



EXCLUSION POLICY

Alken Asset Management Ltd

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ALKEN EXCLUSIONS



Firm-wide Exclusion (baseline: Article 6 SFDR)
Controversial Weapons 0%
Additional Exclusions: Article 8 SFDR
Poorly Governed Companies (Soft Exclusion) <3/10 Thermal Coal Producers 30% Shale Oil Producers 30%
Additional Exclusions: Article 8 & LuxFLAG labelled strategies
Tobacco (T*) (T* producer 5%; T* distributor 15%; T* supplier 15%; T* retailer 15%; T* own by and own of) Oil & Gas Exploration and Production 30% Nuclear Weapons 0%

	Article 8 & LuxFLAG strategies	Article 8 only strategies	Article 6
Controversial Weapons ¹	All Activities Excluded	Controversial Weapons Excluded	
Nuclear Weapons ²		No exclusion on Nuclear Weapons	No exclusion
Tobacco ³		No exclusion on Tobacco	
Thermal Coal Prod ⁴		Thermal Coal & Shale Oil Excluded	
Shale Oil Producers ⁵		No exclusion on O&G E&P	
Oil & Gas E&P ⁶		CG Excluded (unless justification)	
Poorly Governance ⁷			

1 Controversial weapons using MSCI ESG: Controversial Weapons - Any Tie- CWEAP_TIE and White Phosphorus - WEAP_INCENDIARY_WP
2 Nuclear Weapons using MSCI ESG: nuclear weapons – Any Tie NWEAP_TIE
3 Tobacco using MSCI ESG indicators for the following categories: Tobacco Producers; Tobacco distributors; Tobacco Suppliers; Tobacco Retailers; Tobacco Licensors & Tobacco Owners of and by – [Tobacco producer: TOB_PRODUCER and TOB_PROD_MAX_REV_PCT, threshold > 5% revenue generation; Tobacco distributor: TOB_DISTRIBUTOR and TOB_DIST_MAX_REV_PCT, threshold > 15% revenue; Tobacco supplier: TOB_SUPPLIER and TOB_SUPP_MAX_REV_PCT, threshold > 15% revenue; Tobacco retailer: TOB_RETAILER and TOB_RET_MAX_REV_PCT, threshold > 15% revenue; Tobacco own by: TOB_OWN_BY and Tobacco own of: TOB_OWN_OF]
4 Thermal coal producers using MSCI ESG: THERMAL_COAL_MAX_REV_PCT [Thermal Coal – 30% of Revenue] and/or GENERAT_MAX_REV_THERMAL_COAL [Generation thermal Coal – 30% of Revenue]
5 Shale oil producers using MSCI ESG: SHALE_OIL_MAX_REV_PCT [Shale Oil – 30% of Revenue]
6 Oil and gas exploration and production using MSCI ESG: OG_REV_EXTRACTION_PROD [O&G – Extraction and Production – 30% of Revenue], unless MSCI List has insufficient data or contradicts GICS classification.
7 Poorly governed companies using MSCI ESG: CORP_GVERNANCE_SCORE: below 3/10, unless overridden by investment team explanation, reviewed, audited, and confirmed by ESG and Compliance team.



CONTROVERSIAL WEAPONS

Alken is committed to avoid investing in “controversial weapons”, meaning weapons that are either illegal because their production and use are prohibited by international treaties or because they are deemed particularly controversial due to their indiscriminate effects and to the disproportionate harm they cause, *in particular to civilian populations*.

As described in our specific Controversial Weapons Policy, Alken has adopted a **group-wide policy** on controversial weapons to avoid investment in companies which are involved in the manufacture of:

- **Anti-personnel mines**
- **Cluster bombs**
- **Biological weapons**
- **Chemical weapons**
- **Non-detectable fragments weapons**
- **Blinding laser weapons**
- **Depleted uranium**
- **Incendiary weapons**
- **White phosphorus**

To implement this policy, Alken uses data and a list provided by its ESG data provider, on which we apply the criteria described in our controversial weapons policy.

Note that the data provider defines “controversial weapons – any tie”, as follows:

*Indicates whether the company is **involved in the production** of whole weapon systems, **delivery** platforms or components of cluster munitions; production of whole weapon systems or components of landmines and biological or chemical weapons; production of depleted uranium weapons, blinding laser weapons, incendiary weapons, or weapons with non-detectable fragments; or is involved indirectly through ownership ties to companies involved in such products.*



Note that the data provider defines “white phosphorus”, as follows:

Companies that produce incendiary weapons using white phosphorus.

NUCLEAR WEAPONS/ NUCLEAR DETERRENCE

As a “responsible investor”, we would remind that nuclear deterrence is recognized as a warranty of the security and independence of Europe. As such, we consider that the production of related vectors, platforms and related electronics should be kept in investment lists of our Article 8 strategies. We assume that an exception could be made for the safety risk related to the manufacturing of nuclear warheads, but we remind that this would have in fact no impact for the listed European A&D stocks.

Regarding the **LuxFLAG related strategies**, LuxFLAG considers that nuclear deterrence shall be in fact excluded. As such Alken is committed to exclude companies that have an **industry tie to nuclear weapons** for those specific strategies.

To implement this policy, Alken uses data and a list provided by its ESG data provider.

Note that the data provider defines “Nuclear Weapons – Any Tie”, as follows:

Indicates whether the company is involved in the production of nuclear weapons, exclusive and dual-use delivery platform capable to delivery such products, intended and dual-use components of such products, services provided for such products, or is involved indirectly through ownership ties to companies involved in such products or services.

POORLY GOVERNED COMPANIES (SOFT EXCLUSION)

Aligned with Article 8 SFDR, we screen companies based on their governance score. In theory, any companies’ corporate governance score falling below 3/10 (data provider) shall be excluded.



However, should the **responsible investment team leader** strongly believe that the governance of the given company is not at risk, and on the opposite, is good, the team leader will provide his analysis via our internal system using the section “**Corporate Governance Review**”.

Once this is done, an email alert should be sent to both the ESG Officer and Compliance Officer, who are asked to review the analysis provided, and provide their approval.

TOBACCO

Alken has decided to avoid investing, for some of its strategies, in an industry which impact on the public health has been proven to be direct.

Alken has adopted a fund specific policy on **tobacco to avoid companies** that have an industry tie to tobacco products through the producer, distributor, licensor, retailer, supplier, or through some degree of ownership:

Tobacco Producer

Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.

Tobacco Distributor

Companies that distribute tobacco products to retailers and other distributors. This data point does not include a manufacturer that distributes its own tobacco products, unless it also provides logistics or distribution services to other tobacco companies.

Tobacco Supplier

Companies that manufacture and supply key products necessary for the production of tobacco products, such as tobacco flavoring, cigarette filters (acetate tow), tobacco roll paper, cigarette manufacturing machines, and tobacco packaging, specifically cigarette cartons, films, and aluminum foil.



Tobacco Retailer

Companies that retail tobacco products.

Tobacco Licensors

Companies that license its company or brand name to tobacco products.

Tobacco Total - Ownership *by* a Tobacco Company

Companies that are 50 percent or more owned by a company with involvement.

Tobacco Total - Ownership *of* a Tobacco Company

Companies that own 20 to 49.99 percent of a company with involvement. When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary.

FOSSILS-FUELS

The phenomenon of climate change has today been largely evidenced by scientists and its impact on both the environment and the society in which we live in have put the global energy transition at the forefront. More precisely, there is now a wide scientific consensus that global emissions have to drop by 50% over the next decade for the world to have a chance of staying at 1.5 degrees of global warming. This implies clear and immediate actions for businesses.

As an asset manager, we believe that our mission lies not only in managing and mitigating climate change-related risk, but also in gradually financing the energy transition that is required.

Alken has adopted a fund specific policy on **oil & gas exploration and production (30%)**, on **thermal coal producers that mines or generates thermal coal electricity for over 30% EBITDA** as well as on **shale oil producers that generate over 30% EBITDA from shale oil**.

To implement this policy, Alken uses data and a list provided by its ESG data provider.

For Oil and Gas Exploration and Production: The factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the extraction and production of oil and gas.



For Coal Thermal Producers: The *first factor* identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading. The *second factor* identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the thermal coal-based power generation.

For Shale Oil: This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from shale oil production. This factor does not capture revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of shale gas reserves with no associated extraction revenues; revenue from intra-company sales.

CONTROVERSIAL BEHAVIOURS (UNGC/ Controversies)

This is also part of our general ESG Integration and Exit strategy. Any long-term E, S, G or HR concerns, including UNGC watch and fail alerts as well as medium or severe controversies, which cannot be resolved or mitigated, will trigger a divestment process.

More precisely, it is considered that a company repetitively failing to improve the identified UNGC risks or a selection of controversial risks over a long period of time will make the investment manager reconsider the investment. Engagements and further investigation can be undertaken before the investment manager considers divesting. A monitoring review is being recorded into our internal ESG platform.

To implement this Policy, Alken uses datapoints and alerts provided by its ESG data provider.



For UNGC, the data provider: Assesses whether the company is aligned with the United Nations Global Compact principles based on MSCI ESG Research methodology. The possible values are Fail, Watch List, or Pass. See the MSCI ESG Controversies and Global Norms methodology document for detailed explanations.

CONTROVERSIAL JURISDICTIONS/ POLITICAL SANCTIONS

*This is also part of our general compliance implementation. For any further details, please refer to our **Compliance Manual (Appendix 37 – Sanctions Policy) and Compliance Officer.***

General Principle: Investments are forbidden when issued by or mainly listed in countries, companies or related to individuals or other entities in a particular country identified and as specified in the United Nations Security Council Sanctions and those high-risk jurisdictions subject to a “Call for Action” identified by the Financial Action Task Force.