ALANTRA

ALANTRA
Asset Management

# SUSTAINABILITY RELATED DISCLOSURES

**Sustainability Related Disclosures**

This document sets out sustainability related disclosures by Alantra Asset Management (**“Alantra AM**”) including those required under the EU Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“**SFDR**”), and encompasses different Alantra AM’s business units.

## 1. Integration of Sustainability Risks

The management of sustainability risk forms an important part of the due diligence process implemented by Alantra AM as per its condition of investment manager of the investment vehicles managed by its different business units (the “**Funds**”).

When assessing the sustainability risk associated with underlying investments, Alantra AM is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition (“**ESG Event**”).

Using both quantitative and qualitative processes, sustainability risk is identified, monitored and managed by Alantra AM in the following manner:

a) <u>Active Funds</u>

(i) Prior to acquiring investments on behalf of the Funds, ESG metrics of third party data providers (“Data Providers”) are used, such as, among others, the company’s accounts, Bloomberg and Thomson Reuters Eikon, in order to screen the relevant investment against sustainability risk and to identify whether it is vulnerable to such risk. This process incorporates applying both an exclusion policy (whereby potential investments are removed from the investment universe on the basis that they pose too great a sustainability risk to the Fund) and positive screening whereby those investments which have a low sustainability risk rating as well as strong financial performance are included in the investment universe. Also a fundamental analysis is conducted on each potential investment in order to assess the adequacy of ESG programmes and practices of an issuer to manage the sustainability risk it faces. The information gathered from the fundamental analysis conducted will be taken into account by Alantra AM in deciding whether to acquire a holding in an issuer and may, in certain circumstances, result in Alantra AM investing in an issuer which has a lower ESG rating where it believes that the relevant existing ESG rating does not fully capture recent positive sustainability-related changes which have been implemented by the relevant issuer.

(ii) During the life of the investment, sustainability risk is monitored through review of ESG data published by the issuer (where relevant) or selected Data Providers to determine whether the level of sustainability risk has changed since the initial assessment has been conducted. This review is conducted on an ongoing basis. Where the sustainability risk associated with a particular investment has increased beyond the ESG risk appetite for the Funds, Alantra AM will consider selling or reducing the Funds’ exposure to the relevant investment, taking into account the best interests of the shareholders of the Fund.

b) Private Equity

(i) The Management Company has a sector exclusion policy that avoids investing in companies involved in activities related to ammunition and weapons, police equipment or infrastructure; projects which result in limiting people's individual rights and freedom, or violation of human rights; projects unacceptable in environmental and social terms; ethically or morally controversial projects; and activities prohibited by national legislation (only where such legislation exists).

(ii) Besides, prior to acquiring investments on behalf of the private equity Funds, the management company performs an environmental, social and governance due diligence with the support of specialized third-party advisors. This due diligence is adapted to the sector of operation and to Alantra AM’s priorities, usually including environment, public health, labour and social issues. The main conclusions of the due diligences are included into the Alantra AM’s Investment Committee materials and thus considered when taking the formal investment decision.

(iii) During the life of the investment, responsible investment practices are introduced within the management of the private equity Fund’s portfolio companies. Alantra AM follows 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. This approach includes periodic monitoring and reporting of defined material KPIs through a performance tool, which allows the definition of specific actions at company level depending on the evolution against these indicators.

With the information collected from the portfolio companies, an annual ESG Performance report is built for LPs at fund level and individual performance reports of each portfolio company with their performance and positioning compared to the portfolio as a whole. This report is shared with the portfolio companies’ management teams in order to jointly analyse the results and define an action plan if needed.

c) Private Debt

(i) Prior to acquiring investments on behalf of the private debt Funds, a due diligence process is carried out 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.

(ii) During the life of the investment, the private debt fund managers maintain a close collaborative relationship with its investee companies, 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, there is a strong engagement with the company and therefore, suggestions or recommendations are proposed in order to align interests in certain topics considered relevant to the business.

## 2. Non-compliance with the PAI regime in SFDR

SFDR requires Alantra AM to publish and maintain on its website, where it considers principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of its size, the nature and scale of its activities or alternatively where it does not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why it does not do so, including, where relevant, information as to whether and when its intend to consider such adverse impacts.

Alantra AM has carefully evaluated the provisions relating to principal adverse impacts of investment decisions on sustainability factors as set out in SFDR and in the ESA Final Report on draft Regulatory Technical Standards on ESG Disclosures dated 2 February 2021 ("**Finalised Draft RTS**"), relating to principal adverse impacts of investment decisions on sustainability factors (the "**PAI regime**").

Alantra AM is strongly committed to ESG matters and is supportive of the policy aims of the PAI regime, to improve transparency to clients, investors and the market, as to how financial market participants integrate consideration of the adverse impacts of their investment decisions on sustainability factors. At Alantra AM 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, Alantra AM's business units have a common goal: use our influential capacity on investments to generate enduring positive impacts.

However, taking account of the Alantra AM's size, the nature and scale of its activities, Alantra AM considers that it would be disproportionate to comply with the specific regime in the SFDR.

Despite Alantra AM's overall commitment to ESG matters, Alantra AM notes that its primary investment strategies within its different business units do not currently support adoption of the PAI regime within SFDR. This is because:

1. as of today, it is not possible to conduct detailed diligence on the principal adverse impact of the Funds managed by Alantra AM investments on sustainability factors;

2. there is a lack of readily available data to comply with many of the technical reporting requirements of the PAI regime, as it believes that issuers and market data providers are not yet ready to make available all necessary data for the PAI regime;

3. in respect of Active Funds, although a relevant part of the Alantra AM's due-diligence process encompasses an in-depth analysis and direct engagement on the quality of holding's Environmental, Social and Governance standards, Alantra AM's policy is to abstain from publicly disclosing the Fund's portfolio and the specific actions taken within its holdings;

4. With regards to Private Equity Funds, the Management Company is currently analysing the new due diligence disclosure duties and the alignment of its annual KPI system (comprised of c.40 KPIs based on GRI standards) to the requirements of the PAI regime. Following the approval of the final standards, the Private Equity Funds will finalise its gap analysis and set an action plan with the view to comply with the PAI regime prior to the effective date.

Alantra AM will keep its decision not to comply with the PAI regime under regular review, and will formally re-evaluate the decision on an annual basis, and in any case before 1 January 2022 being the effective date of the Regulatory Technical Standards under SFDR.

Notwithstanding Alantra AM's decision not to comply with the PAI regime, Alantra AM wishes to re-affirm its overall commitment to ESG matters. The remainder of this document summarises the positive ESG-related initiatives and policies adopted by Alantra AM. For the avoidance of doubt, none of the following information is intended to suggest that Alantra AM complies with the PAI regime.

## 3. Responsible investing policy

Alantra AM has implemented a responsible investing policy. Under this policy, Alantra AM has integrated consideration of ESG issues into its investment processes, with a view to ensuring that the Alantra AM's managed funds investments promote positive environmental, social and governance outcomes and seek to mitigate the negative impact of those investments on environmental, social and governance factors.

The responsible investing policy of Alantra AM is available on our website at: www.alantra.com.

## 4. Alantra Group's good governance internal policies

Alantra AM belongs to the Alantra Group, a large group of companies whose parent company is the Spanish entity Alantra Partners, S.A., whose shares are admitted to trading in the Spanish Stock Exchange.

The Alantra Group is strongly committed to environmental, social, and good governance practices and has in place several internal good governance policies that are applicable to all of the subsidiaries within the group.

As part of the Alantra Group, Alantra AM is subject to the following group policies:

- General Code of Ethics and Conduct
- Internal Code of Conduct
- Anti-bribery Policy
- Corporate Social Responsibility Policy
- Whistleblowing Policy

The referred policies are available on our website at: www.alantra.com.

## 5. Adherence to responsible business codes and international standards

In connection with ESG, Alantra AM adheres to responsible business codes and internationally recognised standards for due diligence and reporting. For these purposes, Alantra AM refers to its adherence to the Principles of Responsible Investing (PRI), the world's leading proponent of responsible investment.