

# RESPONSIBLE INVESTMENT POLICY

Acumen LatAm Impact Ventures  
2021





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# 1. Purpose and Scope

The purpose of the Responsible Investment Policy (the “Policy”) is to describe the framework governing ALIVE's operations, its commitment to investing in companies benefitting low-income communities, and its approach to ESG (environmental, social & governance) and sustainability across its portfolio and activities.

ALIVE promotes compliance with this Policy and all its principles. This Policy is continuously communicated both internally and externally as well as publicly available at <https://alive-ventures.com/>

This policy applies to all of ALIVE's investments and operations.

The Responsible Investment Policy is reviewed and updated as required and at least annually.





## 2. About Us

**Acumen LatAm Impact Ventures – ALIVE – is a new type of Latin American fund manager.**

- A fund manager that places impact at centerstage, measuring impact using a data driven approach to not only count lives but more importantly to understand how lives are being impacted.
- A fund manager that incorporates gender lens investing every step of the way, from origination to post-investment management.
- A fund manager that seeks to build a vibrant community of like-minded investors that truly care about impact and learning.
- A fund manager that seeks to grow the impact investing space in Latin America by collaborating and sharing knowledge broadly.
- And finally, but equally importantly, a fund manager that seeks to provide attractive risk adjusted returns to its investors.

### i) Our Purpose

The growing inequality in the region, coupled with the rise of high caliber mission driven entrepreneurs that are addressing the needs of low-income population by taking advantage of the region's key competitive market conditions, presents a substantial opportunity for investors to achieve both social and financial returns while making a lasting impact. These companies are an important engine of growth in the region and have the capacity to truly drive change. However, most of these enterprises struggle to obtain investment capital. ALIVE intends to provide critical capital and operational support to enable these businesses to scale their operations, maximize their impact, and reach long-term financial profitability.

### ii) ESG Commitment

ALIVE understands responsible investment as a strategy and practice to incorporate environmental, social, and governance (ESG) factors in investment decisions and active ownership<sup>1</sup>. ALIVE is convinced of the positive effect that implementing best ESG practices has in its portfolio companies and subsequently in the long-term performance of its investment portfolios. As a result, ALIVE commits to not only include ESG assessments throughout its investment processes, but also to proactively engage with all portfolio companies and support them in the implementation of best ESG practices and periodically measure these matters throughout the investment life.

As an asset manager, ALIVE has a duty to act in the best long-term interests of its investors. In this fiduciary role, we believe that ESG matters can have a positive effect on the performance of investment portfolios. We also recognize that applying the UNPRI Principles may better align investors with the broader objectives of society. In that sense, ALIVE will make its best possible efforts to maintain its status as a PRI signatory and adopt ESG good practices.

Placing impact as the central axis of ALIVE's investment focus requires a strong ESG commitment. By performing a thorough analysis of ESG matters and fomenting the implementation of ESG best practices across its portfolio, ALIVE is ensuring that its investment and social impact purpose is fulfilled. Therefore, responsible investment is a key factor that pushes ALIVE to achieve its goal of providing capital and support to companies that are addressing the needs of low-income populations.

1. As defined by the Principles for Responsible Investment available at: <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>

# 3. Our Principles

ALIVE is committed to incorporate ESG issues into investment analysis and decision-making processes as well as to encourage our portfolio companies to adopt policies and practices that foster sustainability and social responsibility. ALIVE is guided by, and encourages its portfolio to, implement the following ESG principles:

## Environment

- Evaluate the environmental impact caused by the operations and across the value chain of its investments.
- Minimize the production of emissions, toxic pollution, and any harm that could result from its operations and investments.
- Never participate in activities or projects that would lead to loss of habitat, environmental loss, or over-exploitation of resources.

## Social

- Ensure all employees are of legal minimum working age and their positions are compliant with decent work and non-exploitation policies.
- Ensure the formalization of all workers involved in its operations and promote formalization throughout its value chain.
- Protect local communities and mitigate all negative impacts that could stem from its operations.
- Defend and preserve both the cultural heritage and the indigenous communities that may be impacted by or benefit from its operations.
- Implement standards of transparency, accuracy, and non-discrimination in all internal or external advertising and communications.

## Governance

- Follow anti-money laundering and non-financing of terrorism practices.
- Be transparent and accurate in all information shared with third parties.
- Promote salary equity and equal treatment and opportunities without discrimination based on sex, gender, sexual identity, sexual orientation, ethnicity, race, nationality, culture, age, marital status, parental status, political alignment, or religion.



# 4. Impact Thesis

For ALIVE, impact measurement is not just a reporting activity or only about counting people. We truly believe the impact our companies have across their respective value chains represent a unique competitive advantage. For us, measuring impact is similar and equally important to measuring financial and operational performance.

ALIVE measures impact based on Acumen's tri-dimensional framework:

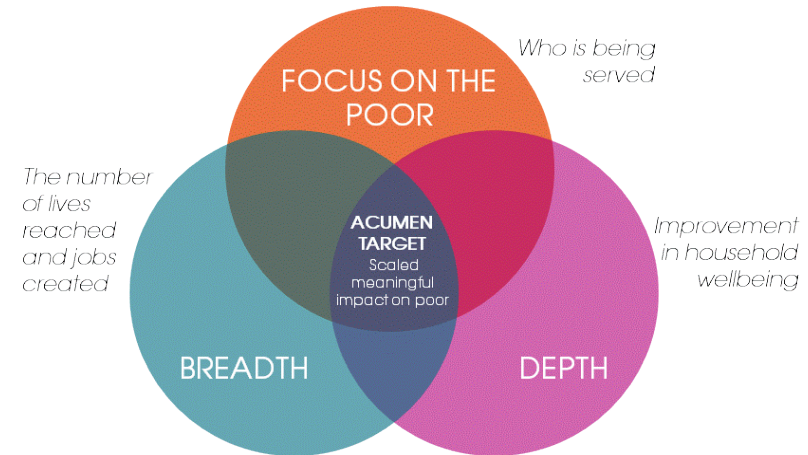
- **Breadth:** Number of lives impacted, and number of jobs created
- **Poverty Focus:** Understanding of the socio-economic conditions of the population benefited by a particular company
- **Depth:** Measure of meaningful change to a person or household's wellbeing

## Gender Lens Approach:

In order to counteract the pervasive discrimination and power dynamics that limit opportunities for women in Latin America, ALIVE applies a robust gender lens to its investing activities, from initial due diligence to exit. This allows the fund to support investees to achieve greater gender equality and ensure that women have the

same opportunities as employees, customers, and suppliers of our investees.

While ALIVE does not screen out companies that are not owned or managed by women in its selection process, ALIVE ensures to only invest in companies that are committed to working towards gender equality. In this regard, ALIVE works closely with the companies to develop specific plans and dedicate resources to support gender equality implementation projects throughout the portfolio.



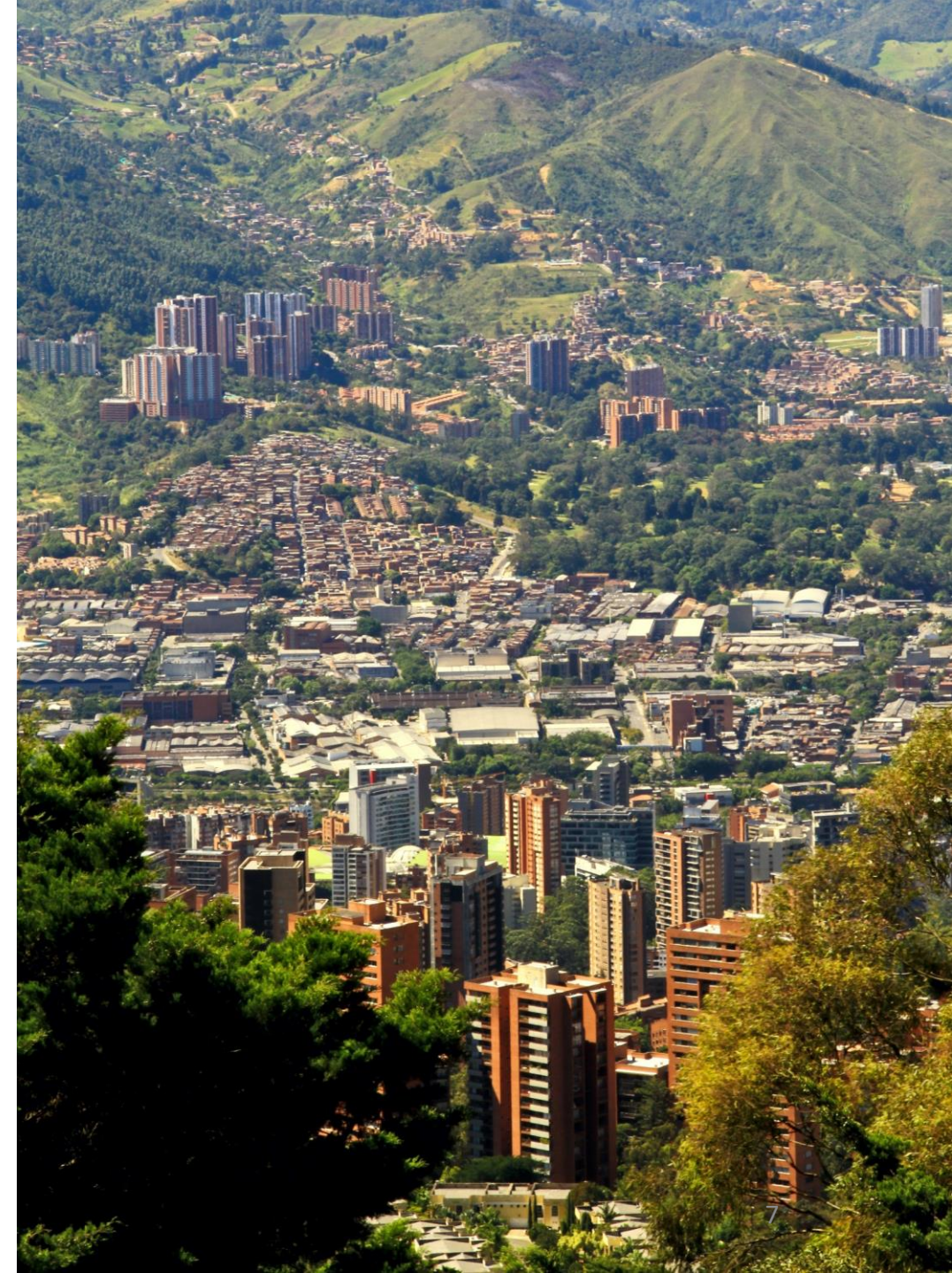
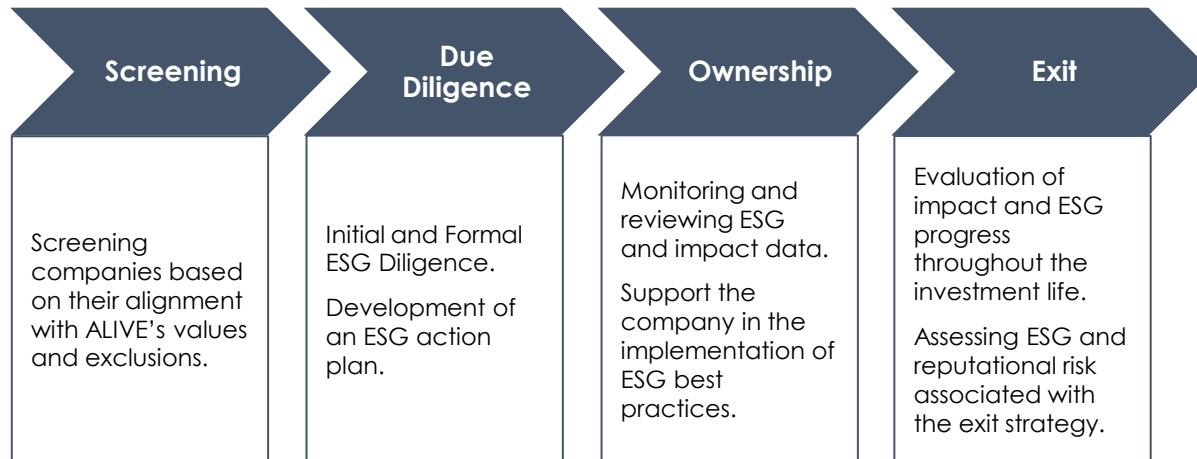
# 5. ESG approach incorporated within ALIVE's investment process

## Initial ESG Diligence

In the Initial Due Diligence, ALIVE analyzes ESG alignment and potential ESG risks, based on the company's sector, sub-sector and geography, and an initial understanding of the company's operations. This first approach serves as a base for the formal ESG diligence that is conducted during the formal Due Diligence process.

## Formal ESG Diligence

ALIVE conducts a formal ESG diligence process for all its potential investments, based on industry standard practices and guidelines outlined by several prospective Investors. During formal Due Diligence, ALIVE conducts extensive ESG diligence, focusing on areas highlighted from the initial ESG risk evaluation. The ESG diligence is meant to uncover ESG risks, identify potential risk mitigants and/or the lack thereof, as well as evaluate areas for potential ESG improvements. In areas where ALIVE identifies high ESG risks, and which require specific and deep domain expertise (e.g., supply chain audit), external experts are engaged as consultants to aid in diligence and verification.





## 6. Excluded Activities

ALIVE will not invest in enterprises involved in the production, trade, or use of the products, substances or activities listed below:

- Forestry projects or operations that are not consistent with the Inter-American Development Bank's Environment and Safeguards Compliance Policy (GN-2208-20)
- *Forced labor or child labor.* Forced labor means all work or service not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions. Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.
- *Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:* Ozone depleting substances<sup>1</sup>, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals<sup>2</sup>, pesticides/herbicides or chemicals<sup>3</sup>; Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or Unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
- *Cross-border trade in waste and waste products, unless compliant with the Basel convention and the underlying regulations.*
- *Destruction of high conservation value areas.* Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance. For more information, please visit the HCV Resource Network.

1. Ozone Depleting Substances (ODSs) are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. The chemical compounds regulated by the Montreal Protocol include aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. ([www.unep.org/ozone/montreal.shtml](http://www.unep.org/ozone/montreal.shtml)).

2. Pharmaceutical products subject to phase outs or bans in United Nations, *Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments.* (Last version 2001, [www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001\\_3.pdf](http://www.who.int/medicines/library/qsm/edm-qsm-2001-3/edm-qsm-2001_3.pdf))

3. Pesticides and herbicides subject to phase outs or bans included in both the Rotterdam Convention ([www.pic.int](http://www.pic.int)) and the Stockholm Convention ([www.pops.int](http://www.pops.int)).



## 6/

- *Radioactive materials and unbounded asbestos fibers*<sup>1</sup>. This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.
- *Pornography or prostitution.*
- *Racist and anti-democratic media.*
- *In the event that any of the following products form a substantial part of a company's primary operations, or a financial institution, investment fund or company's financed business activities:*
  - alcoholic beverages (except beer and wine);
  - tobacco;
  - weapons and munitions;
  - gambling, casinos and equivalent enterprises.

"Substantial" means more than 10 % of a financed institution's/company's consolidated balance sheet or earnings. For Financial Institutions, "Substantial" means more than 10% of a Financial Institution's underlying portfolio volume.

1. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.



# Thank you

