



ALPHA SUSTAINABILITY REPORT 2022

ENVIRONMENT | SOCIAL | GOVERNANCE

A note from our Managing Partner's



Edoardo Lanzavecchia

We have delivered strong financial performance for our investors in 2022, despite the challenging market environment. We are well-positioned to build on our strength and momentum to bolster the firm's position, capture opportunities, and create value for our investors and share-holders. While we continue to monitor the uncertain macro environment, we are pleased with the resilience of the portfolio in 2022 and we are prepared to manage through the continued impact the Russia/Ukraine war is having on inflation. We are largely hedged on energy costs and have been able to manage our pricing strategies to minimise the net effect of higher costs.

Responsibility has been at the heart of Alpha's philosophy for many years. The Covid 19 pandemic has forced us all to think more deeply about the health and resilience of our societies.

We have built our portfolio and Alpha into a more resilient portfolio designed to adapt to and manage all types of market conditions.



Patrick Herman

A note from the Alpha Team

At the core of our business, and fundamental to Alpha's culture, there is an appreciation of the connection between robust ESG management and the long term profitability of companies. As every business is deeply intertwined with ESG challenges, our objective as a private equity investor is to actively seek strategic advantages from managing these challenges in order to maximize business and investment opportunities, whilst concurrently complying with regulations and mitigating business and investment risks.

One of our ESG pillars is "Enhancing ESG Value" of our investments, and we look to achieve it by truly embedding ESG factors in each phase of our investment process. To that end, we have carried out extensive reviews of the situation at present of both target investments, through specific ESG due diligences, and of companies already in our portfolio, through a monitoring campaign that has set the foundation for the work we will do with them in the upcoming years. This is aimed at improving environmental, safety and human resources performances, while gaining a better understanding and satisfying stakeholder demands. Our roadmap foresees the extension of this journey to more of our portfolio companies in the upcoming years.

Our efforts aimed at structuring our approach and ensuring a granular application of responsible investment principles in all

areas of our operations have been rewarded: in 2019, our ESG performances were evaluated above the median sector score for Private Equity firms by the PRI, the largest global reporting project on responsible investment. This certainly encourages us to continue proceeding in our path.

It is our hope that this comprehensive ESG Report will offer a detailed window into how we have set up our strategy and the steps we have taken so far to move forward. We believe we have exciting times ahead of us and we would like to thank you for your ongoing support as we continue towards our objective for high ESG standards in our operations.

In 2022, we intensified our work to incorporate ESG into our investment process and supported our portfolio companies in developing their own individual ESG strategies.

Our commitments have taken shape over several years and are inspired by a very clear decision on our part: to place ESG at the heart of our investment process.

This includes improvements in our internal organisation, such as strengthening our ESG team and establishing an ESG committee. Accordingly, we have implemented continuous training programs to enhance the ESG competencies of our investment teams and portfolio companies.



ALPHA AT A GLANCE

ALPHA AT A GLANCE

Outstanding 29 year Track Record

In 29 years, Alpha has deployed c. €3.1 billion across 7 funds (including co-investments) in 107 transactions

94 full exits to date, generating €6.5 billion of proceeds (realised and unrealised)

Proven Sourcing Strategy Honed for Local Markets

Unrivalled access to bilateral deal flow from family owned business and complex corporate carve-outs

72% are bilateral sourced deals (by capital invested) and nearly 55% directly sourced from families

Focus on European Industrial Heartland

Targets 75%+ of the GDP of Continental Europe ⁽¹⁾ with focus on Belgium, France, Germany, Italy, Luxembourg, Netherlands, Switzerland

Independent and Experienced Team

33-person team with extensive and complementary operational and industrial experience along with deep sectorial knowledge

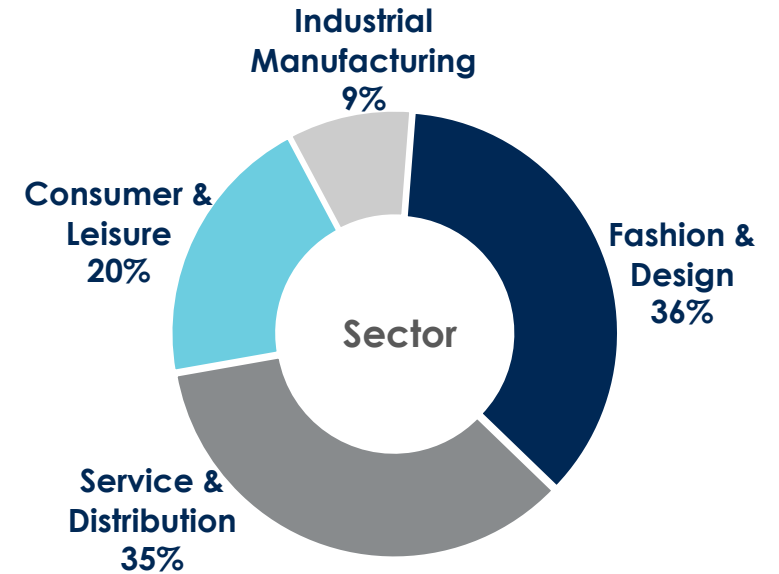
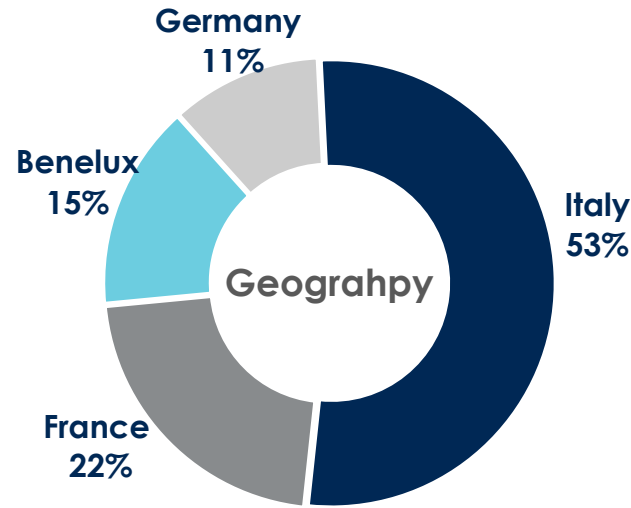
Widely recognised leadership complemented by 5 seasoned partners who have a combined 112 years of relevant private equity and operating experience.

FOCUS ON EUROPE'S INDUSTRIAL HEARTLAND

- Alpha core markets
- Management Company
- Alpha Offices



CAPITAL DEPLOYED



Note: Investment data based on APEF 6-7.





OUR RESPONSIBLE INVESTMENT VISION AND MISSION

OUR VISION & MISSION

OUR VISION

At Alpha, we strongly believe that by factoring a broad set of environmental, social and governance (ESG) considerations into our investment strategies, we can improve the financial performance of our portfolio companies and make our portfolio companies more attractive to potential acquirers, whilst reducing investors' exposure to reputational risk.

OUR MISSION

At Alpha, we want to make a positive impact on the world around us through our investments. As a private equity investor, our objective is to actively seek strategic advantages from managing ESG challenges as a way to maximize business and investment opportunities, whilst concurrently complying with regulations and mitigating business and investment risks. Working together with the management teams, we face the challenges of the future, such as limited resources, climate change and regulatory changes.

As every business is deeply intertwined with environmental, social, and governance (ESG) challenges, Alpha is firmly convinced that integrating ESG factors into investments is not only good for society and environment, it is simply good business:



By integrating ESG factors into our investment decisions we are inherently spotting trends, and are therefore able to anticipate emerging issues;



By performing analyses and due diligences on those ESG factors that might impact investments, we are able to analyze business risks and opportunities with a wider perspective, and to eventually readjust and improve our investments' business strategy;



By improving the reputation of our portfolio companies, by ensuring better working environments and good relationships with stakeholders, we secure our portfolio companies' access to capital and gain trust from customers, suppliers and neighbors.

OUR RESPONSIBLE INVESTMENT POLICY

Our commitment to Responsible Investment is laid out in our Environmental, Social and Governance Investment Policy, in force since September 2016. In our Policy, we commit to communicate and promote acceptance of the ESG principles within Alpha, its affiliates, advisors and partners, and to do our best to implement high ESG quality standards within the portfolio companies we are investing in, through close cooperation with their management.

The ESG investment policy has been approved by the Board of Directors. The ESG officers are responsible for its execution and continuing development.

Where necessary, the ESG policy will be amended to reflect evolutionary changes in ESG practice.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENT POLICY

<https://www.alphape.com/Alpha-ESG-Investment-Policy-May-2023.pdf>

17 Goals to Transform Our World

The Sustainable Development Goals adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.

Alpha recognises that eradicating poverty and other deprivations must go hand in hand with strategies to improve health and education, reduce inequality and boost economic growth - all while combating climate change and working to protect our oceans and forests.

SUSTAINABLE DEVELOPMENT GOALS



THE PRINCIPLES FOR RESPONSIBLE INVESTMENT WE COMMIT TO

We support and endorse the United Nation Principles of Responsible Investment (“Principles”) has been a signatory to the UNPRI principles since 18th November 2011. In achieving its vision and mission, Alpha is guided by the six principles defined by the United Nations – supported initiative Principles for Responsible Investments (PRI)

UN PRI PRINCIPLES



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 each report on our activities and progress towards implementing the Principles.

EU SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

Sustainability risk policies – Article 3

Pursuant to Article 3 of the SFDR, Alpha is required to disclose the manner in which sustainability risks are integrated into the investment decision-making process.

No consideration of sustainability adverse impacts – Article 4 and Article 6

Alpha does not currently publish information on its consideration of the “adverse impacts of investment decisions on sustainability factors” in accordance with the EU Regulation on sustainability-related disclosures in the financial services sector (the “SFDR”). This is due to the present uncertainty as to the scope and extent of the information required. Alpha seeks to publish information on its consideration of the “adverse impacts of investment decisions on sustainability factors” in accordance with the SFDR, as the scope of information required to be disclosed becomes clearer.

Funds that’s promote environmental or social characteristics - Article 8

Alpha will seek to ensure that all new portfolio companies for the upcoming Flagship Fund 8 are classified in accordance with Article 8.

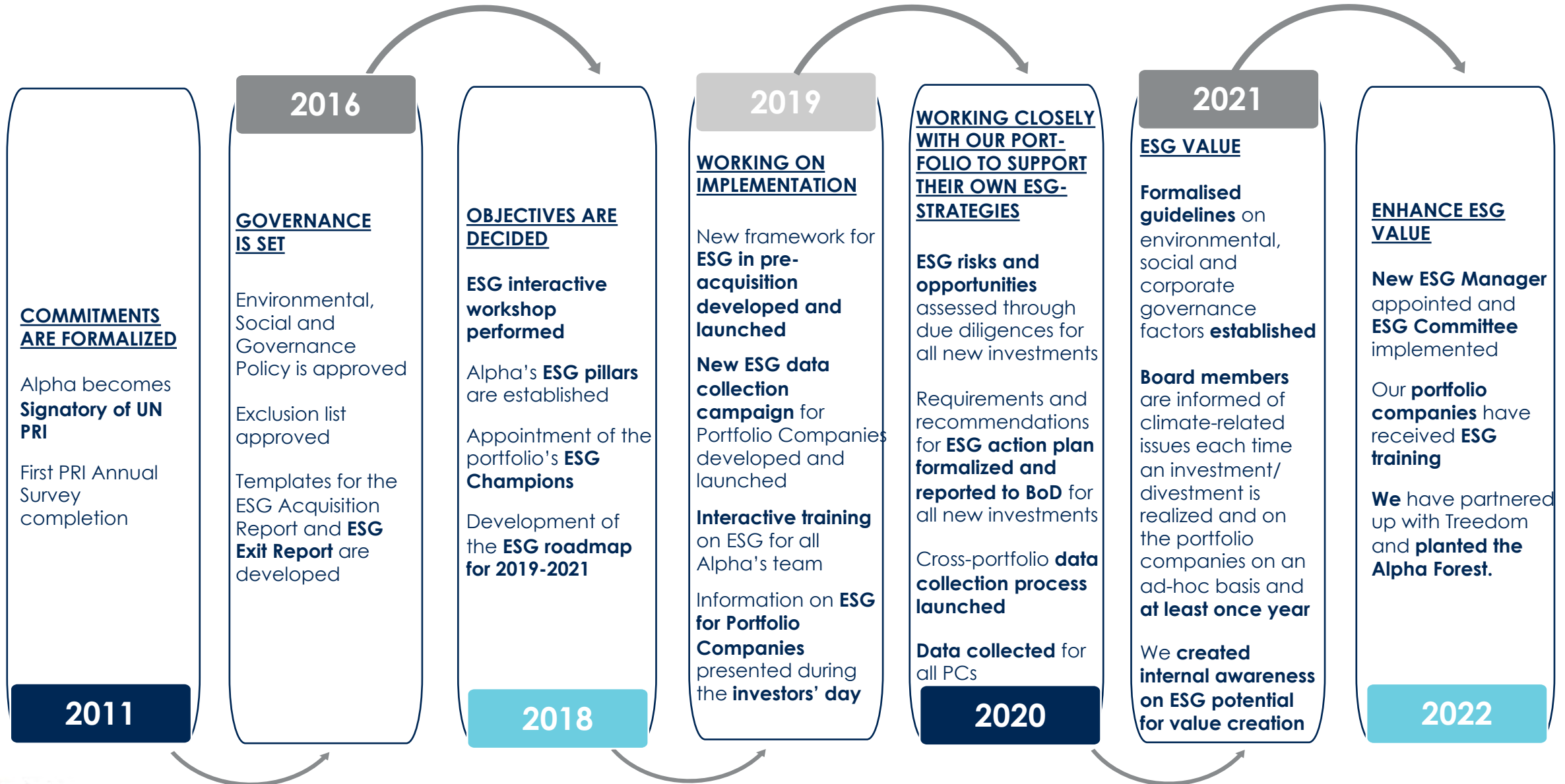
However, Alpha considers the principal adverse impacts of its investment decisions on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters by means of its policy on integration of ESG risks and value creation opportunities into the investment process. Moreover, Principles Adverse Impacts are monitored on a yearly basis through a yearly data collection on sustainability KPIs, which involves all portfolio companies.

Alpha will continue to review the evolution of SFDR regulations in relation to PAI and update accordingly this statement.



OUR ESG PATH AND STRATEGY

THE KEY MILESTONES OF OUR ESG PATH



OUR ESG PILLARS

ESG APPROACH

ENHANCE ESG VALUE



ESG embedded in the whole investment process to valorize opportunities and prevent risks

- Assess the «as is»;
- Identify opportunities for value creation and risk mitigation;
- Launch ESG enhancement plans;
- Monitor against targets;
- Valorise investments

LEVERAGE ESG EXPERIENCE



Accelerate ESG value creation leveraging on a unique proprietary knowledge built on more than 130 cross sectors and cross-countries transactions

- ESG proprietary source of best practices, KPIs, risks and opportunities created through cross-country and cross-sector contamination and subject-matter experts

RESPONSIBILITY AS A CORPORATE VALUE



Responsibility is a core company value promoted by an engaged team

- ESG awareness training
- ESG proprietary tools
- Promotion of diversity
- Responsible investments promotion

COMMUNICATION & TRANSPARENCY

OUR ESG PILLARS



ENHANCE ESG VALUE: Alpha believes that the integration of ESG factors, both risks and opportunities, across the whole investment process is crucial to enhance the value of the companies it invests in. For this purpose, Alpha relies on proprietary tools for the assessment, monitoring and enhancement of companies. Alpha's enhancing program aims at the following key features:

- **Materiality:** While we recognize that some key ESG considerations (for example, health and safety, corporate governance, resources consumption) are applicable to all the industries we invest in, we adopt a case-by-case approach targeting those ESG issues with the greatest potential to positively impact the portfolio company's performance;
- **Sound:** as the investment period of Alpha is limited, the enhancing program aims at building strong governance and processes on ESG aspects, in order to ensure companies will continue on their path towards sustainability once Alpha exits the investment



LEVERAGE ESG EXPERIENCE: Over time, Alpha has developed an inestimable ESG proprietary source of information, consisting of best practices, KPIs, risks and opportunities, created through cross-country and cross-sector collaboration and benefitting from the experience of subject-matter experts. Alpha aims at leveraging on this incredible ESG experience to enhance the value of its portfolio companies.



RESPONSIBILITY AS A CORPORATE VALUE: Responsibility is a core company value promoted by an engaged and experienced team. Alpha recognizes the importance to lead by example through the adoption of responsible practices at a corporate level. Responsibility is also a core value in the day-to-day investment activities. This is why Alpha will focus on training the investment team on environmental, social and governance issues.

Our ESG Committee

Alpha established an ESG Committee which gather on a quarterly basis Senior Managers and ESG Champions.

The ESG Committee oversees the firm's ESG initiatives, including:

- Upholding, revising, and ensuring adherence to the ESG Policy
- Implementing the ESG strategy and reviewing and tracking progress
- Disclosing material ESG concerns to internal committees
- Educating professionals on ESG issues and priorities
- Supporting transparency and timely reporting of ESG topics



Gabriella Tambou-Rayalou
Compliance Manager / Luxembourg



Akikul Islam
Head of Investor Relations & Strategy / Luxembourg



Sébastien Wiander
Risk & Compliance Officer / Luxembourg



Yann Dremiere
Portfolio Manager / Luxembourg



Nicolas Antraigue
Partner / Paris



Alessandra Bosetti
Associate / Italy

ESG RESPONSIBILITIES

BOARD OF MANAGERS

Approves the ESG Policy and the ESG Strategy. It also defines the degree of materiality of the ESG factors that may impact Alpha's business, its investment portfolio and its stakeholders, taking into account the reports from the ESG manager.

ALPHA ESG MANAGER

Take overall responsibility for the execution and the continuing development of the ESG policy and ESG strategy
Ensure that all relevant information concerning ESG items are at the disposal of the Board of Managers
Curates disclosure of information on ESG performance to the LPs

ESG COMMITTEE

Responsible for supervising the integration of ESG issues across the investment cycle.
Ensure that all relevant information on portfolio companies concerning ESG items are provided to the Board

INVESTMENT TEAM

Engage with portfolio companies to discuss ESG performances and to collect relevant information

Diversity, Equity and Inclusion Statement

Alpha is committed to fostering a culture of mutual assistance, support and integration among all employees. It is in our interest to promote diversity of backgrounds, characters and genders. By focusing on DE&I, Alpha seeks to create an equitable and inclusive work environment, to attract better talent, and to strengthen its corporate culture.

Alpha values the diversity of people within its team, whether they are of different gender, education or economic background. This diversity ensures that there are multiple points of view within the firm and also during the investment process (pre-investment, ownership and exit processes).

The confrontation of different points of view contributes to the quality of Alpha's investments.

Equity, diversity and inclusion is at the heart of our values and objectives. Alpha is committed to ensuring that all colleagues feel included in our workplace. That means people of all ages, abilities or disabilities, sex or gender, race or ethnicities, religion or belief, cultures, sexual orientation, and family status.

It takes all of us to ensure that diversity or difference is not a barrier to success or incurs less favourable treatment.

So it's important that all of us are clear on the expected standards of behavior in line with our values and with equality legislation and what to do if we witness an exclusion or discrimination.

Diversity, Equity and Inclusion Statement

Statement

- ✦ Alpha seek to promote an inclusive, supportive and respectful environment which appreciates and values the experiences, perspectives and skills that we all bring;
- ✦ We aim our duties under current legislation and ensure that all colleagues are treated fairly and encouraged to reach their full potential regardless of gender, marital or civil partnership status, parental status, disability, age, race (which includes colour, nationality and ethnic origin), religion or belief, gender re-assignment, sexual orientation and socio-economic background;
- ✦ Alpha will develop and maintain an environment in which differing ideas, abilities, backgrounds and needs are fostered and where everyone is able to participate and contribute fully;
- ✦ We seek to work with our team and partners to reasonably prevent and appropriately respond to any form of harassment or victimisation, to eliminate unlawful discrimination and to promote good working relations between people of different diversity groups;
- ✦ We are committed to a culture and working practices that recognise and value diversity and inclusion and are free from discrimination. Working practices include recruitment and selection, induction and learning, development and promotion, performance management, disciplinary and grievance procedures, working patterns and ending employment;
- ✦ Alpha aim to ensure all colleagues understand the principles of equity, diversity and inclusion and apply them to their working life;

Promoting climate awareness

As a sustainability focused investor, and a proud signatory of the UN Principles for Responsible Investment (UN PRI) since 2011, becoming an environmentally sustainable organisation is a key priority for Alpha. In this context, the Net Zero Plan includes guidelines for promoting climate awareness and action among all stakeholders of Alpha, including employees, consultants, contractors and investors.

Alpha's ambitions to tackle climate change are:

- ❖ To measure and reduce its own emissions by becoming a carbon neutral company
- ❖ To measure the emissions of its portfolio and to encourage its portfolio companies to reduce their emissions and to work towards carbon neutrality in line with industry trends and regulations
- ❖ The aim to improve operational efficiency
- ❖ This policy describes Alpha's Net Zero Plan, which outlines the company's approach and policies to achieve and maintain net zero emissions and become net positive in the near future
- ❖ Alpha's Net Zero Plan sets ambitions and targets related to making a truly positive contribution to global emissions reduction efforts. It expands at the corporate level the activities that are implemented at the portfolio company level.

Implementing and monitoring a range of carbon reduction

Alpha is committed over the next few years to implementing and monitoring a range of carbon reduction measures to tackle the two main sources of emissions identified in the carbon footprint analysis, including for example the following:

- ✎ increase use of videoconferencing and teleconferencing to reduce business travel;
- ✎ minimise the frequency of air and ground travel through adequate planning and scheduling of meetings and events;
- ✎ increase use of alternative transportation methods such as rail as opposed to air travel/private car trips when appropriate;
- ✎ work with external travel agents to ensure they select hybrid/electric cars and direct flights wherever possible, as well as favour airlines that are committed to net zero emissions;
- ✎ progressively promote adoption of low emissions vehicles (i.e. Hybrid and electric) as company's cars;
- ✎ provide financial incentives to employees commuting to work by means of public transportation.



OUR INITIATIVES

OUR INITIATIVES



In 2020, Alpha was involved in the ESG committee of the Luxembourg Private Equity and Venture Capital Association (LPEA).

The LPEA ESG Committee was launched in November 2018 with the aim to support responsible investment practices among Luxembourg-based capital investment actors.

The objectives of the ESG Committee of LPEA are to:

- Develop a report and provide guidance to general partners (GP's) and limited partners (LP's) actively investing with ESG strategies, but also to PE/VC services providers who want to adopt and integrate ESG in their practices.
- Give the opportunity for LPEA members to collaborate and build a consensus, with the goal of developing a common approach on the private equity's role in delivering ESG.

The Alpha Forest

We want to contribute to our environment and to a more sustainable and greener future and to do so we are very pleased to inform you that we have partnered up with Treedom and planted the Alpha Forest.



The Alpha Forest will have positive effects on the environment and its surroundings: combatting soil erosion, enriching biodiversity, protecting soil fertility, creating sustainable ecosystems etc. Over the course of its life, each tree absorbs CO₂ (carbon dioxide) from the atmosphere and stores it in its wooden parts. This process removes CO₂ from the atmosphere, and its effects are greater the longer the trees are able to grow and live.



ESG IN OUR INVESTMENT PROCESS

ESG INVESTMENT FLOWCHART



PRE INVESTMENT

Confirm compliance with the fund's rules;
Early identification of key ESG issues and justification of areas of focus;
Plan DD process and allocate resource;
Deep assessment of ESG risks and opportunities.
Enable the fund's Investment Committee to take an informed investment decision that takes ESG factors into account.

OWNERSHIP

Promote compliance with applicable standards within portfolio companies;
Support and steer portfolio companies in the definition and implementation of an ESG Action Plan and in the improvement of ESG performance;
Monitor ESG performance of portfolio companies.

EXIT

Engage with buyers on ESG and prepare reference documents.

ESG THROUGHOUT OWNERSHIP

“During the investment period, we actively engage with our portfolio companies, closely monitoring and evaluating their progress and ensuring their compliance with our ESG policy”

ENHANCING ESG PERFORMANCE: Through close cooperation with management teams, we ensure the implementation of high quality ESG standards within the portfolio companies we invest in. Portfolio companies are requested to actively adopt an ESG action plan to close the findings emerged from the due diligence phase. Moreover, we work with their management teams to encourage and support them in the development of a broader ESG roadmap.

MONITORING ESG PERFORMANCE: Alpha's ownership of the portfolio companies is usually a majority, and always an active ownership. We constantly engage with portfolio companies' top management through our board seats, in order to promote their commitment towards sustainability and supervise the processes in place for addressing risks and opportunities, as well as preventing incidents. Portfolio companies' ESG performance and action plan implementation is closely monitored and evaluated through an annual reporting system with cross-portfolio KPIs that are in place at portfolio company level. In the same way, we encourage portfolio companies' ESG reporting towards their stakeholders.

PRE INVESTMENT

OWNERSHIP

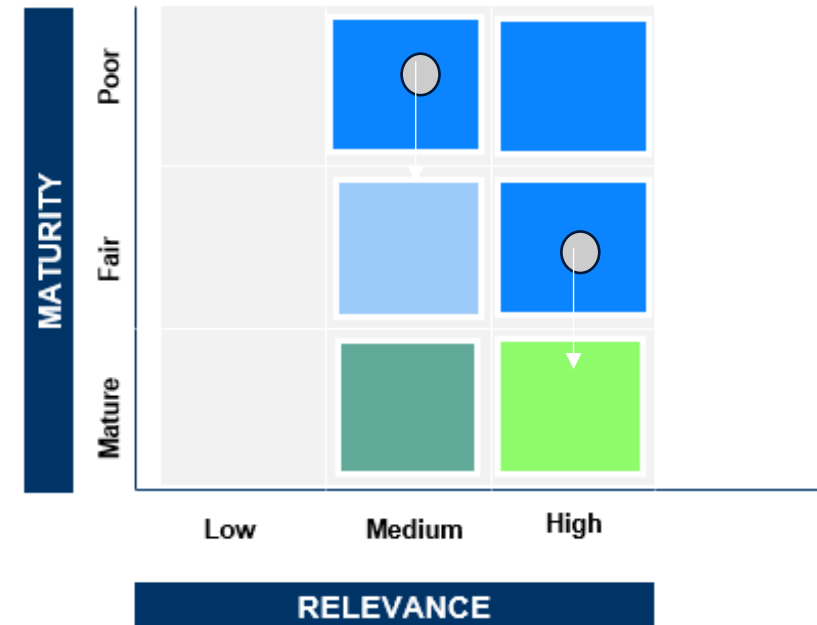
EXIT

ESG IN THE EXIT PROCESS

“The ESG improvement realized throughout the investment period allows us to point out the strengths of each portfolio companies during negotiations with potential buyers”

DEMONSTRATING VALUE CREATED:

During engagement with potential buyers, we are able to highlight the positive impact of our investment in ESG issues, by showing the improvement of material ESG topics obtained through our ESG action plans and sharing key KPIs.



PRE INVESTMENT

OWNERSHIP

EXIT

TRANSPARENCY TOWARDS INVESTORS

We are committed to ensuring transparent communication towards our investors about both our investment processes, and our ESG performance and results. This is at both a GP and a portfolio company level. In the event of an ESG incident involving a portfolio company or Alpha we inform stakeholders as soon as reasonably possible, and address such incident in due course.

Transparency towards investors and other stakeholders is formalized through annual meetings with investors. To further align our disclosures to our investors' expectations, we have structured this document according to the PRI's Guidance on ESG Monitoring, Reporting and Dialogue, released in 2018 to support general partners in fund reporting and monitoring on environmental, social and governance (ESG) factors.

In this context, in 2022, no major ESG incidents across our portfolio companies were reported.

What is an “ESG incident”?

Working on the definition of the ESG Journey for our portfolio companies, we have encountered the challenge of establishing a common ground to explain to our portfolio companies what we mean by “ESG incidents” that we expect to be reported right away when they happen. This is what we have decided to include in our definition:

- any significant fines and non-monetary sanctions for non-compliance with laws and/or regulations, or substantiated complaints regarding environmental, social and business ethics area (e.g. non-compliances with tax, customer safety, labelling, market communication, environmental, labor, human rights international, national, regional and local laws);
- substantiated company policy breaches concerning environmental, social and business ethics area;
- fatalities and serious safety injuries;
- any other relevant complaint received from stakeholders.



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