



RESPONSIBLE INVESTMENT POLICY  
OCTOBER 2022

## 1. Alto Partners ESG principles

Alto Partners SGR S.p.A. (hereinafter “Alto Partners” or the “SGR”), as manager of Private Equity funds supporting small and medium-sized Italian companies, aims to generate a positive impact on the economic and social fabric of the country by working alongside entrepreneurial households and managers. To this end, the SGR (Asset Management Company) considers it essential to integrate environmental, social and governance (ESG) criteria in its investment activities, through the adoption and implementation of efficient processes aimed at preventing and identifying sustainability risks, i.e. events or conditions that could have a negative impact on the value of the investment. Moreover, Alto Partners considers ESG criteria as essential in order to contribute to the creation of corporate value, with an approach that also inspires all the stakeholders involved (investors, shareholders, employees, management of investee companies, etc.).

### SFDR

In adopting an integrated approach to ESG criteria within the investment process, the SGR follows the rules introduced by European Regulation 2019/2088 regarding disclosure on sustainability in the financial services sector (hereinafter also EU Sustainable Finance Disclosure Regulation or “SFDR”) which came into force on 10 March 2021. For the Alto Capital V Fund, classified according to Art. 8 pursuant to European Regulation 2019/2088, Alto Partners has defined the environmental and social characteristics it intends to promote through its investment activity.

In accordance with the provisions of the SFDR, Alto Partners publishes an annual statement on its website regarding (i) the inclusion of sustainability risks in the investment process (Art. 3), (ii) identification of the Principal Adverse Impacts (PAI) on sustainability and related mitigation measures (Art. 4 - see Annex No. 1). Moreover, the SGR communicates the process implemented to achieve the environmental and social characteristics identified by the company within the Fund in Art. 8 (Art. 10 - see Annex No. 2) and the extent to which they have been met (Art. 22).

### PRI

Alto Partners is also a signatory to the [Principles for Responsible Investment](#) (“PRI”) promoted by the United Nations as a guideline for the integration of ESG aspects in all phases of the investment process. By adhering to the PRI, Alto Partners is committed to respecting its indications, adopting a responsible approach with reference to the SGR itself, in the selection of investments and incorporating ESG criteria into its fund management strategies, starting with the Alto Capital IV Fund. To date, the six principles (the “Principles”) set forth in the PRI are voluntary and inspirational. They are:

1. Integrate environmental, social and governance (ESG) issues into financial analysis and investment decision-making processes;
2. Be active shareholders and incorporate ESG issues into active shareholder policies and practices;
3. Provide adequate communication regarding ESG issues by the entities of investment;
4. Promote acceptance and application of the Principles in the financial sector;
5. Work together to improve application of the Principles;
6. Periodically communicate the activities and the progresses made in implementing the Principles.

## Other Standards

This Policy has also been drafted taking into account the AIFI Guidelines on Private Capital and sustainability. In this specific context, they have been useful in defining the scope of implementation of sustainable and responsible investments, through the integration of environmental, social and governance issues in the traditional financial sector. In addition to the above-mentioned documents, reference is made to the “Invest Europe” Guidelines, which provide a summary of good practices in responsible investments. These Guidelines aim to provide the Management Team and the ESG Group with the appropriate tools to identify and manage ESG risks and opportunities throughout all phases of the investment process.

Lastly, in order to support the identification of KPIs (Key Performance Indicators) to be shared with the investee companies, the SGR adopts the SASB (Sustainability Accounting Standard Board) methodology, the SFDR’s indications and the industry’s best practices.

## 2 Roles and responsibilities

Alto Partners has clearly defined the roles and responsibilities for integrating ESG issues into management of the investments and of the SGR. As a demonstration of its commitment to responsible investments, Alto Partners involves top management in strategic decisions relating to ESG aspects.

### The Board of Directors

The Board of Directors approves Alto Partners’ ESG policy and strategies. In particular, it determines the relevance of ESG factors in terms of their impact on Alto Partners’ business, its investments and its stakeholders, taking into account the reports produced by the ESG Group. The BoD of Alto Partners is committed to evaluating the work of the ESG Group and of the Management Team with respect to the implementation of the ESG policy and action plan.

### ESG Group

The ESG Group, made up of representatives of Alto Partners’ management bodies, is committed to developing ESG strategies, at SGR and fund level, and to supporting and verifying their implementation. The main responsibilities entrusted to the ESG Group are:

- › definition and revision of the Responsible Investment Policy, which provides guidelines for the integration of ESG criteria; verification of the consistency of other SGR policies with the Responsible Investment Policy and compliance with the ESG goals of Alto Partners as a signatory to the PRI in all SGR activities;
- › definition and updating of the ESG action plan;
- › integration of ESG criteria into investment procedures;
- › scheduling of specific training sessions dedicated to the SGR staff, in order to give the entire team a comprehensive vision and constant updates on the sector regulations and good practices in terms of ESG;
- › inclusion of an ESG section in the annual investor meetings, with the aim of keeping investors up to date and informed about the ESG performance of the SGR and of the funds.

## Management Team

The Alto Partners Management Team is committed to integrating ESG criteria into its processes, in order to assess the extra-financial profile of investments, following a precise path of evaluation of the associated sustainability risks and opportunities. The process of integrating ESG criteria into the investment process is detailed in section 5: "Integrating ESG criteria into the investment process".

## ESG Reference Person

Individual identified within each Portfolio Company, acting as a point of contact for the performance of all ESG activities.

### 3. Alto Partners ESG commitments

Alto Partners is committed, for its funds (starting with Alto Capital IV and in particular for the Alto Capital V Fund in Art. 8), to considering each of the ESG areas (environmental, social and governance) and to defining the goals, KPIs and targets to be taken into account. Alto Partners prioritises the ESG issues on which to focus the action plans of its investee companies on the basis of the potential impact they can generate in terms of reducing costs, increasing revenues and creating value for the company, through an approach based on the concept of materiality. Lastly, Alto Partners is committed to ESG standards also at the SGR level.

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## Environment

Alto Partners is committed to:

- › assessing the impact of the activities, services and products of the investee companies on environmental components with the aim of minimising potential risks and increasing the positive effects on the environment through improvement actions;
- › contributing to the fight against climate change by supporting the goals established in the Paris Agreement, through its engagement in reducing the impact of investee companies, taking into account, when possible, the recommendations of the *Task Force on Climate-related Financial Disclosure* (TCFD).

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## Social

Alto Partners' core value lies in the attention to the individual, with the commitment to constantly guarantee a comfortable working environment in which human rights, the integrity of the individual in both physical and mental terms and the interests of all stakeholders are respected, in order to contribute to the creation of sustainable value and as inspiration for management of its investee companies.

In particular, Alto Partners undertakes to:

- › guaranteeing working conditions that promote and protect the health and safety of all employees and collaborators;
- › guaranteeing respect for workers' rights and creating a climate of personal protection that eliminates all forms of discrimination based on gender, religion, ethnic group, political orientation or sexual orientation, ensuring that the dignity, well-being and diversity of its employees are respected;
- › promoting professional growth, also thanks to training courses for employees;
- › taking into consideration the impact of the activities on stakeholders and the local community.

## Governance

Defining a structured Governance that can guarantee the correct management of both the SGR and its investee companies is fundamental for Alto Partners. Ensuring the balance of powers and the effectiveness of the Corporate Bodies, taking into account the ethical-social principles and the rules of good governance, allows Alto Partners a high level of credibility and guarantee.

In particular, Alto Partners is committed to:

- > guaranteeing honesty, correctness and transparency in all of the activities carried out;
- > implementing best practices in the field of Corporate Governance;
- > prohibiting all the stakeholders involved from making or receiving payments in exchange for preferential treatment;
- > ensuring diversity and balance in the formation of corporate bodies;
- > taking appropriate measures to prevent corruption and money laundering;
- > promptly identifying any anomalies that could lead to negative impacts and adopting the consequent corrective measures;
- > adopting a consistent approach to sustainability and business ethics, allowing both the creation of value and the strengthening of the reputation of the SGR and of the companies in its portfolio;
- > defining an ESG governance and responsibility structure within the investee companies to support them in monitoring ESG issues.

In addition, Alto Partners works with the investee companies to establish ESG responsibilities, the presence of an appropriate governance structure and the adoption of responsible and sustainable procurement practices.

### Environmental and social characteristics promoted by the Alto Capital V Fund

In addition to the ESG commitments undertaken by Alto Partners, the Alto Capital V Fund, aligned with Article 8 of European Regulation 2019/2088 (SFDR), has defined the environmental and social characteristics it intends to promote through its investment activity. For more in-depth information on the environmental and social characteristics promoted by the Alto Capital V Fund, please refer to the "Statement pursuant to Regulation (EU) 2019/2088 of the European Parliament regarding disclosure on sustainability in financial services ("SFDR") - Article 10", available at the following link <https://www.altopartners.it/wp-content/uploads/2022/11/Dichiarazione-ai-sensi-delRegolamento-UE-2019-2088-del-Parlamento-europeo-relativo-a-informativa-sullasostenibilita-peri-i-servizi-finanziari-Art-10.pdf>

## 4 Areas of Exclusion

As also expressly indicated in the Funds' Regulations, the SGR does not invest in, guarantee or otherwise provide (directly or indirectly) financial or other support to:

- companies or other organisations that invest in the exploration and exploitation of natural resources, with the exception of undertakings whose principal activity is the marketing of natural resources, or the production of systems or equipment needed for the production, extraction or transport thereof, or the provision of related services;

- companies or other organisations that engage in illegal economic activities or that produce products deemed illegal under national laws or regulations, or prohibited by international conventions;
- companies engaged in gambling or in the production or marketing of gambling-related products;
- pornography, prostitution or similar activities;
- production of and/or trade in arms and ammunition of any kind, it being understood that this restriction does not apply where such activities are part of or ancillary to express EU policies;
- production of and/or trade in distilled alcoholic beverages and related products;
- production of and/or trade in tobacco or tobacco-related products;
- gas or oil extraction;
- research, development or technical application of electronic programs or solutions that are specifically intended for the following activities: support for the activities of the preceding points, Internet betting and/or gambling, illegal access to electronic data and electronic data networks.

For a more detailed discussion on the exclusion categories, see the Regulations for the Management Funds of Alto Partners.

## 5. Integration of ESG criteria into the investment process

Alto Partners is committed to integrating environmental, social and governance criteria through all the phases of the investment process to ensure that this process always takes into account the risks and opportunities associated with ESG factors.

### Pre- Investment

During the screening phase, Alto Partners undertakes to verify compliance with the exclusion criteria defined by the Funds' Regulations and the Responsible Investment Policy and to identify the material issues to be covered by the Due Diligence activities. In this phase, potential significant risks to be mitigated are identified and any opportunities related to the investment emerge, which will serve as the basis for drafting the dedicated ESG Action Plan. Furthermore, with regard to investments within the Alto Capital V Fund, identified as a product in Art. 8 according to EU Regulation 2019/2088 (SFDR), in the pre-investment phase, the maturity of the target company with respect to the environmental and social characteristics promoted by the Fund is identified, integrating the results in the ESG Action Plan. All the relevant findings arising from the Due Diligence are included within the Investment Memorandum and presented by the Management Team, in consultation with the Risk Manager during this phase, to the BoD. In addition, the SGR includes special ESG clauses in its Investment Documentation to guarantee the right to receive constant information and flows on the progress of implementation of improvement actions and agreed ESG indicators.

### Management of the Portfolio

The companies in Alto Partners' portfolio (starting with Alto Capital IV) are followed and monitored in order to verify the correct integration of ESG criteria in their activities; in particular, the investments made through the Art. 8 fund will also be monitored with respect to maturity in relation to the ESG characteristics promoted by the fund itself. The fundamental KPIs emerging from the Due Diligence are constantly monitored by Alto Partners through the use of a specific Data Monitoring Tool, modelled on the peculiarities and materiality of each target company on the basis of industry standards (e.g. SASB). In addition, Alto Partners is committed to monitoring the ESG performance of the companies throughout the duration of the investment by means of periodic dedicated meetings that allow a

constant update on ESG performance and actions implemented by the investee company. Alto Partners is committed to defining a specific ESG action plan for each investee company, with material goals to be achieved within a specific timeframe. Finally, a function is identified that will be the point of reference for ESG issues within the investee company.

#### Exit

Alto Partners is committed to providing an ESG Report outlining the activities carried out for the ESG improvement of the investee company and the results achieved.

Even when investing as a minority shareholder, Alto Partners undertakes to integrate ESG investment criteria while adopting a simplified approach. In addition, Alto Partners is committed to monitoring the ESG performance of companies throughout the life of the investment by means of periodic dedicated meetings.

Moreover, to ensure a high level of transparency towards its investors and to implement an effective communication mechanism, Alto Partners has adopted a specific Reporting Form for Material ESG Incidents. The form, which is distributed to all the Fund's investees, allows for immediate reporting when an ESG incident occurs, by the ESG Reference Person to the Management Team. The latter will be responsible for notifying the ESG Group and the Board of Directors, respectively, which will inform investors in a timely manner, outlining any corrective actions implemented or to be implemented in the future in order to avoid a recurrence.

Please refer to Alto Partners' Investment Procedure for further details.

## 6. Sustainability in Alto Partners

Alto Partners pursues the project of integrating ESG issues also at the SGR level. This goal translates into a strong commitment on the part of the SGR to adopt an inclusive approach aimed at enhancing the value of its human capital, adopting the highest standards of corporate governance and business ethics, and making efficient use of natural and energy resources.

## 7. Stewardship & Reporting

To enhance the impact of responsible investment activities, Alto Partners undertakes to report to its investors, through dedicated sections of the periodic reports, the progress of integration of ESG criteria within the SGR and its investee companies, highlighting any incidents and initiatives implemented. Furthermore, during the Investor Meetings, the SGR aims to keep investors updated on the general performance of the target companies from an ESG perspective.

Alto Partners is committed to developing an annual ESG Report stating the performance against the commitments set out in the Responsible Investment Policy and ESG action plans of the SGR and its investee companies. In accordance with the SFDR, the SGR provides annual information on the achievement of the ESG characteristics promoted by the fund in Art. 8, as well as communicating the relative KPIs. Alto Partners is also committed to reporting annually on the results of its ESG criteria integration process by completing and submitting the PRI questionnaire, in order to communicate the progresses related to the adoption of the Principles for Responsible Investment.

## 8. Update

The Policy will be reviewed and updated as necessary and, in any event, at least every two years.

## 9. Glossary

- Fund pursuant to Art. 8 of Reg. 2019/2088: Fund that promotes, amongst its other characteristics, environmental or social characteristics, or a combination of these, provided that the companies in which the investments are made comply with good governance practices.
- EU Regulation 2019/2088: Regulation on disclosure with regard to sustainability in the financial services sector (hereinafter also SFDR);
- EU Regulation 852/2020: regarding the establishment of a framework that encourages sustainable investment and amending Regulation (EU) 2019/2088;
- ESG criteria: those aspects of an environmental, social and governance nature (“ESG”) potentially relevant to the activity carried out by the SGR and all its funds
- PAI (Principal Adverse Impacts): the principal adverse impacts of the investment decisions taken by the SGR on the sustainability factors identified by ESG regulations;
- RTS (Regulatory Technical Standards): the regulatory technical standards relating to the ESG regulation issued by the relevant European authorities.
- UN PRI (UN Principles for Responsible Investments): International network of investors supported by the United Nations that works together to promote and implement six aspirational principles aimed at developing sustainable finance practices.