



GEF Capital Partners Latam (“GEFCP Latam” or “Firm”) hereby affirms its commitment to the Operating Principles for Impact Management (“Principles”), as the first Signatory in Brazil.

The Disclosure Statement, which is supported by third-party verification, affirms that GEFCP Latam’s core investment activities and impact systems are managed in alignment with the Principles. As of May 1st, 2021, the total value of assets under management in alignment with the Principles is USD 114.7M¹.



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¹ This Disclosure Statement has been prepared in response to Principle 9 of the Operating Principles for Impact Management. The information contained in this document has been prepared by third parties for GEF Capital Partners Latam and/or its affiliates. Use of this Disclosure Statement is limited solely for the purposes set forth herein and therein.

Principle 1

The Investor shall define strategic impact objectives for the portfolio or Investor to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Investor shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- i. GEFCP Latam has well-defined strategic impact objectives for the portfolio, which aim to achieve positive and measurable socio and environmental (S&E) effects aligned to the SDGs. We focus our investments on companies that promote societal impact in alignment with three core themes: (i) Energy, (ii) Food and Agriculture, and (iii) Urban Solutions. These three main themes were defined as a result of a thorough analysis of the three global macro trends that guide GEFCP Latam's investment approach: population growth and aging, climate change and urbanization. These macro trends may lead to adverse societal outcomes (e.g., extreme weather events, water crisis, biodiversity loss), which GEFCP Latam aims to mitigate through its investments. In order to fulfill our investment criteria, companies operating in those three themes must not only be well positioned to achieve high growth and financial returns, but also to provoke positive impact on the environment and the use of natural resources. Within the Energy sector, we seek to invest in opportunities related to renewable generation and energy efficiency, which are typically associated with SDGs 6, 7, 11, 12, 13, 14 and 15. In line with the Food and Agriculture theme, we seek to invest in business models that contribute to increased access to healthy dietary options and that use resources efficiently, contributing to substantial reduction of GHG emissions, typically aligned with SDGs 2, 3, 6, 8, 12, 13 and 16. Lastly, within the Urban Solutions theme, our focus is to invest in companies that help introduce efficiency on urban planning, including solutions in transportation and health systems, improved sanitation and hygiene and enhanced access to high-quality healthcare services. These impact goals are measured in-house through metrics that evaluate social aspects, resource efficiency and emissions reductions. GEFCP Latam is currently working to introduce SASB's materiality map to all impact measuring activities.

- ii. GEFCP Latam's impact objectives are consistent with our investment strategy and mandate as thematic investors, fully integrating ESG and impact considerations into our Private Equity investment cycle. We seek to find impactful business opportunities, but more importantly, we seek to potentialize impact creation in our portfolio companies.
- iii. GEFCP Latam's investment approach considers the following criteria to filter opportunities: prospective companies should (i) be operating in a market where it can achieve high growth and financial returns above the market rate and (ii) have a positive impact on the environment and the use of natural resources. We demonstrate our intentionality by searching companies aligned with our investment themes (detailed in i) and by requiring them to strengthening their commitment to impact commitment, once they become a portfolio company.

Principle 2

The Investor shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, The Investor shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- i. GEFCP Latam has tacit practices in place for assessing impact on a portfolio basis and a formalized practice for assessing and managing the impact performance of each portfolio company (on a case-by-case basis). We have developed a solid Impact management methodology (TRUEVALUE) that includes introduction of an early impact assessment (based on the Impact Management Project (“IMP”) Evaluation, and alignment with the UN SDGs), an ESG assessment (based on some of the most rigorous standards, including the Operating Principles), industry specific metrics, which are reported at the ESG Committee meetings held for each portfolio company. Consolidated information of the portfolio is reported at the Annual Impact Report.
- ii. At GEFCP Latam, staff compensation is aligned with impact creation and targets are defined based on progress related to B-Corp scoring .

Principle 3

The Investor shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.³ The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- i. GEFCP Latam analyses each of its portfolio's investments under the ESG and Impact lens, on which basis it elaborates a shared value strategy and suggests an action plan, based on standardized assessments of each of the companies' impact. The actions established are agreed upon and formalized with the companies, monitored, and periodically reported to the Investor. Such assessments and definition of actions are made through a systematic framework based on international best practices and references. These ex-ante and ex-post assessments are crucial for GEFCP Latam to establish and achieve its impact objectives. As a growth investing firm with hands-on approach, GEFCP Latam actively contributes with portfolio companies in the incorporation of a comprehensive ESG strategy, aiming at maximizing shared value.
- ii. GEFCP Latam's contribution goes beyond just financial considerations. The firm assists portfolio companies in building ESG capabilities (which often means creating a dedicated team), and Impact management processes. It elaborates an ESG and Impact Action Plan for each of the companies, which takes a fundamental part on their strategic planning (100-days plan). GEFCP Latam also works closely with portfolio companies to monitor and implement ESG and Impact actions (e.g., ESAP, ESMS, strict HR policies, resource efficiency practices, etc.). The firm will also get closely involved in the companies' high-level management and nominate board members.

Principle 4

For each investment the Investor shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Investor shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Investor shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

- i. GEFCP Latam assesses and, when possible, quantifies each investment's potential impact in advance. The firm's ESG and Impact Management Framework's (TRUEVALUE) is applied throughout the investment cycle. The Early Assessment and Fit Index are introduced in the origination phase to assess the potential positive impact of the investment and identify the company's theory of change. The evaluation relies on IMP and the UN SDGs frameworks – considered international best practice -, allowing for an early quantification of the potential impact, especially through the 'What' and 'How Much' dimensions of the IMP framework. Positive ESG effects derived from the investment are also generally assessed through the application of the SDG framework (initial potential red flags are raised at this stage, which might require a more thorough analysis at DD).
- ii. Through the Early Assessment Tool, the firm assesses each of the nine risk types as proposed by the IMP framework (levels of risk vary from Low to High), which allows for the identification of risk levels, contributing to a qualitative evaluation of factors that cause impact to drift from original expectations.
- iii. The analyses are evidence-based and companies' potential impact is assessed relatively to the size of the challenge addressed within the targeted geographical context.
- iv. Although GEFCP Latam seeks to invest in companies that are well positioned to prosper financially, one of the firm's main goals is to help potentialize portfolio companies' positive impact creation, which is reflected in its ESG and Impact Management Framework. At Due Diligence stage, alongside other customary works, GEFCP Latam performs an in-house ESG diligence, based on a proprietary ESG assessment, which is expected to help the firm understand the target investment's level of compliance to ESG factors and risks. A comprehensive diagnosis will be derived out of this work, which is then used to elaborate an ESG and Impact Action Plan that goes into the 100-Days Plan. This Action Plan aims

- at not only mitigating risks but also at proposing avenues for portfolio companies to maximize positive impact. Risks specified in the diagnosis are thoroughly analyzed, and some of which might be mitigated through specific clauses in the transaction documents.
- v. GEFCP Latam considers relevant indirect and systemic impacts when assessing the expected impact of each potential investment. The UN SDG Framework is also useful in that it helps analyze the positive and negative impacts of the potential investments on a life-cycle basis, therefore identifying some indirect impacts. The firm considers the findings of such analyses in its decision-making process.
 - vi. The indicators used by the Investor to manage ESG and Impact issues are aligned with industry standards and best practices. In the Origination phase, SDG indicators are used to assess the company's potential impact. In the Due Diligence phase, GEF uses IFC Performance Standards and EHS Guidelines (alongside other equally robust standards) to identify and monitor some ESG factors. Lastly, post-investment, impact performance indicators are introduced for ongoing monitoring. The firm currently utilizes sector-specific IRIS+ based indicators but is currently working to incorporate the SASB industry-specific Materiality Map across the portfolio.

Principle 5

For each investment the Investor shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Investor shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Investor shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- i. GEFCP Latam utilizes a systematic and documented process to identify, avoid, mitigate and manage ESG risks of each of its investments. The firm's ESG and Impact Management Framework follows a rigorous process of identification and assessment of compliance with ESG factors and relevant risks (Due Diligence stage) for each potential investment. The identification process is supported by interviews with the target's executives and the introduction of an ESG questionnaire, based on international good practices: IFC Performance Standards, IFC Environment, Health and Safety Guidelines,

OECD Corporate Governance Guidelines and International Labor Organization (ILO). The resulting work will lead to the preparation of a diagnosis, which will be the basis of a comprehensive ESG Action Plan. The action plan assigns accountability at the portfolio and firm level and proposes milestones of implementation of each action point. The ESG action plan is introduced post-investment and monitored at the ESG Committee monthly meetings.

- ii. At GEFCP Latam interactions with portfolio companies are frequent and aim to guide portfolio companies through a prosperous value creation path, which includes integrating risk-mitigating ESG factors. Key committees are created once the investment has been made, including the ESG Committee, whose members meet monthly to report on the progress of the ESG action plan implementation and quantitative impact metrics. Beyond these official monthly meetings, the firm's investment team and executives from the portfolio companies typically hold interim informal meetings, as necessary. As previously described, TRUEVALUE is based on international rigorous practice.

Principle 6

The Investor shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Investor shall seek to pursue appropriate action. The Investor shall also seek to use the results framework to capture investment outcomes.

- i. GEFCP Latam utilizes the results framework to monitor progress toward the achievement of positive impacts. Impact performance indicators are monitored by each invested company in the monitoring stage of the investment cycle and reported to and discussed at the ESG Committee monthly meetings. Close monitoring of the portfolio impact allows the investment team to adjust practices in case it identifies that companies have not been evolving satisfactorily. Recruiting executives aligned with the firm's proposed ESG strategy, creating and introducing a robust compensation methodology that accounts for

impact alignment, are some of the initiatives undertaken by GEFCP Latam to maximize the likelihood that a well defined ESG strategy will be smoothly implemented.

- ii. The firm uses a predefined process to monitor progress toward impact achievement. GEFCP Latam monitors the progress of the impact performance of its portfolio companies in the ESG Committee monthly meetings, through the analysis and discussion of key impact performance indicators. Accountability to collect relevant impact/ESG-related data is typically spread across different departments within the portfolio company, and all participating members are expected to take part and provide their inputs.

Principle 7

When conducting an exit, The Investor shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- i. GEFCP Latam does not explicitly state its commitment to consider the effects which the timing, structure and process of its exit will have on the sustainability of the impact. However, the firm has some tacit practices for exiting an investment that take the sustainability of the impact into consideration, in line with its shared value generation mission. In the firm's 2020 Annual Impact Report to be published by July/2021, updated information about two recent exits will be provided.

Principle 8

The Investor shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- i. GEFCP Latam reviews and documents the impact performance of each of its investments. Each portfolio company's impact achievement performance is monitored and reviewed through the monitoring stage at (i) the monthly ESG Committee meetings, (ii) the quarterly meetings of the GEF's OKR team, (iii) the quarterly reporting to the Global Investment

Committee, and (iv) the quarterly reporting to the LPs. The actual impact performance of each invested company is later documented by the firm in its Annual Report.

- ii. GEFCP Latam utilizes findings from impact performance reviews to update and improve its ESG and Impact management methodology and may apply lessons learned at any portfolio companies.

Principle 9

The Investor shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- i. GEFCP Latam has formally adhered to the Impact Principles in 2020. In line with the official requirements, it states that it will publicly disclose, on an Annual basis, a report on its alignment with the Impact Principles to accompany its Disclosure Statement. This report shall be done through GEF's Annual Reports and also communicated through its main channels of communication (i.e., website, LinkedIn, etc.). Such alignment report will follow international best practices for independent verification, to be done at regular intervals.
- ii. The conclusions of the verification reports will also be publicly disclosed.
- iii. SITAWI is providing the independent verification of the firm's impact management systems and its alignment with the Principles. The conclusions of the 2020 analysis will be publicly disclosed.
- iv. Qualifications of Sitawi: "SITAWI Finance for Good is a pioneer organization in the development of financial solutions for social impact and in the analysis of the social and environmental performance of companies and financial institutions. Founded in 2008, SITAWI has offices in Rio de Janeiro, São Paulo and Bogotá"
- v. Most recent review: May 2021
- vi. Next planned review: May 2022