



## **PUBLIC TRANSPARENCY REPORT**

**2023**

**Alcentra**

Generated 15-12-2023

# About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

## Disclaimers

### Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

### Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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# SENIOR LEADERSHIP STATEMENT (SLS)

## SENIOR LEADERSHIP STATEMENT

### SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

#### Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

Alcentra Group ('Alcentra') is one of the largest European-headquartered credit and private debt managers, which globally has \$35 billion of assets under management (AUM). We employ a disciplined, value-orientated approach to evaluating individual investment and portfolio construction across all of our investment strategies.

Alcentra's primary goal is to achieve attractive long-term investment returns for clients. We believe that environmental, social and governance (ESG) considerations are the crux of responsible investment, and we incorporate these factors in investment decisions to achieve the overarching client objectives, whilst endeavouring to contribute to positive change.

Alcentra's Responsible Investment Policy has been established to outline responsible investment principles to guide our investment decisions and stewardship activities:

- 1) We align our due diligence approach on internationally recognised standards such as the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact
- 2) We believe some corporate activities and behaviours are not compatible with our business values and responsible investment philosophy. Consequently, since the last PRI submission, we have also established an ESG exclusion criteria and apply a negative screen to all new investments
- 3) Our Responsible Investment policy outlines our key priorities across governance, climate change, environment and social matters when assessing and engaging with companies
- 4) When assessing the sustainability risk associated with our investments, we assess the potential risk that their value could be materially negatively impacted by ESG factors. This analysis requires an understanding of companies' impact on their environment and society. We believe this approach allows us to make better investment decisions. The consideration of sustainability risk forms an important part of our due diligence process
- 5) Our teams collaborate with investors to determine the allocation, management, and oversight of capital. As stewards of our investors' capital, we manage our investments in a responsible manner. Alcentra believes that responsibly managed companies are better placed to achieve sustainable competitive advantage and provide strong long-term growth

Alcentra's Responsible Investing Policy is a firmwide policy. While we share a common responsible investment philosophy across the firm, the implementation of the philosophy varies slightly between investment strategies because of the different markets in which they operate. For example, Alcentra's Structured Credit strategy invests predominantly in CLO securities, which give indirect exposure to a diverse pool of syndicated loans. The CLO tranches our Structured Credit strategy invests in provides exposure to pools of loans managed by external firms. Due to the nature of these investments, analysts' engagement regarding ESG considerations primarily sits with the CLO Managers - as is standard market practice - as opposed to the underlying investments, as is the case with our Liquid Credit and Private Credit strategies. Over the past year, there has been a significant effort made to enhance the integration of responsible investment and ESG considerations into the Structured Credit's strategy, which will be further discussed in detail in Section 2 below.

Alcentra's Head of Responsible Investing, Ross Curran, articulates the importance of responsible investment, "we believe that by further incorporating responsible investment principles into our deeply engrained focus on clients, we will be increasingly successful in achieving our overarching goal of providing attractive long-term returns. We have long considered the significance of robust governance measures on company performance. However, given the material impact of global macro considerations over the past several years – from inflation and financial market volatility to the COVID-19 pandemic, to the geopolitical crisis in Ukraine and severe weather causing detrimental impacts to communities – we have increasingly been guiding our stewardship efforts to focus on social and environmental considerations."

Furthermore, Ruth Davis, the Global COO of Business Development suggests that "collaboration is the heart of Alcentra's ethos. We believe that working together to integrate responsible investment principles across our investment strategies will assist in creating the best possible returns for our clients. Our ESG & Responsible Investment team is co-located with the investment teams and integrated across the firm, ensuring execution of the firm's Responsible Investment policy. The ESG & Responsible Investment team works closely with investment teams to ensure ESG research, investment decisions and stewardship activities are bilaterally communicated and challenged by providing constructive feedback, to encourage more effective outcomes."

## Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policymakers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

Since the last PRI submission, and over the past year, we have worked to further integrate our ESG & responsible investment (RI) principles across our firm's culture and investment strategies. The outline below of the progress made, addresses key areas of improvement identified by Alcentra in line with the PRI objectives and Alcentra's own aim to work collaboratively with investors and beneficiaries, in an effort to 1) continually do what is in their best interest, and 2) to be a responsible steward of capital.

### 1. Growth Of The ESG & Responsible Investment Team:

- In 2021 Alcentra established a dedicated ESG & Responsible Investment team to further develop the firm's responsible investment strategy, its policies, and procedures. Since the last PRI submission, the team has been bolstered with a new Head of ESG and additional junior resource joining the firm
- Outcome: Build out of this team has allowed for greater ESG integration & development initiatives across the firm

### 2. Growing Emphasis On Stewardship:

- Our RI Policy framework facilitates a consistent and objective assessment of material ESG risk with a heavy reliance on active stewardship. We have placed a growing emphasis on stewardship by continuously engaging and monitoring our portfolio companies to better inform our investment decisions across our strategies
- Outcome: Alcentra's submission to the FRC UK Stewardship Code in 2022/23 was approved, demonstrating our commitment to active stewardship

### 3. Improvement In ESG Data:

Following the acquisition of Alcentra by Franklin Templeton in November 2022, we have onboarded additional third-party data providers to supplement our internal ESG research and analysis

- Outcome: This has provided investment teams with a more holistic overview of ESG risks. It has also allowed us to further develop and enhance our internal ESG database with a strong focus on our assessments of portfolio companies and emissions data

### 4. Conversion To EU SFDR Article 8 – Private Credit Fund:

- In December 2021, Alcentra was one of the first alternative credit managers to classify a Private Credit fund as EU SFDR Article 8
- Since then, and over the course of last year, the investment team has been placing an emphasis on developing, negotiating, and embedding robust ESG KPIs with borrowers in line with the LMA's Sustainability-Linked Loan Principles
- Outcome: This has enabled the team to set relevant, material ESG KPIs for borrowers in the fund with strong incentives in place to help drive a focus on ESG from management teams and shareholders

### 5. Good Improvements In Our Structured Credit Strategy:

Our Structured Credit strategy invests predominantly in CLO securities, which give indirect exposure to a diverse pool of syndicated loans. The CLO tranches our Structured Credit strategy invests in provides exposure to pools of loans managed by external firms. Nevertheless, since the last PRI submission and over the past year, significant efforts have been made to strengthen the Structured Credit strategy's responsible investment approach. The key developments with regards to our ESG investment process include the following:

#### A) ESG analysis and due diligence of CLO Managers we invest in:

- We assess the ESG & responsible investment governance and control processes of CLO Managers we invest in
- We confirm whether CLO Managers are a signatory of the PRI
- We request CLO Managers to share their ESG & responsible investment reports (both public & private) annually at a minimum

#### B) Improved engagement with CLO Managers:

- We speak to every CLO Managers that we invest with on a regular basis. This may include calls to get updates on underlying borrowers, the Manager's platform and their ESG policies
- As part of this engagement, the Structured Credit team will promote Alcentra's ESG expectations, specifically on exclusions where possible
- We send out an annual ESG questionnaire to CLO Managers we invest in to get a formal update on their ESG processes, policies & data

#### C) The introduction of an ESG exclusion policy to the Structured Credit platform (Alcentra's firmwide ESG exclusion policy has already been in existence):



- In primary deals we participate in across our Structured Credit platform, we request wording in the CLO documentation to be included that would prevent CLO Managers from buying assets with exposure to certain industries including weapons, illegal drugs, tobacco and cigarettes, pornography and prostitution
- Most managers are quite constructive in including this wording in the CLO documentation and have accepted this in the majority of deals

D) Exploration of the ability to assess the carbon impact of our portfolios. In order to do this, we have been actively working with the CLO Managers to request and estimate data, where possible.

- Outcome: Despite the market dynamics, the Structured Credit strategy's continued focus of responsible investment has resulted in growing dialogue with CLO Managers on key ESG topics

### Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Over the next two years, there will be a continued focus on increased integration of responsible investment activities across all strategies at Alcentra with improved reporting of associated activities. This will be in line with PRI expectations, but also reference growing regulatory and investor demands.

#### 1) Continued Build Out Of Our ESG Reporting Capabilities:

- In light of growing investor requests for an enhanced understanding of the firm's ESG activities and ESG data of underlying portfolio investments, we are building out our reporting capabilities through the internal development of an ESG database, inclusive of company-reported data and third-party data to provide a more holistic view on our portfolio construction across the firm
- Over the next two years, through the work currently being undertaken, we expect to be in a strong position to be able to produce detailed strategy-specific and firm-specific ESG reports that cater to bespoke investor & regulatory demands
- In addition to detailed reporting, we are planning on increasing dialogue with portfolio companies, investors and other stakeholders through increased multi-channel & multi-format communications

#### 2) Task Force on Climate-related Financial Disclosures (TCFD) Report

- Alcentra became an official supporter of the TCFD in 2020. We believe the TCFD recommendations provide a useful framework for companies to articulate how they identify, mitigate, and manage transition and physical climate risks. Our principles for assessing and engaging with companies on climate change matters are based on the TCFD recommendations
- We will produce a firm-wide TCFD report by June 2024
- As part of this, we will continue to a) assess portfolio companies' preparedness to manage the climate transition through our internal climate tool; b) enquire about companies' climate targets in our engagements; c) carry out scenarios analysis (1.5C to 3C); d) understand both physical & transition risks faced by the firm and our portfolio companies; and e) identify climate-related risks and opportunities for our firm and for our investments as part of our climate strategy

#### 3) ESG Database Tool

- We are currently developing a proprietary ESG database tool that allows real-time mapping of portfolio holdings across the firm with internal ESG data (scores, analysis based on company data, engagement logs), with externally generated ESG data (third-party data)
- The build out of this ESG database tool will allow greater governance control and oversight, allow better ESG risk management across the firm, and allow for the creation of customised detailed ESG reports for our stakeholders

#### 4) Engagement & Stewardship:

- Alcentra aims to continue to build out its engagement and stewardship activities over the next two years
- At present, we maintain ESG engagement logs to help track our engagement with portfolio companies.

- Over the next 6-months, we will look to build and utilise an in-house ESG Database Tool or third-party solutions to help improve these efforts. An example of this was demonstrated by our Private Credit strategy, who this year used a new third-party partner called Novata to deliver its annual ESG questionnaire of portfolio companies. The questionnaire was provided through an online portal to help ensure that completion of the questionnaire by portfolio company management teams was as straightforward and accessible as possible. A completed questionnaire was received from every borrower in the portfolio which represented a substantial year-on-year increase in the response rate, demonstrated the added value of engaging Novata to assist with the process

5) Additional EU SFDR Article 8 Funds

- Alcentra aims to continue to explore the possibility of raising new EU SFDR Article 8 funds and converting a number of existing funds from EU SFDR Article 6 to Article 8 status over the next two years
- For the funds & strategies in question, the ESG & responsible investment process has been integrated into the investment process for several years now in line with our Responsible Investment Policy, as well as market best practice
- As part of the Article 8 conversion, those ESG process will continue to be utilised, with some additional improvements to ensure alignment to SFDR reporting requirements

6) Training & Development:

- A key component of how we will achieve increased integration of responsible investment across the firm over the next two-years will be via dedicated training and development of teams, including investment professionals, investor relations, and product management teams
- This will be a key deliverable for the ESG & Responsible Investment team, with training delivered on average one session per month (for context, 7 sessions have been delivered since Q2 23). Topics cover a wide range of issues across 1) regulatory developments; 2) ESG risk analysis & integration; 3) systemic ESG risks; 4) ESG financing & documentation amongst other ad hoc topics

#### Section 4. Endorsement

**'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.**

Name

Ruth Davis

Position

Managing Director - Global COO of Business Development

Organisation's Name

Alcentra

● A

**'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.**

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# ORGANISATIONAL OVERVIEW (OO)

## ORGANISATIONAL INFORMATION

### REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	30	06	2023

## SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- ☐ (A) Yes
- ☒ (B) No

## ASSETS UNDER MANAGEMENT

### ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 34,312,037,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

### ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	0%	0%
(B) Fixed income	75.9%	0%
(C) Private equity	0%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	4.3%	19.8%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	0%	0%
(J) Off-balance sheet	0%	0%

## ASSET BREAKDOWN: EXTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2	CORE	OO 5, OO 5.1	SAM 3, SAM 8	PUBLIC	Asset breakdown: Externally managed assets	GENERAL

Provide a breakdown of your organisation's externally managed AUM between segregated mandates and pooled funds or investments.

	(1) Segregated mandate(s)	(2) Pooled fund(s) or pooled investment(s)
(H) Hedge funds	0%	100%

## ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

**Provide a further breakdown of your internally managed fixed income AUM.**

(A) Passive – SSA 0%

(B) Passive – corporate 0%

(C) Active – SSA 0%

(D) Active – corporate 68.8%

(E) Securitised 0%

(F) Private debt 31.2%

## ASSET BREAKDOWN: INTERNALLY MANAGED HEDGE FUND

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 HF	CORE	OO 5	OO 11	PUBLIC	Asset breakdown: Internally managed hedge fund	GENERAL

**Provide a further breakdown of your internally managed hedge fund assets.**

(A) Multi-strategy 0%

(B) Long/short equity 0%

(C) Long/short credit 0%

(D) Distressed, special situations and event-driven fundamental	100%
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(E) Structured credit	0%
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(F) Global macro	0%
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(G) Commodity trading advisor	0%
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(H) Other strategies	0%
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## MANAGEMENT BY PRI SIGNATORIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6	CORE	OO 5	N/A	PUBLIC	Management by PRI signatories	GENERAL

What percentage of your organisation's externally managed assets are managed by PRI signatories?

80%

## GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

### AUM in Emerging Markets and Developing Economies

(C) Fixed income – corporate	(1) 0%
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(E) Fixed income – private debt	(1) 0%
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## STEWARDSHIP

### STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

#### (3) Fixed income - active

#### (8) Hedge funds

(A) Yes, through internal staff	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>		<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>		<input checked="" type="checkbox"/>
(D) We do not conduct stewardship	<input type="radio"/>		<input type="radio"/>

### STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 HF	CORE	OO 5	OO 9	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation have direct investments in listed equity across your hedge fund strategies?

- ☒ (A) Yes  
☐ (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

**Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?**

**(3) Hedge funds**

(A) Yes, through internal staff	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>
(D) We do not conduct (proxy) voting	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

**For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?**

**Percentage of your listed equity holdings over which you have the discretion to vote**

(C) Hedge funds	(12) 100%
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## ESG INCORPORATION

### INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

	(1) Yes, we incorporate ESG factors into our investment decisions	(2) No, we do not incorporate ESG factors into our investment decisions
(F) Fixed income - corporate	<input checked="" type="radio"/>	<input type="radio"/>
(H) Fixed income - private debt	<input checked="" type="radio"/>	<input type="radio"/>
(O) Hedge funds - Distressed, special situations and event-driven fundamental	<input checked="" type="radio"/>	<input type="radio"/>

### EXTERNAL MANAGER SELECTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 12	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager selection	1

For each externally managed asset class, does your organisation incorporate ESG factors when selecting external investment managers?

	(1) Yes, we incorporate ESG factors when selecting external investment managers	(2) No, we do not incorporate ESG factors when selecting external investment managers
(H) Hedge funds	<input checked="" type="radio"/>	<input type="radio"/>

## EXTERNAL MANAGER APPOINTMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 13	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager appointment	1

For each externally managed asset class, does your organisation incorporate ESG factors when appointing external investment managers?

(1) Yes, we incorporate ESG factors when appointing external investment managers

(2) No, we do not incorporate ESG factors when appointing external investment managers

(H) Hedge funds



## EXTERNAL MANAGER MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	OO 5, OO 5.1	Multiple indicators	PUBLIC	External manager monitoring	1

For each externally managed asset class, does your organisation incorporate ESG factors when monitoring external investment managers?

(1) Yes, we incorporate ESG factors when monitoring external investment managers

(2) No, we do not incorporate ESG factors when monitoring external investment managers

(H) Hedge funds



# ESG STRATEGIES

## FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?**

### (2) Fixed income - corporate

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	0%
(D) Screening and integration	0%
(E) Thematic and integration	0%
(F) Screening and thematic	0%
(G) All three approaches combined	100%
(H) None	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

**What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?**

## (2) Fixed income - corporate

(A) Positive/best-in-class screening only	0%
(B) Negative screening only	0%
(C) A combination of screening approaches	100%

## ESG/SUSTAINABILITY FUNDS AND PRODUCTS

### LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

**Do you explicitly market any of your products and/or funds as ESG and/or sustainable?**

● **(A) Yes, we market products and/or funds as ESG and/or sustainable**

Provide the percentage of AUM that your ESG and/or sustainability-marketed products or funds represent:

1.848%

- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

**Additional information: (Voluntary)**

Article 8 funds within our direct lending strategy.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.1	CORE	OO 18	OO 18.2	PUBLIC	Labelling and marketing	1

**Do any of your ESG and/or sustainability-marketed products and/or funds hold formal ESG and/or RI certification(s) or label(s) awarded by a third party?**

● **(A) Yes, our ESG and/or sustainability-marketed products and/or funds hold formal labels or certifications**

Provide the percentage of AUM that your labelled and/or certified products and/or funds represent:

1.848%

- (B) No, our ESG and/or sustainability-marketed products and/or funds do not hold formal labels or certifications

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.2	CORE	OO 18.1	N/A	PUBLIC	Labelling and marketing	1

**Which ESG/RI certifications or labels do you hold?**

- ☐ (A) Commodity type label (e.g. BCI)
- ☐ (B) GRESB
- ☐ (C) Austrian Ecolabel (UZ49)
- ☐ (D) B Corporation
- ☐ (E) BREEAM
- ☐ (F) CBI Climate Bonds Standard
- ☐ (G) DDV-Nachhaltigkeitskodex-ESG-Strategie
- ☐ (H) DDV-Nachhaltigkeitskodex-ESG-Impact
- ☐ (I) EU Ecolabel
- ☐ (J) EU Green Bond Standard
- ☐ (K) Febelfin label (Belgium)
- ☐ (L) Finansol
- ☐ (M) FNG-Siegel Ecolabel (Germany, Austria and Switzerland)
- ☐ (N) Greenfin label (France)
- ☐ (O) Grüner Pfandbrief
- ☐ (P) ICMA Green Bond Principles
- ☐ (Q) ICMA Social Bonds Principles
- ☐ (R) ICMA Sustainability Bonds Principles
- ☐ (S) ICMA Sustainability-linked Bonds Principles
- ☐ (T) Kein Verstoß gegen Atomwaffensperrvertrag
- ☐ (U) Le label ISR (French government SRI label)
- ☐ (V) Luxflag Climate Finance
- ☐ (W) Luxflag Environment
- ☐ (X) Luxflag ESG
- ☐ (Y) Luxflag Green Bond
- ☐ (Z) Luxflag Microfinance
- ☐ (AA) Luxflag Sustainable Insurance Products
- ☐ (AB) National stewardship code
- ☐ (AC) Nordic Swan Ecolabel
- ☐ (AD) Other SRI label based on EUROSIF SRI Transparency Code (e.g. Novethic)
- ☐ (AE) People's Bank of China green bond guidelines
- ☐ (AF) RIAA (Australia)
- ☐ (AG) Towards Sustainability label (Belgium)
- ☒ (AH) **Other**

Specify:

EU SFDR Article 8 Classification

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 17 FI	FI 15, FI 17	PUBLIC	Thematic bonds	1

**What percentage of your total environmental and/or social thematic bonds are labelled by the issuers in accordance with industry-recognised standards?**

Percentage of your total environmental and/or social thematic bonds labelled by the issuers	
(A) Green or climate bonds	0%
(B) Social bonds	0%
(C) Sustainability bonds	0%
(D) Sustainability-linked bonds	0%
(E) SDG or SDG-linked bonds	0%
(F) Other	0%
(G) Bonds not labelled by the issuer	100%

## SUMMARY OF REPORTING REQUIREMENTS

## SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(F) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(H) Fixed income – private debt	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(O) Hedge funds – Distressed, special situations and event-driven fundamental	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(AA) External manager selection, appointment and monitoring (SAM) – hedge funds	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>



## SUBMISSION INFORMATION

### REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- ☒ (A) Publish as absolute numbers
- ☐ (B) Publish as ranges

## POLICY, GOVERNANCE AND STRATEGY (PGS)

### POLICY

#### RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- ☒ (A) Overall approach to responsible investment
- ☒ (B) Guidelines on environmental factors
- ☒ (C) Guidelines on social factors
- ☒ (D) Guidelines on governance factors
- ☐ (E) Guidelines on sustainability outcomes
- ☐ (F) Guidelines tailored to the specific asset class(es) we hold
- ☒ (G) Guidelines on exclusions
- ☒ (H) Guidelines on managing conflicts of interest related to responsible investment
- ☒ (I) Stewardship: Guidelines on engagement with investees
- ☐ (J) Stewardship: Guidelines on overall political engagement
- ☐ (K) Stewardship: Guidelines on engagement with other key stakeholders
- ☒ (L) Stewardship: Guidelines on (proxy) voting
- ☐ (M) Other responsible investment elements not listed here
- ☐ (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

**Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?**

- ☒ (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- ☒ (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- ☐ (C) Specific guidelines on other systematic sustainability issues
- ☐ (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

**Which elements of your formal responsible investment policy(ies) are publicly available?**

- ☒ (A) Overall approach to responsible investment  
Add link:  
<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>
- ☒ (B) Guidelines on environmental factors  
Add link:  
<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>
- ☒ (C) Guidelines on social factors  
Add link:  
<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>
- ☒ (D) Guidelines on governance factors  
Add link:  
<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>
- ☐ (F) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- ☐ (G) Specific guidelines on human rights (may be part of guidelines on social factors)
- ☒ (J) Guidelines on exclusions  
Add link:  
<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>
- ☒ (K) Guidelines on managing conflicts of interest related to responsible investment  
Add link:

<https://www.alcentra.com/assets/filemanager/documents/Alcentra-Responsible-Investment-Policy-20230914.pdf>

☒ **(L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.alcentra.com/assets/filemanager/documents/Alcentra-FRC-UK-Stewardship-Code-2022.pdf>

☒ **(O) Stewardship: Guidelines on (proxy) voting**

Add link:

<https://www.alcentra.com/assets/filemanager/documents/Alcentra-FRC-UK-Stewardship-Code-2022.pdf>

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

**Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?**

☒ **(A) Yes**

Elaborate:

Alcentra's objective is to achieve attractive long-term investment returns for its clients. We seek to achieve this goal by investing in responsibly managed companies. We believe these companies are better placed to achieve sustainable competitive advantage and provide long-term growth, and as such, we will uphold our fiduciary duty to clients. As an investor and a fiduciary, we believe, as outlined by the UNEP and UN PRI, that integrating material ESG considerations will address long-term investment drivers and support long-term investment goals.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?**

☒ **(A) Overall stewardship objectives**

☒ **(B) Prioritisation of specific ESG factors to be advanced via stewardship activities**

☐ (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts

☐ (D) How different stewardship tools and activities are used across the organisation

☒ **(E) Approach to escalation in stewardship**

☒ **(F) Approach to collaboration in stewardship**

☒ **(G) Conflicts of interest related to stewardship**

- ☒ (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- ☐ (I) Other
- ☐ (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?**

- ☐ (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- ☐ (B) Yes, it includes voting principles and/or guidelines on specific social factors
- ☐ (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- ☒ (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

**Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?**

- ☐ (A) We have a publicly available policy to address (proxy) voting in our securities lending programme
- ☐ (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- ☐ (C) We rely on the policy of our external service provider(s)
- ☐ (D) We do not have a policy to address (proxy) voting in our securities lending programme
- ☒ (E) Not applicable; we do not have a securities lending programme

## RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

**What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?**

## Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment  
 (B) Guidelines on environmental factors  
 (C) Guidelines on social factors  
 (D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

**What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?**

### AUM coverage

(A) Specific guidelines on climate change  
 (2) for a majority of our AUM

(B) Specific guidelines on human rights  
 (2) for a majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?**

### ☒ (B) Fixed income

- (1) Percentage of AUM covered
- (1) >0% to 10%
  - (2) >10% to 20%
  - (3) >20% to 30%
  - (4) >30% to 40%
  - (5) >40% to 50%
  - (6) >50% to 60%
  - (7) >60% to 70%
  - (8) >70% to 80%

- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

☒ (F) Hedge funds

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(2) If your AUM coverage is below 100%, explain why: (Voluntary)

For the avoidance of doubt, the reason why "Percentage of AUM covered" is "(2) >10% to 20%" is because of the following AUM split for Alcentra strategies that are classified as Hedge Funds under the PRI definition

- Hedge Funds - Internally Managed - Distressed, special situations - 17.98%
- Hedge Funds - Externally Managed - Structured Credit - 82.02%

While Alcentra's Responsible Investment Policy (and stewardship guidelines) applies to all of our strategies, in this case given PGS 10 is focused on stewardship with investees, we have only included "Hedge Funds – Internally Managed – Distressed, special situations" strategy in this case.

As a reminder, Alcentra's Structured Credit strategy invests predominantly in CLO securities, which give indirect exposure to a diverse pool of syndicated loans. The CLO tranches our Structured Credit strategy invests in provides exposure to pools of loans managed by external firms. Due to the nature of these investments, analysts' engagement regarding ESG considerations primarily sits with the CLO Managers – as is standard market practice – as opposed to the underlying investments, as is the case with our Liquid Credit and Private Credit strategies. Over the past year, there has been a significant effort made to enhance the integration of responsible investment and ESG considerations into the Structured Credit's strategy.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?**

☒ (C) Direct listed equity holdings in hedge fund portfolios

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

## GOVERNANCE

### ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

**Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?**

- ☒ (A) Board members, trustees, or equivalent  
☒ (B) Senior executive-level staff, or equivalent

Specify:

In 2021, Alcentra established a dedicated ESG & RI team to further develop the firm's RI strategy, its policies and procedures. The ESG & RI team works across the firm to support the execution of Alcentra's RI policy, including the integration of ESG factors in investment decisions. The ESG & RI team is complimented by the ESG Committee (comprising of firmwide senior management), which amongst other responsibilities, approves the RI policy and provides governance oversight, as well as the Board.

- ☒ (C) Investment committee, or equivalent

Specify:

Portfolio Managers & Heads of Investment Research for each fund & asset class sit on their respective Investment Committees. ESG analysis is included in every final investment paper and risks for each investment are debated at Investment Committee. The Committee has the power to decline / prevent further investments / divest assets that do not show acceptable ESG risk profiles per our Responsible Investment policy. The Head of Responsible Investment also co-chairs the ESG Committee.

- ☒ (D) Head of department, or equivalent

Specify department:

Head of ESG, ESG & Responsible Investment Team  
Head of Responsible Investment, Liquid Strategy Portfolio Manager

- ☐ (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

**Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?**



	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input type="checkbox"/>	<input type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?

- ☐ (A) Yes
- ☐ (B) No
- ☒ (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?

☒ (A) Internal role(s)

Specify:

Alcentra's ESG & Responsible Investment team is fully integrated across the firm. The scope of work is broad, which includes: supporting analysts and portfolio managers in: i) conducting company & sector research; ii) making investment decisions; iii) monitoring credits; and iv) engaging with companies on ESG matters. The Head of ESG is responsible for ensuring our investment process incorporates the assessment of ESG risks and for further enhancing the firm's ESG capabilities through training.

☒ (B) External investment managers, service providers, or other external partners or suppliers

Specify:

Alcentra's Structured Credit investment team encourages & engages with external CLO Managers to 1) discuss implementation of exclusions policy that aligns with Alcentra's expectations; 2) confirm they are PRI signatories; 3) assess their responsible investment governance and control processes; 4) establish regular dialogue on their ESG policies (including asking them to complete an annual ESG questionnaire) and 5) ensure CLO Managers have appropriate ESG-focused staff resourcing.

- ☐ (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?

- ☐ (A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent
- ☒ (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Explain why: (Voluntary)

We have not yet incorporated investment KPIs to evaluate the performance of our board members, trustees, or equivalent, though it is something that we are considering implementing in the future.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?**

- ☐ (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)
- ☒ (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Explain why: (Voluntary)

We have not yet incorporated investment KPIs to evaluate the performance of our senior executive-level staff, though it is something that we are considering implementing in the future.

## EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?**

- ☒ (A) Any changes in policies related to responsible investment
- ☒ (B) Any changes in governance or oversight related to responsible investment
- ☒ (C) Stewardship-related commitments
- ☒ (D) Progress towards stewardship-related commitments
- ☒ (E) Climate-related commitments
- ☒ (F) Progress towards climate-related commitments
- ☒ (G) Human rights-related commitments
- ☒ (H) Progress towards human rights-related commitments
- ☐ (I) Commitments to other systematic sustainability issues
- ☐ (J) Progress towards commitments on other systematic sustainability issues
- ☐ (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?**

- ☐ (A) Yes, including all governance-related recommended disclosures
- ☐ (B) Yes, including all strategy-related recommended disclosures
- ☐ (C) Yes, including all risk management-related recommended disclosures
- ☐ (D) Yes, including all applicable metrics and targets-related recommended disclosures

☒ **(E) None of the above**

Explain why: (Voluntary)

We are currently expanding upon our existing internal climate database through company-reported data and additional third-party data vendors. When we feel that the database is robust and accurate, we will be better placed to publicly disclose climate-related information in line with the mandatory TCFD reporting required by the FCA (due June 2024).

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?**

- ☐ (A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)
- ☐ (B) Disclosures against the European Union's Taxonomy
- ☐ (C) Disclosures against the CFA's ESG Disclosures Standard

☒ **(D) Disclosures against other international standards, frameworks or regulations**

Specify:

FRC UK Stewardship Report

Link to example of public disclosures

<https://www.frc.org.uk/getattachment/59f63e94-0410-48cf-9f97-e8c0220601c3/Alcentra-UK-Stewardship-Report.pdf>

- ☐ (E) Disclosures against other international standards, frameworks or regulations
- ☐ (F) Disclosures against other international standards, frameworks or regulations
- ☐ (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?**

- (A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (C) **Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year**

## STRATEGY

## CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

**Which elements do your organisation-level exclusions cover?**

- ☒ (A) **Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services**
- ☐ (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- ☒ (C) **Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact**
- ☐ (D) Exclusions based on our organisation's climate change commitments
- ☐ (E) Other elements
- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

**How does your responsible investment approach influence your strategic asset allocation process?**

- ☒ (A) **We incorporate ESG factors into our assessment of expected asset class risks and returns**  
Select from dropdown list:
  - (1) **for all of our AUM subject to strategic asset allocation**
  - (2) for a majority of our AUM subject to strategic asset allocation
  - (3) for a minority of our AUM subject to strategic asset allocation

☒ **(B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns**

Select from dropdown list:

- ☒ **(1) for all of our AUM subject to strategic asset allocation**
- ☐ (2) for a majority of our AUM subject to strategic asset allocation
- ☐ (3) for a minority of our AUM subject to strategic asset allocation

☒ **(C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns**

Select from dropdown list:

- ☒ **(1) for all of our AUM subject to strategic asset allocation**
- ☐ (2) for a majority of our AUM subject to strategic asset allocation
- ☐ (3) for a minority of our AUM subject to strategic asset allocation

☒ **(D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns**

Select from dropdown list:

- ☒ **(1) for all of our AUM subject to strategic asset allocation**
- ☐ (2) for a majority of our AUM subject to strategic asset allocation
- ☐ (3) for a minority of our AUM subject to strategic asset allocation

Specify: (Voluntary)

Our ESG integration process emphasises the importance of assessing material risks at both sector and issuer level. To that end, we have developed a suite of proprietary tools to support the integration of ESG factors in the investment process, including: i) sector materiality guide; ii) ESG and Climate Checklist; and iii) Climate Risk Tool. The aim of the tools is to provide our investment teams with a consistent framework to focus issuer engagement and in assessing material ESG risks of an issuer.

- ☐ (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☐ (F) Not applicable; we do not have a strategic asset allocation process

## STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?**

**(2) Fixed income****(6) Hedge funds**

(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?**

We determine our engagement priorities on a case-by-case basis but may consider such additional factors as the investment exposure, stakeholder concerns and geography. We have previously focused on thematic engagements with carbon-intensive sectors, such as the oil and gas sector. As we consistently monitor headlines – we engage with issuers that may be subject to an incident requiring further information. Similarly, we proactively engage with companies following on from an issue that may have arisen from a competitor's misstep to provide our portfolio companies the opportunity to learn and potentially mitigate similar risks.

Over the past year, we have onboarded additional third-party data providers to ensure that we have access to external views and assessments of particular credits and sectors, which may assist us in helping to set our stewardship priorities through the understanding of material sector developments and considerations. This access to enhanced data allows us to further consider thematic engagements and to proactively engage with issuers through forward-thinking and planning.

Across all strategies, our analysts prioritise relationship-building with management teams and / or CLO Managers, to ensure that we are able to work collaboratively to achieve the best outcomes. In our Private Credit strategy, there has been an increased focus on working to set relevant, material ESG KPIs - with a focus on achieving the targets set - and reporting against these goals in a thorough and cohesive manner.



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?**

- (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.**

The team at Alcentra is committed to serving our clients – and working collaboratively with a wider group of stakeholders – to assist in making a transformational change through engagement and collaboration. Alcentra collaborates and engages with peer investors and other stakeholder groups to improve market standards and exchange best practices as we work towards common goals.

We became a member of the Institutional Investors Group on Climate Change (IIGCC) in 2021, the European membership body for investor collaboration on climate change. We advocate in support of their mission to enable the investment community to drive considerable progress by 2030 towards a net zero and resilient future.

In addition, Alcentra became a signatory of the 2021 Global Investor Statement to Governments on the Climate Crisis.

Alcentra is also an active member of the European Leveraged Finance Association ("ELFA")<sup>1</sup>, a professional trade association for investors in the European leveraged finance market. Our Head of Responsible Investing sits on the ESG Committee, and another portfolio manager sits on the Loan Committee. ELFA has been at the forefront of pressing the wider industry for improved ESG disclosure and standards. A key goal of ELFA's ESG committee is to create a framework for issuers in European leverage finance markets to promote transparency of disclosures required for investors to assess the underlying ESG risks in the market. We continue to work actively with arranging banks to facilitate company engagement and to make ESG factors a greater feature of their disclosures on any new issue.

Through this collaboration, we contributed to several roundtable events throughout 2022 and 2023, with issuers, advisors, private equity sponsors and underwriting banks, highlighting the importance of disclosures on ESG matters. Furthermore, we contributed to ELFA's ESG factsheets, which seek to identify the most important ESG factors within each sector and the importance of their disclosure, for example:

- CLO Manager ESG Diligence Questionnaire
- General ESG Fact Sheet
- ESG Fact Sheet – Debt Collectors
- ESG Fact Sheet – Paper and Packaging
- ESG Fact Sheet – Sector Agnostic
- Guide for company advisers to ESG disclosure in leveraged finance transactions

Members of our private credit team sit on the ELFA Private Debt Committee and regularly discuss pertinent ESG considerations in the private credit market. In 2021, we contributed to an insights paper called "The Growth of ESG in Private Debt Markets." More recently, members of the team have been engaging with discussions on the integration of the Sustainability Linked Loans Principles (SLLPs) within ESG-Linked Loans for Private Credit - a collaboration and commitment that is still in development, pushing for higher standards across the Private Credit market.

Alcentra's private credit team also worked with the Investment Consultants Sustainability Working Group (ICSWG) via their membership with the ELFA Private Debt Committee to provide feedback on the ICSWG engagement activity reporting guide. This cross-industry collaboration aimed to ensure the relevance of the reporting guide for the private credit asset class and works to improve consistency and granularity of information provided to the ICSWG, to facilitate a better understanding of stewardship activities taking place across the industry.

1 European Leveraged Finance Association (ELFA). 2023. <https://elfainvestors.com/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Rank the channels that are most important for your organisation in achieving its stewardship objectives.**

- ☒ **(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff**  
Select from the list:  
● **1**
- ☒ **(B) External investment managers, third-party operators and/or external property managers, if applicable**  
Select from the list:  
● **4**
- ☒ **(C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers**  
Select from the list:  
● **5**
- ☒ **(D) Informal or unstructured collaborations with investors or other entities**

Select from the list:

☒ 3

☒ (E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

☒ 2

☐ (F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

### How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

As stewards of our investors' capital, we find that engagement is the most effective approach to understand the ESG risks and opportunities associated with our investments. Our responsible investment principles guide our stewardship efforts, and we take an active role in engaging with existing companies in our portfolio, as well as with new issuers to better understand risks, improve disclosures and to encourage issuers to act in a sustainable manner.

We engage with management teams, technical experts and where relevant, board members, shareholders and/or arranging banks. Depending on the nature of our engagements, these may take the form of one-on-one company meetings, investor group discussions and/or written exchanges. The engagements are centred on topics that are material to each business. In 2021, we implemented an engagement log to track our dialogues with companies. We monitor companies' responses. Although it can be challenging to attribute changes in companies' practices to our engagements, we see stewardship as integral to imparting positive change and reducing risks related to our investments.

We benefit from our scale and tenure in our markets, which provides access to company management teams, sponsors, and other key stakeholders. Our strong relationships provide us with the opportunity to meet with companies at conferences, field trips and road shows. Depending upon the strategy, our engagement efforts will be slightly different and more or less involved, according to the nature of the relationship with the company or the management team. For instance, our Private Credit and Special Situations teams may have a much more involved relationship with the company and have the ability to exercise additional influence – particularly, if an Alcentra employee holds a seat on the Board of the company.

Furthermore, Alcentra became a signatory to the FRC UK Stewardship Code in September 2022, and has received renewed signatory status for 2023. In doing so, we have met the high standards the FRC sets for investors for the second year running. This achievement further underlines Alcentra's commitment to Responsible Investing.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**If relevant, provide any further details on your organisation's overall stewardship strategy.**

As investors in the sub-investment grade credit market, Alcentra faces challenges related to availability and transparency of ESG data from issuers. Expectations surrounding the scale and effectiveness of engagement are a consideration across all asset classes and as noted above, there are specific nuances, including within the structured credit investments.

Our engagement objectives include:

- Uncovering information on companies' ESG risk exposures and management practices.
- Monitoring issuers' exposure and performance.
- Addressing concerns related to governance and management practices, performance and/or controversies.
- Encouraging disclosure aligned with internationally recognized standards; and
- Promoting the adoption of sustainable business practices.

As previously noted, we engage with management teams, technical experts and, where relevant, board members, shareholders and/or arranging banks. Depending on the nature of our engagements, these may take the form of one-on-one company meetings, investor group discussions and/or written exchanges. The decision to focus on a particular strategic engagement typically occurs based upon the potential urgency of the dialogue. For instance, if a controversy arose, we would work to speak directly with the relevant parties – as soon as possible – either in a face-to-face meeting or on a call with management.

Where possible, engagements focus on topics that are material to each business. We implemented an engagement log in 2021 to begin tracking our dialogues with companies and have continued to utilise this tracking tool throughout 2022. We monitor companies' responses and set internal KPIs to track progress over time. Although it can sometimes be challenging to attribute changes in companies' practices to our engagements, we see stewardship as integral to imparting positive change and reducing risks related to our investments.

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?**

- ☐ (A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes
- ☐ (B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear
- ☐ (C) We ensure consistency with our voting policy by reviewing external service providers' voting recommendations only after voting has been executed
  - ☐ (D) We do not review external service providers' voting recommendations
  - ☒ (E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**How is voting addressed in your securities lending programme?**

- ☐ (A) We recall all securities for voting on all ballot items
- ☐ (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
- ☐ (C) Other
- ☐ (D) We do not recall our securities for voting purposes
- ☒ (E) Not applicable; we do not have a securities lending programme

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?**

- ☒ (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment
- ☐ (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- ☐ (C) We vote in favour of shareholder resolutions only as an escalation measure
- ☐ (D) We vote in favour of the investee company management's recommendations by default
- ☐ (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?**

- ☐ (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- ☐ (B) We pre-declared our voting intentions publicly by other means, e.g. through our website
- ☐ (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM
- ☐ (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- ☒ (E) Not applicable; we did not cast any (proxy) votes during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?**

- (A) Yes, for all (proxy) votes
- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- **(D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source**

Explain why:

Proxy votes are also not generally conducted for corporate bonds. In addition, proxy votes may take place from time to time on structured credit investments where our fund holds the equity tranche.

When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. Question not applicable as we did not cast any (proxy) votes during the reporting year.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?**

**(1) In cases where we abstained or voted against management recommendations**

**(2) In cases where we voted against an ESG-related shareholder resolution**

(A) Yes, we publicly disclosed the rationale

(B) Yes, we privately communicated the rationale to the company

(C) We did not publicly or privately communicate the rationale, or we did not track this information

☐

☐

(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year

☒

☒

**(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year - Explain why:**

When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. Question not applicable as we did not cast any (proxy) votes during the reporting year.

## STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

**For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

### (2) Direct listed equity holdings in hedge fund portfolios

(A) Joining or broadening an existing collaborative engagement or creating a new one

☐

(B) Filing, co-filing, and/or submitting a shareholder resolution or proposal

☐

(C) Publicly engaging the entity, e.g. signing an open letter

☐

(D) Voting against the re-election of one or more board directors ☐

(E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director ☐

(F) Divesting ☐

(G) Litigation ☐

(H) Other ☐

(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings ☒

**(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings - (2) Direct listed equity holdings in hedge funds portfolios - Explain why: (Voluntary)**

As a credit manager voting is not material within the context of our activities and given the nature of the asset class the number of occasions where Alcentra will be engaged in proxy voting will be limited. Alcentra may hold voting rights by exception, for example as a consequence of converting debt to equity instruments through a restructuring process. As outlined in our Responsible Investment policy, when it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so and factors in any conflicts of interest. For the time period stated, and for our listed equity holdings there were no instances of voting relating to the (A)-(H) categories listed.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

**For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

- ☒ (A) Joining or broadening an existing collaborative engagement or creating a new one
- ☐ (B) Publicly engaging the entity, e.g. signing an open letter
- ☒ (C) Not investing
- ☒ (D) Reducing exposure to the investee entity
- ☒ (E) Divesting
- ☐ (F) Litigation
- ☐ (G) Other



- (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

**Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?**

- ☐ (A) Yes, we engaged with policy makers directly
- ☐ (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- ☒ (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?**

- ☒ (A) We participated in 'sign-on' letters
- ☒ (B) We responded to policy consultations
- ☐ (C) We provided technical input via government- or regulator-backed working groups
- ☐ (D) We engaged policy makers on our own initiative
- ☐ (E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

- ☐ (A) We publicly disclosed all our policy positions
- ☐ (B) We publicly disclosed details of our engagements with policy makers
- ☒ (C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

Explain why:

Alcentra did not engage directly with policy makers during the past reporting year. Alcentra engages via industry forums / trade bodies that represents wider sub-investment grade alternative asset managers.

## STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

Alterations and enhancements to governance through Board role.

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☒ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☒ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Alcentra's Co-Head of Special Situations was appointed to the Board of Directors of one of our portfolio companies. Through his role as a Board member, he has made a number of influential and continued engagements to directly support the company as it made alterations and enhancements to existing governance considerations – specifically surrounding internal reporting and control measures in place, whilst further building upon the company's existing ESG strategy.

The enhancement of the ESG strategy has been a key consideration for the company as it works to illustrate their Sustainability journey to their customers. Commencing in January 2022, the company:

- Began reporting annually on sustainability progress.
- Set a target to become climate positive by 2040.
- Placed an emphasis on inclusive hiring with a focus on community involvement and charitable giving; and
- Began setting targets for waste and energy reduction initiatives to assist in the transition to a low carbon economy.

The company is committed to continual improvements on their ESG journey – specifically focusing on the supply chain and ensuring that human and labour rights are adhered to. Alcentra's Board representative brings a wealth of experience from other Boards from a diverse portfolio of companies. He has played a key role in influencing and implementing changes through enhanced communication, monitoring, and reporting.

(B) Example 2:

Title of stewardship activity:

Implementation of ESG as a key pillar to portfolio company's strategy.

(1) Led by

- **(1) Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☑ **(1) Environmental factors**
- ☑ **(2) Social factors**
- ☑ **(3) Governance factors**

(3) Asset class(es)

- ☐ (1) Listed equity
- ☑ **(2) Fixed income**
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Alcentra has been the shareholder of a marketing insights company since 2020. As a result, ESG has been implemented as a key pillar of the Group's strategy.

Engagement activities:

As a minimum ESG is a board agenda at least quarterly, though pertinent discussions around a variety of ESG topic often come up more frequently, given it has been clearly communicated to the Board it is a priority for Alcentra.

Discussion topics throughout 2022 have included:

- Cybersecurity; the Group has been targeted by several cyber-attacks, and as such, has implemented significant upgrades to their IT systems
- Carbon reduction goals; there has been an accelerated transition to a digital strategy and emphasis on flexible remote working
- Employee engagement; consideration given to Gen Z and their attitudes to the workplace; encouraging pro-nouns on email signatures (CEO leading by example)
- ESG Rating; under Alcentra's ownership the Group's EcoVadis rating has been upgraded from Bronze to Silver
- Community; Young Adult Institute Event, whereby the CFO ran training/budgeting workshops

Outcomes:

We have observed a significant improvement in the company's ESG strategy – with an emphasis on socially focused considerations. As an example, over the period of our engagement, charitable community hours donated by employees increased to 315 hours in 2022, as compared to 167 hours in 2021. Within their EcoVadis feedback, it was highlighted that further consideration could be given to the Group supply chain policy. Subsequently, the investment team engaged the Alcentra Head of ESG to further discuss with the company to determine material considerations for review within the supply chain, alongside a focus on areas for improvement for the company's ESG Reporting framework. Peer supply chain policies were provided to offer insight into best practice. Further assistance and collaboration to be provided, as and when needed.

(C) Example 3:

Title of stewardship activity:

Climate change and environmental risk engagement.

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☒ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☒ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objectives:

We engaged with the company to better understand their long-term climate and environmental strategy, through upgrades to their fleet, with a focus on the hybridisation of their engines.

Outcomes:

We engaged with the management team, who provided assurance that they were focusing their ESG strategy on fleet upgrades through the incorporation of hybrid engines and keeping ahead of regulatory tightening. As the company is based out of the Nordics, there is a strong focus on ESG considerations, and the management team has been transparent and forthright with information requests and changes to fleet optimisation. The company will be further building out their emissions mapping and reduction efforts and have advised that they will keep us informed of any significant changes and improvements.

(D) Example 4:

Title of stewardship activity:

Cybersecurity engagement.

(1) Led by

☒ (1) Internally led

☐ (2) External service provider led

☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

☐ (1) Environmental factors

☒ (2) Social factors

☐ (3) Governance factors

(3) Asset class(es)

☐ (1) Listed equity

☒ (2) Fixed income

☐ (3) Private equity

☐ (4) Real estate

☐ (5) Infrastructure

☐ (6) Hedge funds

☐ (7) Forestry

☐ (8) Farmland

☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objectives:

We engaged with a company that distributes building products following a cybersecurity ransom incident to understand its impact and the measures to be implemented to mitigate the risk of future incidents and losses.

Outcomes:

Our analyst engaged with the company's management to understand the hacking attack which required ransom to be paid to allow the company access to their own billing systems. The company understood the severity of the attack and the potential for future incidents. Consequently, the company overhauled their cybersecurity policy and implemented training measures for employees. Our analyst was comfortable with the company's approach, transparency, and diligence. Importantly, the prompt response and focus on cybersecurity allowed for a lessened impact in another geography, on a subsequent cyber-attack, due to the enhanced processes and training in place.

(E) Example 5:

Title of stewardship activity:

Childcare provider - social risk engagement.

- (1) Led by
  - **(1) Internally led**
  - (2) External service provider led
  - (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
  - ☐ (1) Environmental factors
  - ☒ **(2) Social factors**
  - ☐ (3) Governance factors
- (3) Asset class(es)
  - ☐ (1) Listed equity
  - ☒ **(2) Fixed income**
  - ☐ (3) Private equity
  - ☐ (4) Real estate
  - ☐ (5) Infrastructure
  - ☐ (6) Hedge funds
  - ☐ (7) Forestry
  - ☐ (8) Farmland
  - ☐ (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objectives:

Alcentra engaged with a childcare provider to better understand the safety training and initiatives for their staff, alongside insight into the issues surrounding staff shortages. Additional engagement sought to better understand how the company ensures safeguarding of children – particularly with an inquiry into the staff selection process and appropriate carer-to-child ratios.

Outcomes:

Our analyst engaged with the company's management to understand the training and initiatives in place to ensure that staff are appropriately trained to nurture and protect the children in their care.

The management team advised that they continually work to enhance the premises through refurbishments to ensure safety (for example, through usage of doorstops to prevent fingers from getting trapped). With regards to safety training for staff, the company signed an agreement with UNESCO to provide educational upgrade opportunities and they also work alongside a training facility in France which provides accreditation (a diploma) to assist with staff sourcing concerns. This training assists the company, as they can train inexperienced staff efficiently.

Our analyst gained comfort in the fact that the company has implemented a digital solution to track and ensure that the appropriate number of staff are working with children and carers are not left alone with children.

In addition to engaging with the management team, our analyst has reached out to several independent sector experts for a holistic understanding of the sector-related challenges and to verify what management told us regarding their efforts and commitment to safety and wellbeing. These experts also help us better understand the relevant regulatory environment and upcoming changes, which will have an impact on safety requirements and staffing issues in the entirety of the childcare sector.

## CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

### Has your organisation identified climate-related risks and opportunities affecting your investments?

- ☐ (A) Yes, within our standard planning horizon  
☒ **(B) Yes, beyond our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

Alcentra believes the economic impacts of climate change will be felt across industries and markets; however, we recognise the magnitude and timing of these impacts remain varied. Alcentra supports the goals of the Paris Agreement to limit global warming to 1.5 degrees Celsius. An orderly transition in line with the Paris Agreement goals is important to reduce climate-related risks for the companies we invest in. We became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020. We believe the TCFD recommendations provide a useful framework for companies to articulate how they identify, mitigate, and manage transition and physical climate risks. Our principles for assessing and engaging with companies on climate change matters are based on the TCFD recommendations. We assess companies' preparedness to manage the climate transition, through incorporation of our internal Climate Risk Tool and we enquire about company climate targets in our engagements. We identify climate-related risks and opportunities for our firm and for our investments as part of our climate strategy and as part of the mandatory TCFD reporting required by the FCA (due June 2024).

- ☐ (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

### Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

- ☒ **(A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities**

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

Alcentra's Climate Risk Tool was developed to support the assessment of companies' exposure and management of climate-related risks. We concentrate on sectors highly exposed to climate-related risks, either through their operations or value chains. We gather relevant climate metrics on our issuers, including companies' greenhouse gas emissions (GHG) across Scope 1, Scope 2 and Scope 3. Where companies do not disclose this information, we use third-party estimated GHG emissions data. In addition, analysts also assess how well-prepared issuers are to manage the climate transition; for example, by considering companies' climate transition plans and targets. The tool calculates a climate risk score, which feeds into the ESG & Climate Checklist.

Furthermore, the Climate Risk Tool assists our analysts in assessing how well-prepared our portfolio companies are to manage risks associated with the climate transition. Focus on this stems from the importance placed on an orderly transition (to reduce climate-related risks for the companies we invest in) by the Paris Agreement as well as the Task Force on Climate-related Financial Disclosures (TCFD). We became an official supporter of TCFD in 2020. We believe the TCFD recommendations provide a useful framework for companies to articulate how they identify, mitigate, and manage transition and physical climate risks. Our principles for assessing and engaging with companies on climate change matters are based on the TCFD recommendations.

Alcentra's ESG & Climate Checklist (which includes the Climate Risk Tool) was established in 2021 to provide investment teams with a consistent approach to assessing issuers across sectors and markets. Analysts use the checklist to capture relevant information on climate change, environmental, social and governance risks for new issuers. Issuers' ESG scores are used to construct and manage portfolios.

Our ESG scoring system relies on the assessment of more than 20 qualitative and quantitative indicators across each of the pillars. To inform issuers' scores, we rely on corporate disclosures and leverage our credit analysts' in-depth knowledge of their companies, sectors and markets, as well as third-party data. In addition to having individual pillar scores, analysts rate the overall ESG risk profile of the issuer. We use a 1-5 risk scale as defined in the table below. If an issuer scores 4 or 5 at a pillar or aggregate level, it will be referred to Investment Committee for further discussion (with the ESG Committee also being notified). If an issuer is deemed to pose a very high risk (5) at an aggregate level, it will be excluded from the portfolio.

- (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

**Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?**

- ☐ (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- ☐ (B) Yes, using the One Earth Climate Model scenario
- ☐ (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- ☐ (D) Yes, using other scenarios
- ☒ (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

**Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?**

- ☒ (A) Yes, we have a process to identify and assess climate-related risks
  - (1) Describe your process



Alcentra's Climate Risk Tool was developed to support the assessment of companies' exposure and management of climate-related risks. We concentrate on sectors highly exposed to climate-related risks, either through their operations or value chains. We gather relevant climate metrics on our issuers, including companies' greenhouse gas emissions (GHG) across Scope 1, Scope 2 and Scope 3. Where companies do not disclose this information, we use third-party estimated GHG emissions data. In addition, analysts also assess how well-prepared issuers are to manage the climate transition; for example, by considering companies' climate transition plans and targets. The tool calculates a climate risk score, which feeds into the ESG and Climate Checklist.

(2) Describe how this process is integrated into your overall risk management

The Climate Risk Tool assists our analysts in assessing how well-prepared our portfolio companies are to manage risks associated with the climate transition. Focus on this stems from the importance placed on an orderly transition (to reduce climate-related risks for the companies we invest in) by the Paris Agreement as well as the Task Force on Climate-related Financial Disclosures (TCFD). We became an official supporter of TCFD in 2020. We believe the TCFD recommendations provide a useful framework for companies to articulate how they identify, mitigate, and manage transition and physical climate risks. Our principles for assessing and engaging with companies on climate change matters are based on the TCFD recommendations.

Alcentra's ESG & Climate Checklist (which includes the Climate Risk Tool) was established in 2021 to provide investment teams with a consistent approach to assessing issuers across sectors and markets. Analysts use the checklist to capture relevant information on climate change, environmental, social and governance risks for new issuers. Issuers' ESG scores are used to construct and manage portfolios.

Our ESG scoring system relies on the assessment of more than 20 qualitative and quantitative indicators across each of the pillars. To inform issuers' scores, we rely on corporate disclosures and leverage our credit analysts' in-depth knowledge of their companies, sectors and markets, as well as third-party data. In addition to having individual pillar scores, analysts rate the overall ESG risk profile of the issuer. We use a 1-5 risk scale as defined in the table below. If an issuer scores 4 or 5 at a pillar or aggregate level, it will be referred to Investment Committee for further discussion (with the ESG Committee also being notified). If an issuer is deemed to pose a very high risk (5) at an aggregate level, it will be excluded from the portfolio.

- ☐ (B) Yes, we have a process to manage climate-related risks
- ☐ (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

- ☐ (A) Exposure to physical risk
- ☐ (B) Exposure to transition risk
- ☐ (C) Internal carbon price
- ☒ (D) **Total carbon emissions**
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - ☒ (1) **Metric or variable used**
      - ☐ (2) Metric or variable used and disclosed
      - ☐ (3) Metric or variable used and disclosed, including methodology
- ☒ (E) **Weighted average carbon intensity**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

☒ (1) Metric or variable used

☐ (2) Metric or variable used and disclosed

☐ (3) Metric or variable used and disclosed, including methodology

☐ (F) Avoided emissions

☐ (G) Implied Temperature Rise (ITR)

☐ (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals

☐ (I) Proportion of assets or other business activities aligned with climate-related opportunities

☐ (J) Other metrics or variables

☐ (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?**

☐ (A) Scope 1 emissions

☐ (B) Scope 2 emissions

☐ (C) Scope 3 emissions (including financed emissions)

☒ (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

## SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

**Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?**

☒ (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities

☐ (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) The UN Sustainable Development Goals (SDGs) and targets
- ☒ (B) The UNFCCC Paris Agreement
- ☒ (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- ☒ (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- ☒ (E) The EU Taxonomy
- ☐ (F) Other relevant taxonomies
- ☒ (G) The International Bill of Human Rights
- ☐ (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- ☐ (I) The Convention on Biological Diversity
- ☒ (J) Other international framework(s)

Specify:

SASB & ISSB

- ☐ (K) Other regional framework(s)
- ☐ (L) Other sectoral/issue-specific framework(s)
- ☐ (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) Identify sustainability outcomes that are closely linked to our core investment activities
- ☒ (B) Consult with key clients and/or beneficiaries to align with their priorities
- ☐ (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- ☒ (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- ☐ (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- ☒ (F) Understand the geographical relevance of specific sustainability outcome objectives
- ☐ (G) Other method
- ☐ (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- ☒ (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- ☐ (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- ☒ (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- ☐ (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- ☒ (C) We have been requested to do so by our clients and/or beneficiaries
- ☒ (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- ☐ (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- ☒ (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- ☐ (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- ☐ (H) Other

## MANAGER SELECTION, APPOINTMENT AND MONITORING (SAM)

### OVERALL APPROACH

## EXTERNAL INVESTMENT MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 1	CORE	OO 21	N/A	PUBLIC	External investment managers	4

For the majority of your externally managed AUM in each asset class, which responsible investment aspects does your organisation consider important in the assessment of external investment managers?

### (8) Hedge funds

#### Organisation

(A) Commitment to and experience in responsible investment



(B) Responsible investment policy(ies)



(C) Governance structure and senior-level oversight and accountability



#### People and Culture

(D) Adequate resourcing and incentives



(E) Staff competencies and experience in responsible investment



#### Investment Process

(F) Incorporation of material ESG factors in the investment process



(G) Incorporation of risks connected to systematic sustainability issues in the investment process	<input checked="" type="checkbox"/>
(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment	<input checked="" type="checkbox"/>
<b>Stewardship</b>	
(I) Policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>
(J) Policy(ies) or guidelines on (proxy) voting	<input checked="" type="checkbox"/>
(K) Use of stewardship tools and activities	<input checked="" type="checkbox"/>
(L) Incorporation of risks connected to systematic sustainability issues in stewardship practices	<input type="checkbox"/>
(M) Involvement in collaborative engagement and stewardship initiatives	<input checked="" type="checkbox"/>
(N) Engagement with policy makers and other non-investee stakeholders	<input type="checkbox"/>
(O) Results of stewardship activities	<input checked="" type="checkbox"/>
<b>Performance and Reporting</b>	
(P) ESG disclosure in regular client reporting	<input checked="" type="checkbox"/>
(Q) Inclusion of ESG factors in contractual agreements	<input checked="" type="checkbox"/>

(R) We do not consider any of the above responsible investment aspects important in the assessment of external investment managers

○

## SERVICE PROVIDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 2	CORE	OO 21	N/A	PUBLIC	Service providers	4

**Which responsible investment aspects does your organisation consider important when assessing all service providers that advise you in the selection, appointment and/or monitoring of external investment managers?**

- ☐ (A) Incorporation of their responsible investment policy into advisory services
- ☐ (B) Ability to accommodate our responsible investment policy
- ☐ (C) Level of staff's responsible investment expertise
- ☐ (D) Use of data and analytical tools to assess the external investment manager's responsible investment performance
- ☐ (E) Other
- (F) We do not consider any of the above responsible investment aspects important when assessing service providers that advise us in the selection, appointment and/or monitoring of external investment managers
- **(G) Not applicable; we do not engage service providers in the selection, appointment or monitoring of external investment managers**

## POOLED FUNDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 3	PLUS	OO 5.2, OO 21	N/A	PUBLIC	Pooled funds	4

**If you invest in pooled funds, describe how you incorporate responsible investment aspects into the selection, appointment and/or monitoring of external investment managers.**

**Provide example(s) below**

Alcentra's Structured Credit strategy invests predominantly in CLO securities which offers indirect exposure to a specific and diverse portfolios of loans. CLOs are dynamic and allow reinvestment with the asset pool, therefore we are not able to control what the CLO Manager is purchasing. Due to the nature of these investments, analysts' engagement regarding ESG issues is with the CLO manager rather than the issuers of the underlying loans.

Nevertheless, as part of the selection process we ask CLO Managers to confirm the following questions related to their ESG & responsible investment policies & integration efforts:

- "Do you have ESG policy with regard to picking or analysing credits? If so, please share it with us"
- "Do you assign an ESG rating to the credits you invest in? What factors are considered?"
- "Do you have a list of sectors or companies that you exclude from investing?"
- "Are there any internal risk limits / tolerances based on ESG ratings / scores?"
- "What internal ESG governance arrangements are in place? Is there an internal group/committee that review and/or assigns the ratings?"
- "How often are the ESG scores / ratings / exclusions reviewed?"
- "How often do you engage with borrowers on ESG issues?"
- "Are you a PRI signatory? If so, can you please provide your latest reporting and also the last score received?"
- "What is your policy regarding the exclusion of controversial weapons?"
- "What is your policy on financing new oil and gas projects?"
- "What dedicated ESG resourcing & staffing do you have? What experience do the key individuals have including their track record?". .

(A) Selection

Appointment of the CLO Managers is based on several factors, including their responses to our questions on their ESG & responsible investment policies & integration efforts.

(B)  
Appointment

At the point of appointment, for primary deal that we participate in across our Structured Credit platform, we request wording in the CLO documentation to be included that would prevent CLO Managers from buying assets with exposure to certain industries including weapons, illegal drugs, tobacco and cigarettes, pornography and prostitution. Most Managers are quite constructive in including this wording in the CLO documentation and they've accepted wording in the majority of deals.



- (C) Monitoring
- Alcentra's Structured Credit team speaks to CLO Managers that we invest with on a regular basis. The calls are to get updates on underlying loans, the Manager's platform and also to engage with managers on their ESG policies
  - Alcentra sends out an annual ESG questionnaire to a large proportion of CLO Managers to get a formal update on their ESG processes and policies
  - Alcentra requests CLO Managers to share their ESG & responsible investment reports (both public & private) annually at a minimum
  - Alcentra requests regular updates regarding CLO Managers' dedicated ESG staff & resourcing, and we monitor the appropriateness & suitability of the staff

## SELECTION

### RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 4	CORE	OO 12, OO 21	SAM 5, SAM 6, SAM 7	PUBLIC	Responsible investment practices	General

During the reporting year, did your organisation select new external investment managers or allocate new mandates to existing investment managers?

- ☒ (A) Yes, we selected external investment managers or allocated new mandates to existing investment managers during the reporting year
  - ☐ (B) No, we did not select new external investment managers or allocate new mandates to existing investment managers during the reporting year
  - ☐ (C) Not applicable; our organisation is in a captive relationship with external investment managers, which applies to 90% or more of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 5	CORE	SAM 4	N/A	PUBLIC	Responsible investment practices	4

During the reporting year, what responsible investment aspects did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

#### Organisation

- ☒ (A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)

Select from dropdown list

- ☒ (1) for all of our mandates
  - ☐ (2) for a majority of our mandates
  - ☐ (3) for a minority of our mandates

☒ **(B) Responsible investment policy(ies) (e.g. the alignment of their responsible investment policy with the investment mandate)**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

☒ **(C) Governance structure and senior-level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

**People and Culture**

☒ **(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

☒ **(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)**

Select from dropdown list

- ☐ (1) for all of our mandates
- ☒ **(2) for a majority of our mandates**
- ☐ (3) for a minority of our mandates

**Investment Process**

☒ **(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

☐ **(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)**

☒ **(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks)**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

**Performance and Reporting**

☒ **(I) ESG disclosure in regular client reporting**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

☒ **(J) Inclusion of ESG factors in contractual agreements**

Select from dropdown list

- ☒ **(1) for all of our mandates**
- ☐ (2) for a majority of our mandates
- ☐ (3) for a minority of our mandates

- (K) We did not review and evaluate any of the above responsible investment aspects when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 6	CORE	OO 8, SAM 4	N/A	PUBLIC	Stewardship	4

During the reporting year, which aspects of the stewardship approach did your organisation, or the service provider acting on your behalf, review and evaluate when selecting new external investment managers or allocating new mandates to existing investment managers?

- ☒ **(A) The alignment of their policy(ies) or guidelines on stewardship with the investment mandate**  
 Select from dropdown list
  - ☒ **(1) for all of our mandates**
  - ☐ (2) for a majority of our mandates
  - ☐ (3) for a minority of our mandates
- ☒ **(B) Evidence of how they implemented their stewardship objectives, including the effectiveness of their activities**  
 Select from dropdown list
  - ☐ (1) for all of our mandates
  - ☒ **(2) for a majority of our mandates**
  - ☐ (3) for a minority of our mandates
- ☒ **(C) Their participation in collaborative engagements and stewardship initiatives**  
 Select from dropdown list
  - ☐ (1) for all of our mandates
  - ☒ **(2) for a majority of our mandates**
  - ☐ (3) for a minority of our mandates
- ☒ **(D) Details of their engagements with companies or issuers on risks connected to systematic sustainability issues**  
 Select from dropdown list
  - ☐ (1) for all of our mandates
  - ☐ (2) for a majority of our mandates
  - ☒ **(3) for a minority of our mandates**
- ☐ (E) Details of their engagement activities with policy makers
- ☒ **(F) Their escalation process and the escalation tools included in their policy on stewardship**  
 Select from dropdown list
  - ☐ (1) for all of our mandates
  - ☒ **(2) for a majority of our mandates**
  - ☐ (3) for a minority of our mandates
- ☐ (G) We did not review and evaluate any of the above aspects of the stewardship approach when selecting new external investment managers or allocating new mandates to existing investment managers during the reporting year

## MONITORING

### RESPONSIBLE INVESTMENT PRACTICES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 9	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	4

**For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' responsible investment practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?**

#### (8) Hedge funds

##### Organisation

(A) Commitment to and experience in responsible investment (e.g. commitment to responsible investment principles and standards)



(B) Responsible investment policy(ies) (e.g. the continued alignment of their responsible investment policy with the investment mandate)



(C) Governance structure and senior level oversight and accountability (e.g. the adequacy of their governance structure and reported conflicts of interest)



##### People and Culture

(D) Adequate resourcing and incentives (e.g. their team structures, operating model and remuneration structure, including alignment of interests)



(E) Staff competencies and experience in responsible investment (e.g. level of responsible investment responsibilities in their investment team, their responsible investment training and capacity building)



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## Investment Process

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(F) Incorporation of material ESG factors in the investment process (e.g. detail and evidence of how such factors are incorporated into the selection of individual assets and in portfolio construction)



(G) Incorporation of risks connected to systematic sustainability issues in the investment process (e.g. detail and evidence of how such risks are incorporated into the selection of individual assets and in portfolio construction)



(H) Incorporation of material ESG factors and ESG risks connected to systematic sustainability issues in portfolio risk assessment (e.g. their process to measure and report such risks, their response to ESG incidents)



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## Performance and Reporting

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(I) ESG disclosure in regular client reporting (e.g. any changes in their regular client reporting)



(J) Inclusion of ESG factors in contractual agreements



(K) We did not monitor any of the above aspects of our external investment managers' responsible investment practices during the reporting year

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 12	CORE	OO 14, OO 21	N/A	PUBLIC	Responsible investment practices	1

**For the majority of your externally managed AUM in each asset class, how often does your organisation, or the service provider acting on your behalf, monitor your external investment managers' responsible investment practices?**

#### (8) Hedge funds

(A) At least annually	<input checked="" type="checkbox"/>
(B) Less than once a year	<input type="checkbox"/>
(C) On an ad hoc basis	<input checked="" type="checkbox"/>

## STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 13	CORE	OO 8, OO 21	N/A	PUBLIC	Stewardship	1, 2

**For the majority of your externally managed AUM in each asset class, which aspects of your external investment managers' stewardship practices did your organisation, or the service provider acting on your behalf, monitor during the reporting year?**

**(8) Hedge funds**

(A) Any changes in their policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>
(B) The degree of implementation of their policy(ies) or guidelines on stewardship	<input checked="" type="checkbox"/>
(C) How they prioritise material ESG factors	<input checked="" type="checkbox"/>
(D) How they prioritise risks connected to systematic sustainability issues	<input checked="" type="checkbox"/>
(E) Their investment team's level of involvement in stewardship activities	<input type="checkbox"/>
(F) Whether the results of stewardship actions were fed back into the investment process and decisions	<input type="checkbox"/>
(G) Whether they used a variety of stewardship tools and activities to advance their stewardship priorities	<input checked="" type="checkbox"/>
(H) The deployment of their escalation process in cases where initial stewardship efforts were unsuccessful	<input checked="" type="checkbox"/>
(I) Whether they participated in collaborative engagements and stewardship initiatives	<input type="checkbox"/>
(J) Whether they had an active role in collaborative engagements and stewardship initiatives	<input type="checkbox"/>
(K) Other	<input type="checkbox"/>

(L) We did not monitor our external investment managers' stewardship practices during the reporting year

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## ENGAGEMENT AND ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 16	CORE	OO 14, OO 21	N/A	PUBLIC	Engagement and escalation	4

**What actions does your organisation, or the service provider acting on your behalf, include in its formal escalation process to address concerns raised during monitoring of your external investment managers' responsible investment practices?**

### (8) Hedge funds

(A) Engagement with their investment professionals, investment committee or other representatives

☒

(B) Notification about their placement on a watch list or relationship coming under review

☒

(C) Reduction of capital allocation to the external investment managers until any concerns have been rectified

☒

(D) Termination of the contract if failings persist over a (notified) period, including an explanation of the reasons for termination

☒

(E) Holding off selecting the external investment managers for new mandates or allocating additional capital until any concerns have been rectified

☒



(F) Other ☐

(G) Our organisation does not have a formal escalation process to address concerns raised during monitoring ☐

## VERIFICATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SAM 17	CORE	OO 14, OO 21	N/A	PUBLIC	Verification	1

**For the majority of your externally managed AUM in each asset class, how did your organisation, or the service provider acting on your behalf, verify that the information reported by external investment managers on their responsible investment practices was correct during the reporting year?**

### (8) Hedge funds

(A) We checked that the information reported was verified through a third-party assurance process ☐

(B) We checked that the information reported was verified by an independent third party ☒

(C) We checked for evidence of internal monitoring or compliance ☒

(D) Other ☒

(E) We did not verify the information reported by external investment managers on their responsible investment practices during the reporting year ☐

**(D) Other - Specify:**

Alcentra asks external CLO Managers to provide us with both public and private ESG & responsible investment reports (e.g., their PRI reports).

# FIXED INCOME (FI)

## OVERALL APPROACH

## MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify and incorporate material ESG factors across your fixed income assets?**

	(2) Corporate	(4) Private debt
(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors depending on different investment time horizons	(1) for all of our AUM	(1) for all of our AUM
(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion	○	○
(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors	○	○

## MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

**Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your fixed income assets?**

### (2) Corporate

(A) Yes, we have a formal process that includes scenario analyses

(B) Yes, we have a formal process, but does it not include scenario analyses

(1) for all of our AUM

(C) We do not have a formal process for our fixed income assets; our investment professionals monitor how ESG trends vary over time at their discretion

o

(D) We do not monitor and review the implications of changing ESG trends on our fixed income assets

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### **(B) Yes, we have a formal process, but it does not include scenario analyses - Specify: (Voluntary)**

- The ESG & Responsible Investment team has core responsibility of monitoring and reviewing changing ESG trends and their implication on investment teams' strategies and portfolio companies
- Furthermore, Alcentra's new Head of ESG has placed an emphasis on ESG training and integration across the firm - to investment professionals, alongside Investor Relations, Sales and Product Management teams
- A core focus of this training will be the ongoing improvement and upskilling of teams to improve monitoring of emerging ESG trends in their portfolios and across strategies
- As our internal ESG database is further developed and enhanced with third-party data from several providers, we will be better placed to include scenario analyses through active monitoring and reviewing of environmental (inclusive of climate metrics), governance and social scenario considerations (including human rights data)

## PRE-INVESTMENT

### ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?**

	(2) Corporate	(4) Private debt
(A) We incorporate material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate material governance-related factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We do not incorporate material ESG factors for the majority of our fixed income investments	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**Does your organisation have a framework that differentiates ESG risks by issuer country, region and/or sector?**

	(2) Corporate	(4) Private debt
(A) Yes, we have a framework that differentiates ESG risks by country and/or region (e.g. local governance and labour practices)		
(B) Yes, we have a framework that differentiates ESG risks by sector	(1) for all of our AUM	(1) for all of our AUM
(C) No, we do not have a framework that differentiates ESG risks by issuer country, region and/or sector	○	○
(D) Not applicable; we are not able to differentiate ESG risks by issuer country, region and/or sector due to the limited universe of our issuers	○	○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How does your organisation incorporate material ESG factors when selecting private debt investments during the due diligence phase?**

☒ **(A) We use a qualitative ESG checklist**

Select from dropdown list:

- ☒ **(1) in all cases**
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☒ **(B) We assess quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity**

Select from dropdown list:

- ☒ **(1) in all cases**
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☒ **(C) We check whether the target company has its own responsible investment policy, sustainability policy or ESG policy**

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☐ (D) We hire third-party consultants to do technical due diligence on specific material ESG factors where internal capabilities are not available

☒ (E) We require the review and sign-off of our ESG due diligence process by our investment committee, or the equivalent function

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☐ (F) We use industry-recognised responsible investment due diligence questionnaire (DDQ) templates

☐ (G) We use another method of incorporating material ESG factors when selecting private debt investments during the due diligence process

☐ (H) We do not incorporate material ESG factors when selecting private debt investments during the due diligence phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How do you incorporate significant changes in material ESG factors over time into your fixed income asset valuation process?**

	(2) Corporate	(3) Private debt
(A) We incorporate it into the forecast of financial metrics or other quantitative assessments	(1) for all of our AUM	(1) for all of our AUM
(B) We make a qualitative assessment of how material ESG factors may evolve	(1) for all of our AUM	(1) for all of our AUM
(C) We do not incorporate significant changes in material ESG factors	<input type="radio"/>	<input type="radio"/>

## ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How do material ESG factors contribute to your security selection, portfolio construction and/or benchmark selection process?**

### (2) Corporate

(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(B) Material ESG factors contribute to determining the holding period of individual assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(C) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(D) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process

(3) for a minority of our AUM

(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways

(F) Our security selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

o

## POST-INVESTMENT

### ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**How are material ESG factors incorporated into your portfolio risk management process?**

	(2) Corporate	(4) Private debt
(A) Investment committee members, or the equivalent function or group, can veto investment decisions based on ESG considerations	(1) for all of our AUM	(1) for all of our AUM
(B) Companies, sectors, countries and/or currencies are monitored for changes in exposure to material ESG factors and any breaches of risk limits	(1) for all of our AUM	(1) for all of our AUM
(C) Overall exposure to specific material ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on the individual issuer or issue sensitivity to these factors	(1) for all of our AUM	(1) for all of our AUM
(D) We use another method of incorporating material ESG factors into our portfolio's risk management process		



(E) We do not have a process to incorporate material ESG factors into our portfolio's risk management process

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**For the majority of your fixed income assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?**

**(2) Corporate**

**(4) Private debt**

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual fixed income holdings

☒

☒

(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for other fixed income holdings exposed to similar risks and/or incidents

☒

☒

(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for our stewardship activities

☒

☒

(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents

☒

☒

(E) We do not have a formal process to identify and incorporate ESG risks and ESG incidents; our investment professionals identify and incorporate ESG risks and ESG incidents at their discretion

☐

☐

(F) We do not have a formal process to identify and incorporate ESG risks and ESG incidents into our risk management process

☐

☐

## PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 21	N/A	PUBLIC	Performance monitoring	1

During the reporting year, how did your organisation incorporate material ESG factors when monitoring private debt investments?

☒ (A) We used a qualitative ESG checklist

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in the majority of cases
- ☐ (3) in the minority of cases

☒ (B) We assessed quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity

Select from dropdown list:

- ☒ (1) in all cases
- ☐ (2) in the majority of cases
- ☐ (3) in the minority of cases

☐ (C) We hired third-party consultants to do technical assessment on specific material ESG factors where internal capabilities were not available

☒ (D) We used industry body guidelines

Select from dropdown list:

- ☐ (1) in all cases
- ☒ (2) in the majority of cases
- ☐ (3) in the minority of cases

☐ (E) We used another method to incorporate material ESG factors into the monitoring of private debt investments

☐ (F) We did not incorporate material ESG factors when monitoring private debt investments

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 16	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Thematic bonds	1

**What pre-determined criteria does your organisation use to identify which non-labelled thematic bonds to invest in?**

- ☐ (A) The bond's use of proceeds
- ☐ (B) The issuers' targets
- ☐ (C) The issuers' progress towards achieving their targets
- ☐ (D) The issuer profile and how it contributes to their targets
- ☐ (E) We do not use pre-determined criteria to identify which non-labelled thematic bonds to invest in
- ☒ (F) Not applicable; we do not invest in non-labelled thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	CORE	Multiple, see guidance	N/A	PUBLIC	Thematic bonds	1, 2, 6

**During the reporting year, what action did you take in the majority of cases when you felt that the proceeds of a thematic bond were not allocated appropriately or in accordance with the terms of the bond deal or prospectus?**

- ☐ (A) We engaged with the issuer
- ☐ (B) We alerted thematic bond certification agencies
- ☐ (C) We sold the security
- ☐ (D) We blacklisted the issuer
- ☐ (E) Other action
- ☐ (F) We did not take any specific actions when the proceeds of a thematic bond were not allocated according to the terms of the bond deal during the reporting year
- ☒ (G) Not applicable; in the majority of cases, the proceeds of thematic bonds were allocated according to the terms of the bond deal during the reporting year

## DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

For all your fixed income assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?

- ☒ (A) We share a list of ESG screens
- ☒ (B) We share any changes in ESG screens
- ☒ (C) We explain any implications of ESG screens, such as any deviation from a benchmark or impact on sector weightings
- ☐ (D) We do not share the above information for all our fixed income assets subject to ESG screens

## HEDGE FUNDS (HF)

### POLICY

### INVESTMENT GUIDELINES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 1	CORE	OO 21	N/A	PUBLIC	Investment guidelines	1, 4, 6

What activities, practices and/or relationships are covered by your organisation's responsible investment policy(ies) for the majority of your hedge fund assets?

- ☐ (A) Our ESG requirements of prime brokers
- ☐ (B) Our ESG requirements for administrators and custodians
- ☐ (C) Our ESG requirements regarding (proxy) voting service providers (or other third-party providers), where applicable
- ☒ (D) How breaches in our responsible investment policy are communicated to clients
- ☐ (E) How ESG is incorporated into our long and/or short exposures
- ☒ (F) Whether sectors, issuers, equities and/or asset types are excluded from the portfolio due to ESG factors
- ☒ (G) How we engage with underlying investees, issuers or real assets
- ☐ (H) Our responsible investment policy(ies) does not specifically cover activities, practices and/or relationships for our hedge fund assets

## OVERALL APPROACH

### MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 2	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify and incorporate material ESG factors across your hedge fund strategies?**

#### (4) Distressed, special situations and event-driven fundamental

(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors into risk assessment and the risk profile of the underlying exposures	(1) for all of our AUM
(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion	○
(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors	○

## MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 3	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

**Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your hedge fund strategies?**

### (4) Distressed, special situations and event-driven fundamental

(A) Yes, we have a formal process that includes scenario analyses

(B) Yes, we have a formal process but it does not include scenario analyses

(1) for all of our AUM

(C) We do not have a formal process for our hedge fund strategies; our investment professionals monitor and review the implications of changing ESG trends at their discretion

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(D) We do not monitor and review the implications of changing ESG trends on our hedge fund strategies

o

## PRE-INVESTMENT

### ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How does your investment research incorporate material ESG risks and opportunities into the selection of listed companies or issuers of corporate debt?**

#### (4) Distressed, special situations and event-driven fundamental

(A) We incorporate material governance-related risks and opportunities that may affect the products and services delivered by listed companies or issuers of corporate debt

(1) in all cases

(B) We incorporate material environmental and social risks and opportunities that may affect the products and services delivered by listed companies or issuers of corporate debt

(1) in all cases

(C) We incorporate material environmental and social risks and opportunities that may arise from how listed companies or issuers of corporate debt undertake their operations

(1) in all cases

(D) We incorporate material environmental and social risks and opportunities linked to a listed company or issuer or corporate debt supply chain

(1) in all cases

(E) Other

(F) Our investment research does not incorporate material ESG risks and opportunities into the selection of listed companies or issuers of corporate debt

○

(G) Not applicable, our strategy does not invest directly in listed companies or issuers of corporate debt

○

## ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How do material ESG factors contribute to your stock selection, portfolio construction and/or benchmark selection process?**

### (4) Distressed, special situations and event-driven fundamental

(A) Material ESG factors contribute to the selection of individual assets and financial instruments within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(B) Material ESG factors contribute to the portfolio weighting of individual assets and financial instruments within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(C) Material ESG factors contribute to the sector, country or regional weighting of assets and financial instruments within our portfolio construction and/or benchmark selection process

(1) for all of our AUM



(D) Material ESG factors contribute to determining the construction of short positions

(1) for all of our AUM

(E) Other ways material ESG factors contribute to your portfolio construction and/or benchmark selection process

(F) Our stock selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

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## POST-INVESTMENT

### ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 8	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**What compliance processes do you have in place to ensure that your hedge fund assets subject to negative exclusionary screens meet the screening criteria?**

- ☒ (A) We have internal compliance procedures that ensure all funds or portfolios that are subject to negative exclusionary screening have pre-trade checks
- ☐ (B) We have an external committee that oversees the screening implementation process for all funds or portfolios that are subject to negative exclusionary screening
- ☒ (C) We have an independent internal committee that oversees the screening implementation process for all funds or portfolios that are subject to negative exclusionary screening
  - o (D) We do not have compliance processes in place to ensure that we meet our stated negative exclusionary screens
  - o (E) Not applicable; we do not conduct negative exclusionary screening on our hedge fund assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
HF 9	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**For the majority of your hedge funds, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?**

#### (4) Distressed, special situations and event-driven fundamental

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual securities, issuers and financial instruments



(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for other securities, issuers and financial instruments exposed to similar risks and/or incidents



(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for our stewardship activities



(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents



(E) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process; our investment professionals identify and incorporate material ESG risks and ESG incidents at their own discretion



(F) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process

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# CONFIDENCE-BUILDING MEASURES (CBM)

## CONFIDENCE-BUILDING MEASURES

### APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

#### How did your organisation verify the information submitted in your PRI report this reporting year?

- ☐ (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- ☐ (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- ☒ (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- ☒ (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- ☐ (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- ☐ (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- ☒ (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- ☐ (H) We did not verify the information submitted in our PRI report this reporting year

## INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

**What responsible investment processes and/or data were audited through your internal audit function?**

☒ **(A) Policy, governance and strategy**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited

☒ **(3) Processes and data internally audited**

☒ **(B) Manager selection, appointment and monitoring**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited

☒ **(3) Processes and data internally audited**

☒ **(D) Fixed income**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited

☒ **(3) Processes and data internally audited**

☒ **(H) Hedge funds**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited

☒ **(3) Processes and data internally audited**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 5	PLUS	CBM 1	N/A	PUBLIC	Internal audit	6

**Provide details of the internal audit process regarding the information submitted in your PRI report.**

The internal audit and compliance monitoring of the PRI report submission included a comprehensive review - firmwide - to ensure that all strategies were accurately represented and the management and Heads of the respective strategies were in agreement with all statements made. The ESG & Responsible Investment team collaborated with the internal auditing team - especially the Head of Compliance - to ensure that our processes and procedures are accurately reflected throughout the report. Moreover, there was an analysis done to ensure that our PRI Report and Responsible Investment Policy are wholly aligned.

Following the internal audit, we then reviewed with management teams firmwide and then submitted to Alcentra's Board of Directors for final review and sign-off.

## INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

**Who in your organisation reviewed the responses submitted in your PRI report this year?**

☒ **(A) Board, trustees, or equivalent**

Sections of PRI report reviewed

- ☒ **(1) the entire report**
- ☐ (2) selected sections of the report

☒ **(B) Senior executive-level staff, investment committee, head of department, or equivalent**

Sections of PRI report reviewed

- ☒ **(1) the entire report**
- ☐ (2) selected sections of the report

☐ (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year