

ESG Policy on the integration of sustainability risks

1. Objective

The purpose of this document is to describe the approach implemented by Alpha Investor Services Management SA (“AISM”) with regard to integrating sustainability risks and taking into account the main adverse impacts on sustainability factors as a financial adviser, in accordance with Articles 3 and 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (the “SFDR”).

The EU’s Sustainable Finance Disclosure Regulation (2019/2088) (“SFDR”) requires financial market participants and financial advisers to publish on their websites information about their policies on the integration of sustainability risks into their investment decision-making and investment advice. “Sustainability risk” is defined in the SFDR as an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment. AISM has integrated sustainability risks into its investment decision-making process. Sustainability risk would not in itself prevent AISM from making an investment.

Instead, sustainability risk forms part of AISM’s overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to AISM’s determination of risk

2. Context and impact on the proposed funds

The SFDR aims to enhance harmonization and transparency for investors regarding the integration of sustainability risks, the consideration of adverse sustainability impacts, and the promotion of environmental or social criteria and sustainable investment by requiring the publication of pre-contractual and ongoing information for investors.

Sustainability risk refers to an environmental, social, or governance event or condition that, if it occurs, could have a material negative impact, actual or potential, on the value of the investment.

Given the extremely broad scope of this definition, most financial instruments are exposed to varying degrees of sustainability risk.

By way of illustration, we can cite:

- Environmental risks: global warming, natural resource scarcity, biodiversity loss, pollution, etc.
- Social: issues of inequality, inclusion, the risk of workplace accidents, non-compliance with the rights defined by the International Labor Organization, lack of investment in human capital, etc.
- Governance: risks related to an inappropriate executive compensation system, the risk of corruption, lack of independence of the board of directors, etc.

According to the SFDR Regulation, a sustainable investment refers to:

- An investment in an economic activity that contributes to an environmental objective, measured for example by key indicators of resource efficiency relating to the use of energy, renewable energy, raw materials, water, and land, waste generation, greenhouse gas emissions, or impacts 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 the fight against inequality or that promotes social cohesion, social integration, and labor relations,
- Or an investment in human capital or economically or socially disadvantaged communities, provided that these investments do not cause significant harm to any of these objectives and that the companies in which the investments are made apply good governance practices, in particular with regard to sound management structures, relations with staff, remuneration of competent staff, and compliance with tax obligations.

Based on this Regulation, three categories of products can be distinguished:

- **Products covered by Article 6**, i.e., products that cannot be presented as sustainable
- **Products covered by Article 8**, which are financial products that promote, among other characteristics, environmental or social characteristics, or a combination of these characteristics, provided that the companies in which the investments are made follow good governance practices. Although these products do not have a sustainable investment objective, they may have a portion of their investments in such investments

- **Products covered by Article 9**, which are products with a sustainable investment objective.

Given that AISM manages funds which comprise environmental, social and governance (“ESG”) factors in the investment process and strategy, **AISM manages funds classified under Article 8 or 9 and integrates ESG factors accordingly.**

3. Mission

AISM aims to create long-term value. To this end, integrating sustainability risks and taking into account the main negative impacts are among our priorities.

AISM manages some funds which comprise environmental, social and governance (“ESG”) factors in the investment process and strategy. AISM aims to reach and maintain a high standing rating of funds’ portfolio in terms of environmental, social and governance policies. The basis for such strategy considers that investors can at the same time obtain a competitive financial return and make a positive impact on society and the environment. The integration of ESG criteria relies on three pillars:

- **Environmental Considerations:** We prioritize investments in companies and projects that demonstrate a commitment to environmental sustainability. This includes supporting businesses that focus on reducing carbon emissions, utilizing renewable energy, promoting energy efficiency, managing natural resources responsibly, protecting biodiversity, etc.
- **Social Responsibility:** We seek to invest in companies that uphold strong social values, such as respecting diversity and inclusion, ensuring fair labor practices, and contributing positively to society. We avoid investments in entities involved in practices that are harmful to these values.
- **Governance Practices:** We favor investments in companies with transparent and ethical governance structures. This includes strong oversight by independent boards, robust risk management practices, anti-corruption measures, and a commitment to shareholder rights. We avoid investing in companies with a history of poor governance or unethical business practices.

4. Exclusions

AISM has implemented a framework aimed at integrating sustainability risks into its asset selection based on sustainability factors. This framework is based in particular on identifying the existence of exclusion policies. Sustainability indicators enable the Portfolio Managers (“PMs”) to target assets with better ESG performance and lower sustainability risks.

Exclusion lists make it possible to exclude from potential investments assets that are exposed to high sustainability risks or likely to have a significant negative impact on sustainability factors.

Within this framework :

- For Art. 8, AISM ensures that exposure:
 - To companies generating revenues from fossil fuels is limited to a maximum of 10% of the portfolio
 - To companies involved in violations of the UN Global Compact (“UNGC”) is below 10%, and similarly cap exposure to companies that are not aligned with the OECD Guidelines for Multinational Enterprises at 10%

We apply a strict exclusion policy maintaining zero exposure to companies involved in their production or related activities to controversial weapons.

- For Art. 9, AISM ensures that companies have at least implemented the following policies:
 - Exclude from their investment universe companies that do not comply with the 10 principles of the UN Global Compact (“UNGC”). These cover four categories: 1) human rights, 2) labor, 3) the environment, and 4) anti-corruption
 - Exclude from their investment universe companies that cause, contribute to, or are linked to violations of international norms and standards such as the OECD Guidelines
 - Having established a clear and restrictive approach towards fossil fuels, carbon footprint and/or water pollution
 - Exclude companies having negative biodiversity activities
 - Exclude companies in controversial weapons (landmines, cluster munitions)

- We apply restricted criteria to companies generating revenues from fossil fuel-related activities
- Other issuers may be excluded on the basis of their involvement in severe controversies on bribery.

It should be noted that other types of exclusions can also be applied by fund managers.

Issuers excluded from the investable universe are however eligible as short target investments for funds that implement a long/short strategy.

5. ESG rating methodologies

As part of the rating methods, data on ESG factors is collected from a selection of data providers and public sources, which are then analyzed and consolidated according to a methodology that assigns a standardized "ESG valuation" to each issuer (such as a company or sovereign).

One of the difficulties encountered in integrating sustainability risks is the limited availability of relevant data for this purpose: such data is not yet systematically published by issuers or, when it is, may be incomplete or subject to different methodologies.

However, the methodologies applied in ESG exclusion and sustainability indicators policies are regularly updated to take into account changes in the availability of data or the methodologies used by issuers to disclose ESG information.

In many cases, these ESG valuation are part of an overall assessment of the sustainability risk for a given investment. By way of example only, ESG criteria can include carbon footprint and/or water usage intensity for the environmental aspect, health, safety and/or human resource management and gender equality for the social aspect, and remuneration policy and/or overall ethics for the governance aspect.

To ensure that ESG considerations are effectively integrated into our investment process, we have established a comprehensive due diligence framework:

- **Screening:** All potential investments undergo an initial ESG screening to identify any significant risks or opportunities related to environmental, social, or governance factors. This screening helps us exclude investments that do not meet our ESG criteria.

- **ESG Risk Assessment:** For investments that pass the initial screening, we conduct a detailed ESG risk assessment. This involves evaluating the ESG practices of the target company or project, including its corporate strategy, corporate governance, transparency and the product and service range environmental impact. The approach is based on the use of the Principal Adverse Impact (“PAI”) indicators, taking into account both their current and annual rate of variation. According to the SFDR, a PAI refers to the negative impact of investment advice on sustainability factors, namely:
 - Environmental factors
 - Social and employee-related issues
 - Respect for human rights and
 - Anti-corruption and anti-bribery measures

The consideration of PAI may depend on the specificities of the fund and further information may be found, as the case may be, in the prospectus of the relevant fund. The Portfolio Manager(s) (“PMs”) may decide not to take into account the negative effects of investment decisions on sustainability factors for the funds concerned. This impact may be deemed irrelevant if, for example, there is a lack of data available on the market to determine and assess the negative effects on sustainability. If the legal provisions are established and the data quality is sufficient, AISM acknowledges that the PMs may review the current position and plan any implementation in order to consider the principal adverse sustainability impacts on investments.

For our Article 8 and Article 9 funds, we apply a set of sustainability-related investment limits to ensure alignment with our ESG framework as set out in the above section 4 “Exclusions”.

In addition, we apply a zero-tolerance approach to specific Principal Adverse Impact (“PAI”) indicators: PAI 10 (violations of UN Global Compact principles), PAI 11 (lack of processes and compliance mechanisms to monitor adherence to UNGC and OECD Guidelines), and PAI 14 (exposure to controversial weapons) are all required to be equal to zero.

These constraints are designed to ensure full consistency with the sustainable investment objective and the “do no significant harm” principle.

This method is applied in order to prioritize the main negative impacts for each economic sector and each asset class.

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- **Engagement:** Where appropriate, we engage with the management of potential investment targets to discuss ESG issues and encourage the adoption of best practices. We believe that active engagement can lead to improved ESG performance and better long-term outcomes.
- **Ongoing Monitoring:** After making an investment, we continuously monitor the ESG performance of our portfolio companies. We regularly review ESG metrics and engage with management to address any concerns or areas for improvement.

6. Disclaimer

Integrating sustainability risks is a qualitative and discretionary approach, and it must be considered within a general financial and economic investment process. We are committed to respecting the criteria specified in this policy, but the overall approach goes beyond that. AISM is convinced that it is an enhancement, and it can bring added value to the world and its investors. Besides that, there is no guarantee that the criteria adopted and opinions expressed by the fund manager will be in line with those of a particular investor. Adopting the ESG criteria is not a guarantee of positive or better performance. Information is gathered from sources available to investors and third-party reporting and analysis. Accuracy and completeness of data, analysis, and reporting cannot be guaranteed. Some ESG academic studies can be downloaded from our site. In particular:

[MSCI Business Involvement Screening Research Methodology](#)