



Integration of sustainability risks – SFDR

Alken Asset Management Ltd

1. Introduction

The Regulation (EU) 2019/2088 of 27th November 2019 on sustainability-related disclosures in the financial services sector, as amended (hereinafter the "SFDR") governs the transparency requirements regarding the integration of sustainability risks into investment decisions, the examination of adverse impacts on sustainability and the disclosure of ESG information and sustainability-related information.

Alken Asset Management ("Alken"), in the management of investment funds, falls under the definition of a financial market participant as per the SFDR.

Alken closely monitors the continuous developments in the changing regulatory framework and adapts its investment policy and products, in order to meet, not only the requirements of the supervisory authorities, but also the increased interest of investors for products and services with sustainable characteristics or with sustainable objectives.

2. Definitions

- ***Sustainable Investment***

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.

- ***Sustainability Risk***

An 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.

- ***Sustainability Factor***

Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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3. Compliance with the 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



ESG LIMITATIONS



ESG INTEGRATION

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 \(alken-am.com\)](#)

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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 \(alken-am.com\)](#)

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