

Responsible Investment Policy

1. POLICY STATEMENT

This Responsible Investment policy (Policy) outlines the principles of responsible investment (Principles) and the method of applying those Principles to Allegro Funds Pty Limited (Allegro or We or Us) as manager of the funds it is responsible for and the Portfolio Companies in which these funds (or its related bodies corporate) hold an interest (Portfolio Companies). In particular, the Policy sets out how environmental, social and governance (ESG) issues that can impact the performance of our funds and Portfolio Companies are addressed.

The Allegro Board of Directors (Board) is committed to:

- a. Adopting and incorporating the Principles into Allegro's culture and investment process where it is consistent with the best interests of investors; and
- b. Considering ESG issues when making investment decisions and determining their impact on new investments to ensure that Allegro and the Portfolio Companies are responsible users of finite resources.

2. PRINCIPLES OF RESPONSIBLE INVESTMENT

We are a high impact investor that manages Funds, separately managed accounts and mandates on behalf of our investors. We have a vision to build great businesses through Active Complex Transformation to deliver superior returns with sustainability and social responsibility embedded in our approach.

Allegro has been a signatory of the United Nations Principles for Responsible Investment (PRI) since 2011 where we adopted the six PRI principles. Our approach to responsible investing is underpinned by eight principles, including the six PRI principles and two additional principles linked to our ESG vision:

- 2.1 **ESG integration:** We will explicitly consider ESG risks and opportunities in screening, due diligence, closing and monitoring of investments.
- 2.2 **Stewardship:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 2.3 **Performance measurement:** We are proactive in tracking sustainability performance across our Portfolio Companies' operations, aligned to widely accepted disclosure frameworks.
- 2.4 **Stakeholder engagement:** We will engage with Limited Partners and Portfolio Companies to promote the acceptance of our ESG principles within the investment industry.
- 2.5 **Collaboration:** We will work together to enhance our effectiveness in implementing our ESG vision, goals and Principles.



- 2.6 **Transparency:** We will publish dedicated sustainability reports or statements disclosing our ESG performance, including ESG-related metrics, indicators, and impacts.
- 2.7 **Transformation:** We are driven by our core purpose as a high impact investor and our ESG approach will, at all times, be driven with that mandate in mind.
- 2.8 **ESG as a value creation lever:** We will work with our Portfolio Companies to identify opportunities to create value through environmental, social and governance initiatives.

3. ESG FOCUS AREAS

The Principles underpin our ESG considerations and encompass six focus areas which we consider to be most material to our stakeholders, and where we believe we can achieve the most meaningful impact across our Portfolio Companies:

Environment	Social			Governance	
1. Environmental Impact	2. Diversity and Inclusion	3. Employee engagement	4. Work health and safety	5. Corporate Governance	6. Risk Management

Our ESG performance in each focus area is measured and tracked by a set of EDCI-aligned ESG metrics that are reported half yearly by all our Portfolio Companies using the Pulsora ESG data capture platform. We review our ESG focus areas and metrics on an annual basis to ensure they continue to be relevant to the evolving ESG landscape.

3.1 Environment

We have the following environmental objectives:

- Facilitate and support the transition towards a low carbon economy through our Portfolio Companies.
- Set a target date for achieving Net Zero for Allegro Funds’ (the GP) Scope 1 and Scope 2 operational emissions within an appropriate timeframe.
- Manage our Scope 3 financed emissions, by supporting all of our Fund III and Fund IV Portfolio Companies to set target dates for achieving Net Zero and establishing interim targets and decarbonisation plans.

When making investment decisions, we review each Portfolio Company’s policy on environmental issues and ensure that a plan is developed and implemented by each new Portfolio Company to minimise its environmental impact.

3.2 Social

We have the following social goals:

- Diversity and Inclusion: Develop a diverse and inclusive workforce across Portfolio Companies.
- Employee Engagement: Enable a highly engaged workforce and foster talents that are adaptable to market changes.
- Work Health and Safety: Uphold the highest standards of work health and safety practices.

Each Portfolio Company's impact on its employees, the general community, and the stakeholders with which it has direct contact are considered carefully by Allegro. By addressing social issues, Portfolio Companies can influence society's willingness to support or hinder it as a business.

3.3 Governance

We have the following governance goals:

- Corporate Governance: Maintain best practice corporate governance practices. Ensure that Allegro and all our Portfolio Companies implement and maintain a core set of ESG policies which ensure appropriate corporate governance and compliance with Australian and New Zealand laws and regulations.
- Risk Management: Ensure Allegro and each Portfolio Company have a robust risk management framework which embeds ESG. Allegro's ESG strategy requires all Allegro and Portfolio Company employees to complete annual cyber/data security training and employee code of conduct training.

The quality of Governance and related issues impact on the long-term success of Portfolio Companies. The nature of Investment Funds sometimes necessitates a shorter term consideration of the Portfolio Companies' interests than would ordinarily be the case.

We take corporate governance and risk management responsibilities seriously and we support the long term interests of our Portfolio Companies. We engage in dialogue with Portfolio Companies about their corporate governance standards and risk management processes on a regular basis.

We prefer to invest in Portfolio Companies where there is an opportunity to take a controlling interest with the right to at least two board seats. Allegro typically has at least two Deal team representatives on every Portfolio Company board and can thereby influence the appropriate governance and risk management policies for each Portfolio Company. Allegro also has a number of its Operating Partner representatives on the sub boards of our Portfolio Companies. These include the Audit and Risk Committee and People Remuneration Committee.

The remuneration of directors and senior executives of Portfolio Companies is designed to ensure:

- a. Long-term alignment with shareholder interests; and
- b. Performance hurdles are in place that are reasonable and transparent.

These policies and procedures are considered and reviewed by the Allegro board. The policies and procedures of our Portfolio Companies are reviewed annually.

4. APPROACH

We encourage and facilitate the consideration of ESG issues and the implementation of the Principles at each stage of the investment lifecycle. Our approach to ESG integration is set out below:

4.1 Deal Sourcing and Screening

In the deal sourcing and screening phase, we conduct negative screening of all potential investments (Targets) against our exclusion list (see 4.1.1 below) to determine whether the investment can be pursued. We aim to identify investment opportunities with positive ESG impact.

4.1.1: Company exclusion list

Allegro will not invest in:

- a. Companies that derive more than 15% of consolidated sales revenue or pre-tax profits from the production and manufacturing of cigarettes and other tobacco-related products; or
- b. Companies that generate 30% or more of their revenues from thermal coal extraction; or
- c. Companies involved in the manufacturing or production of weapons or components of controversial weapons including the following weapon systems: biological and chemical weapons, anti-personnel mines, cluster munitions, land mines, automatic and semi-automatic guns, depleted uranium, incendiary weapons and nuclear weapons.

4.2 Due Diligence

We conduct ESG due diligence on all investment Targets using Allegro's ESG due diligence toolkit to assess ESG risks and opportunities associated with the Target's products, services and operations. We also verify whether the Target currently meets or is able and willing to meet our minimum ESG standards on governance and risk management. For Targets where a mid-level or higher level ESG risk is identified, we use external experts to perform detailed investigation and to provide relevant information on industry standards and benchmarks.

In most cases, site visits are conducted to assess and validate ESG risks and opportunities. We may also conduct interviews with the Target's management to determine the Target's willingness and capability to address the identified key ESG issues.

ESG due diligence findings and recommendations are documented and presented to the Investment Committee for their consideration and to inform their investment decision.

4.3 ESG 100 day plan and strategy

When a decision is made to pursue a new investment, an ESG 100-day plan checklist is developed based on the ESG risks and opportunities identified in the due diligence findings and recommendations. As part of a new Portfolio Company's ESG onboarding, the company will be asked to complete a carbon baseline assessment; an ESG materiality assessment; and a climate risk assessment. The insights and learnings from these assessments are then used by the management team of the Portfolio Company to develop an ESG strategy with input from the Portfolio Company's board of directors and Allegro's Strategy & ESG Operating Partner.

Each Portfolio Company ESG strategy includes Allegro's mandatory ESG KPIs and a summary of two or three prioritised strategic ESG initiatives with any associated ESG specific commitments, targets and action plans.

4.4 Portfolio Company Management and Monitoring

As an active investor, we are committed to working together with our Portfolio Companies to uplift their ESG performance and reporting. In the management and monitoring phase, we support our Portfolio Companies to execute approved ESG initiatives, embed ESG risks into the risk management framework and ensure ESG governance gaps identified in due diligence are addressed.

To maintain oversight over the Portfolio Companies, regular ESG Board reporting and KPI monitoring mechanisms are established using the Pulsora ESG data collection and reporting platform. Depending on the importance of ESG to the Portfolio Company's overall strategy and risk profile, we may also identify escalation triggers for ESG breaches and incorporate ESG outcomes into management KPIs.

We recognise that ESG risks and opportunities will continue to evolve and hence we will support our Portfolio Companies to review their ESG strategy and update their approach as required.

4.5 ESG Stewardship

Allegro is committed to being a responsible investor and owner of companies. As part of this commitment we have integrated ESG into every stage of our investment lifecycle from due diligence through to exit. In order to ensure that Allegro team members and our Portfolio Company executives have a good understanding of ESG factors; know how to assess ESG risks and opportunities; are in a position to take accountability for ESG KPIs; set realistic ESG targets; and make progress with ESG performance improvement, Allegro invests in regular stewardship activities including:

- (i) Providing ESG onboarding support to new Portfolio Companies and ensuring they prioritise Allegro's key ESG focus areas. This includes introducing new companies to ESG advisors that can assist with ESG materiality assessments; carbon baseline assessments and climate risk assessments; and setting-up the new Portfolio Company on the Pulsora ESG data collection & reporting platform.
- (ii) Regular ESG training sessions for the whole Allegro team (for details on topics please see the Allegro ESG Stewardship Register).
- (iii) Regular ESG forum meetings with our Portfolio Company ESG Leads and ESG Data Leads hosted by our Strategy & ESG Operating Partner to discuss progress with the implementation of ESG strategies; review and compare Portfolio Company ESG KPIs; discuss and showcase new strategic ESG initiatives; and facilitate sharing and learning from each other.
- (iv) Annual ESG outreach meetings with ESG stakeholders at our largest LP investors to understand which ESG issues they are currently focused on with their GPs and to discuss our progress with our ESG integration and implementation.
- (v) Providing quarterly qualitative updates on ESG activities and half yearly quantitative ESG scorecards for our Portfolio Companies to our Limited Partners and stakeholders to monitor and report ESG performance.

- (vi) Initiating and participating in discussions with a wide range of external ESG experts and peers at other private equity funds to stay abreast of changes and developments in ESG regulations, frameworks and reporting obligations. Invest in ongoing professional development by completing ESG courses and participating in ESG and Responsible Investment conferences that are relevant to Allegro and portfolio companies.

4.6 Exit Planning

In the exit planning phase, we will support our Portfolio Companies to plan and facilitate a sale process. We will include considerations of ESG risks and opportunities in the positioning of the Portfolio Company and highlight the progress made against its ESG strategy. We may also disclose the Portfolio Company's ESG performance against globally recognised ESG disclosure guidelines relevant to that Portfolio Company (e.g. UNSDG, GRI, ESG data convergence initiative and/or TCFD) to provide relevant ESG information to potential buyers.

5. ROLES AND RESPONSIBILITIES

We believe everyone at Allegro has an important role to play in the effective execution of our ESG strategy and Responsible Investment policy, under oversight by the Board.

The Board has ultimate responsibility for Allegro's long term strategic ESG ambition and vision.

The Investment Committee (IC) is responsible for the funds' investments and for ensuring ESG considerations are factored into investment decisions and ongoing portfolio investment plans.

The Portfolio Company board and subcommittees are responsible for implementing the investment plan and the Portfolio Company's ESG strategy. The Allegro Deal Team is typically represented on the Portfolio Company boards and subcommittees.

Allegro's ESG Committee which comprises one Partner, one Managing Director and Allegro's Strategy & ESG Operating Partner, is responsible for overseeing and supporting the execution of Allegro's ESG strategy, policies, tools and other materials that ultimately lead to the proper implementation, maintenance and review of Allegro's ESG activities.

Allegro's dedicated Strategy & ESG Operating Partner is responsible for facilitating the development and implementation of an appropriate ESG strategy for each Portfolio Company, working closely with the CEOs, CFOs, ESG Leads and ESG Data Leads at each Portfolio Company.

6. MONITORING AND REPORTING

We will provide quarterly qualitative updates on ESG activities and half yearly quantitative ESG scorecards for our Portfolio Companies to our Limited Partners and other relevant stakeholders to keep them informed on our progress with our ESG Focus Areas. In the event of a serious ESG incident or breach, we will notify our Limited Partners and relevant stakeholders within a reasonable timeframe, including details of the incident

and corrective actions to address the issue.

As a signatory to the UN PRI, we are also committed to publicly reporting on our progress against our eight ESG principles on an annual basis.

7. CONFLICTS OF INTEREST AND POLITICAL ENGAGEMENT

We are committed to sound, responsible investment and ownership. Our reputation as an investor is ultimately defined by our business practices and behaviours and we deal fairly and honestly with our investors, other clients, Portfolio Companies, shareholders, colleagues, suppliers, competitors and other stakeholders. Safeguarding the interests of our investors is of paramount responsibility at Allegro. To fulfill this duty, we establish robust systems and controls to identify, prevent, and effectively manage any conflicts of interest that may arise. Guidance around managing potential conflicts of interest and political engagement are covered in our internal suite of policies, all of which is aligned to our ESG strategy and approach.

8. REVIEW

Our entire organisation including our Strategy & ESG Operating Partner, Board, Investment Committee, Deal Team, Operating Partners and Finance & Administration teams, are responsible for the implementation of this policy across Allegro and our Portfolio Companies. This policy will be reviewed by the ESG Steering Committee and Board on an annual basis and amended as appropriate.

Document Control

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