

# ESG Investment Policy

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## 1. Introduction

Alpha Investor Services Management S.A. (hereinafter referred to as the “Company” or “AISM”) is licensed by the Commission de Surveillance du Secteur Financier (hereinafter referred to as the “CSSF”) as a Management Company, as per the provisions of Chapter 15 of the Law of 17th December 2010, relating to undertakings for collective investment, as amended (hereinafter referred to as the “UCI Law”).

The Company is licensed by the CSSF to provide investment services, namely the management of investment portfolios on a discretionary basis, pursuant to the provisions of Article 101 (3) (a) of the UCI Law.

The present policy contains a description of certain sustainability aspects in accordance with the SFDR. According to AISM's understanding and application, sustainability risks mean events or conditions in the environmental, social or corporate governance (ESG) areas, the occurrence of which could actually or potentially have a material negative impact on the value and return of the investment.

At AISM Luxembourg, we are committed to integrating Environmental, Social, and Governance (ESG) considerations into our investment processes. We believe that responsible investment practices not only contribute to long-term financial returns but also promote positive environmental and social outcomes. This policy outlines our approach to incorporating ESG factors into our investment decisions, with the goal of supporting sustainable development and ethical governance across our investment portfolio.

## 2. SFDR Article 10 requirements

In line with Article 10 of SFDR, financial market participants are required to “publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3):

- a. A description of the environmental or social characteristics or the sustainable investment objective
- b. Information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product
- c. The information referred to in Articles 8 and 9; d. the information referred to in Article 11.”

Please find below the link for each Funds that includes the above information (a-d) for products that are defined as an Article 8 and Article 9 product under SFDR and for which the Company acts as UCITS Management Company.

[Investments Sustainability - AISM](#)

### 3. Context and impact on the funds offered by AISM

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.
- In terms of corporate 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.

**AISM manages funds classified under Article 8 or 9 and integrates ESG factors accordingly.**

## 4. ESG Integration in Investment Decisions

AISM manages funds which comprise environmental, social and governance (“ESG”) factors in the investment process and strategy

Our investment strategy is guided by the following principles:

- **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.

### 4.1. . ESG Indicators Considered

#### 4.1.1. 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. ESG valuation 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.

#### 4.1.2. ESG rating methodologies

ESG data are sourced from external data providers, primarily ClarityAI and Bloomberg, and are used to monitor the relevant Principal Adverse Impact (PAI) indicators and ESG metrics within the investment process.

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 rating 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 methods 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 the Principle 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 3 “ESG Indicators Considered”.

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.

- **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.

## 7. ESG Impact Measurement

We are committed to measuring and reporting the impact of our ESG-focused investments. We utilize both qualitative and quantitative metrics to assess how our investments contribute to environmental sustainability, social well-being, and strong governance. These metrics are regularly reviewed and reported to our stakeholders as part of our commitment to transparency.

## 8. Collaboration and Advocacy

We believe in the power of collaboration to advance ESG goals. We actively participate in industry initiatives and collaborate with other investors, companies, and organizations to promote best practices in ESG investing. Additionally, we advocate for regulatory and policy changes that support sustainable and responsible investment practices.

## 9. Conclusion

At AISM Luxembourg, responsible investment is a core element of our strategy. By integrating ESG considerations into our investment process, we aim to create long-term value for our stakeholders while contributing to a more sustainable and equitable world. This policy will be reviewed annually to ensure it reflects the evolving ESG landscape and our ongoing commitment to responsible investment.

## 10. Policy update and distribution

The Conducting Officers Committee of the Company will review this Policy on a regular basis.

Furthermore, AISM shall make available appropriate information on this procedure and on any material changes to it to the Board of Directors of AISM and to the board of Directors of the funds under management.

This Policy shall be distributed internally; external distribution (i.e. to third parties) is subject to the decision of the Conducting Officers of AISM.