Financial market participant: Alquity Investment Management Limited (5493007MOUB6W5G8T620)

Summary

Alquity Investment Management Limited ("AIML") considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of AIML.

Alquity SICAV have delegated the investment management function for the funds managed by them to AIML. As such, the principal adverse impact of investment decisions made on behalf of these funds is included in the consideration of principal adverse impact at the level of Alquity SICAV. Reference to 'funds' in this statement means funds for which Alquity Investment Management act as the fund management company, and for which the investment management function has been delegated to AIML.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

We consider principal adverse impact on entity level by continuously measuring and tracking the overall detrimental impact on sustainability aspects related to our funds' portfolios. In our funds, we consider the mandatory principal adverse impact indicators defined by the Sustainable Finance Disclosure Regulation (SFDR)[1], subject to data availability and reliability. Principal adverse impact assessment is described in our active ownership and engagement policies and processes. Our active ownership efforts encompass engagement, proxy voting and active participation in shaping environmental, social, and governance (ESG) standards within the industry.

Information on the principal adverse impact of our funds' investments for the reference period from 1 January to 31 December 2022 will be reported, subject to data availability and reliability, by 30 June 2023.

Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the SFDR are set out in Table 1 below. These indicators must be considered to ensure that adverse impact on key sustainability factors is taken into consideration. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the principal adverse impacts identified.

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Information on the impact of our funds' investments on these indicators will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

Table 1: Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**[2]	**Impact [year n-1]**[3]	**Explanation**[4]	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	5917.9	n/a	n/a	We are a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. We have an organisational-wide goal to reduce the weighted average carbon intensity (WACI) of our funds' investments; a set of portfolio-specific carbon footprint reduction targets, and a complementary target to ensure
		Scope 2 GHG emissions	1316.3	n/a	n/a	
		Scope 3 GHG emissions	6019.64	n/a	n/a	
		Total GHG emissions	13253.9	n/a	n/a	
	2. Carbon footprint	Carbon footprint	355.20	n/a	n/a	
	3. GHG intensity of investee companies	GHG intensity of investee companies	985.57	n/a	n/a	
	4. Exposure to companies active in the	Share of investments in companies active in the fossil fuel sector	0.009%	n/a	n/a	

[2] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[3] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

[4] Explanation of difference in impact reported will be published by 30 June 2024, and continuously on an annual basis.

	fossil fuel sector					individual companies are engaged to become 1.5°C aligned. The funds managed by us have been classified as Article 8 or Article 9 funds under the SFDR. All our funds exclude fossil fuels and utilities investments that primariliy generate power from fossil fuels. In our funds, we will consider GHG emissions using an internally developed monitoring system. Issuers identified as outliers on any of the GHG emission indicators or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions as further described below.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 86.40%	n/a	n/a	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	3.96	n/a	n/a	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	1.11%	n/a	n/a	In our funds, we commit to take potential negative effects on biodiversity into consideration in our investment decisions. Through our Key Progress Indicators, we engage with companies to assess if they are taking the impact on biodiversity into consideration when developing their strategic plans. The percentage of companies are reported to clients on an annual basis. We are currently drafting a company-wide Biodiversity policy which will be published on our website in the course of the next reporting year (2023)

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0345	n/a	n/a	Our funds do not consider emissions to water generated by investee companies.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	591.94	n/a	n/a	In our funds, we will consider the hazardous waste ratio generated by investee companies. We exclude nuclear power generation from all our portfolios. Issuers identified as outliers on the indicator or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	4.19%	n/a	n/a	We aim to adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that our funds’ investee companies comply with these norms. If investee companies have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises, an internal assessment of the company is initiated and potential actions considered, as further described below.

	Multinational Enterprises					
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	74.45%	n/a	n/a	We aim to adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that our funds' the investee companies comply with these norms. We monitor the share of investments in investee companies without processes and compliance mechanisms. Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions considered, as further described below
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	1.43%	n/a	n/a	In our funds, we will consider the average unadjusted gender pay gap of investee companies, subject to data quality and availability, using third party analysis. Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	22.97%	n/a	n/a	In our funds, we will consider the average ratio of female to male board members, expressed as a percentage of all board members in investee companies, subject to data quality and availability, using an internally

						developed monitoring system. We always vote against the re-election of all-male boards. Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	n/a	n/a	Our funds do not invest in companies that are involved in the production or development of cluster munitions, anti-personnel mines, biological weapons, chemical weapons, weapons with non-detectable fragments, incendiary and blinding laser weapons or depleted uranium munitions. Our funds do not invest in companies that are verified to be involved in the production of nuclear weapons. Our holdings are screened on an ongoing basis for exposure to controversial weapons. If such a holding is detected, we conduct further analysis before deciding how to proceed and any actions to take (e.g. engagement or exclusion).

We do use other indicators to identify and assess additional principal adverse impacts on a sustainability factor than those mandatory indicators that are set out in Table 1 above. These are detailed in Table 2 below:

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [year n][5]	Impact [year n-1][6]	Explanation[7]	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
	1. Investments in companies without water management policies	Share of investments in investee companies without water management policies	71.5%	**n/a**	**n/a**	We track a set of Key Progress Indicators "KPIs" that represent a general set of transparency and ESG standards we want all firms to meet this goal over time. This assessment has a financial motivation and an associated positive potential impact. Included within our 15

[5] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[6] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

[7] Explanation of difference in impact reported will be published by 30 June 2024, and continuously on an annual basis.

						KPIs is companies disclosing publicly its water management policies.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact [year n][8]**	**Impact [year n-1][9]**	**Explanation[10]**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies						

[8] Information on impact will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Impact will be calculated and illustrated as the average of impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

[9] Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

[10] Explanation of difference in impact reported will be published by 30 June 2024, and continuously on an annual basis.

Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	97.5%	**n/a**	**n/a**	Included within our 15 KPIs are companies having a health and safety policy in place.

The numbers above exclude the Africa fund, as we do not monitor those PAIs neither consider them for the strategy.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The SFDR defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The SFDR includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by a financial market participant.

In our funds, we have implemented certain safeguards to ensure that our investments meet a minimum ESG standard and we use specific processes to identify and mitigate/manage principal adverse impact where possible. When applicable, our ESG safeguards include application of exclusion lists, positive screening, integrating consideration of PAI in our investment-decision making process through a combination of proprietary ESG ratings and external data as well engagement with investee companies as part of our active ownership. By applying negative and positive screening pre-investment, we aim to limit investing into companies with negative impact on sustainability factors. In addition, we identify sectors with high negative environmental PAI as "high risk industries" and apply more stringent assessment criteria in our proprietary ratings system. These policies are monitored on an annual basis through a documented control process and approved by the Alquity SICAV board annually.

Identification of high negative impact on environmental and social factors results in further analysis and may be a driver for active ownership activities, including voting and engagement, as a means to mitigate that impact. High negative impact on sustainability factors may ultimately lead to divestment. Monitoring of principal adverse impact is subject to data availability and quality.

We consider PAI on entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of our funds' investments.[11]

Responsibility for implementation of the above policies, resides with the Head of Emerging Markets and the Head of Quantitative Risk jointly. They are supported by the Head of Sustainability and the entire process is overseen by the Chief Executive Officer.

[11] It should be noted that the level of principal adverse impact consideration may differ depending on fund strategy. We will report on the principal adverse impact of all of our financial products, subject to data availability and quality.

Selection of indicators

Our Responsible Investment Policy describes the framework governing our approach to responsible investments and ESG/sustainability. Our ESG investment process is holistic and considers each aspect of environmental, social and governance equally. In addition to considering the PAI indicators, we assess the historical type, frequency and severity of business controversies to establish the probability of occurrence and severity of adverse impacts. Any company with an existing, unresolved business controversy related to E, S or G factors is immediately excluded through screening process. Any controversies occurring in investee companies are assessed for severity and if not resolved to our satisfaction in a timely manner, the holding is divested immediately.

The PAI indicators that we consider are aligned with our ESG positions and subject to data reliability and availability.

Margin of error with our methodologies

The methodology to identify PAI is always subject to data availability and reliability. We are reliant on the quality of data received from e.g. investee companies and third-party data providers. To the extent possible, data reported by investee companies is prioritised. This is done in order to minimise the reliance on third-party estimations, contributing to improving the overall quality of the data we use as input in our investment and active ownership processes.

Where reported data is not available or of adequate quality, we either use proxy data provided by third-party data providers or estimate it using our own knowledge. We continuously strive to improve data coverage.

Data sources

We use a combination of internally collected data direct from investee companies and several third-party data providers. For each indicator data source, whether we use internal or external data is based on a data quality assessment. We apply various measures to control the data quality, both third-party and internal. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes. Where information relating to any of the indicators used is not readily available, we will use our best efforts to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. More information about the external data sources used is available upon request.

Engagement Policies

Alquity is founded on the belief that the way you deploy capital shapes society. In the listed equity space, excluding sectors that are either detrimental to the environment or provide no positive societal value can over time help influence their behaviour and increase the cost of capital. Likewise, by selecting companies with positive ESG practices you can encourage others to follow suit. However, this is not sufficient to deliver real world impact within the timeframe needed to avoid catastrophic climate change. For this, investors must use their position as shareholders to influence and drive timely change in companies and the economies in which they invest. This can either take the shape of engagement on material ESG and impact issues that companies can make improvements to or through using their voting rights to support or reject management resolutions. In addition, investors have a wider role to play within their own industry and the wider economy to act as role models and change agents. Our engagement can cover single PAI or multiple dependent on the investee company and the type of engagement being undertaken.

Types of Engagement

Direct, company specific engagement

Our deep fundamental ESG analysis helps to identify areas where companies can improve their policies and activities that can have a material impact on their financial performance and just as importantly the environment and communities in which they operate (known as “double materiality”). The topics can cover any or several PAI indicators and engagements range from supply chain auditing for say, a clothing retailer or restaurant chain through to responsible lending policies for a bank. Of course, if any aspect was so significant that it fell below our minimum standards, the company would fail our ESG ratings and be divested from. Once the analysis has identified key engagement topics, these are recorded on our stock notes and reviewed when we meet management during our monitoring of the investment.

Direct, issue specific, engagement

There are some issues which we determine are relevant and important to all holdings, regardless of sector or region. These include PAI indicators such as GHG emissions and water intensity, and in relation to social change, gender diversity at board and senior management levels, as well as controversies. For these topics, we engage in two specific ways as follows:

1. Within our Global Impact Fund, our primary objective is to identify stocks that raise concerns across various issues. Subsequently, we actively engage with these companies, initiating discussions to understand their current position on these matters and inquire about their strategies to address them. While we have engaged with some of our holdings concerning social issues such as worker safety, particularly within the industrial sector, we have specifically directed our engagement efforts toward gender equality and water management.

2. In Emerging Markets, we want to support system/economy wide change where possible. As such, we developed a set of Key Progress Indicators (KPIs), aligned with the principles enshrined in the UN Global Compact and the UN Sustainable Development Goals. These KPIs are designed so that they can be applied to every holding and provide a factual snapshot of the current position at both a holding level and portfolio level for each of our funds. Currently, there are 15 KPIs that broadly mirror the PAI indicators and are focused on disclosure of PAI data so that we can track reduction of PAI over time. Our objective here is to constantly evaluate and add to these over time as emerging economies evolve their ESG reporting standards. An example is the disclosure of Health and Safety policies. As an increasingly larger proportion of our holdings have a policy in place, we have added an additional KPI on the tracking of lost time injury rates. This enables us to ensure that disclosure leads to reporting that we can track and seek improvements on over time.

Collaborative Engagement- direct and indirect

Where our size and ability to influence limits the direct engagement channels for us, we work with like-minded peers and industry initiatives to ensure we continue to have some positive influence on reducing selected PAI indicators.

Regulator Advocacy

At Alquity, we believe that our responsibility to drive change does not just stop at our investments. Whilst we have limited resources compared to our larger peers, this does not stop us from advocating for improvements in ESG practices with regulators, industry associations and directly within the asset management industry.

International Standards

Alquity Investment Management is a signatory of the PRI and as such commits to uphold the six principles of responsible investing promoted by the PRI. The Alquity ESG process is certified by the ISR label, awarded by the French Ministry of Finance and Economy. This certification includes an independent audit of the process for each of our funds. The funds were last certified in July 2022. The next audit is due at the end of June 2023.

The Alquity Key Progress Indicators have been developed in accordance with the 10 principles enshrined within the UN Global Compact. Specifically targeted at PAI indicators that focus on:

1. Reducing impact on climate change and maintaining supplies of key resources such as water (PAI 1-6,8)

2. Safe and dignified working conditions and universal protection of human rights (PAI 10-14)

3. Reducing corruption, increasing transparency and fostering high ethical standards in corporate behaviour (Additional voluntary PAI)

Alquity is a member of the Eurosif Transparency Code.

Paris Agreement

As a signatory to the Net Zero Asset Managers Initiative we are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. Our targets work towards this overall ambition, through complementary top-down and bottom-up approaches; a set of portfolio-specific carbon footprint reduction targets, and a complementary target to ensure individual companies are engaged to become 1.5°C aligned. Specifically For our Future World, Asia and Indian Subcontinent funds we have constructed a net zero aligned emissions pathway, using each fund's benchmark at the base year and reducing this by -60% by 2030. The Global Impact Fund intensity will remain at 60% lower than the intensity of its index (ACWI) at all times. We target that in our emerging market funds, on average, 20% of the financed emissions in material sectors will be net zero or aligned by 2030. For our Global Impact Fund, 100% of financed emissions in material sectors will be net zero or aligned. 100% of financed emissions to be under engagement. Not included within the scope of this target currently is the Alquity Africa Fund due to a lack of reliable available emissions data, which we hope will improve over time to enable us to add this fund.