

ALANTRA

Asset Management

Responsible Investment Policy

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Our commitment to responsible investment

At Alantra Asset Management (hereinafter **Alantra AM**) we believe it is our duty to deliver returns to the society as a whole and to all our stakeholders by being a responsible investor. In this regard, Alantra AM aims to achieve an ambitious financial performance, creating long-term value through our activity by taking a holistic approach, aligned with sustainability matters.

As professional investors, at Alantra we consider that taking into consideration responsible investment criteria in the development of our activities and decision-making processes provides long-term value. Having addressed responsible investment from individual perspectives up to date, this policy represents a milestone in Alantra's efforts, encompassing all its business units under a **common goal: use our influential capacity on investments to generate enduring positive impacts.**

The process of defining this policy was coordinated by the management board of Alantra AM in consultation with all the responsible business units. The entirety of Alantra AM's funds, existing portfolio companies and assets, as well as every new acquisition, investment activities across the deal cycle, and Alantra AM's own operations are covered by this policy. All members of Alantra AM are required to adhere and comply with this Responsible Investment Policy.

Our governance of responsible investment

We believe that, for the real integration of responsible investment along the firm, there has to be a solid structure that oversees and implements, from the top tier levels, a homogenous management approach in the performance of all our activities. At the top level of this structure, the Asset Management Committee has, among its responsibilities, the definition and monitoring of the compliance of the ESG strategy. This Committee is formed by the heads of each area and led by the CEO of Alantra AM. Subsequently, each of the areas is entrusted with the practical implementation of the global guidelines set by the Committee. Within each area, ESG responsibilities are distributed in concordance with its particularities having their own ESG management structure for the implementation of this policy:

- **Private Equity:** since 2018 the CEO & Partner of Alantra Private Equity in representation of the Investment Committee is taking the role as the main responsible for the implementation of the responsible investment guidelines along with the support of the Business Development Director. Additionally, an Investment Director and a Associate coordinate reporting from portfolio companies and other ESG initiatives at Management Company level. The investment committee also has oversight functions as it must take into consideration the Fund's sector exclusion policies and principles before approving any project. In addition to this, each time the Management Company analyses or executes a potential investment, it is the assigned Deal Team that is responsible for the implementation of RI guidelines in the analysis of ESG risk factors. At the portfolio monitoring stage, each deal team is in charge of fostering the implementation of Alantra ESG guidelines within the portfolio companies and the monitorization of their performance against Alantra ESG key issues.
- **Active Funds:** at the EQMC & QMC Funds, the Portfolio Manager and the CEO of both funds have supervising functions and take care of the implementation of responsible investment guidelines. On its side, the Portfolio Manager is responsible for the investment team and for the analysis of every new investment, which is further approved by the Investment Committee. The Investment Committee deals with the evaluation of new investment opportunities and the monitoring of the performance of portfolio companies in relevant matters.
- **Private Debt:** within Alantra Private Debt, the task of supervising, in terms of responsible investment integration, lies with the investment manager in charge of the portfolio company. Oversight functions are also performed by the Investment Committee that must take into account the Fund's sector exclusions policies before approving any new investment. For the implementation of responsible investment guidelines, it is the investment team who analyses the performance of every new opportunity, especially governance issues. The investment team relies on external advisors in specific issues such as regulatory compliance or management team's reputation.
- **Venture Capital:** The Partners of Alantra Venture Capital in the Investment Committee are the main responsible persons for the implementation of the responsible investment guidelines. Oversight functions are also performed by the Investment Committee that must take into account the Fund's sector exclusions policies before approving any new investment. The deal team is responsible for the implementation of responsible investment guidelines in the analysis of new opportunities. The investment team is in charge of fostering the implementation of Alantra ESG guidelines within the portfolio funds/companies and the monitorization of their performance against Alantra ESG key issues.
- **Real Estate:** The investment team is in charge of fostering the implementation of the ESG guidelines within the portfolio both at the asset and operators' level, and the monitorization of their performance against key ESG issues.

Aligning our policy with a solid framework

Our framework for responsible investment is aligned with the most recognized international frameworks and initiatives, such as:

- The UN Global Compact.
- The UN Sustainable Development Goals (SDG)
- The Task Force on Climate-related Financial Disclosures (TCFD).
- The OECD Principles of Corporate Governance.
- The Global Reporting Initiative standard (GRI).

Furthermore, Alantra AM complies with the six **Principles for Responsible Investment** set by the **United Nations**, being, through its different assets, signatory since 2011, and a consolidated signatory through Alantra AM since 2018:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will report on our activities and progress towards implementing the Principles.

Additionally we base all our activities on the highest governance standards, ensuring the development of our activities under a robust framework and philosophy of compliance within all the organization. This is translated into internal policies and procedures defined at Group level which set the core principles among all professionals and entities within the group:

- Anti-Money Laundering Manual: establishes a series of obligations designed to determine the risk profile of investors and target investments, in order to prevent the occurrence of money laundering from the very first stages of the relationship.
- Conflict of interest policy: through which Alantra oversees any potential conflicts of interest that may arise and implements appropriate measures to avoid them.
- Whistleblowing policy and channel: used to report activities that might not comply with Alantra's code of ethics or applicable laws, including environmental and labour regulations.
- Code of Ethics: aimed to lay the principles that must guide the business conduct of the executives and employees of Alantra. Cases of non-compliance with the code may be submitted for further review through the whistleblowing channel.
- Internal code of conduct governing securities market matters: which sets out the rules that govern dealings with shares or similar instruments.

Besides, each area complement this framework with its own policies and procedures:

- Alantra PE Responsible Investment Policy: defines key ESG policies and implementation guidelines throughout the investment cycle.
- Alantra PE Corporate Governance Agreement: ensures an independent decision-making process, in order to maximize our investor's returns.
- Procedure for the Exercise Of Rights Inherent To Securities Included In The Portfolios Of Ciss Managed By Alantra EQMC AM: includes the guidelines to help the management team or the corresponding representatives of Alantra EQMC AM to exercise their right as shareholders in the portfolio companies.
- Private Debt:Corporate Governance Agreement: sets the relationship between Alantra and the investment team in terms of independency, remuneration and investment decision process.
- Elevate Tech Partners Sustainable Investment Policy: sets the ESG framework for the activities within the JV created between Alantra VC and Access Capital Partners.

How we conduct business and understand responsible investment

In order to ensure an effective integration of ESG criteria, each area of Alantra AM adapts this policy to its investment strategy and understanding of what responsible investment means for its decision- making process:

- **Private Equity (Alantra PE):**
 - How we conduct business: our approach is to acquire mainly majority stakes of **non-listed iberian upper mid-market companies** to support them to grow internationally.
 - How we understand responsible investment: At Alantra PE, we believe in responsible investing. By engaging ourselves in a broad set of sustainability considerations we can improve the financial performance of our portfolio companies as well as the alignment between investors and society as a whole. We have developed a comprehensive responsible investment policy to cover all the stages of our investment activity, from deal origination to exit. We take primarily majority stakes based on the belief that a hands-on approach to ownership and monitoring allows for the implementation of strategic decisions. As such, Environmental (including the efficient use of resources, climate risks and opportunities, the efficient waste management, etc.), social (diversity and equal opportunities, human rights, decent working conditions health & safety and training and development, etc.) and governance (independence, transparency, correct management of conflicts of interest, ethics, etc.) issues are integrated into our everyday management as these are seen as a key value creation lever for our portfolio companies.
- **Active funds:**
 - How we conduct business: we invest in small and mid-cap (up to €1.5 bn) Iberian (QMC) and European (EQMC) listed companies and hold minority positions (less than 20%), taking a hands-on approach. We focus on quality assets exposed to global markets.
 - How we understand responsible investment: ESG is integrated in our operations. Given that our focus is on listed companies, we start with an advantage in terms of maturity around ESG issues. By relying on a constructive engagement with the management teams of our portfolio companies, we have a natural integration of our responsible investment principles. From our perspective, governance issues are especially relevant in all our investment decisions and management processes. Besides this, the relevance of environmental (climate change, energy consumption, emissions or materials consumption, etc.) and social (diversity, health and safety or employee turnover, etc.) issues is valued and aimed to evaluate and understand our companies better, its potential risks and their materiality according to the reality of the company.
- **Private Debt:**
 - How we conduct business: we execute long-term investments in Spanish non-listed medium-sized companies by taking two separate approaches: **direct lending** and **real estate debt**. We offer primarily senior debt, however at times we may invest in mezzanine debt or minority equity stakes/ equity-like instruments (only in the direct lending funds).
 - How we understand responsible investment: due to our investment strategy, responsible investment is mainly considered as an added value lever in the first stages of the investment process as it helps to take more informed decisions, mainly from the risks exposure perspective and mainly regarding environmental and reputational issues. We also strive to maintain a close and collaborative relationship with the portfolio companies in order to follow up on our main findings and concerns on ESG issues.
- **Venture Capital (Alantra VC):**
 - How we conduct business: our investment strategy consists of a double approach; we conduct direct investments in companies and investments in funds (both as an LP as well as directly in the management company) , with a focus on technology funds & companies. For direct investments, we mostly seek to achieve minority positions.
 - How we understand responsible investment: through our companies and funds we expect to address some of the current challenges of our society using the potential of technology and innovation. We consider ESG holistically both for our fund investments and direct investments especially for key ESG issues affecting our sector such as diversity and equal opportunities, data protection, corporate behaviors, standards of accountability and transparency as well as in financial reporting.
- **Real Estate (Alantra RE):**
 - How we conduct business: our real estate funds focuses on two industry sectors: hotels (REIM), retail and offices. We offer hands-on, value-added strategies, we perform operations on real estate assets both as a **property owner** and as an **asset manager**. As a property owner we have control of the asset even when devolving management. As an asset manager we act as advisors for the property management.

- How we understand responsible investment: we ensure legal compliance of the asset from the first stages of the process. ESG is not understood as an additional aspect to be considered, but it is integrated into the nature of our strategy. Environmental performance is crucial for the successful technical performance of the asset, and social issues like the comfort of our tenants or the accessibility of our buildings are key to ensure the future sustainability of our business. All these can only be achieved by establishing long-lasting relationships with solid and experienced partners in the sector.
In our role as advisors, we foster best practices along the investment process, which include the performance of full due diligence in the acquisition, the selection of first-level partners for the whole process and the improvement of the outdated assets through deep refurbishment, among others.

Integrating responsible investment into our activities

From a global perspective, all areas apply screening exclusions that include activities related to ammunition and weapons, police equipment or infrastructure. These result in the limitation of people's individual rights and freedom or violation of human rights; unacceptable activities in environmental and social terms; ethically or morally controversial activities and activities prohibited by national legislation (only where such legislation exists).

Additionally, the principles and strategy of the different management companies move from theory to practice by their implementation in the investment process. Provided that each area has its own approach, which is highly conditioned by its particularities (investment strategy, position, involvement in management...), the integration of responsible investment guidelines may vary between them.

Pre-Investment

- **Private Equity**

We try to build an ESG view of every new potential investment, which translates into action through the performance of **non-financial due diligence procedures** to all our investment opportunities. This due diligence is adapted to the sector of operation and our priorities, usually including environment, public health, labour and social issues. The main conclusions of the due diligences are included into the Investment Committee materials.

- **Active Funds**

Our investment decision is supported by a solid 3-phase process where we address ESG performance of potential new investment amongst other issues. Governance issues are the first aspects to be reviewed, being essential a good access to management for moving forward in the operation.

At EQMC we include ESG-related KPI within the global assessment tool, mainly regarding quality, labour relationships and governance issues, assessing our potential investments' performance, not only from a risk perspective, but also for their potential positive impact.

At QMC during our due diligence on a new potential investment we include ESG-related KPIs regarding adequacy and quality of corporate governance, relationship and issues with workforce and stakeholders and potential or historic environmental issues. We make an assessment from a risk perspective and combine it with our hands-on approach to mitigate/eliminate these issues.

- **Private Debt**

Due to the nature of our activities, pre-investment is the stage of the investment cycle where we can best apply our responsible investment principles and strategy. When analysing every investment decision, we carry out a due diligence process which always includes financial, commercial and legal due diligences and, depending on the company, an analysis on reputational and/or environmental issues, not from the regulatory compliance perspective, but with a risk exposure approach.

- **Venture Capital**

Apart from the exclusions applied at a global level, we further apply a best-in-class investment approach as a key element to mitigate potential reputational risks in our investment decisions. As part of our due diligence procedures, we perform an ESG assessment where we value positive ESG performance compared to peers, analysing the ESG management structure and the possible available mechanisms, such as the existence of an ESG Policy or available reporting processes, rather than focusing on its performance against specific ESG topics.

- **Real Estate**

Both in our role as a property and as an asset manager, when looking for investment opportunities, we apply a holistic approach which includes regulatory compliance, environmental performance of the asset and the social advantages of the asset and its services. When the opportunity is a development project we only take into consideration fully-permitted and buildable land with no legal liabilities and study the viability of following international sustainable building standards as the framework for development works.

To ensure this, we select our partners (contractors and operators) from the first stages, based on their track record in terms of management, governance and regulatory compliance. This approach is formalized through due diligence processes of the operator and to the asset.

Post-Investment/Holding period

- **Private Equity**

Due to our role as a majority shareholder, we are able to introduce responsible investment practices within the management of our portfolio companies. We follow a structured approach which starts with the appointment of an ESG officer (usually the CFO or HR director), who will be in charge of implementing ESG culture and commitment to responsible management within the company. Our approach includes periodic monitoring and reporting of defined material KPIs through a performance tool, which allows us to define specific actions at company level depending on the evolution against these indicators.

With the information collected from our portfolio companies, we build an annual ESG Performance report for our LPs at fund level and individual performance reports of each portfolio company with their performance and positioning compared to the portfolio as a whole. We share this report with the portfolio companies' management teams in order to jointly analyse the results and define an action plan if needed.

- **Active Funds**

As a relevant minority owner, we are usually well positioned to discuss the integration of responsible management practices within our portfolio companies. We mainly centre our efforts on corporate governance issues such as strategic matters, board composition or management compensation. However, as an informed and active shareholder, we have a clear understanding of all ESG relevant issues in our portfolio companies and their performance against them. Due to the nature of our investments, these companies are usually subject to transparency regulation on non-financial information, in which we can base our analysis.

At EQMC we have a specific ESG report where we try to reflect our ESG approach and policies and also our main ESG-related engagement actions throughout the period of reporting. With regards to QMC, we integrate the ESG highlights of our portfolio companies within our periodic financial reporting as a lever to increase performance.

- **Private Debt**

After the transaction, we centre our efforts in maintaining a close and collaborative relationship with our investments, which is translated into practice through the figure of the observer. The observer is a representative from Alantra who attends either boards or management meetings and keeps informed of the key issues regarding the company's operation. Thus, despite not having voting rights, we can engage with the company and therefore, be able to make suggestions or recommendations to align interests in certain topics considered relevant to our business.

- **Venture Capital**

During the holding period Alantra seeks to maximize the performance of its portfolio in all terms, which includes environmental, social and governance criteria. Due to the nature of our investments, we do not seek to have a presence on the Board of neither the funds or the companies where we are present. Thus, considering our minority position and our limited access to portfolio companies in our role as a fund of funds, our approach is to proactively engage and provide recommendations based on the results of the pre-investment analysis, trying to foster responsible behaviors both in our funds and our companies.

To this end, when partnering with funds, we may formalize our ESG principles, commitments and strategy through a common ESG Policy which sets the guidelines for our common funding activities in terms of responsible investment. In addition, we conduct annual reassessments to follow up on the implementation of our recommendations – in extreme situations where the fund or portfolio company takes a negative turn and no longer fits our ESG policies, we will actively look for divestment opportunities.

- **Real Estate**

Environmental and social performance are intrinsically related to other key aspects of the assets' operation such as comfort or technical features. Thus, these are not only considered as added value levers, but are seen as essential to ensure the most adequate operation parameters. As a result, we reinforce the application of best practices for managing the assets and ensure the best possible conditions for their current and future users. This is made possible by the selection of solid operators as partners for all management activities, especially when considering the technical performance of the asset, and working closely with them to ensure the alignment with our interests and priorities.

Exiting

When exiting, we strive to put in value the efforts made and the goals achieved in ESG integration during the holding period. Our efforts focus on translating the actions performed into improved KPIs based on the priorities set at the beginning, in terms of responsible management.

When applicable, we also try to create a collaborative environment in order to complement this information with further insights, by sharing our views on the roadmap and by aligning the process with the targets which are to be achieved.
