

ALANTRA

Asset Management

Responsible Investment Policy

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Our commitment to responsible investment

At Alantra Asset Management (hereinafter **Alantra AM**), the Alantra Group's asset management division -and in line with the principles that inspire the ESG policy of the Group as a whole-, 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 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, 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.

This policy has been defined on the basis of the analysis of the current asset management areas within Alantra AM. When new areas or products are launched, this policy will be expanded and adapted in accordance with the same principles.

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 an 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 Strategies:** at the EQMC, QMC and Global Tech (AGTF) Strategies, the Portfolio Manager and the CEO of the different strategies 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.
- **Alantra Solar:** This business unit is focused exclusively on the renewable energy field (more concretely Solar PV assets) and, therefore, is fully committed by nature to the reduction of carbon emissions and to the implementation of responsible investment practices. Our objective is to fall under the ESG categorization within article 9.3 of the SFDR, pursuant to which we will commit to a sustainable investment objective. The Managing Partners of Alantra Solar are responsible for the practical implementation of the global guidelines set by the Alantra Asset Management Committee. The investment team for each investment process ensures that those guidelines and the ESG requirements are implemented. This is carried out through a ESG pre-investment due diligence process. This implementation is reviewed by the Alantra Solar Investment Committee as part of the investment approval process. The investment team is also responsible for its monitoring during the life of the asset until the exit and is responsible to comply during the holding period with the requirements set out in the ESG pre-investment due diligence. This monitoring is also supervised by the Alantra Solar Investment Committee.
- **Energy Transition:** The implementation of the responsible investment guidelines and coordination with portfolio companies is ensured by the ESG responsible team, Lucille Bonnet (Managing Director) and Manuel Alamillo (Investment Director). At the fund level, ESG responsibilities are embodied by Klima's team and supported by the Supervisory committee, which is a governance body in case of conflict of interest and validation of the Impact KPI. Impact KPIs within Alantra Energy Transition is a mechanism to incentivise Klima team to support the companies to improve their climate contribution, by linking 30% of the Klima investment team's Carried Interest to the overall fulfilment of the climate change KPIs in the portfolio.

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, mainly:

- 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 complements this framework with its own policies and procedures, such as:

- 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 CIS Managed By Alantra EQMC AM and Alantra Multi Asset: includes the guidelines to help the management team or the corresponding representatives of Alantra EQMC AM and Alantra Multi Asset to exercise their right as shareholders in the portfolio companies.
- Shareholder Engagement Policy of Alantra EQMC Asset Management, SGIC, S.A. and Alantra Multi Asset, SGIC, S.A.
- Private Debt: Corporate Governance Agreement: sets the relationship between Alantra and the investment team in terms of independency, remuneration and investment decision process.

In addition, Alantra AM has two funds in which ESG governance is given by the nature of its investments:

- Alantra Solar Responsible Investment Policy: this Policy sets out the commitment of Alantra Solar to implement a responsible investment approach, which is embedded in our culture by nature and design.
- Alantra Energy Transition is ESG by nature and design: impact fund by nature since it invests in Energy Transition start-ups across eight different sectors and ESG by design as it integrates ESG across the investment cycle (screening, due diligence, monitoring, and divestment).
- ESG governance within Alantra Energy Transition: Klima is an active investor defining an ESG governance for its portfolio by including systematic conditions within the shareholder agreement and by supporting the definition of ESG strategies and processes at board level to strengthen the investee's climate and environmental performance.

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 Strategies:**

- How we conduct business: we invest in small and mid-cap (up to €1.5 bn) Iberian (QMC) and European (EQMC) and Global Tech (AGTF) listed companies and hold minority positions (typically lower 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.

- **Alantra Solar:**

- How we conduct business: our strategy is focused on the acquisition, development, construction and operation of renewable energy assets (Solar PV only).
- How we understand responsible investment: as an investment unit focused on the renewable energy field, we aim by nature to fight against climate change and create a more sustainable future by directly reducing carbon emissions and by contributing to the clean energy transition. By setting this objective, we trust we can create value by putting Environmental, Social and Governance factors at the center of our strategy, aligning our investors' interests with those of the society. The scope of Alantra Solar Responsible Investment Policy covers our entire investment cycle. Thus, all the relevant Environmental, Social and Governance factors are taken into consideration during the acquisition, development, construction, operation and exit of our renewable energy assets. During the course of the investment cycle this Policy is applicable to all Alantra Solar activities and employees. Alantra Solar also promotes that subcontractors and other stakeholders are aligned with our values.

- **Energy Transition (Alantra ET):**

- How we conduct business: investment strategy is to support innovative tech companies accelerating the energy transition with capital, network and knowledge.
- How we understand responsible investment: Alantra Energy Transition is ESG by nature and design: i) impact fund by nature since it invests in Energy Transition start-ups across eight different sectors; and ii) ESG by design as it integrates ESG across the investment cycle from origination to exit (screening, due diligence, monitoring, and divestment) and will be classified as Article 9 with a sustainable investment objective as per the SFDR. ESG responsibilities are distributed within the team, who is highly committed to responsible investing by linking a percentage of the carried interest based on an improvement KPI linked to the company's contribution to climate change mitigation.

Integrating responsible investment into our activities

From a global perspective, all areas apply screening exclusions that include activities related to 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 Strategies**

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.

- **Alantra Solar**

Alantra Solar's investment decision-making process includes an ESG pre-investment due diligence to be carried out for each transaction. This analysis is then reviewed by the Alantra Solar Investment Committee before the transaction is carried out. Each project is assessed in early stages by independent certifiers with a list of parameters stated by UNEF (*Unión Española Fotovoltaica*), with the objective of obtaining the corresponding ESG Certification when the project has matured enough. UNEF is an industry association that brings together a significant number of industry players in order to join forces in further promoting the sector.

Our approach takes also into consideration (i) the exclusion policy, on the basis of the list of activities which are not supported by the European Investment Bank and (ii) a conflict of interest check for conflicts that may arise within the Alantra group.

The parameters stated by UNEF are:

Social Parameters: promotion of local employment and training programs; social employment insertion; potential to boost national, regional or local economy; compatibility with existing economic activities; local community engagement and benefits.

Governance Parameters: cooperation agreements with local authorities; cooperation with industry associations and local players.

Environmental integration and biodiversity Parameters: avoid critical environmental impact areas; assessment of the accumulated impact of the plants with other projects nearby; minimization of power plants' space requirement; consideration of specific environmental actions during the design and construction of the plants.

Circular Economy Parameters: recycling of materials during construction, operation and maintenance; recycling of PV panels and other materials during the dismantling period; and waste management during construction, avoiding contamination of soil and water.

- **Energy Transition**

During the screening process, it is ensured that all investment opportunities are technologies aiming at tackling climate change and environmental issues. An independent ESG due diligence is systematically led by Enea Consulting and Neofin Advisory. The due diligence results in the definition of corrective actions and KPIs to monitor the improvement of the ESG performance of the investee as well as one or several impact KPI(s) linking the carried interest with the investee's ESG performance. Finally, the investment agreement includes the obligation for portfolio companies to report on ESG topics and Impact KPIs agreed pre-investment.

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 Strategies**

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.

- **Alantra Solar**

Due to the nature of our activity, our portfolio companies do not have any employees and therefore, Alantra Solar acts as their management team. This way, during the holding period we are able to directly implement and monitor in each portfolio company (i) our responsible investment practices, (ii) our ESG culture and (iii) the ESG outputs from the ESG pre-investment due diligence. In addition, Alantra Solar is committed to promote that, during the holding period, the portfolio companies' subcontractors and stakeholders are aligned with our ESG values. Our approach includes an annual ESG reporting for our investors, on a portfolio company basis.

- **Energy Transition**

Relies on an active management by leveraging its board seat and/or expertise linked to climate transition to engage and support the portfolio companies' improvement of the ESG performance. Additionally, the ESG performance is monitored through the following indicators: i) Principal Adverse Impact indicators (to answer the SFDR); ii) material ESG KPIs identified during ESG due diligence; iii) one or several climate-related Impact KPIs linked to the carried interest.

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.

- **Energy Transition**

At Alantra ET, a final impact assessment is done at exit consisting of: i) evaluation of the ESG value creation at the exit; ii) internal assessment of potential buyers on ESG aspects; iii) final assessment of the carried-interest Impact KPIs over the investment cycle revealed at the exit for each portfolio company measured by a third-party consultant and reported on to the investors of Klima.