by encouraging corporate climate disclosures and sound regulatory frameworks for asset managers

### 1.2 Fiduciary Duty

Our fiduciary duty is to act in the long-term interests of our clients. We believe that integrating climate-related considerations into our investment process, where relevant, is fully consistent with this duty — it supports stronger risk management, more resilient performance, and alignment with our clients' values.

### 1.3 Our Perspective: Doing Well by Doing Good

Scientific consensus is clear: global emissions must fall by approximately 50% over the next decade to limit warming to 1.5°C. Climate risk is no longer a niche concern — it is a material financial risk affecting businesses across all sectors.

As an asset manager, our mission is not only to manage and mitigate climate-related risk in portfolios, but also to progressively finance the energy transition. Avoiding greenwashing requires rigorous analysis and ongoing dialogue with investee companies.

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## 2. EU Taxonomy: Our Approach

### 2.1 Background

The EU Taxonomy is a classification system, established through the Taxonomy Regulation (in force from July 2020), that defines which economic activities qualify as environmentally sustainable. It was developed by the EU Technical Expert Group (TEG) on Sustainable Finance as part of the broader European Green Deal, which sets out the EU's commitment to climate neutrality by 2050.

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Subsequent Delegated Acts were introduced between 2023 and 2025, progressively expanding the Taxonomy's scope.

## 2.2 Alken's Implementation

Our approach to carbon risk and opportunity management spans both equity and fixed income strategies, and is structured around three pillars:

1. **Awareness** — We assess the environmental risks and positive impacts of companies across their respective sectors, identifying activities that can contribute meaningfully to environmental outcomes.
2. **Integration** — We have developed a proprietary ESG materiality map that captures climate-related issues by sector. These considerations are integrated alongside financial analysis and include: CO<sub>2</sub> emissions levels, decarbonisation strategy, energy efficiency, and climate transition management.
3. **Engagement** — We engage directly with companies where we identify material environmental risk exposure. Our engagement is structured around pre-identified ESG issues, with the aim of understanding company positioning and encouraging risk mitigation.

We are also encouraging investee companies to report their EU Taxonomy eligibility and alignment in line with the **Corporate Sustainability Reporting Directive (CSRD)**.

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## 3. Carbon Risk Management

### 3.1 Our Process

We assess both the positive and negative environmental impacts generated by investee companies through a proprietary sector-level environmental impacts mapping. Based on tailored, sector-specific questions, we generate an overall ESG score and positioning for each company. This process was established in 2020 and continues to evolve.

Carbon risk is a standing agenda item in investment meetings, covering risks and opportunities across European and global portfolios.

### 3.2 Carbon Pricing & Carbon Footprint

**Carbon pricing** refers to assigning an estimated cost to carbon emissions, used to identify financial risks and opportunities, drive energy efficiency, and inform capital allocation decisions. We monitor carbon pricing for investee companies and continue to evaluate tools that can provide reliable data.

**Carbon footprint** reporting is made possible through our external ESG data provider (MSCI ESG Research), which enables us to review the carbon footprint of our managed strategies across Scope

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1+2 and Scope 3 (upstream and downstream) emissions. These data points are consistent with the indicators we track through our Principal Adverse Impacts (PAI) monitoring.

MSCI Carbon Footprint From MSCI ESG Research LLC

Portfolio : VEO 04112025 Currency : EUR

Footprint Metrics on Investor Allocation

		Portfolio	Coverage
<b>Allocation Base</b> <span style="color: red;">EVIC</span>			
<span style="color: green;">●</span> <b>Financed Carbon Emissions</b> tons CO <sub>2</sub> e / EUR M invested Investor Allocation: <span style="color: red;">EVIC</span>	Scope 1+2	128.1	89.5%
	Scope 3 – upstream	244.3	89.5%
	Scope 3 – downstream	613.8	89.5%
<span style="color: orange;">●</span> <b>Total Financed Carbon Emissions</b> tons CO <sub>2</sub> e Investor Allocation: <span style="color: red;">EVIC</span>	Scope 1+2	111,436.6	89.5%
	Scope 3 – upstream	212,548.9	89.5%
	Scope 3 – downstream	534,093.3	89.5%
<span style="color: red;">●</span> <b>Financed Carbon Intensity</b> tons CO <sub>2</sub> e / EUR M sales Investor Allocation: <span style="color: red;">EVIC</span>	Scope 1+2	185.7	89.5%
	Scope 3 – upstream	354.2	89.5%
	Scope 3 – downstream	890.1	89.5%
<b>Weighted Average Carbon Intensity</b>			
<span style="color: red;">●</span> <b>Corporate constituents</b> tons CO <sub>2</sub> e / EUR M sales	Scope 1+2	199.2	89.5%
	Scope 3 – upstream	325.4	89.5%
	Scope 3 – downstream	982.6	89.5%
<span style="color: orange;">●</span> <b>Sovereign constituents</b> tons CO <sub>2</sub> e / EUR M GDP Nominal	GHG intensity	N/A	N/A

### 3.3 Sensitivity Analysis (Transition Pathway Analysis)

Sensitivity analysis involves assessing how different assets would perform under various climate transition scenarios. We acknowledge that our current capacity in this area is limited by available tools and resources. This remains an active area of development — our external ESG data provider has recently launched a dedicated transition risk tool, and this is being reviewed by our ESG Committee in the context of regulatory expectations and client demand.

## 4. IFRS S2 / TCFD Reporting

Climate-related risks — both physical and transitional — are embedded in our internal ESG materiality map and inform our engagement with investee companies.

*Note: The TCFD framework has now been subsumed into IFRS S2, published by the ISSB. Alken follows the IFRS S2 framework going forward.*

The key risk categories we monitor internally are:

<b>PHYSICAL RISK</b>	Resource efficiency
	Energy source
	Products & services solutions
	Resilience solutions
	Increased pricing of GHG emissions
	Exposure to litigation
	Enhanced emissions-reporting obligations
	Substitution of existing products and services with lower emissions option

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<b>TRANSITION RISK</b>	Costs to transition to lower emissions technology
	Changing customer behaviour
	Increased cost of raw materials
	Shifts in consumer preferences
	Increased stakeholder concern or negative stakeholder feedback

## 4.1 Governance

ESG oversight — including climate-related risks and opportunities — is embedded across our organisational structure:

- **Board and C-Level executives** hold ultimate responsibility
- **Investment Committees** integrate climate considerations into decision-making
- **Chief Risk Officer and Chief Compliance Officer** provide oversight

On top of those responsibilities, we use our organizational structure in order to ensure the ESG-related risks and opportunities are duly managed:

- We hold a **weekly ESG IT Compliance development meeting** to discuss on-going and future IT developments on ESG, discuss progress, advancements, and on-going difficulties.
- We hold a **quarterly ESG Committee with the management** to discuss achievements, future developments and ESG regulatory expectations.
- We hold an **annual ESG meeting with the entire firm** to highlight main developments and develop future objectives.
- We hold an **annual compliance & ESG meeting with the management company board** members whereby we discuss ESG objectives, including climate-related strategy, for the year to come.

Further detail is provided in our **ESG Responsibilities and Organisational Map Policy** and our **Remuneration Policy**, which integrates ESG risks and opportunities.

## 4.2 Strategy

Our climate strategy is structured around five pillars:

- Climate-related exclusions
- Climate-related integration (risk and opportunity review)
- Climate-related engagement
- Climate-related voting (executed by our Management Company)
- Climate-related disclosures

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### 4.3 Risk Identification

We have developed a formal process to identify and assess physical and transition climate risks, as described in our **ESG Integration Policy** and **Responsible Investor Annual Report**.

### 4.4 Metrics and Targets

We monitor the following on an ongoing basis:

- Carbon footprint of each invested instrument
- Carbon footprint of each Article 8 strategy
- Climate-related impact metrics per invested instrument and per Article 8 strategy
- Percentage of sustainable investments contributing to climate change mitigation within Article 8 strategies

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## 5. Climate Criteria Aligned to the UN SDGs

In 2015, the United Nations adopted 17 Sustainable Development Goals (SDGs) for 2030, supported by 169 specific targets and 232 indicators. UNCTAD estimates that achieving these goals will require USD 5–7 trillion per year from the private sector.

At Alken, we have aligned our climate change criteria with the SDGs most directly relevant to environmental outcomes:

- **SDG 6** – Clean Water & Sanitation
- **SDG 7** – Affordable & Clean Energy
- **SDG 13** – Climate Action
- **SDG 14** – Life Below Water
- **SDG 15** – Life on Land

Aligning with the SDGs requires analysis at two levels:

- **Micro:** how ESG issues affect individual investee companies
- **Macro:** how our investment decisions shape real-world environmental outcomes

We recognise that progress on one environmental objective can sometimes create trade-offs with another. Our aim is to measure these tensions and make the most informed allocation decisions possible.

### Our Environmental Mapping

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MEGA TRENDS	UNDERLING ENVIRONMENTAL ISSUES
CLIMATE CHANGE	Climate Change Risk
	Decarbonisation Strategy
	Energy Transition
	CO2 Emissions Management
	Technological Developments
BIODIVERSITY & SCARCITY OF RESOURCE	Water Stress Management
	Biodiversity Protection
	Impact on Ecosystems
	Resource Efficiency
	Pollution Prevention
	Use of Recyclable
WASTE & POLLUTION	Changing Demographics
	Waste Management
	Air Quality
	Toxic Emissions

## 6. Principal Adverse Impacts (PAI) Monitoring

Since 2023, we have been engaging directly with issuers on the environmental adverse impacts of their activities, seeking to understand the scale of those impacts and any mitigating actions being taken.

We voluntarily include **deforestation** as an additional PAI factor beyond the regulatory minimum.

Our standard engagement questions cover:

1. Reductions in GHG Scope 1, 2, and 3 emissions
2. Overall carbon footprint and GHG intensity reductions
3. Exposure to fossil fuel activities and non-renewable energy production
4. Energy consumption intensity in high-impact climate sectors
5. Activities affecting biodiversity-sensitive areas
6. Emissions to water ratios
7. Hazardous and radioactive waste generation

Full PAI data and analysis are reported in our **Annual Investor Report**.

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## ANNEX

### 2025/ 2026 EXAMPLES OF CONTRIBUTION BY SDG

Topics	SDGs	Number of engagements	Actions	Example
Climate strategy & decarbonisation (Net Zero, Scope 1-3, transition plan)	SDG 13 (Climate Action)	26	Requested/assessed updated climate strategy, scope 1–3 targets, transition plan milestones and scenario analysis (incl. stranded assets).	Beneteau SA, EDP - Energias de Portugal SA, ENGIE SA, RWE AG, Renault SA
Waste, pollution & hazardous materials (PAI 9 / toxic emissions)	SDG 12 (Responsible Consumption and Production) + SDG 6 (Clean Water and Sanitation)	20	Sought evidence of site-level controls, remediation plans and KPIs for waste/toxic emissions; validated PAI metrics and improvement roadmap.	Beneteau SA, RWE AG, Saipem SpA
Water stress & physical risk (efficiency, drought, wildfire)	SDG 6 (Clean Water and Sanitation) + SDG 13 (Climate Action) + SDG 15 (Life on Land)	7	Asked for water-risk assessment, efficiency initiatives, and management of physical climate risks (e.g., drought/wildfires).	EDP - Energias de Portugal SA, RWE AG

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