

Alchemy

ESG Policy

2026

Investing in special situations

Contents

1. Founding principles and objectives	1
2. Scope	1
3. Alchemy’s ESG Framework	1
3.1. ESG built into our foundations	2
3.2. ESG in our pre-investment process	2
3.2.1. Initial Screening	2
3.2.2. Due Diligence	3
3.2.3. Final Investment Recommendation	3
3.3. ESG under Alchemy ownership	4
3.3.1. Onboarding	4
3.3.2. Monitoring and reporting of portfolio ESG performance	4
3.3.3. Exit	5
3.4. ESG in our reporting to external stakeholders	5
3.5. ESG in our industry engagement	5
4. A materiality-driven approach	6
5. ESG implementation and governance	6
Appendix 1: Alchemy Black List	7
Appendix 2: Alchemy Red List – Tier 1	8
Appendix 3: Alchemy Red List – Tier 2	9

1. Founding principles and objectives

Alchemy was established to achieve superior risk-adjusted returns by investing in corporate special situations. We target opportunities across Europe, arising from dislocated markets, structural change, unsustainable capital structures and underperformance.

It is both a fiduciary duty and societal responsibility for Alchemy to be a responsible steward of investors' capital and behave as a responsible economic actor. Furthermore, we increasingly recognise the significance of environmental, social, and governance (ESG) considerations to achieving superior risk-adjusted returns across Alchemy's investments.

We believe that appropriate ESG policies and processes will support Alchemy in mitigating business and investment risk, making better investment decisions and building sustainable businesses of strategic value. As such, we are committed to supporting Alchemy's portfolio companies to grow in a responsible manner, and to lead by example, prioritising climate change, diversity and inclusion, and good governance. This ambition will be reviewed by our Investment Committee annually to evolve in line with our progress on ESG and ensure that it is aligned with evolving industry trends, stakeholder expectations, legislation and regulation.

Alchemy has been a signatory to the Principles for Responsible Investment (PRI) since 2022 and is committed to implementing its six Principles. Certain Alchemy Special Opportunities funds are subject to the EU Sustainable Finance Disclosure Regulation ("SFDR"), which mandates compliance with specific sustainable investment principles. Alchemy is committed to upholding these principles and adhering to SFDR requirements.

2. Scope

All investments, regardless of asset class or position in the capital structure, undergo ESG due diligence, with findings reviewed by the Investment Committee (as outlined in the ESG policy).

Alchemy is an active investor that works with portfolio company management teams to advance ESG initiatives through Board-level engagement. While ESG implementation may not always be feasible for minority or debt positions, Alchemy seeks to promote ESG considerations where relevant.

3. Alchemy's ESG Framework

Our ESG ambition is supplemented by our ESG Framework, outlined in this Policy. The aim of the Framework is to distil our ESG ambition into practical and consistent processes to integrate ESG across our business and investment activities. We have aligned our ESG Framework with the principles of the United Nations Principles for Responsible Investment (UN PRI) to support us in meeting our commitments as a signatory.

Alchemy's ESG Framework is formed of five key pillars:

3.1. ESG built into our foundations

As well as being a responsible investor, Alchemy strives to be a responsible organisation by embedding effective ESG practices in its own operations. We therefore commit to:

- **Ensuring ethical behaviours in our activities.** All employees are required to follow, and receive training on, Alchemy's policies, including our Compliance Manual and ESG Policy. Team members also receive ongoing training on relevant ESG topics and tools. The investment team is responsible for ensuring adherence to this Policy with regard to the acquisition, ownership, and realisation of investments
- **Promoting Diversity, Equity and Inclusion in the workplace.** We recognise that a diverse workforce has a positive impact on business, employees and society, and are committed to attracting, developing, and retaining a diverse and talented workforce. We are committed to tracking our progress towards this objective with a number of internal diversity KPIs, which we continue to develop and roll out among Alchemy portfolio companies.
- **Considering our own impact on the environment.** Alchemy has been certified as a CarbonNeutral® company since 2023. We are committed to reducing our carbon footprint and monitoring a number of internal environmental KPIs, which involves the collection of data on Scope 1, 2 & 3 emissions on a quarterly basis.
- **Facilitating ESG-related knowledge sharing.** Through the creation of a cross-function ESG Committee, Alchemy is committed to sharing best practice, promoting awareness of ESG and supporting implementation of ESG initiatives. The ESG Committee is responsible for communicating ESG trends and ESG-related progress at house and portfolio level to internal and external stakeholders.
- **Continuing our strong governance work.** Key to our strategy, good governance has been at the core of Alchemy's undertakings, and we will continue to ensure this remains a priority for the businesses we work with. The Investment Committee is ultimately responsible for promoting strong governance, both at the portfolio and firm level.
- **Upholding standards on human rights.** We have a separate slavery and human trafficking policy that outlines our zero-tolerance position towards slavery and human trafficking.

3.2. ESG in our pre-investment process

Alchemy is committed to embedding ESG throughout its investment process. To support this, we have developed a set of tools and processes to help our investment team consider ESG risks and value creation opportunities in a consistent and repeatable manner when assessing potential targets for investment:

3.2.1. Initial Screening

We maintain an exclusion list (the Black List – see Appendix) of sectors that Alchemy will not invest in. These are sectors that are either illegal and/or represent unattractive investment opportunities for Alchemy due to the nature of the businesses and the area in which they operate. All companies are screened against the Black List before progressing to the Early Assessment stage.

All potential investments that do not fall into one of the Black List sectors are assigned a RAG rating by the responsible investment team member. This rating informs the level of scrutiny applied during ESG due diligence. We maintain a Red List (Tier 1 and Tier 2 – see Appendix), which identifies sectors requiring enhanced ESG due diligence; companies in these sectors automatically receive a red rating which can be lowered to an Amber rating if the appropriate mitigations are in place.

An Amber rating indicates that a company may still carry some sector- or geography-related ESG risks not captured by the Red List. Whereas a Green rating reflects a company with a low environmental impact, strong sustainability practices, positive social outcomes and/or ESG performance that meets any regulatory requirements.

We are committed to working with companies to develop their ESG potential and enhance value. Therefore, a sub-par ESG track record will not automatically exclude a company from further consideration, especially if we believe that there is opportunity for substantial improvement under Alchemy ownership.

3.2.2. Due Diligence

Once a potential investment has passed the Initial Screening, the deal will progress to the Due Diligence phase. At this point, the investment team and Alchemy's ESG Associate (who supports the leadership of ESG at Alchemy) will jointly assess the potential ESG risks in more detail, utilising the SASB Materiality Finder as the framework for this assessment. Once the specific areas of risk have been identified, a tailored list of questions will be curated by the ESG Associate that must be addressed by the investment team member responsible ahead of the Final Investment Recommendation ("FIR"). The answers to the questions are reviewed by the ESG Associate who flags any areas of unresolved risk.

Throughout the Due Diligence phase, the investment team will continue to consider whether there are sufficient mitigants or remediation plans in place to address areas of ESG risk and justify progressing the deal.

3.2.3. Final Investment Recommendation (FIR).

Findings from the Due Diligence phase forms the basis of the ESG section in the FIR. The Executive Summary must include an ESG Summary, prepared by the ESG Associate, highlighting key ESG risks, planned mitigations, and any remaining ESG flags.

The purpose of ESG flags is to ensure all ESG risks and topics are incorporated into the investment decision-making process and discussed at the Investment Committee. ESG flags are categorised as either blue or red:

- Blue flags indicate ESG risks that have been identified but have been found to be appropriately mitigated during due diligence; and

- Red flags indicate ESG risks that have not been mitigated or cannot be mitigated (e.g., sector wide ESG risks) and must therefore be considered in the context of the investment opportunity.

The responses to the due diligence questions are included in the Appendix.

The Investment Committee will then discuss the ESG due diligence findings, particularly any flagged issues which could have a material impact on the financial and operational performance of the company.

Once the Investment Committee and ESG Associate are comfortable that there are sufficient mitigants in place, both parties will sign the investment checklist, allowing the deal to progress. The ESG flags highlighted in the FIR will be used as a basis for the post investment ESG strategy.

3.3. ESG under Alchemy ownership

Good governance is at the heart of Alchemy's corporate strategy. We consistently seek to achieve the highest standards of governance across the portfolio, with a focus on promoting board accountability at the portfolio company level. Alchemy also prioritises governance of ESG. This addresses a company's approach to ESG, its internal management of ESG matters and the distribution of responsibility for driving ESG strategy.

Given the heterogenous nature of Alchemy's investment strategy, we have varying levels of control and influence across the portfolio. A "Control Investment" is any portfolio company in which the Fund holds a majority of voting rights. A "non-Control Investment" is any portfolio company in which the Fund holds no, or a minority of, voting rights.

Control Investments benefit from Alchemy's active engagement. Whilst serving as a Director, members or employees of Alchemy are expected to promote a responsible approach to value creation and encourage the Board as a whole to maintain ethical business standards.

We split the consideration of ESG under Alchemy ownership across three components:

3.3.1. Onboarding

During the onboarding stage for Control Investments, a meeting is held with the management team and Alchemy's ESG Associate to discuss Alchemy's ESG requirements. These include but are not limited to:

- Creating an internal ESG governance framework;
- Adding ESG as a standing board agenda item;
- Onboarding to Alchemy's ESG data platform; and
- Establishing an annual ESG Plan setting objectives in line with Alchemy's ESG priorities; carbon reduction, diversity and inclusion and maintaining strong governance.

As part of the ESG Plan creation, dialogue with portfolio company management is used to further refine and prioritise the list of material ESG risks and value creation opportunities. The outcomes of these discussions are incorporated in the company's value creation plans, including specific ESG actions and initiatives, timings and responsibilities.

3.3.2. Monitoring and reporting of portfolio ESG performance

During the hold period of Control Investments, we monitor the ESG performance of Alchemy portfolio companies against a set of portfolio-wide annual ESG KPIs and targets, as well against company-specific ESG KPIs where relevant. This includes collecting emissions and diversity and inclusion data from the portfolio companies on a quarterly basis and conducting an annual full ESG questionnaire to assess the companies' policies and processes. On-site ESG reviews are also conducted to assess ESG performance, where appropriate.

Performance against ESG targets is discussed as a standing board agenda item during portfolio company Board meetings on an (at least) annual basis and during Alchemy's ESG Portfolio Review meeting. These reviews involve collaboration between the ESG Committee and Investment Team, and portfolio companies.

Ahead of each review, the ESG Associate and relevant investment team members meet with individuals responsible for ESG at each control portfolio company to assess progress against its ESG Plan and address any challenges or risks. The ESG Associate consolidates feedback from these meetings which includes environmental and diversity data, as well as a summary of progress, challenges, risks, and required actions.

Alchemy uses an ESG ladder to track ESG progress across the portfolio and at portfolio company-level. It is a structured framework for measuring, benchmarking, and monitoring ESG performance and maturity across Environmental, Social, and Governance indicators. The ladder provides a standardised way to assess progress, identify gaps, and prioritise improvements over time.

Given the nature of Alchemy's debt and minority investment positions, Alchemy may not have the influence necessary to engage on ESG matters or obtain ESG performance data directly from non-Control Investments. Beginning in 2025, we expanded our ESG data-collection process to include these portfolio companies, relying on publicly available information where available. The ESG Associate and the Investment Team are responsible for identifying any issues arising from company reporting or, when feasible, at the board level, and escalating such issues to the Investment Committee as necessary.

3.3.3. Exit

As a portfolio company approaches exit, Alchemy's investment team reviews its ESG progress since acquisition, using the initial ESG assessment as a benchmark where available. This helps highlight the value of ESG integration in the business strategy to prospective buyers. Depending on the exit process, ESG progress may be included in the exit documentation prepared by the portfolio company.

3.4. ESG in our reporting to external stakeholders

Alchemy will provide ESG data and information to its investors through annual reporting. Our Annual ESG Investor Report includes information about Alchemy's ESG governance, progress made in industry partnerships, and progress on ESG performance at the Adviser- and portfolio-level, including case studies where relevant. Additionally, any ESG-related incidents are directly communicated to relevant stakeholders via quarterly reporting as they arise.

We also provide a house and portfolio level ESG update at Alchemy's Annual General Meeting with investors and provide ad-hoc responses to investor ESG questionnaires, as requested. We regularly review and update our policies which are hosted on our website.

3.5. ESG in our industry engagement

Alchemy actively engages with co-investors and sponsors on the rationale for ESG and the development of good practices. We have also communicated our ESG Policy and expectations to relevant stakeholders (i.e. employees, portfolio companies, our advisor community and investors) from whom we have received strong acceptance and support for our initiatives.

To promote the widespread adoption of ESG and responsible investment practices, we also engage with peers through various industry groups, such as the UN PRI, the Initiative Climat International and the British Private Equity & Venture Capital Association.

4. A materiality-driven approach

We apply the concept of materiality when determining which ESG issues to address in the Alchemy portfolio. This approach allows us to remain pragmatic and ensures that our ESG efforts are aligned with what matters most to portfolio companies and their other stakeholders. We currently use the Sustainability Accounting Standards Board's (SASB) Materiality Index as a guide, alongside bespoke ESG due diligence (to the extent it has been undertaken).

5. ESG implementation and governance

The Investment Committee is responsible for setting, developing, and implementing Alchemy's overall ESG strategy and is the owner of the ESG Policy. The Investment Committee is supported by the ESG Committee, which consists of:

- Dominic Slade – Managing Partner
- Ian Neill – Director
- Emma Macfarlane – Investor Relations Director
- Ben Wrighton – ESG & IR Associate

Alchemy's ESG Committee is responsible for overseeing the day-to-day implementation of ESG activities and for providing information and updates on responsible investment and ownership areas to Alchemy's Partnership and Alchemy's investors.

The ESG Committee will review and, where necessary, update the ESG Policy annually to reflect ongoing efforts to improve Alchemy's ESG approach, as well as emerging requirements from stakeholders and evolving good practices.

The ESG Committee will actively communicate the ESG Policy to the investment team and will use the ESG Policy as a basis to engage internal and external stakeholders on ESG management, as appropriate.

This policy is reviewed annually and updated as necessary in line with regulation and industry standards. The policy is approved by the firm's Investment Committee and signed by Dominic Slade (Managing Partner).



Last reviewed: December 2025

Appendix 1: Alchemy Black List

Alchemy Funds do not invest in companies that:

1. Have production, supply chains or other activities that involve harmful or exploitative forms of forced labour or child labour.
2. Produce any illegal products or engage in any illegal activities as per applicable local laws.
3. Manufacture, supply, produce, distribute, or facilitate the sale of arms or ammunitions.
4. Produce or sell pornography.
5. Are involved with products and activities that are banned as per global conventions and agreements.
6. Are engaged in or facilitate the sale, manufacture or trade of thermal coal.
7. Are involved in the supply or purchase of sanctioned products, such as goods to or from countries or regions covered by United Nations sanctions.

Appendix 2: Alchemy Red List – Tier 1

Alchemy considers all potential investments on the red list to require additional due diligence and higher scrutiny.

Any company that falls into Tier 1 of the red list **must have the potential to materially improve ESG-related performance and thereby contribute to improving the sector's ESG performance** to make it a viable investment.

When considering the Tier 1 sectors, Alchemy will put particular emphasis on GHG emissions, water & waste management, labour practices (dependent on geography), employee health & safety, and business ethics.

1. Mining
2. Metallurgical and coking coal
3. Oil and Gas

Appendix 3: Alchemy Red List – Tier 2

Alchemy considers all potential investments on the red list to require additional due diligence and higher scrutiny.

When considering the Tier 2 sectors, Alchemy will put particular emphasis on customer welfare, business ethics, vulnerable people and selling practices.

1. Alcohol
2. Tobacco
3. Gambling
4. Fast Fashion
5. Consumer Finance
6. Agriculture, Forestry & Land Use