

# Environmental & Social Policy

## Introduction

PC Capital was founded in 2008 with the objective of contributing to the development of Mexico through positive social and economic impact. Since its creation, and as the firm has grown outside of Mexico, PC Capital has adopted its social and financial mission into all of its investments independently of the geography in which they are located. Central to this mission is the elevation of environmental and social factors to sit alongside financial considerations, contributing to an investment approach that is focused on financial performance, environmental and social sustainability, and the achievement of positive impact.

This entails holistically integrating environmental and social considerations across the Firm's investment lifecycle and decision-making process to avoid and / or minimize negative E&S risks and impacts associated with its investment. In addition to, seeking E&S opportunities that would enhance and / or create commercial value for its portfolio companies, and in turn, the PC Capital, and its investors. Consequently, supporting PC Capital to achieve its mission and commitment to long-term sustainability and impact in practice.

## Policy Purpose, Scope, and Applicability

### Purpose

This E&S Policy details PC Capital's commitment to incorporating environmental and social considerations into its investment lifecycle and decision-making processes, and the associated requirements that this entails. It holds PC Capital accountable for fulfilling its fiduciary duties as a responsible fund manager, while seeking long-term value for all stakeholders.

### Scope

This Policy covers PC Capital's commitment and approach to environmental and social risk management and environmental and social value creation (collectively referred to as "E&S"). This includes the adoption of guiding E&S principles and applicable standards and frameworks in order to manage any negative risks and impacts associated with the investments it makes. It also extends to how PC Capital will look to capitalize on E&S opportunities to create additional value more broadly, wherever possible.

### Applicability

The E&S Policy applies to all PC Capital activities, including any existing and new funds under its management and investments into portfolio companies.

## Core E&S Commitments

To ensure that E&S management is an integral part of the Firm's investment lifecycle and decision-making processes, PC Capital commits to the following:

- Integrate E&S considerations as a core component of PC Capital investment processes and decision making through the development, implementation, and maintenance of an E&S Management System (ESMS);

- Ensure that no prohibited or excluded activities are financed by PC Capital or its investees as stipulated in the PC Capital Exclusion List (refer to *Annex 2* of the *PC Capital ESMS Manual*).
- Apply a gender lens throughout the investment process and to catalyse economic gains and empowerment for women and girls. Specifically, PC Capital is committed to:
  - Promote gender-diverse leadership, investment, and portfolio management teams internally within the Firm’s investment management team;
  - Promote gender-smart deals in origination or embedding gender considerations in the decision-making of the Investment Committee (IC), to build a gender-diverse pipeline of women-led investments; and
  - Ensure the Firm’s operations as well as the operations of their investments do no harm to women in the community.
- Assign sufficient organisational capacity, capabilities, and competencies to E&S across the organisation to support the implementation of the PC Capital E&S Policy and associated ESMS
- Integrate specific clauses and / or mechanisms to identify and address breaches in E&S conditions and requirements between the Firm and portfolio companies.
- Gather appropriate disclosures on E&S management and performance from portfolio companies.
- Work in partnership with portfolio companies, where feasible, to identify E&S opportunities and drive associated interventions that generate commercial benefit and enhance performance
- Drive on-going E&S performance improvements at the Firm and portfolio company level through on-going monitoring, evaluation, and reporting against set E&S requirements.
- Provide regular and transparent disclosures on PC Capital’s E&S efforts, activities and progress to relevant stakeholders.
- As a responsible investor, PC Capital will meet all the commitments as required as a signatory to the Principles of Responsible Investment (PRI)<sup>1</sup>, including all annual reporting obligations.
- Periodically review the E&S Policy and associated ESMS to ensure continuous relevance and alignment with the Firm strategy and emerging E&S best practice.
- Establish a culture of transparency, accountability, and continual improvement with respect to E&S across the organisation.

### PC Capital E&S Requirements

PC Capital has adopted a set of specific E&S Requirements which apply to PC Capital as well as its portfolio companies. These E&S Requirements comprise of Guiding E&S Principles and E&S Standards and Frameworks which serve as a basis for the selection and management of

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<sup>1</sup> <https://www.unpri.org/signatory-resources/getting-started-as-a-signatory/3838.article>

all investments from an E&S point of view. These have been carefully selected based on their relevance to PC Capital’s investment mandate, operating geography, and E&S ambition.

Adherence to these requirements directs the sound management of E&S matters in a consistent, systematic, and robust manner. PC Capital will support its portfolio companies to comply with these throughout its investment term, and where gaps or areas for improvement are identified, will work with portfolio companies to close these, and to achieve alignment.

### Guiding E&S Principles

The below guiding E&S principles form the foundation of PC Capital’s approach to E&S management. It is recognized that not every investment will achieve all of the criteria below. However, these should be viewed as guiding principles to which the Firm and portfolio companies should strive to adhere.

#### Environmental Sustainability and Climate Change



- Promote greater environmental responsibility.
- Support a precautionary approach (prevention rather than remediation) to environmental challenges.
- Adopt climate action, where relevant, by encouraging and adopting mitigation approaches to help reduce contribution to the effects of Climate Change from business activities (Fund and portfolio companies).

#### Workers’ Rights, Safety, Supply Chain & Safeguarding



- Support and respect the protection of nationally and internationally proclaimed Human Rights.
- Support and respect responsible and fair labour and working conditions and practices including minimum wages, hours of work, social security, and occupational health and safety.
- Protect the health, safety and wellness of all employees, contractors, surrounding communities, customers and workers engaged by the business’s primary suppliers (supply chain workers).
- Support the elimination of all forms of forced and compulsory labour, child labour, modern slavery, debt bondage or serfdom practices and any form of gender-based violence or discrimination in relation to employment and other business practices
- Promote workplace diversity, inclusion and gender equity and empowerment across all levels of an organisation, including board, leadership, management, employees, and contractors.
- Respect worker’s rights of freedom of association and collective bargaining.
- Promote Human Rights, fair labour practices, environmental progress, and anti-corruption policies within supply chains, where possible.
- Prevent and respond to harm caused by sexual exploitation, abuse, harassment, or bullying.

### Stakeholder Engagement

Promote effective engagement with stakeholders to build mutually supportive and beneficial relationships (including grievance mechanisms)

### Client Protection

- Ensure equitable and fair treatment of clients.
- Communicate clear, sufficient, and timely information in a manner and language that clients can understand to better inform decisions.
- Take adequate care to design products and delivery channels that do not cause harm to clients.
- Set pricing, terms and conditions in a way that is affordable to clients whilst allowing for financial institutions to be sustainable.
- Respect the privacy of individual client data in accordance with the laws and regulations of individual jurisdictions.
- Implement timely and responsive mechanisms for complaints and problem resolution for clients and to improve products and services.

## E&S Standards and Frameworks

PC Capital's approach to E&S is guided by a host of applicable national and international E&S guidelines and good practice standards. Consequently, PC Capital adopts, and will expect portfolio companies to act in accordance with the following:

- Applicable local and national E&S laws and regulations.
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012)<sup>2</sup>.
- The World Bank Group General Environmental, Health and Safety (EHS) Guidelines and Sector Specific (2007)<sup>3</sup>.
- IFC Interpretation Note on Financial Intermediaries (FIs) (2018) (applicable to indirect Investments only)<sup>4</sup>.
- International Labour Organisation (ILO) Labour Fundamental Conventions<sup>5</sup>.
- UN Guiding Principles on Business and Human Rights (UNGPs) (2011)<sup>6</sup>.
- Centre of Financial Inclusion - Client Protection Principles<sup>7</sup>, where applicable.

<sup>2</sup> [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

<sup>3</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/ehs-guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines)

<sup>4</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_policy\\_interpretationnote-fi](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi)

<sup>5</sup> <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

<sup>6</sup> <https://www.ohchr.org/en/business-and-human-rights>

<sup>7</sup> <https://www.centerforfinancialinclusion.org/research/consumer-protection>

- GIIN IRIS Navigating Impact: Gender Lens Platform<sup>8</sup>.
- UN Women's Empowerment Principles Gender Gap Analysis Tool<sup>9</sup>.
- The 2X Challenge Indicators<sup>10</sup>.

It is noted that there is overlap between the above listed international standards. For example, the ILO Fundamental Conventions are incorporated into the IFC Performance Standards on Environmental and Social Sustainability (refer to IFC Performance Standard 2). Furthermore, the IFC Performance Standards on Environmental and Social Sustainability refer directly to the World Bank Group General and Sector Specific EHS Guidelines and as such these standards should be read in conjunction with each other.

PC Capital will not invest into any investment that, in its reasonable opinion, will not meet its minimum applicable E&S requirements over the lifespan of the investment. Furthermore, PC Capital reserves the right to invoke other national laws and regulations as well as international standards, principles and / or guidelines, as deemed appropriate.

### E&S Value Creation Considerations

Over and above E&S risk management, PC Capital intends to identify, and drive, opportunities relating to E&S value creation in accordance with the Firm's E&S requirements and four strategic focus areas (refer to *Figure 1*). PC Capital is well positioned to make a meaningful contribution through its own work and that of its portfolio companies across one or more of these strategic focus areas during its investment term.



**Figure 1:** PC Capital Strategic Focus Areas

Value creation refers to opportunities that enable PC Capital and its portfolio companies to generate further / additional value beyond that which would be achieved through risk mitigation / management measures. Such value may include increased investment returns (both financial and impact) through cost-saving mechanisms, improved efficiencies and/or increased productivity, brand value enhancement, new market access and increased positive development impact on beneficiaries and / or the environment.

Value creation considerations are integrated into PC Capital's broader E&S management approach, from identifying E&S opportunities, working with portfolio companies to design and implement practical and effective solutions, to on-going monitoring, measurement, and reporting of such E&S interventions.

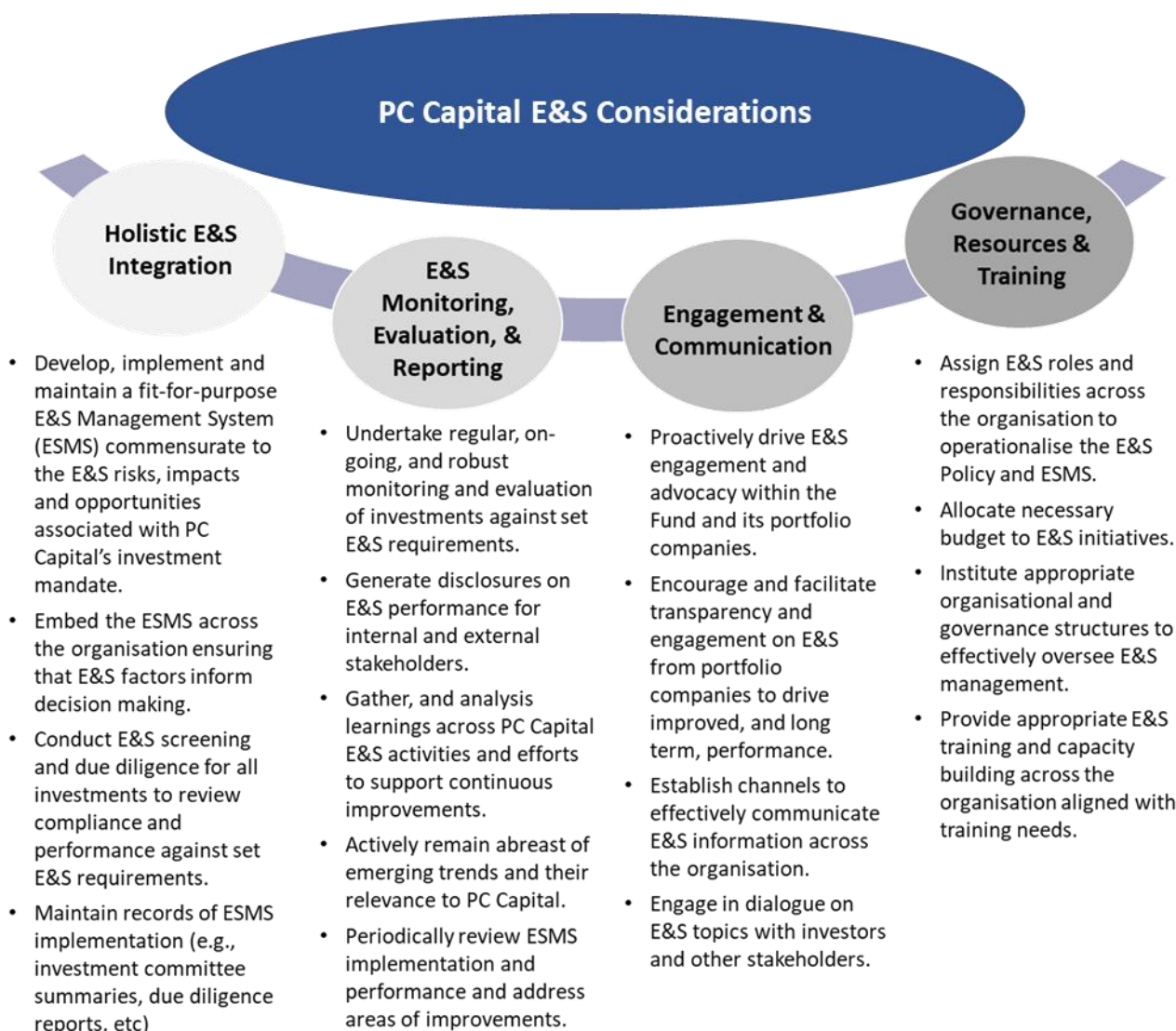
<sup>8</sup> <https://navigatingimpact.thegiin.org/gender-lens/>

<sup>9</sup> <https://weps-gapanalysis.org/>

<sup>10</sup> <https://www.2xchallenge.org/criteria>

**PC Capital E&S Management Approach**

PC Capital’s approach to E&S management comprises four key considerations which collectively support the practical and effective implementation of its E&S Policy and the commitments contained within (refer to *Figure 2*).



**Figure 2: Overview of PC Capital Four Key E&S Considerations**

**Accountability, Execution, and Implementation**

Overall accountability for the execution of this E&S Policy lies with the PC Capital Managing Directors.

Managing Directors will ensure that the E&S Policy always reflects the organization’s values and is implemented in accordance with internal and investor requirements. Furthermore, they are responsible for ensuring that adequate resources are provided, whether budgetary or allocation of staff time, to ensure that the necessary capacity (internal staff or external

expertise) is available to effectively oversee and implement the requirements of this E&S Policy. This includes the appointment of a dedicated Firm E&S Manager to oversee the day-to-day implementation of the E&S Policy and associated ESMS.

All investment professionals (associates/analysts/controllers) will be responsible for ensuring that investment processes are executed in a manner that are socially and environmentally sustainable, responsible, and aligned with the E&S Policy.

As required, PC Capital may harness third party expertise and support from competent and qualified service providers.