

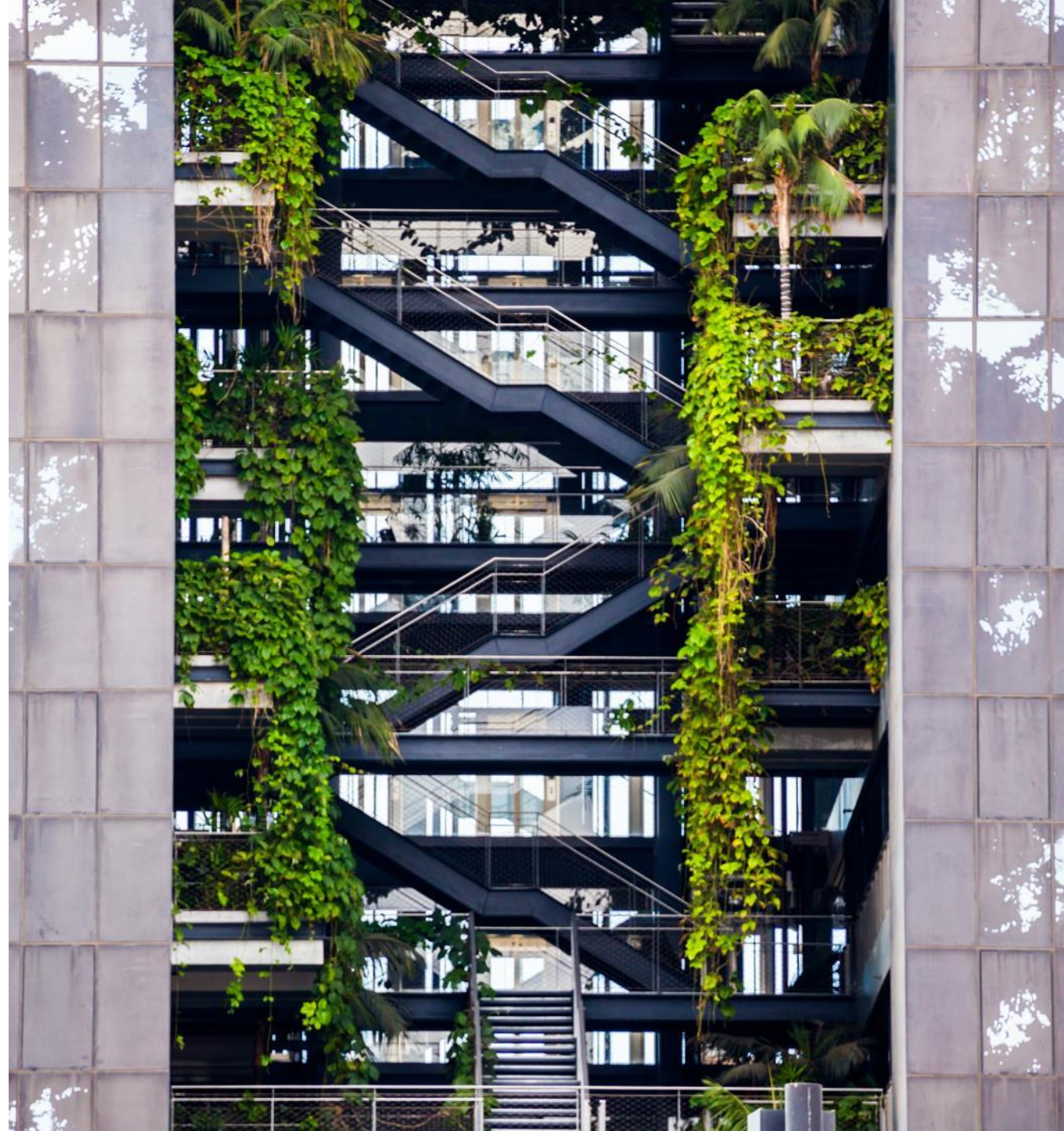
ESG Report

Alantra Private Debt

2023

This operation benefits from support from the European Union under the InvestEU Fund

ALANTRA



Foreword

We are thrilled to present Alantra Private Debt's first ESG Report. This report marks a significant milestone in our commitment to sustainability and further reflects our dedication to transparency, accountability, and our pursuit for value creation. In this report we aim to provide a clear overview of the sustainability of our activities, by offering key insights about how we operationally integrate environmental, social, and governance (ESG) considerations into our investment activities and the most relevant ESG outcomes for the 2023 exercise by deep diving into our Funds and portfolio companies.

In essence, we firmly believe that sustainability is a fundamental aspect for value creation and therefore, it is our fiduciary duty to integrate these aspects into our investment analysis and decision-making processes. Our approach to sustainability does not emerge from a moral imperative, as we perceive sustainability as a fundamental tool for fulfilling our obligations with our stakeholders and ensuring long-term financial success. This philosophy has been accompanying us since the adherence of Alantra Asset Management to the United Nations Principles for Responsible Investment in 2019 and was clearly illustrated in our ESG Risk Policy (2021).

As for 2023, we are pleased to announce that Alantra Private Debt has launched its first Article 8 "Light Green" fund, Alteralia III. The Fund illustrates our commitment to responsible investment, by effectively promoting environmental and social characteristics, aligned with the SFDR (Sustainable Finance Disclosure Regulation) requirements. In 2023, the Fund has already executed 4 transactions.

Furthermore, we continue to execute loans linked to ESG criteria, defining ESG Key Performance Indicators and targets which have an impact in the interest rates of the loans. The nature of these financing instruments comes from our vision of creating a positive impact through our financial activities, filling our appetite for projects that promote responsible ESG practices.

We acknowledge that the journey towards sustainability is ongoing and challenging, but we are confident that we are moving in the right direction. We will continue to forge ahead with determination, constantly improving our practices, and strengthening our capabilities on non-financial issues to avoid risks, exploit opportunities and provide long-term financial returns.

We look forward to continuing to collaborate with you on this exciting journey towards a more sustainable and equitable world.



Luis Felipe Castellanos

Alantra Private Debt Managing Partner & CEO

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A low-angle, black and white photograph of several tall skyscrapers reaching towards a bright sky. The perspective creates a sense of height and scale. The buildings have various architectural details, including grid-like window patterns and sharp angles.

Executive summary

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2023 in a nutshell



Elaboration of our first ESG report

This ESG report marks a milestone in the private debt market, paving the way in a sector that has had traditionally limited potential for impact, compared to other investment products. It seeks to reflect our approach to integrate environment, social and governance (ESG) factors into our management and decision-making processes and foster our commitment to transparency with our stakeholders.



Appointment of an Asset Management officer in charge of ESG & Responsible Investment issues

The ESG and Responsible Investment Officer will review the integration of ESG criteria into the different investment strategies within Alantra Asset Management, supervise the reporting efforts of the teams and promote the highest sustainability practices within the different markets and sectors in which we operate.



4 new transactions, 100% linked to Key Performance Indicators (KPIs) related to ESG

Throughout the 2023 exercise, all our transactions have specific ESG KPIs linked to the margin ratchet of the financing loans. The defined indicators are adapted to the nature, activity and maturity level of each company to ensure that these criteria is integrated following a sensible and pragmatic approach.



Launch of Alteralia III (Article 8) Fund

The new fund under Article 8 has been launched with a firm commitment to promoting social and environmental characteristics, in alignment with the Sustainable Finance Disclosure Regulation (SFDR). This fund aims to generate financial returns while driving a positive impact in the social and environmental spheres.



All our transactions have been subject to a ESG analysis

Alantra Private Debt counts with an internal ESG Risk Policy which serves as a framework for integrating ESG factors into the investment cycle. As mentioned in the policy, all the potential transactions are evaluated under ESG criteria and in most cases the final conclusions of the analysis are raised in the Investment Committee.



Training the investment team on ESG to foster a truly holistic approach in our investment analysis

We have always pursued excellence in our activities by attracting the best talent and by providing relevant training to our professionals. Given the importance that ESG issues have gained, Alantra Private Debt team has been trained in 2023 on this field to understand the implications that ESG has in the debt market and on our potential investments.

About this report

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Alantra Private Debt leads the way in accountability and transparency with their stakeholders

The latest EU regulation (SFDR¹, CSRD², etc) has put environment, social and governance (ESG) matters in the spotlight over the past years. However, there is a general lack of publicly available information surrounding how ESG factors are measured and managed by Private Debt asset managers at consolidated level.

Alantra Private Debt division (from now, “Alantra PD”) seeks to bridge this knowledge gap by elaborating this report with a two-fold purpose:



Share with our stakeholders (i.e. investors, regulators or employees) Alantra PD ESG performance and how these factors are integrated into our investment and portfolio management processes.



Encourage other Private Debt players to adopt these voluntary reporting initiatives to ultimately increase transparency on ESG matters in the Private Debt market. As UNPRI³ states, the private debt industry reporting activity seems to be lagging relative to other asset classes.

The present document marks Alantra PD’s first report on environment, social and governance (ESG) performance.

The report and the indicators mentioned refer to 2023 exercise (January – December 2023) and cover the division’s own operations, as well as its investment strategies:

- Corporate Direct Lending (Alteralia I, Alteralia II, Alteralia III).
- Real Estate Debt (Alteralia RED).

In this regard, the paper results from the collaboration of the portfolio companies’ management representatives and Alantra PD team.

It is important to recall that due to the nature of Private Debt funds, Alantra PD does not have operational control over the companies they provide financing to and therefore, the team does not have a direct impact on its portfolio companies’ decision-making process. The team publishes this report to provide information on Alantra PD integration of ESG factors and its contribution to a more sustainable future.

¹SFDR – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector)

²CSRD – Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting)

³UNPRI – United Nations’ Principles for Responsible Investment.



About us

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Alantra Private Debt at a glance

Alantra's Private Debt division manages assets under management across a number of private debt strategies in Europe, including senior debt, unitranche, mezzanine and credit opportunities to family or private equity owned businesses in any sector.

For corporate direct lending, we provide long-term flexible financing to fund investments, acquisitions, debt refinancings and reorganisation of shareholding structures to European small to mid-sized companies, minimizing the companies' debt service during the early years.

Alantra's Real State debt strategy aims to provide long-term flexible financing for real estate companies, for all type of asset-classes in Continental Europe, covering all type of commercial real estate assets. We offer flexibility, transparency, swift execution and a local investment decision-making process.



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Investments

As of 31st December 2023



€5m-€30m

Ticket size

4



nationalities



4

Transactions in 2023



+10

Professionals



c.€600m

Invested since inception



+10

Years of existence / track record

Impacted SDGs



We provide differential value to our investors through a holistic and results-driven approach



Impressive experience & track-record

>10 years of track record in corporate direct lending, real estate debt and credit opportunities strategies.

Since 2015 Alantra PD has invested c.€600m in 45 companies through 4 investment vehicles.



A vigorous and reliable back-up

Alantra PD is part of the Alantra Group, a global investment banking and asset management firm that counts with a solid international network and portfolio, and which upholds strong corporate listed governance policies.



Responsible investment as the only option

ESG factors are added value levers that help our Investment Team to make better informed decisions by exploiting new market opportunities and avoiding risks, such as reputational, regulatory and climate-related risks.



A multidisciplinary and experienced team

Alantra PD counts with a skillful and professional team supported by other units:

- Investment Committee
- Investment Team
- Business Development Team
- Alantra AM ESG team

Our ESG
journey

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Alantra Private Debt leads the way towards responsible investment, accountability and transparency

2019

UN PRI

Alantra Asset Management became UN PRI signatory

2020

Alantra AM Responsible Investment Policy

Approval and disclosure of 1st common Responsible Investment Policy for Alantra AM. Alantra AM's [RI Policy](#) was last updated in 2022.

2021

Alantra PD ESG Risk Policy

Approval and disclosure of Alantra Private Debt (PD) ESG Investment Risk Management Policy.

2023

First Art.8 fund

Creation and launching of Alteralia III – Alantra PD first Article 8 fund under the SFDR.

2024

First annual ESG Report

Elaboration of Alantra PD first annual ESG Report.

ESG & Responsible Investment Officer

Appointment of ESG Responsible at Alantra Asset Management.

A low-angle, black and white photograph of several tall skyscrapers reaching towards a cloudy sky. The perspective creates a sense of height and scale, with the buildings' lines converging towards the top of the frame. A semi-transparent white rectangular box is overlaid on the left side of the image, containing the text 'Responsible Investment' and the number '5'.

Responsible Investment

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Alantra PD ESG Risk Policy as the cornerstone of the team's investment philosophy

In 2021 Alantra PD developed an ESG Risk Policy, applicable to the area and its advised vehicles, that defines its commitment to:



deliver returns to the society as a whole and to all its stakeholders by being a responsible investor.



achieve more ambitious financial performance for investors by creating long-term value through its activity.



inspire other private debt fund managers to integrate ESG through a comprehensive return-based approach.

The Policy is aligned with [Alantra AM Responsible Investment Policy](#) and therefore, builds on the Group's good ESG governance practices while adapting the assessment and management of sustainability issues to the sensitivities and real value drivers of the Private Debt market.

Through Alantra PD ESG Risk Policy, the team supports and acts in accordance with the highest sustainability standards in the bonds market:



- UN PRI signatory since 2019.
- Alantra AM Responsible Investment Policy is aligned with the six UN Principles for Responsible Investment.
- Alantra PD -as part of Alantra AM- reports to UN PRI on a yearly basis. Please refer to full [Transparency Report](#).



- Alantra PD advised funds are compliant with the EU Sustainability Finance Disclosure Regulation (SFDR). Please refer to [Sustainability Web Disclosures](#)



- Alantra PD Investment Team will encourage and support frameworks for debt investments aligned with the Green Loan Principles and the Sustainability-linked Loan Principles of the Loan Market Association



- Alantra PD contributes through its investments to the achievement of the UN Sustainable Development Goals (SDGs), seeking to have a positive impact on society and future generations to come. Please Refer to the ["Promoting Sustainability"](#) section

ESG is integrated into our investment cycle

1. Negative Screening

Alantra PD screens out investments that do not meet stringent environmental, social, and governance (ESG) standards, in alignment with the European Investment Fund (EIF) framework.

The complete list of excluded sectors is available in Alantra PD's ESG Risk Policy.

2. Due Diligence

The analysis of potential investment opportunities encompasses an internal ESG questionnaire and an ad hoc assessment that identifies the most financially material ESG issues for each opportunity based on Sustainability Accounting Standards Board (SASB).

This analysis can then be complemented with an external ESG Due Diligence carried out by an independent expert.

3. Investment decision

The Investment Memorandum includes:

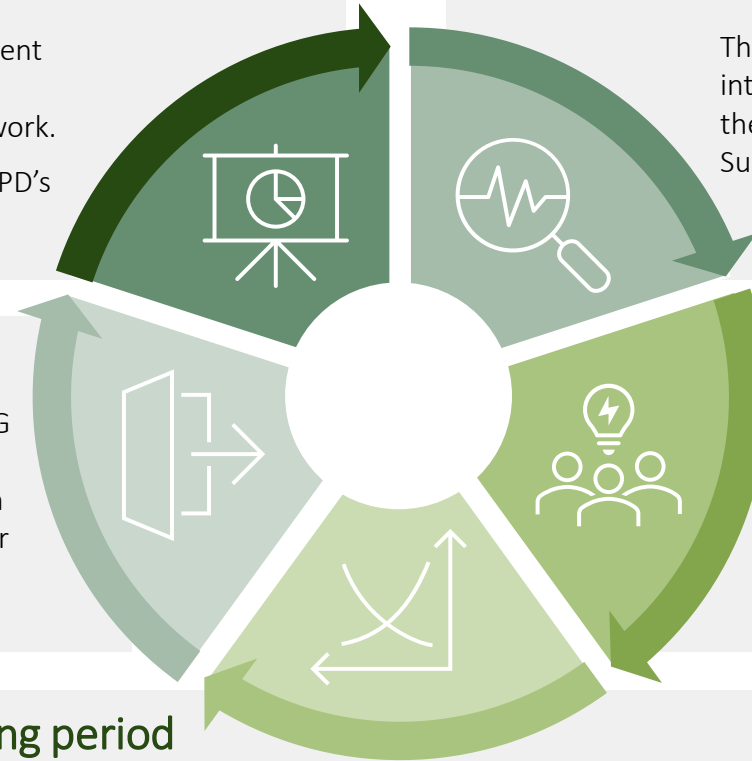
- 1) Outcomes of the ESG analysis with identified impacts, risk and opportunities (IROs)
- 2) Proposition of debt structure taking into consideration ESG factors, if applicable (e.g. green or sustainability-linked loan)
- 3) ESG KPIs linked to the loan structure (i.e. margin ratchet)

4. Holding period

Alantra PD Investment Team monitors the investment's ESG performance by collecting a series of KPIs from the portfolio companies periodically (Alantra PD Reporting tool – ESG section). The Investment Team maintains regular dialogue with the portfolio companies' management team, influencing the company's ESG management to the extent possible. Alantra PD carries out an ongoing evaluation of the agreed KPIs and applies the investment clauses agreed (e.g. margin ratchets), based on the defined loan structure.

5. Refinancing & Exit

The continuous monitoring and assessment of material ESG KPIs and the improved management of the portfolio companies during the holding period ultimately leads to an increased capacity of the portfolio companies to meet their financing obligations, reducing the funds' refinancing risk.



Promoting
sustainability
through our
funds

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Alteralia I

Alantra's corporate direct lending strategy started in 2015 with the launching of Alteralia I, a €139m private debt fund which has been fully invested in 15 portfolio companies, out of which 14 have been repaid in full.

*Loan linked to ESG KPI
SLL or GL



● Yes ○ No

Impacted SDGs



Integration of environmental practices into facilities



Social initiatives and local impact

This investment fund was launched prior to the elaboration of Alantra PD's ESG Risk Policy and therefore, does not follow Alantra PD highest ESG standards. However, Alteralia I already implemented good practices along the investment process for that time, particularly in the field of good governance practices. For example, the Fund carried out a verification of compliance of the potential investments with best corporate governance criteria during the initial due diligence to ensure that the companies in which the fund invested were aligned with these governance principles.

*Only applicable to current investments

Alteralia II

Alteralia II was launched in 2018, a €205m pan-European private debt fund. The objective of the direct lending funds is to provide long-term flexible financing to European small to mid-sized companies. The Fund invested in 15 companies, of which 8 have been repaid in full.

*Loan linked to ESG KPI
SLL or GL



● Yes ○ No

Impacted SDGs



Incorporation of women in workforce



Reduction of GHG emissions



Promoting sustainable use of resources



Social initiatives and local impact

ESG in the portfolio



3/8 Code of Ethics



3/8 ESG Business Model



3/8 Environmental Mgmt. System



3/8 ESG Report



5/8 Quality Mgmt. System



4/8 Local community actions

Alteralia III

Alteralia III was launched in 2023. The Fund is Alantra PD's first Article 8 under the SFDR and therefore, promotes environmental and social characteristics. In this regard, the Fund has committed to direct at least 51% of the investments into companies which promote social and environmental factors. In 2023, 100% of the investments contribute to this objective as all the financed companies have ESG KPIs associated to their loan's margin ratchet.

The European Investment Fund has invested in Alteralia III through the InvestEU Fund.

*Loan linked to ESG KPI
SLL or GL



● Yes ○ No

Impacted SDGs



Enhancing energy efficiency practices and supporting the development and use of renewable energy sources.



Improving inclusive and secure work environments and fostering innovative approaches for resilient and sustainable communities.



Initiatives that attract and retain talent, by providing decent work opportunities, and ensuring equitable working conditions.

*Only applicable to current investments

Art. 8 Light Green Fund

Alteralia III, promotes both –environmental and social– characteristics through the definition of specific ESG KPIs and targets tailored to each investment. At 31/12/2023, one company has already complied with the ESG KPIs and targets included in their loan documentation. Alantra PD is collaborating with the remaining three portfolio companies to define the most material ESG KPIs to be associated to the loan's margin ratchet.

Promoted E/S characteristics (31/12/2023)

- Employee wellbeing and engagement (ESG KPI: employee turnover rate)
- Transition to low carbon energy models (ESG KP: renewable energy consumption)

KPIs to measure the Fund's contribution to sustainability

- ⊗ Proportion of investments involved in non-sustainable sectors
- 📋 Fulfilment of the corresponding ESG questionnaire prior to investment
- 📄 Subscription to loan w/margin ratchet linked to sustainability performance
- 🏆 Compliance of the ESG targets defined in the loan documentation

ESG in the portfolio

- | | |
|----------------------------|------------------|
| 📄 3/4 Code of Ethics | 📋 1/4 ESG Report |
| ✅ 2/4 Quality Mgmt. System | 🤝 1/4 ESG Plan |
| 👥 2/4 ESG Business Model | |

Alteralia RED

Our first Real Estate debt Fund was launched in 2020 with the objective of providing financing for commercial Real Estate assets with a focus on capital preservation, moderate leverage, diversification and strong security packages. To date, the Fund has closed 11 transactions out of which one has been repaid in full. The European Investment Fund (EIF) entered with a guarantee program in April 2021, which was provided with the ultimate purpose of enhancing access to financing for Eligible Final Recipients.

*Green/Sustainable financing

● Yes

○ No

Impacted SDGs

7

AFFORDABLE AND CLEAN ENERGY

Committed to provide energy efficient facilities by implementing impactful measures.

11

SUSTAINABLE CITIES AND COMMUNITIES

Commitment to energy management best practices as certified by BREEAM and LEED standards for buildings.

13

CLIMATE ACTION

Development of ECO initiatives aimed towards emissions reduction.

*Only applicable to current investments

Building certifications: ensuring the implementation of the most sustainable construction practices

BREEAM & LEED Certifications assure the implementation of the highest ESG standards on Real Estate assets, considering the following aspects:

Water & Materials

Waste & Land Use

Innovation

Management

Health & safety

Energy & Transport

BREEAM and LEED certifications promote the implementation of measures aimed at reducing the environmental impact of buildings. In addition, they increase market value and reduce operating costs, while improving occupant health and well-being.

ESG in the portfolio

6/10 LEED or BREEAM certified

5/10 Renewable energy sourced

