

# SUSTAINABLE INVESTMENT POLICY

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**“Sustainable revolution is as big as Industrial Revolution and grows as fast as digital revolution”**

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In Alaya Capital, we are committed to the sustainable development of the region. Since the beginning, we have been driven by our desire to promote enterprises that seek to change the world through technology and that create more abundant and more sustainable communities, with higher levels of well-being indexes.

We expect that our activity make an impact, in order to expand companies' business models, despite the possibilities of accessing the capital. In the long term, the capital produced by startups creates wealth and opportunities in the countries where they are. This generates a new economy with more employment and inclusion by respecting our planet and taking Latin America's countries to a developed economy.

We made the commitment to engage actively in this transformation, acting as responsible investors from the inside to the outside, by aligning the financial and the sustainable goals.

We are conscious that acting as responsible investors is a gradual process that involves the incorporation of better practices and continuous improvement; thus, we are committed to this process.

Moreover, we believe that our action will actively contribute to the achievement of the UN Sustainable Development Goals (SDG). We align ourselves with the goal of promoting industry, innovation and infrastructure (SDG 9) in companies that make it possible to access decent work and economic growth (SDG 8) and quality education (SDG 4), which contribute to reduce inequality (SDG 10), to zero poverty (SDG 1), zero hunger (SDG 2), and to achieve gender equality (SDG 5); that work for clean water and sanitation (SDG 6) and for affordable and clean energy (SDG 7), that take climate action (SDG 13), by creating sustainable cities and communities (SDG 11) with access to good health and well-being (SDG 3) through responsible consumption and production practices (SDG 12).

## Principles and commitments

Our code of ethics establishes the following general principles that will guide our action:

- Respect for Human Rights and individual freedoms,
- Protection of the environment and
- Collaboration to the development and wellbeing of communities and people are connected to.

Accordingly, on behalf of our own action and those of the companies we have in

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our portfolio, we are committed to follow the values and principles stated in the UN Global Compact as regards human rights, labor rights, environment and anti-corruption principles; as well as in the main international agreements signed during the UN conventions, the International Labour Organization and the OECD. In addition, as regards climate change, we support and promote the recommendations of Task Force on Climate-related Financial Disclosures TCFD.

When it comes to investing, we aspire to apply better practices in our role as responsible investors and we aim to communicate publicly our commitment to responsible investment, by signing the UN Principles for Responsible Investment (PRI).

## Mediums and dedicated Team

In Alaya Capital we understand that in order to effectively address the commitments made as responsible investors, we need to have a suitable ESG government structure, this is why:

- The Alaya Capital team will be responsible for the creation and fulfillment of ESG strategies, by having an Impact Manager, who will be in charge of examining the ESG criteria together with the Financial Investment Analysts.
- Each startup will have an Impact Council made up of impact experts in each startup's sector. Their function is to accompany and advise on impact management.
- We offer ESG training for the whole investment team
- We included the address of sustainability risks in the compulsory internal processes.
- The members of the companies in our portfolio are adequately trained in ESG and must appoint a person to run the ESG, who will be in charge of the implementation of the actions agreed in the investment.

Our ESG analysis focuses on helping responsible and purpose-driven companies, taking into account that:

- Purpose-driven companies are those businesses whose products or services have the ultimate aim of making a positive impact on the environment or on society.
  - Responsible companies are those who act responsibly with ESG in their activities, whether they make an impact on the environment and society or not.
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## ESG Strategy

Our approach is based on four basic foundations:

1. **Avoiding:** we avoid companies that go against our principles and values. We choose to invest only in those companies with sustainable business models and with long-term growth perspective.
2. **Analyzing:** we analyze the ESG practices of the companies and the UN SDGs achieved, ensuring that each investment impacts at least one of them. Our measurement system, based on industry best practices, helps us examine the impact a company's business has on the world - and how the world impacts its activities - to show all possible risks and opportunities.
3. **Interacting:** we interact with companies on ESG factors. Once the investment has been made, the startups have an Impact Council that accompanies them in developing and improving their impact indicators. In addition, we promote best practices through training, our views or holding senior management accountable when problems arise.
4. **Communicating:** we communicate our actions and achievements to our LPs with absolute transparency as regards impact issues. In turn, we give annual performance feedback to companies so they can track their path to impact.

## Integration of ESG factors in the investment process

We integrate our commitment on being responsible investors to everyday life, by integrating risks and sustainability opportunities to each stage of our investment process.

### 1. Pre-investment

We decided to exclude from our investing world certain activities we believe to be opposed to our investors' and our own principles; and that entail a high risk for our reputation. The investment opportunities considered go through a preliminary review, in which we dismiss those companies involved in any of the following businesses or activities:

- Production or distribution of tobacco or tobacco-related products
  - Games of chance
  - Products that lead to the limitation of people's rights or individual freedoms and human rights violations
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- Direct sale, supply, production or distribution of modern weaponry or military weapons
- Human cloning or any activity related to genetically modified organisms.

We also implement a "powered list" that positively weights companies with the following attributes:

- Companies led by at least one woman or members of underrepresented communities.
- Companies that clearly support at least one UN SDG in their value proposition.
- Companies that have a responsible policy towards the environment or underrepresented communities.

This implies special attention to these companies and avoids exclusion due to bias.

## 2. Evaluation

Companies that meet our investment criteria and do not belong to any of the excluded areas are subject to a prior analysis performed by the investment team. This process involves an impact analysis where the actual and potential impact of the company is evaluated in order for the Investment Committee to make an informed decision.

The process consists of two stages:

- **Evaluation:** apply the Impact Analysis to obtain a baseline and conclusions about the potential impact of the startup.
- **Recommendation:** The Impact Council meets with the evaluated startup and issues an opinion to the Investment Committee.

## 3. Investment Committee

At this stage, we make sure that the Committee receives all the financial and ESG information needed to make a decision, focusing on risks and opportunities in every aspect of the investment.

## 4. Due Diligence

To traditional financial Due Diligence, we add ESG evaluation of risks and opportunities, led by the Responsible Investment Analyst.

This ESG Due diligence will analyze the following aspects in all cases:

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- Respect for its workers' human rights
- Responsible investment policy 5
- Safe and healthy working conditions for employees and contractors
- Fair treatment for employees
- Responsible and careful environmental management through efficient use of natural resources and mitigation of environmental risks and damages. -
- Climate risks analysis and management
- Promotion of the Right of Collective Bargaining and Freedom of Association.
- Respect for the health, safety and well-being of people involved in their commercial activities.
- High standard of the company's integrity, avoidance of corruption in every aspect and compliance with the rules and laws against bribery, fraud and money laundering.
- Enforcement of good business management by clearly establishing responsibilities, procedures and controls, and application of better corporate governance practices.
- Adherence to inclusion and diversity policies
- Analysis of the main unfavorable events as regards sustainability of opportunities.

The results of this analysis must be included in a report of conclusions and recommendations that must contain:

- Detailed information about the main environmental risks and possible unfavorable events as regards sustainability, for decision-making purposes.
- Recommendations for mitigating environmental risks in order to reduce or eliminate the main possible unfavorable events and for exploring potential of opportunities found during the investment process.

In those cases in which Due Diligence identifies material environmental risks or possible unfavorable events, Alaya Capital will request commitment from the potentially invested company to mitigate these risks. Alaya Capital will support the company, so that they can do it by making action plans with goals, calendars and resources.

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## 5. Investment Decision

With the information obtained from Due Diligence, it is possible to make an investment decision that grants and formalizes the company's commitment to fulfill all the applicable ESG requirements, including ESG action Plans, and protecting the financial and legal reputation of Alaya Capital.

If it is assessed that the potential investee company will not meet the minimum ESG standards through a joint action plan within the next 5 years of its investment, the investment will be dismissed.

## 6. Creation of value

During the investment period, Alaya Capital assists the startup in managing its impact and keeps it informed about new externalities through two activities:

- Definition of the impact action plan with the Impact Council.
- Impact monitoring and reporting

## 7. Disinvestment

When approaching our exit, our main goal is to show that, when the moment of disinvestment comes, we have contributed to the creation of a more sustainable company from a social and environmental perspective. This is why, we will share with the potential buyers, a full report of the main results obtained as a consequence of ESG actions, taken during the investment period.

## Transparency and communication

The examination, planning and the ESG activities, will be notified quarterly to our LPs, in the Contributors Report, together with the financial evolution of the company. In addition, an Impact Assessment will be carried out annually, with the information obtained from the ESG criteria and the achievement of the UN Sustainable Development Goals.

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