

# APHILION

QUANT DRIVEN INVESTMENTS

## APHILION IM

Management Company of undertakings for collective investment

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# Principal Adverse Sustainability Impact Statement

This document specially addresses Article 4 of the the EU’s Sustainable Finance Disclosure Regulation (SFDR):

*“Financial market participants shall publish and maintain on their websites a statement on due diligence policies with respect to principal adverse impacts of investment decisions on sustainability factors, taking due account of their size, the nature and scale of their activities and the types of financial products they make available”.*

*Description of principal adverse sustainability impacts*

Nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. PAI indicators are a way of measuring how issuers negatively impact sustainability factors. In line with the requirements of the EU’s Sustainable Finance Disclosure Regulation (SFDR), Aphilion IM will provide entity level information about the way the PAI’s are considered and will report annually on the mandatory and additionally selected PAIs for all the investments that are made.

Our ability to report on the PAIs depends on availability of data, which heavily relies on investee company’s public disclosures and the ability of specialised sustainability data providers to assess PAIs for which there is no reported data. In case of a lack of reliable data for specific PAIs, we will indicate what we are doing to try to obtain them on a best effort basis.

The PAI indicators currently monitored and evaluated include:

Adverse sustainability indicator		Metric
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>		
Greenhouse gas emissions	GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	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
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	
Biodiversity	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

Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>		
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	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
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Aphillion IM will gather data and monitor the principal adverse impact of all mandatory as well as several additional indicators. This list will be reviewed at least annually and updated accordingly when access and quality of data improves.

*Description of policies to identify and prioritise principal adverse sustainability impacts*

Subject to data availability, Aphillion IM monitors the selected PAI indicators for all investees on an ongoing basis. We also monitor the overall ESG performance indicators acquired from data from third party providers (such as Robecosam, Sustainalytics, ISS). ESG indicators identified as outliers in the portfolios (either on a relative basis vs. the index for the long-only portfolios or on an absolute basis in the long-short or otherwise hedged portfolios) are constantly monitored and subject to further analysis.

Our PAI monitoring applies a risk-based approach, which fits well with our overall approach (quantitative and systematic). The ESG indicators flagged for poor performance, are analysed using a combination of scores and weights sourced from a combination of our own data and several data

providers. The investment manager will then decide on the appropriate action, which could be re-balancing the positions to come to a better overall ESG score.

#### *Engagement policies*

Aphilion IM has not implemented an engagement policy, due to its nature, size and scale. The proxy voting costs for monitoring the equity positions are considered too high compared to the NAV of the funds.

#### *References to international standards*

Aphilion IM ensures that portfolio companies adhere to and comply with the principles in UN Global Compact, UN's Universal Declaration of Human Rights and guidelines outlined in the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises.