

Sustainable Investment Policy summary

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Tabla de contenido

- Introduction 3**
- Definitions..... 3**
- Principles 4**
- Capital + SAFI’s strategic pillars of Sustainable investment 5**
- Management and integration of ESG and climate factors 5**
- Alignment of climate and natural capital issues in investment portfolios 7**
- Exclusions and sensitive investments 7**
- Impact investing 8**
- Stewardship: active management and collaboration 8**
- Governance..... 9**
- Conflict of interest..... 9**
- Review and compliance 10**
- Transparency and reporting 10**



Introduction

Capital + SAFI offers investment and financing solutions to its clients and issuers respectively with the aim of optimizing financial profitability and contributing to greater economic, social and environmentally sustainable progress.

To lead these investment solutions, a series of tools and techniques have been developed for the identification, analysis, evaluation and monitoring of climate, environmental, social and corporate governance risks arising from investments in private and public instruments to be applied and integrated into the standard investment and risk processes. In this regard, the purpose of this document is to describe how sustainable risks and/or opportunities are integrated into the investment decision-making process.

Definitions

ESG and Climate Change, ESG is the acronym for environmental, social and corporate governance and its aim is to manage non-financial risks that could affect the credit profile of a company subject to investment. In addition, under Capital + SAFI's commitment to a low-carbon economy, the climate change is separated from the environmental analysis as an additional and independent factor within the assessment, thus giving it the importance it requires.

Environmental, refers to any activity of a company that positively or negatively affects the environment¹, such as the efficient consumption of energy and water, a responsible disposal of hazardous waste, prevention of pollution and efficiency in the use of resources, natural capital management, among others.

Climate Change, concerns a change in the state of the climate that can be identified and that persists for an extended period, which is typically for some decades or more; it refers to any change in climate over time, whether due to natural variability or as a result of human activity². Climate change risks can be divided into two main categories:

- Physical risks: are those that derive from the increasing severity and frequency of extreme weather events or from a gradual and long-term change of the Earth's climate.
- Transition risks: derived from the commitments made by the signatories of the Paris Agreement and the consequent transition towards a decarbonized productive system, which imply a drastic transformation of the global economy through important changes in the regulations, the market or the technology.

Distinguishing between Climate and Environmental Risks. This document considers environmental risks such as the exposure in companies that may potentially cause or be affected by environmental degradation (such as air pollution, water pollution, water scarcity, reduced biodiversity and deforestation). On the other hand, climate-related risks refer to the exposure in companies vulnerable to physical or transition risks caused or related to climate

¹ Space in which the life of living beings develops and that allows the interaction among them. However, this system is not only made up of living beings, but also of abiotic (lifeless) elements and artificial elements.

² IPCC, Intergovernmental Group of Experts in Climate Change

change (such as damage caused by extreme weather events or a decrease in the value of assets in carbon-intensive sectors).

Social, some areas related to this factor are: the preservation of human rights, equality and diversity among employees, good labor practices, safety and product quality.

Corporate Governance, the corporate governance covers the rights and responsibilities in the management of a company. Thus, having a solid business management will create value in the long term, and therefore it is important to consider the following factors: good governance practices, complaint management, anti-corruption management, environment of control and executive committees, transparency and independence, among others.

Impact Investing, are those investments that through their approach have the objective of benefiting society and / or the environment. These investments do not imply philanthropic actions or non-repayable donations, but investments that seek a return on capital that is at least equal to what is invested, and that must intentionally, quantifiably and measurably produce a positive impact on the environment and/or society.

Natural capital, corresponds to the inventory of renewable and non-renewable natural resources (for example, plants, animals, air, water, soil, minerals), when combined generate a flow of benefits for people without necessarily having ownership of the asset.

Stewardship is defined as the use of influence by institutional investors to maximize the overall long-term value, including the value of common economic, social and environmental assets, upon which the returns and the interests of the clients and beneficiaries depend.

Scaling strategy, are specific strategies to scale the engagement in cases where the company is not open to dialog or where the dialog has not been constructive before active management.

Controversies are incidents that may have a negative impact on the *stakeholders*, the company operations, the corporate governance practices and/or products and services, and that allegedly violate national or international laws, and/or other commonly accepted global standards. These controversies can be, for example, a toxic waste spill (environmental), human rights violations (social) or corruption (corporate governance).

Materiality, is the threshold at which the aspects acquire sufficient importance so they must be reported. The report should cover aspects that: a) reflect the significant economic, environmental and social impacts (in their influence, both positive and negative to achieve a vision and a strategy) and b) influence the assessments and decisions of their stakeholders³.

Principles

Sustainable investing is a priority in Capital + SAFI together with the purpose of achieving attractive returns adjusted to the risks. Following this line, the analysis of the selection of potential issuers seeks to integrate the assessment of the ESG factors throughout the due diligence and monitoring processes. Thus, Capital + SAFI adopts the following principles defined by the PRI (Principles for Responsible Investment, UN):

³ Definition of GRI Sustainability

1. Incorporate the ESG factors in our analysis and decision-making processes in reference to private investments.
2. To be pioneers in incorporating ESG factors into our practices and policies
3. Seek a transparent disclosure of the ESG factors by the entities in which we invest.
4. Promote the acceptance and application of the Principles within the investment industry.
5. Work as a team to enhance our effectiveness in implementing the Principles
6. Report our activity and progress towards implementing the Principles.

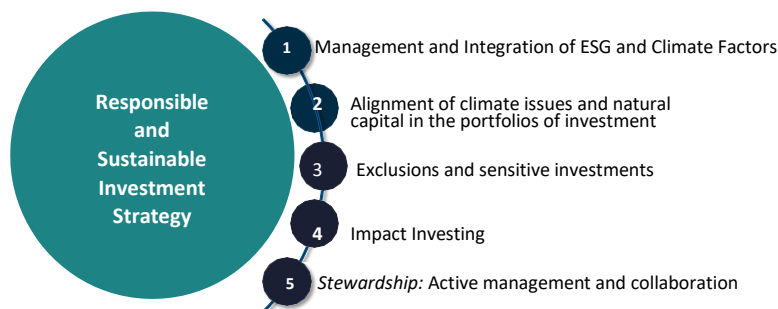
Capital + SAFI is aware of the importance of incorporating these principles in the management of assets, or in other words as a fiduciary duty, and acting in the best interests of the clients in the long term vision.

Capital + SAFI's strategic pillars of Sustainable investment

We define Sustainable investing as a spectrum of different approaches to identify and prioritize material sustainability issues (risks and opportunities) that impact the business model and how business activities affect the ecosystem in which it operates. Thus, we recognize the concept of double materiality with the purpose of:

- Mitigating environmental, climate, social and governance impacts that may result from investment decisions.
- Promoting sustainability and a long-term vision to create shared value.
- Generating impact investment solutions.

Therefore, Capital + SAFI's sustainable investment strategy is based on the following essential pillars:



Management and integration of ESG and climate factors

Capital + SAFI classifies investments into two groups: (i) public investments, (ii) private investments. The focus on each type of asset is presented below.

- i. **Public investments:** For the incorporation of ESG and climate factors in the investment process the ESG ratings of specialized companies, such as Bloomberg, MSCI, CDP, Rep Risk or others, will be monitored periodically. Essentially, it will be ensured that the

issuer's rating does not deteriorate significantly and that the portfolio rating by asset type presents a moderate level of risk. In case of not having an ESG rating by specialized companies, the analysis will rely on the document "Methodology for the Analysis and Evaluation of the ESG and Climate Profile" which includes the techniques to assess specific factors for this type of asset (does not apply to investments in mutual funds, Exchange Traded Funds (ETFs) or similar).

ii. **Local private investments:** the method to be applied for private investments in Capital + SAFI will be that of "ESG Integration", which refers to the systematic and explicit inclusion of ESG and Climate factors in the analysis of potential investments, thus allowing to identify risks and related opportunities. This approach helps to minimize the possible risks that an investment may generate with exposure to ESG factors and, at the same time, it contributes to improving business behavior and progressively maximizing exposure in long-term sustainable investments. Likewise, it becomes a complementary tool for financial analysis, providing an additional level to the analysis of investment risk. The integration of these criteria in the investment process is based on three stages:

- **Preliminary analysis**, consists of identifying potential warning signs or main risks to which the industry and the business model could be exposed, or if applicable, the potential investment project, reviewing the model questionnaire and its application to the issuer subject to investment, or another tool that contributes to the verification of the issues related to environmental, climate, social and corporate governance practices. Likewise, when appropriate, the exposure to the risk of deforestation is evaluated and/or the level of dependence on natural capital in the investable sectors/companies. Finally, it is also analyzed if the sector/company is one that is within the guidelines for exclusions and sensitive investments.
- **Due diligence and investment decision**, refers to carrying out interviews with issuers, the administration of ESG questionnaires, the analysis of the information through metrics (qualitative and/or quantitative) to monitor the ESG and climate factors identified, an evaluation of the level of compliance with national environmental regulations and international treaties and the assessment of potential adverse environmental or social impacts of the potential investment. The document "Methodology for the Analysis and Evaluation of the ESG and Climate Profile" provides the tools to evaluate specific factors that weight qualitative variables, thus allowing to identify and assess the ESG and climate risk profile of each company subject to an investment. This information is presented to the Investment Committee, so an investment decision is made taking into account the level of exposure of these risks in the portfolio. Likewise, the Investment Committee determines the monitoring needs for specific factors and may assess the need to implement actions to promote, influence and/or collaborate with the company in improving its ESG and climate practices (*Stewardship* tactic) through an action plan.
- **Risk management and monitoring**, the possible changes in ESG and climate factors and the impact on the risk appetite of each issuer and managed fund, are identified. Likewise, in the case of a material event and/or controversy, the details of the same must be requested from the issuer and presented to the

Investment Committee. In case of carrying out a *stewardship* action plan for investments in particular, the objectives completed according to the plan that it was established must be followed. Finally, there are periodic annual reports prepared at the portfolio (Investment Fund) and individual level for the information of the Investment Committee.

Additionally, for the selection, appointment and monitoring of investment advisers/consultants, the integration of ESG and climate factors is included as an additional attribute if there is an update or new contracting of this type of account.

Alignment of climate and natural capital issues in investment portfolios

In its commitment to contribute positively towards a low-carbon economy, there is a plan of implementation and progressive development of metrics to measure and reduce the climate impact in investment portfolios. Moreover, the investment process contemplates the evaluation, analysis and management of relevant parameters and factors that may affect the issuers' business model.

The climate management framework is reflected in the document "Framework for Management of Risks Associated to the Climate Change". The existing methodologies and metrics will evolve and will require improvements over time.

Additionally, if there is an impact investment fund focused on objectives related to climate change, they must be aligned with the Paris Agreement.

On the other hand, Capital + SAFI recognizes the value of natural capital as an indispensable asset that provides goods and services necessary for societies to prosper and economies to grow. Thus, it understands that the responsible management of natural resources, as well as the conservation of ecosystems and biodiversity, are crucial for the resilience of companies' business models. In this understanding, there is a commitment to integrate the sustainable use of natural resources, the protection of biodiversity, the conservation of water resources, and the prevention of deforestation as part of the environmental and climate risk and impact management process. The analysis and evaluation of deforestation risks will focus mainly on companies engaged in activities related to the production, supply, and commercialization of soybeans, palm oil, cattle, and timber. The measurement of the risk level will be carried out based on the "Deforestation Risk Map".

Exclusions and sensitive investments

The ESG and climate factors management model is not based on exclusions. However, it is recognized that there is climate, social, environmental, corporate governance or ethical aspects that may be particularly sensitive and thus require a cautious approach. Namely, certain behaviors and products could be incompatible with the sustainability centered on creating shared value.

Therefore, there are restrictions that seek to address these problems in two areas:

- Controversial behavior, where attention is paid to the violation of the principles of the United Nations Global Compact (UNGP) to which Capital + SAFI is adhered and to certain controversies classified as "very severe" (extraordinary events arising in issuers that question their action on issues related to relevant ESG aspects: sanctions for bad practices, breaches of international/local regulations, environmental catastrophes,

violation of human rights, corruption or others). The objective is that in a first instance the company in question be encouraged to make a positive transformation towards responsible practices. The transformation period can be defined by the Investment Committee, and in case the agreed changes are not evidenced the company will be excluded.

- Controversial products, there will be restrictions on companies that are directly or indirectly involved in certain activities related to: illegal activities, gambling, casinos and similar companies, trade in wildlife or wildlife products regulated by CITES⁴, production or activities that involve harmful or exploitative forms like forced labor/inappropriate child labor, controversial weapons⁵, thermal coal (companies deriving more than 30% of their income will be excluded), or companies engaged in the production and exploration of tar sands for more than 30% of their income, companies that sell or produce alcoholic beverages (excluding beer and wine) and finally, companies that sell or produce tobacco. In the last two cases, it includes those issuers that the selling of these products corresponds to more than 5% of their sales. Finally, any other that is determined in the Investment Policy of the funds is considered.

Exceptionally, in some cases it could be assessed the investment in a company that could be subject to these restrictions. The approval of these exceptions will be in charge of the Investment Committee.

Impact investing

Whitin the range of Capital + SAFI's financial solutions are the impact investment funds whose main characteristic is that they are made with the intention of generating a positive and measurable social and environmental impact together with a financial return.

Therefore, an impact investment product must meet the following criteria:

- The strategic impact objective should focus or be aligned on issues that meet one or more of the Sustainable Development Goals.
- The impact must be measurable, measured and subject to reporting.

The funds under this strategy must have a theory of change or impact thesis prepared in collaboration with experts from different areas as clear and measurable impact objectives. The impact management of these funds must be based on international standards such as the SDG *Impact Standards* and/or the Operating Principles of Impact Management of the IFC.

Stewardship: active management and collaboration

Our sustainable investment strategy to manage ESG and climate factors in the investment process is complemented by a *stewardship* strategy whose main objectives are: support potential issuers to understand, adopt, and report social and environmental risks as a sustainable development tool, maximizing the value for the issuers and the investors, to influence and support

⁴ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora.

⁵ For the definition of controversial weapons, it will be used the criteria included in international agreements, such as the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Antipersonnel Mines and on their Destruction (1997); Convention on cluster munitions (2008).

issuers to create and/or improve sustainable business models in the long term and to actively participate as agents of change to create shared value.

- **Active management**, an active management is based on a prioritization strategy that takes into account the following: level of influence with the issuer, type of asset and investment instrument, level of exposure in the issuer, degree of access to the issuer, level of materiality of the ESG and/or climate risk and its impact on the issuer's financial and operational performance, issuer's performance reflected in the risk level and/or score of ESG and climate factors, and the relevance of the situation and the ability to be heard. Based on this prioritization, are followed some guidelines by type of asset and instrument in order to achieve the aforementioned stewardship objectives.
- **Collaboration**, the collaboration with other long-term investors and the different *stakeholders* contribute to achieving common objectives, and especially to the mitigation of systemic risks. In this sense, the commitment is to be able to work and/or create strategic alliances with various stakeholders. It is about maintaining an active participation in the financial market to promote sustainable finance and long-term value creation. Due to the importance of collaborative work, Capital+ SAFI prefer this method for the active management with its issuers.
- **Scaling Strategies**, since it is established a robust approach for screening and monitoring investments, we do not expect to scale our stewardship activities (on the applicable assets) on a frequent basis. In cases that cannot be resolved or when the expected change cannot be generated, the following escalation alternatives may be followed: additional meetings with senior management, meetings with the members of the Board of Directors, intervening together with other institutions/creditors, or reducing or getting out of the position.
- **Process to activate the engagement plan**, the workflow includes the definition of the scope of the Active Management Plan based on the prioritization variables, the structuring of an Active Management Plan, the determination of the level of complexity of active management, timelines, milestones, KPIs and resources, selection of the best tools to influence, definition of scaling strategies if applicable and monitoring of results.

Governance

A sustainable investment requires an effective governance and organization with a clear understanding of the roles and responsibilities of the different working groups. Capital + SAFI is fully committed to the sustainable investment; this commitment starts at the highest level within the organization. As a result, the governance is divided into three approaches: supervision, implementation, control and transparency.

Capital + SAFI considers human capital as a fundamental pillar in the company's operations. In this sense, there are assessments of the needs for knowledge, skills and tools on the issues of sustainability that are carried out biannually for the management of a training plan.

Conflict of interest

The identification and management of possible conflicts of interest that may arise during the management of responsible and sustainable investments is carried out through the Integrated Risk Management Committee and the main purpose of it is ensuring that the interest of the investors of

each Investment Fund under management always prevails over the interests of the Management Company and its shareholders.

Likewise, the processes are subject to the scope of article 103 of the Securities Market Law No. 1834 and/or any other provision that comes into force and regulates the matter.

Review and compliance

The area of Public Investments will carry out a review of the policy to propose changes to the Board of Directors of Capital + SAFI. with an annual frequency or in a shorter span of time in situations of change.

On the other hand, the Integrated Risk Management and Internal Audit Unit will be the instances of control and compliance with this policy.

Transparency and reporting

We strive to be transparent about how we work with and incorporate ESG factors into the investment process and in the different activities of sustainable investment. For this reason, we periodically inform through our website presenting a summary of the main documents related to Sustainable and Impact investments, and also providing our annual Sustainability and Impact Report. Likewise, there are reporting mechanisms available to the Investment Committee and investors of the funds.

