



Alsis Funds

S U S T A I N A B I L I T Y & I M P A C T R E P O R T

2 0 2 2

INSIDE THIS REPORT

01

Introduction

3 – 6

About this Report
Letter from our Managing Partner
Impact Statement

02

About Alsis Funds

7 – 12

Overview
Our History
Investment Strategy
Investment Process
Our Impact as a Firm

03

Our People

13 – 19

Our Team
Talent Development
Diversity, Equity, and Inclusion
Professional Training
Corporate Governance
2022 Key Indicators

04

Sustainability at Alsis Funds

20 – 32

Materiality Assessment & Matrix
Sustainability Framework
Our ESG Management System
Eligibility Criteria and Risks
Impact Guidelines
ESG Principles
Impact Taxonomy
Affiliations
Our Commitment
SDGs Contribution
Towards the Future

05

Appendix

33 – 40

GRI Index
SASB Index
Materiality Index
UNPRI Index
UNGC Index
SDGs Index

01 Introduction

About this Report

With our first report, we are laying the foundations of our commitment as an agent of change in sustainable finance

The history of Alsis Funds begins in 2007, with the closing of our Fund I. Since Alsis Funds' foundation, our vision has been to make socially responsible investments that impact positively on our community. By the end of 2022, Alsis Funds has made over 90 investments totaling more than USD \$470m of invested capital in 6 countries, primarily in Mexico. We are convinced that we have impacted many people's lives through employment generation, construction of adequate housing, and financial inclusion, among other issues. Since our founding, we have incorporated environmental, social, and governance (ESG) issues into our investment process and portfolio management.

Today, the publication of our first Sustainability & Impact Report marks a milestone and beginning of a new stage in communicating our progress on ESG, a subject that has been a crucial part of our firm's success. We will continue to report yearly as part of our strategy and vision for the future. We are in a great position to structure sustainability as part of our everyday operations as we seek to make it part of each of our company's processes. This sustainability report is the manifesto of our commitment to achieve it.

The results of our first materiality analysis determined the content selection and was prepared in alignment with the Global Reporting Initiative (GRI), Sustainability Accounting Standard Board (SASB), and the Principles for Responsible Investment (UNPRI) standards. Additionally, we considered the United Nations Global Compact (UN Global Compact or UNGC) principles and the United Nations Sustainable Development Goals, where we show the alignment of our achievements and investments.

The information presented in this report considers historical data as of year-end 2022 unless otherwise indicated. To facilitate the reading and navigation of this report, the report includes hyperlinks to the main sections and page change controls.

To learn more about Alsis Funds, please visit our website: www.alsisfunds.com. If you have any comments, questions, or suggestions, please contact us at info@alsisfunds.com.

Letter from our Managing Partner

We are pleased to present our first Sustainability & Impact Report, highlighting Alsis Funds' continuous progress and commitment to responsible and sustainable investment practices. In an era of unprecedented environmental challenges, we must lead by example in the alternative investments industry.

Since the foundation of Alsis Funds, socially responsible investing has been part of our vision, which focuses on creating value for our stakeholders: investors, portfolio companies/borrowers, suppliers, employees, and the community.

We have come a long way during our 17 years of operations, which we are delighted to share. Since we made our first investment until today, we have invested in more than 90 transactions.

At Alsis Funds, we understood from the beginning that we could positively impact with our investment thesis. In addition to investing ethically and under our principles in transactions with an attractive return for our investors, we have always prioritized generating well-being for the community and the growth of all our stakeholders, particularly our portfolio companies/borrowers.

2022 was a very relevant year for our sustainability strategy, which considers ESG issues of vital importance to Alsis Funds and that we are presenting in this report.

We are very excited by the results we have achieved and the positive impact we are generating in society, thanks to the trust of our investors, partners, and portfolio companies/borrowers.

Recently, we became signatories of two organizations (UNPRI and UN Global Compact) that we consider the most important for our industry and the business sector, reaffirming our commitment to follow principles of responsible investment and corporate social responsibility.

Our investment process considers an analysis of our management system's financial performance and ESG factors for each opportunity we analyze. By integrating ESG factors into our investment decisions, we seek to mitigate risk and drive innovation. As we positively impact our community today, we also shape its future.

We are proud of our progress, and it is part of our goals to continue to address our areas of opportunity in responsible investing as part of our commitment to drive a more sustainable future. We look forward to many more years of sharing our sustainability experiences with all of you.

David Sánchez-Tembleque
Managing Partner



Impact Statement

Alsis Funds is committed to investing in projects that have the potential to create social, economic, and environmental value.

We believe that in alliance with our investors, partners, and portfolio companies/borrowers, we are building a sustainable business with a greater positive impact on our community.

We find in ESG management the guidelines to transform our sector and be actors of change for a sustainable future.

We recognize the importance of considering environmental, social, and governance factors at all stages of our investment process to generate sustainable benefits and promote responsible growth.

Our sustainability imperative is to ensure a positive impact with all our investments.

02 About Alsis Funds

Overview

Alsis Funds is a private equity firm focused on private debt in Latin America, mainly in Mexico. Since we started operations in 2007, we have managed five private debt funds, one of which has been liquidated and four of which we continue to manage. We have also acted as sub-advisors to other fund managers and managed other investment vehicles for specific transactions. As of the end of 2022, we had USD \$276m of assets under management (AUM).

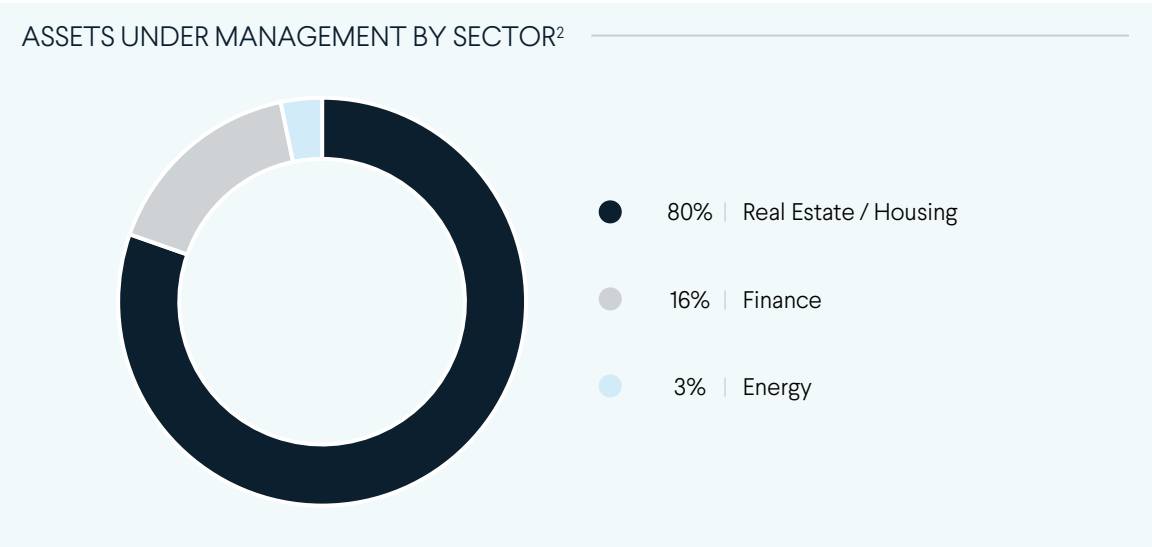
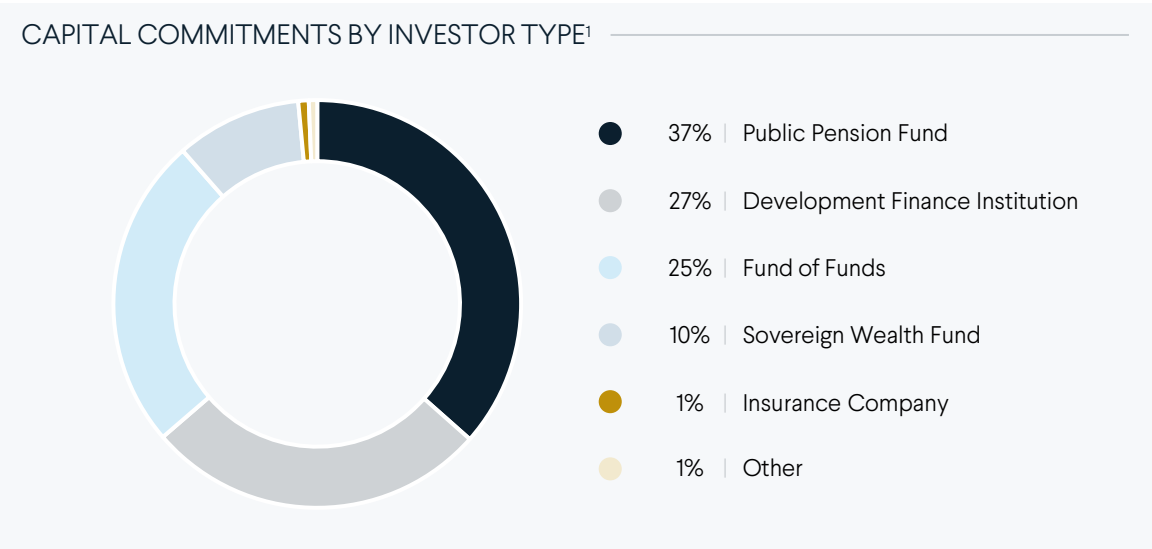
Thanks to the support of our investors, partners, and portfolio companies/borrowers, we were one of the pioneers of private debt in Mexico. Our investors have historically been institutional investors, such as public pension funds, development financial institutions, funds of funds, sovereign wealth funds, and insurance companies.

Since our founding, we have invested USD \$471m in 91 transactions, through 4 investment strategies and mainly in 3 sectors. Our current investment portfolio is comprised of 42 investments.

The firm's mission is to manage a family of investment strategies that produce attractive risk-adjusted returns for our investors through credit instruments backed by real assets. The company's vision is to be a leader in our industry by adding value to all our stakeholders: investors, portfolio companies/borrowers, suppliers, employees, and the community. We seek to achieve our objectives by always considering our four fundamental values: integrity, excellence, trust, and commitment.

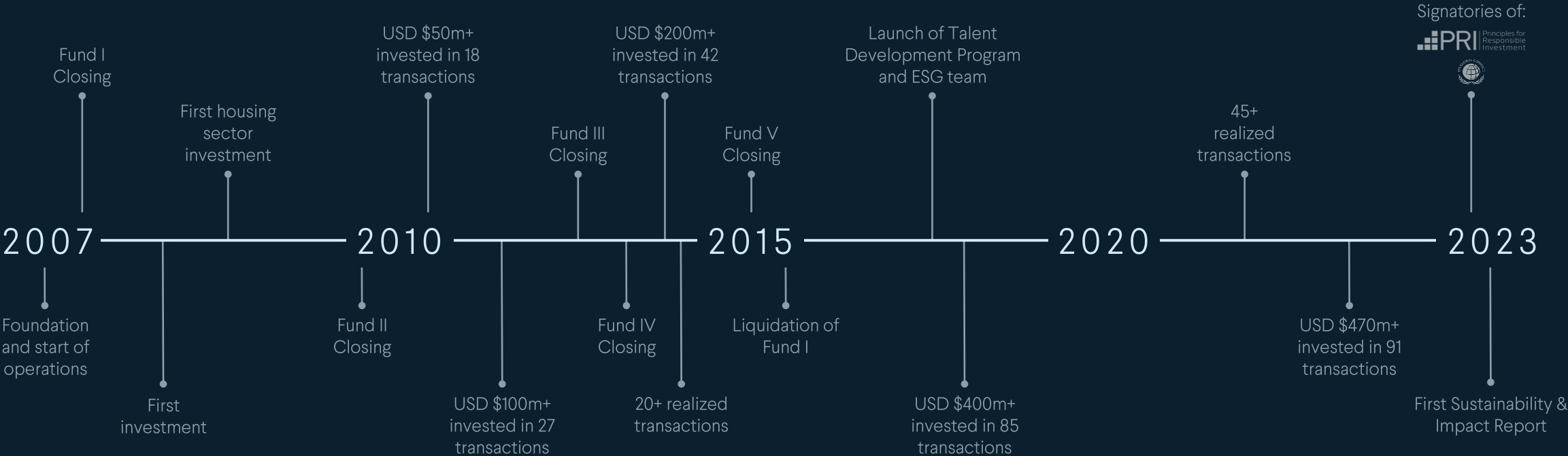
As of the end of June 2023, our team consisted of 27 professionals, where talent development is one of the most critical factors for the firm.

Sustainability and ESG factors have been part of our business strategy since our first investment in 2008. Our investment process has been in synergy with international best practices, making us pioneers in using ESG standards and responsible investment. We are committed to becoming an agent of change towards responsible investment and management with society and the planet.



1. The investment of certain investors, including Public Pension Funds, Sovereign Wealth Funds, and Insurance Companies are managed by a Fund of Funds Manager.
 2. Considers i) portfolio investments fair market value, ii) cash, and iii) uncalled capital commitments.

Our History



Our history goes back 17 years, in which we successfully closed five funds for institutional investors, with our first fund liquidated. We have invested more than USD \$470m in 91 transactions, primarily in Mexico.

Investment Strategy

Our investment strategy focuses on providing tailor-made loans to small and medium-sized enterprises (SMEs) backed by real assets, mainly for business growth, acquisitions, working capital, and recapitalizations. Our investment strategy focuses on three main sectors: real estate/housing, finance, and energy. We seek to complement the equity of borrowers through debt transactions with different levels of seniority in the capital structure: senior, subordinated, and hybrid/convertible. Our investment process considers diverse ESG matters through its different phases.

Our investment thesis is defined in four focused investment strategies:



SUBORDINATED/MEZZANINE/HYBRID/ CONVERTIBLE

- Debt for housing development debt projects where repayment is based on a percentage of underlying home sales
- In other sectors, the amortization structure depends on the business type and its operation
- Debt service payment is subordinated to the principal or interest of another loan or financing
- Convertible to the debtor's equity

LOAN INVESTMENTS

- Senior loans to SMEs with a limited credit track record with no other senior financing in the capital structure
- The primary source of debt service payments is the cash flows of the collateral or the cash flows of the company or project
- Financing in different sectors, including real estate/housing

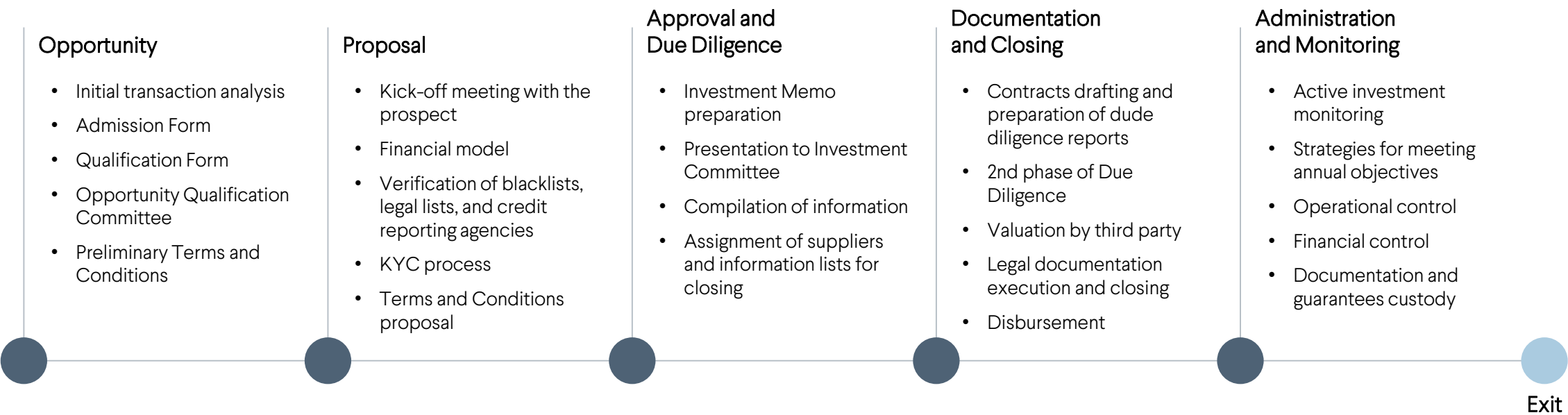
NPLs AND REOs PORTFOLIOS

- Transactions backed by non-performing mortgages or foreclosed real estate portfolios
- Loans were originated by Banks and acquired directly from them or from other financial institutions
- Active portfolio management by Special Servicers with limited capital but with experience in the collection of this type of assets

LOAN PORTFOLIOS ORIGINATED BY THIRD PARTIES

- Debt to non-banking financial institutions and banks, backed by loan portfolios
- Direct purchases of performing loan portfolios originated by third parties
- Secured debt by underlying portfolios but with a portion of the expected return based on the company's performance or growth

Investment Process



ESG throughout our investment process:

- I. Compliance with Environmental and Social Policy for Investments
- II. Eligibility Criteria and IFC Exclusion List
- III. Preliminary Risk and Impact Analysis
- IV. Environmental and Social Due Diligence (ESDD):
 - Questionnaires
 - ESG Baseline
 - Action Plan and Binding Obligations

- I. Monthly, bimonthly, and yearly monitoring
- II. Environmental and Social Due Diligence Report
- III. Ethical Complaints Mechanism
- IV. Ongoing ESG training for Portfolio companies/borrowers
- V. Data collection and reporting

Our Impact as a Firm

\$470m+

USD invested throughout our history, mainly in 3 sectors: real estate/housing, finance, and energy

90+

Historical investments since we made our first investment in 2008

92%

Historical transactions in Mexico. The remaining 8% have been in Colombia, Spain, Chile, Ecuador, and the Caribbean

65+

Companies that have trusted Alsis Funds for financing

\$4.9m

Average amount of tailor-made financings in which Alsis Funds has participated

60%

Of the firm's historical investments have been in the housing sector, all in Mexico

98%

Of our investments in the housing sector have been affordable housing¹ transactions

45k+

Total housing units to be built resulting from our financings²

100%

Of the current housing projects under construction, free of child labor and compliant with the integral ethics system

~700

Houses sold in 2022 in our portfolio, which will provide homes for different families

1. Housing financed through mortgages or loans supported by agencies related to the Mexican government (SHF, INFONAVIT and FOVISSSTE).
2. Considers the target amount of housing units to be developed at the time of the initial investment, which may vary from the final project and actual construction based on the circumstances of each project.

03 Our People

Our Team

As of December 31, 2022, our team consisted of 22 people, 7 of whom were women (32%). As of June 30, 2023, the team consisted of 27 people, 10 of whom were women (37%) and 24 people with permanent contracts¹:



David Sánchez-Tembleque
Managing Partner



Xavier González-Sanfeliu
Partner



Orlando Méndez Piñón
Partner | Structured Finance



Luis Alberto Burgos
Managing Director | Finance



Ángel García Vázquez
Managing Director | Admin. & Accounting



Arturo Zamora Urióstegui
Director | Legal & Loan Admin.



Jaime L. Valerio Hernández
Director | Workout



Daniel Leal Díaz Conti
Director | Structured Finance



Alejandra Ruiz Carriedo
Director | Admin. & Accounting



Mariela Figueroa
US Comptroller | Admin. & Controllship



Juan José Ortiz
Vice President | Structured Finance



Maximiliano Noriega
Vice President | Finance



Gabriel Espinosa
Project Management | Structured Finance



Itzel Vilchis
Accountant | Admin. & Accounting



Omar Vidal Mercado
Legal | Legal & Loan Admin.



Guillermo Illanes
Sr. Analyst | Structured Finance



Mauricio Durán
Sr. Analyst | Legal & Loan Admin.



Jorge Hernández
Sr. Analyst | Finance



Georgina Pagula
Housing Support | Legal & Loan Admin.



Edgar Bermúdez
Analyst | Finance



Sergio Díez
Analyst | Structured Finance



Eva Paloma Juárez
ESG Analyst | Finance



Sofía Ibarrola
Analyst | Finance



María Isabel García
Administration | Admin. & Accounting

1. Does not include Interns who are under a temporary contract modality of 3 months with a maximum cumulative term of 12 months.

Talent Development

In 2018, we implemented our current Talent Development Program, which aims to train professionals by recruiting recent undergraduates, where we seek to contribute to their professional and personal growth.

36%

Of our current team was recruited through this initiative



For Alsis Funds, talent development and contributing to our industry in terms of diversity and inclusion is highly relevant. We believe that companies are their people, and value creation for our Partners and Investors is differentiated from other firms by our people.

During our first ten years of operations, we understood the challenges and difficulties of recruiting people with expertise in our industry and niche strategy, as well as the lack of gender diversity in new hires. In 2018 we decided to implement this program, where we hire Interns on temporary contracts of 3 months, which can be accumulated up to a maximum of 12 months.

People recruited through this program generally have less experience and have recently finished their undergraduate studies. Our goal is to help them lay the foundations of their professional career to accelerate their growth, whether at Alsis Funds or elsewhere.

Our program starts with recruiting Interns with the objective of capitalizing on the medium and long-term results. We look for people with the best performance and attitude to grow within our firm and achieve a successful long-term career at Alsis Funds.

By the end of 2022, 100% of our Analysts had been recruited through our program. They are now the ones responsible of coordinating the recruitment process and provide mentoring, supported by the entire team participation.

In 2021, when analyzing the results of our program, we understood that we had to improve in terms of gender diversity and decided to prioritize the recruitment of women for 2022.

	2018-2021	2022
Interns Hired	22	6
Women %	23%	67%

Diversity, Equity, and Inclusion

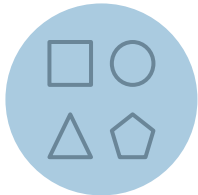
We believe that Diversity, Equity, and Inclusion are key to the success of our organization. A person's origins, preferences, and other factors should not affect the hiring process. It is imperative that people have equal opportunities, that there is no pay gap, and that support is provided through their professional and personal development.

At Alsis Funds, it is essential to create a safe and respectful working environment in which everyone we interact with is free from violence and harassment. It is also important that professional growth opportunities are provided equally and based solely on each individual's professional skills and capabilities.

During 2022, Alsis Funds focused on recognizing its opportunity areas and strengths, so we conducted our first work environment assessment, which allowed us to have a broader vision of our areas for improvement in this regard and on which we are currently working. We hope that 2023 will be a year to confirm we are gradually improving our areas of opportunity and contributing to a better place to work.



We have a long way to go regarding Diversity, Equity, and Inclusion. However, we believe that by communicating our progress, we reaffirm our commitment to continue improving in the future:



DIVERSITY

- 37% of our team is comprised of women
- The average age at Alsis Funds is 39 years old, with people from different generations
- 41% under 30, 27% between 30 and 50, and 32% over 50



EQUITY

- There is no gender pay gap between men and women
- Our evaluation processes are entirely based on professional performance
- We seek equal growth opportunities



INCLUSION

- We promote the recruitment of women and seek to encourage their growth so that they can pursue managerial positions
- Our recruitment process only considers experience and professional profile
- Our borrowers /operating partners are trained in ESG

Alsis Funds has a Diversity and Non-Violence, Discrimination, and Harassment Policy.

Professional Training



Excellence is one of the four core values at Alsis Funds, and we believe that to achieve it, we must never stop learning. Training is part of our continuous improvement process as a firm and plays a crucial role in developing professionals. Our management team provides ongoing mentoring and feedback to members of each area, with defined semi-annual evaluation and feedback processes.


Internally, we have a training and onboarding program for new hires and an annual training program on anti-money laundering and counter-terrorism financing.

To support the understanding of ESG factors and capacity building, Alsis Funds supports its portfolio companies/borrowers through ongoing training. We ensure they have a representative who is accountable for ESG and that we can assist them in understanding international best practices.

We are committed to empowering every level of our organization through comprehensive and continuous training so that Alsis Funds has a sustainable strategy, operation, and culture that creates long-term value.

In 2022, two members of our Management Team participated in BIVA's Chief Sustainability Officer (CSO) 2.0 Acceleration program.



- 
- The program is an innovative initiative of the Mexican Institutional Stock Exchange (BIVA for its acronym in Spanish), which seeks to train participants in sustainability and raise ESG standards in Mexico
 - The total number of hours dedicated by each participant is approximately 60 hours
 - It covers topics such as developing an ESG strategy, establishing KPIs, legal framework, access to sustainable capital, and communication

In 2021, two Alsis Funds' Partners, among other team members, obtained the Building Successful Women-Centered Strategy certification from All Stars Academy by the Financial Alliance for Women, with an estimated 20 hours of training per participant.

The alliance is driven by various Financial Development Institutions, and the certification seeks to promote strategies focused on the inclusion of women in the financial and business world.

**FINANCIAL
ALLIANCE
FOR
WOMEN**

Corporate Governance

Our corporate governance is supported by a committee structure that guides our decision-making and oversees our performance as investment managers. Our operation is also governed by institutional policies and procedures that seek to protect the firm's best interests and adhere to international best practices standards.

COMMITTEES

Advisory Committee

- Fund-level corporate governance body, where our investors participate. It focuses on making decisions established in accordance with each vehicle's documentation

Investment Committee

- Approval of new investments and management of specific situations for current investments and restructurings

Qualification Committee

- Indicative terms and conditions for new investments and restructurings

Asset Management Committee

- Monitoring of the investment portfolio, different committees for each strategy

Valuation Committee

- Valuation of the portfolio to establish its fair market value, according to best practices

Operating Committee

- Review of the firm's operational matters

Ethics Committee

- Oversees compliance with the code of ethics and any professional misconduct

POLICIES AND PROCEDURES



ESG Framework

- ESG Manual
- Environmental and Social Policy



Work Environment

- Code of Ethics and Professional Behavior
- Human Resources Policies
- Intern Recruitment Policy
- Non-Discrimination Policy
- Welcome Manual
- Ethics Line Manual



Management and Business Ethics

- Investment Manual
- AML and Countering the Financing of Terrorism Manual
- Valuation Policy
- Powers of Attorney and Representation Policy
- Supplier Procurement and Payment Policy
- Investment Allocation Policy
- Treasury Policy

2022 Key Indicators

<div>22</div> <div>Employees at the end of the year</div>	<div>32% Women in the team</div> <div></div>	<div>Zero</div> <div>Gender pay gap</div>	<div>Of new hires were women 67%</div> <div></div>	<div>100%</div> <div>Firm vacancies filled by internal talent</div>
<div>36% Team members recruited through our Talent Development Program</div> <div></div>	<div>6 Promotions during the year for Talent Development Program participants</div> <div></div>	<div>100%</div> <div>Our team has been trained in anti-money laundering and counter-terrorism financing</div>	<div>Seven Corporate governance bodies guiding our decision-making process</div> <div></div>	<div>10+</div> <div>Policies and procedures, established for different firms' processes</div>

04 Sustainability at Alsis Funds

Materiality Assessment

To strategically address the social, environmental, and corporate governance aspects that enable our business, we have developed our first materiality assessment: a comprehensive approach to address risks and opportunities for Alsis Funds.

We strive to drive sustainable shared value creation and maintain our commitment to responsible and ethical practices. Our ESG materiality matrix reflects our commitment to sustainable development.

To develop it, we identified the most relevant stakeholders to our business, mapped pertinent issues to our industry based on the Sustainability Accounting Standards Board (SASB) standards, consulted with our stakeholders on these issues, and consolidated our first materiality matrix based on the results.

Our first materiality study provides us with the basis to continue our analysis and continuous improvement path. Following international best practices, we will update our study at least once every three years.

Regarding the stakeholder sampling, we use a Salience model that allows us to select stakeholders based on the following attributes:

- Power: the ability of the stakeholder to influence the activities of Alsis Funds
- Legitimacy: the authority and level of stakeholder involvement in Alsis Funds' activities
- Urgency: the response time expected by the stakeholder to meet its expectations

Once we identified our stakeholders, relevant issues for the sector were mapped. Then customized questionnaires were developed to understand their expectations about our business, while the scoring framework was refined to be able to quantify the results. Once these surveys were applied, we were able to prioritize our impact areas.

Once we sought to integrate the impact areas of this Materiality Study, the resulting themes were categorized into the three ESG pillars: environmental, social, and governance issues. The details of the categorization and stakeholder groups can be seen in the graphs on the right.

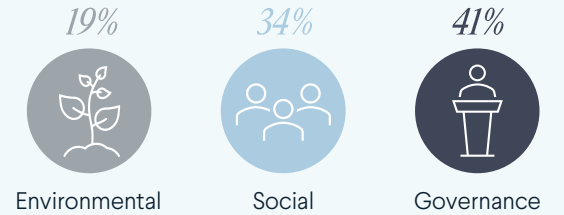
Efficient risk management has been one of the added values of Alsis Funds investments. Our materiality allows us to have comprehensive visibility of our stakeholders' interests and to be able to improve our management. We are moving in the right direction concerning industry expectations by finding direct alignment with SASB indicators. Finally, by segmenting the issues into environmental, social, and governance dimensions, we can confirm our strengths and areas of opportunity, particularly in the environmental area.



PRIORITY THEMES

- 1 Child labor
- 2 Taxes
- 3 Transparency
- 4 Anti-corruption
- 5 Grievance mechanism
- 6 Client privacy
- 7 Non-discrimination
- 8 Diversity and equal opportunities
- 9 Client health and Safety
- 10 Emissions
- 11 ESG considerations in investment management

ESG CATEGORIZATION



STAKEHOLDERS¹

Management Team	25%
Employees	18%
Investors	22%
Portfolio Companies/Borrowers	19%
Suppliers	15%

1. Relative weighting of stakeholders in materiality study.

Priority

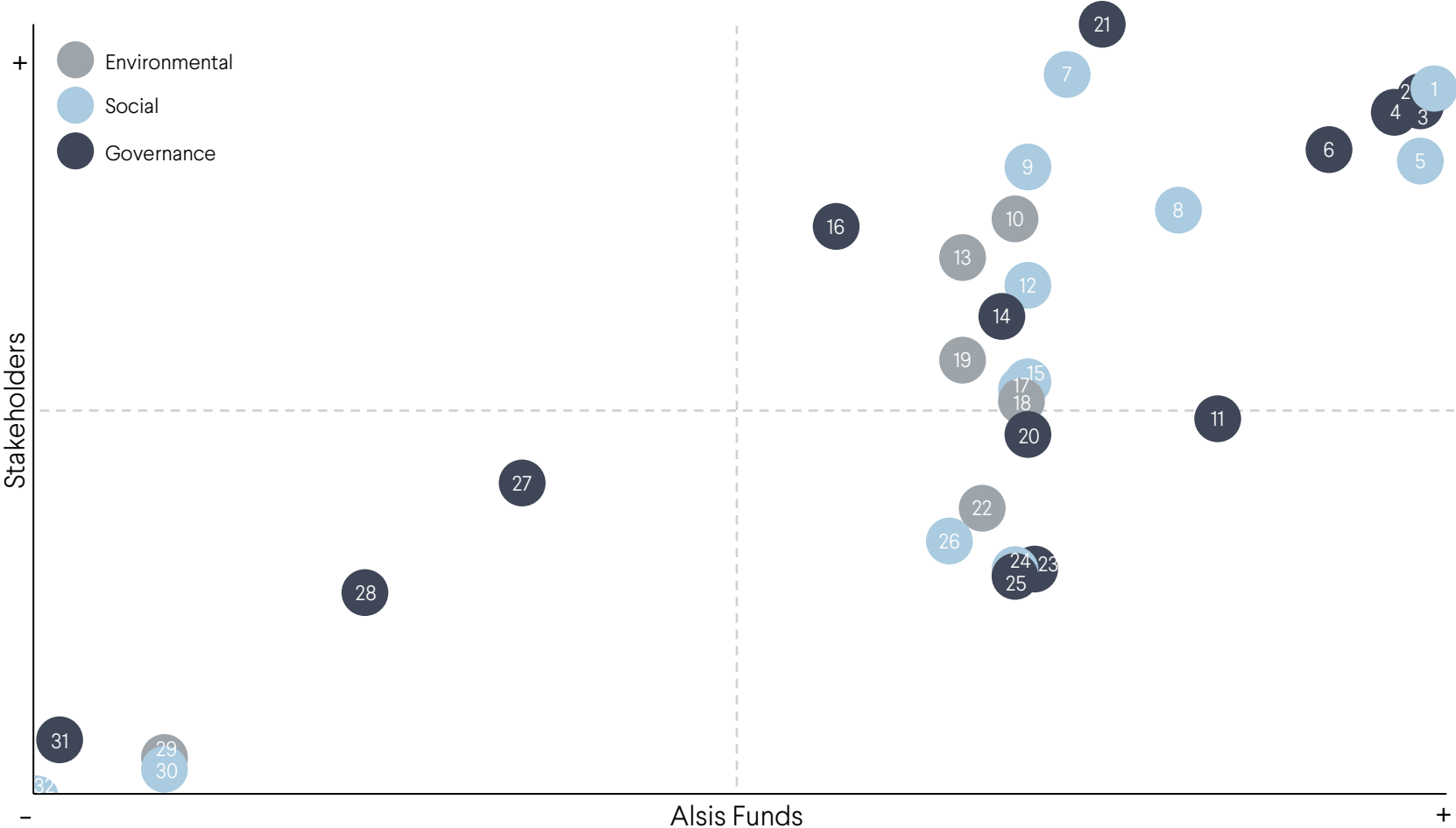
- 1 Child labor
- 2 Taxes
- 3 Transparency
- 4 Anti-corruption
- 5 Grievance mechanism
- 6 Client privacy
- 7 Non-discrimination
- 8 Diversity and equal opportunities
- 9 Client health and safety
- 10 Emissions
- 11 ESG considerations in investment management

Non-priority

- 12 Public policy
- 13 Residues
- 14 Forced labor
- 15 Local communities
- 16 Monitoring of working conditions
- 17 Indirect economic impacts
- 18 Water Effluents
- 19 Energy
- 20 Professional Training and Education
- 21 Market Presence
- 22 Implement Environmental Impact Assessment
- 23 Supplier Environmental Assessment
- 24 Investment in Community environmental initiatives
- 25 Safety Practices
- 26 Employment
- 27 Labor
- 28 Health and Safety in the Workplace
- 29 Biodiversity
- 30 Materials
- 31 Indigenous Peoples
- 32 Freedom of Association and Collective Bargaining

Materiality Matrix

We summarize the results of our materiality assessment in this matrix, which is used as a guiding framework for informed decision-making. This allows us to focus our resources and efforts on addressing the most critical ESG issues that align with our business strategy and stakeholder expectations. With our ESG materiality matrix, we strive to drive sustainable value creation and maintain our commitment to responsible and ethical practices.



Sustainability Framework

To materialize our commitments and the proper management of our material issues, we have developed our sustainability framework built around three key pillars with a strategic enabler in both our direct operations and the projects we finance:



For Alsis Funds, it is essential to have an effective environmental and social management system that allows us to control, evaluate, implement, monitor, and continuously improve the management of our projects.



Our ESG Management System

Alsis Funds' integrated management system encompasses the technical and financial aspects of the business, providing comprehensive risk management. The ESG Management System is intended to be transversal to our activities and operational areas. ESG processes are considered within the integral management of Alsis Funds' investments.

Our management system contemplates the following operational and governance framework. As of the date of this report, The Sustainability & Impact Committee had not yet convened and was implementation process, with the objective of starting to hold sessions during 2023:



With the structure we have implemented and are continuously improving with the incorporation of the Sustainability & Impact Committee, we have an ESG Management System with the hierarchical level required to ensure mandatory compliance with the provisions on the subject, as well as an operational deployment in the different substantive areas of the organization.

The responsibility for ESG is held by the Finance Department within Alsis Funds, which supports different functions such as investor relations, asset management, financial planning, management control, and ESG, among others. As part of the specialized team, we have:

- **ESG Compliance Officer**
Oversees regulatory compliance for the substantive areas of Origination and Asset Management. It is responsible for defining the ESG guidelines and policies that must be followed throughout the entire investment business cycle of Alsis Funds.
- **Project Inspectors Network**
Inspect the development in all its stages, including the permits and licenses required to carry out the project and that remain in force, such as the validation of construction and urbanization progress, as well as the status of habitability and quality of work.
- **Independent Sustainability Specialist**
Expert who integrates the annual monitoring reports of each project and has the ESG Compliance Officer as a client.

Our investment management system safeguards our sustainability framework based on the World Bank's International Finance Corporation (IFC) Performance Standards (PS) on Environmental and Social Sustainability, so projects to be financed must meet Alsis Funds' eligibility criteria. Projects go through a due diligence process which, when approved, implies that they must generate a Social and Environmental Management System according to the risks and potential impacts previously identified.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM REQUIREMENTS

- Environmental and social policy
- Organizational chart including ESG functions
- Occupational health and safety plan or regulation
- Environmental management plan or program
- Emergency prevention and response plan, regulation or procedure
- Grievance mechanism for workers and interested parties
- Process for monitoring contractors and working conditions
- Maintain communication channels with external stakeholders

Eligibility Criteria and Risks

Alsis Funds has established an eligibility criteria and a defined risk analysis, which must be ensured in each investment to guarantee adequate risk management, consolidating financially sustainable investments, adhering to environmental regulations, promoting the best social and labor practices, and with a fair relationship with the community where the financed project is carried out.

Alsis Funds will not participate in potential investments with the following conditions:

- 1
- Projects that may involve forced labor and child exploitation or remotely involve the risk of human trafficking.
- 2
- Projects that may involve violations of human rights, particularly those of indigenous peoples and other minorities, such as the right to consultation and free, prior, and informed consent.
- 3
- Projects may involve complicity on the part of Alsis Funds in any violation of human rights or the law perpetrated by a governmental or other actor.
- 4
- Conversion or degradation of ecosystems, forest areas, and critical natural habitats, or that involve impacts to Natural Protected Areas or internationally recognized protected areas.
- 5
- Commercialization of illegal products according to national regulations or subject to restrictions or prohibitions by international agreements.
- 6
- Projects involving technologies that are recognized for their negative social and environmental impact.

Before investing in an opportunity, we conduct a due diligence process that allows us to validate eligibility criteria and assess risks to ensure compliance with environmental and social requirements. This process takes into account the following elements:

- Stakeholder mapping

Identify and define guidelines for the portfolio companies/borrowers' actions and relationships for the correct project management.
- Involuntary resettlement

Identify if there are settlements to prevent involuntary resettlement.
- Economic and employment conditions audit

To maintain established economic dynamics and ensure the project stimulates the local economy.
- Technical assessment

To evaluate the level of infrastructure and services for the adequate development of the project.
- Health, safety, and culture assessment

Identify license enablers for project operation (community relations).
- Environmental assessment

Evaluate environmental resources and their interactions with project development.

Our investment process also considers risks related to both the project and the counterparty, which are linked to our eligibility criteria:

PROJECT RISKS

- Regional level (months of inventory or state competitiveness index)
- Political scope (the Rule of Law)
- Physical location
- Land use verification
- Property background
- Verification of the absence of human settlements
- Regulatory compliance, housing types, and financial viability
- Relationship with stakeholders

COUNTERPARTY RISKS

- Implementation experience
- Regulatory compliance
- Financial solvency and access to bank loans
- Moral solvency

Impact Guidelines

Alsis Funds' management system is based on the International Finance Corporation (IFC) performance standards, where we have defined the following impact guidelines to ensure that international standards are met:

ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

Investment decisions at Alsis Funds are based on an adequate assessment of the risks incurred, separating two main components: counterparty risk and project risk. Counterparty risk takes into account the applicants' execution experience (technical skills and abilities), compliance with regulations, and financial and moral solvency, while project risk considers factors such as project location, verification of land use, property history, absence of human settlements, compliance with regulations, financial viability, and stakeholders.

LABOR AND WORKING CONDITIONS

When granting our loans, we explicitly and legally bind the counterparty to comply with all these legal requirements in labor matters, both for its direct employees and those of the contractors used in the project. Among the elements to be taken into account are the guarantees of decent work expressed in the Federal Labor Law, respect for working hours and overtime guidelines, salary, and minimum working age, employer obligations, applicable regulations in terms of safety, health, and hygiene at the operating sites, and human rights guarantees such as equal opportunity, prevention of child or forced labor, respect for freedom of association, and complaint mechanisms.

RESOURCE EFFICIENCY AND POLLUTION PREVENTION

Alsis Funds focuses on proper waste management, soil studies to identify the implications of seismology and structural calculations, the prohibition of toxic materials as defined in the "Model for the Prevention of Poisoning and Poisoning in Vulnerable Groups in Mexico" and compliance with the conditions of the Environmental Impact Manifest (MIA) or similar documents. We encourage the commitment of our accredited companies to adopt measures to save water consumption and energy efficiency, as well as to favor those that contemplate additional steps such as the maintenance of statistics, reuse, and recycling, as well as the hiring of a specialized company.

COMMUNITY HEALTH, SAFETY, AND SECURITY

Project management must include public consultation by the municipal authority with neighbors in the area of influence. The objective is to inform about the new project and its positive implications, such as generating jobs and new urban equipment. Through the MIA, the project is further developed regarding waste and hazardous materials management, dust, noise, and traffic control. After evidence is derived from studies and feasibility studies of services, potential impacts on ecosystem services will be mitigated if any effects are detected. The surrounding community should be involved in the emergency response process. We manage an ethical reporting mechanism called Tips Anonymous, provided by a third party (Deloitte) that will be available to different parties.

LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

Our projects never involve population relocation situations. Our investment criteria consider investing in land acquisition projects on private property (we do not finance the acquisition of ejido or community land), that the land use is that established in the Urban Development Plan and ratified in the official land use document, which must be registered in the Public Registry of Property and Commerce, and that there must not be any type of human settlement on the property. Likewise, we have a georeferenced analysis to know the context of the properties and agree on mitigation measures to prevent potential economic displacements.

BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

Our projects never involve population relocation situations. Our investment criteria consider investing in land acquisition projects on private property (we do not finance the acquisition of ejido or community land), that the land use is established in the Urban Development Plan and ratified in the official land use document, which must be registered in the Public Registry of Property and Commerce, and that there must not be any human settlement on the property. Likewise, we have a georeferenced analysis to know the context of the properties and agree on mitigation measures to prevent potential economic displacements.

INDIGENOUS PEOPLES

Our projects must avoid adverse impacts on indigenous communities, particularly on critical tangible and intangible cultural heritage. Alsis Funds uses the tools of the National Commission for the Development of Indigenous Peoples (CDI) to identify the localities where these peoples live and carry out their economic activities, and with our policy of only financing projects on private property, we avoid coinciding with indigenous territories, particularly those considered sacred or sanctuaries, with the support of georeferenced analysis.

CULTURAL HERITAGE

We validate that the land involved in the project to be financed is located outside the polygons determined by the National Institute of Anthropology and History (INAH). If any projects presented to Alsis Funds for financing are situated within these polygons, they are rejected for funding.



ESG Principles

To make our sustainability framework tangible on a day-to-day basis, we internally developed our 10 ESG principles, which set out our strategy:

- 1

Perform business operations in a manner that ensures they meet or exceed the requirements of environmental laws and regulations
- 2

Ensure compliance with applicable environmental, social, health, and safety regulations in the context of the projects we finance and adopt international best practices
- 3

Support the efforts of communities to improve and protect their natural environment
- 4

Protect and promote biodiversity, help preserve ecosystems, and comply with applicable national and international regulations on protected species and habitats
- 5

Always put safety first for our people, borrowers, and communities where funded projects are developed
- 6

Ensure respect for human rights and conduct our work ethically, applying our values internally and in our relationship with our suppliers and clients
- 7

Establish relationships based on mutual benefit, transparency, and accountability with stakeholders related to our investment projects
- 8

Establish health, hygiene, and safety protocols for the workers of the financed projects, requesting the accredited parties to verify their qualifications and the required training
- 9

Promote work teams of people from diverse backgrounds, identities, cultures, and disciplines. Diversity and non-discrimination bring value to our stakeholders and the community
- 10

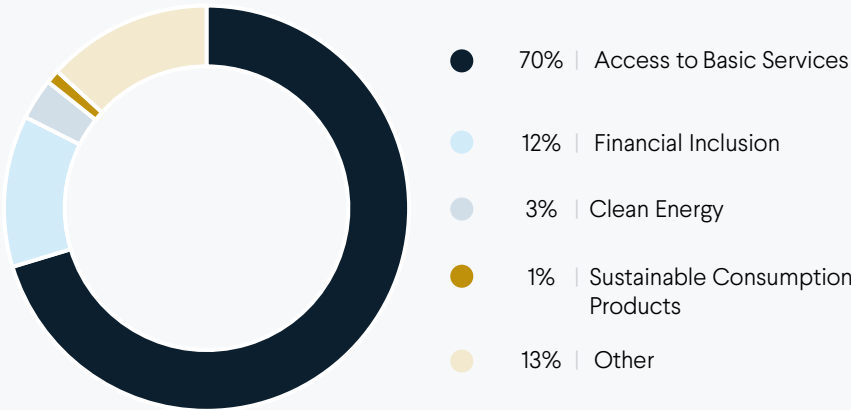
All team members implement our firm's commitments and principles through our Environmental and Social Management System

Impact Taxonomy

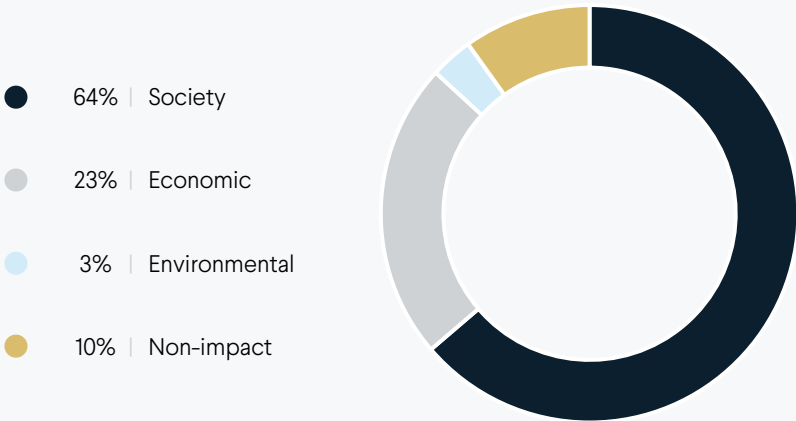
As we operate in the investment sector, we aim to incorporate common impact investment standards that allow us to categorize our portfolio and thus make better investment decisions. To achieve this, we have referenced the IRIS+ thematic taxonomy that takes the view of the Global Impact Investing (GIIN) Network and used the GIIN Impact Base Snapshot.

Given the nature of the sectors in which we invest, there are transactions in which it is complex to find a direct alignment with the standards above. Hence, as we advance, we will look for alternatives to improve our taxonomy, seeking to reflect the nature of the impact of our investments.

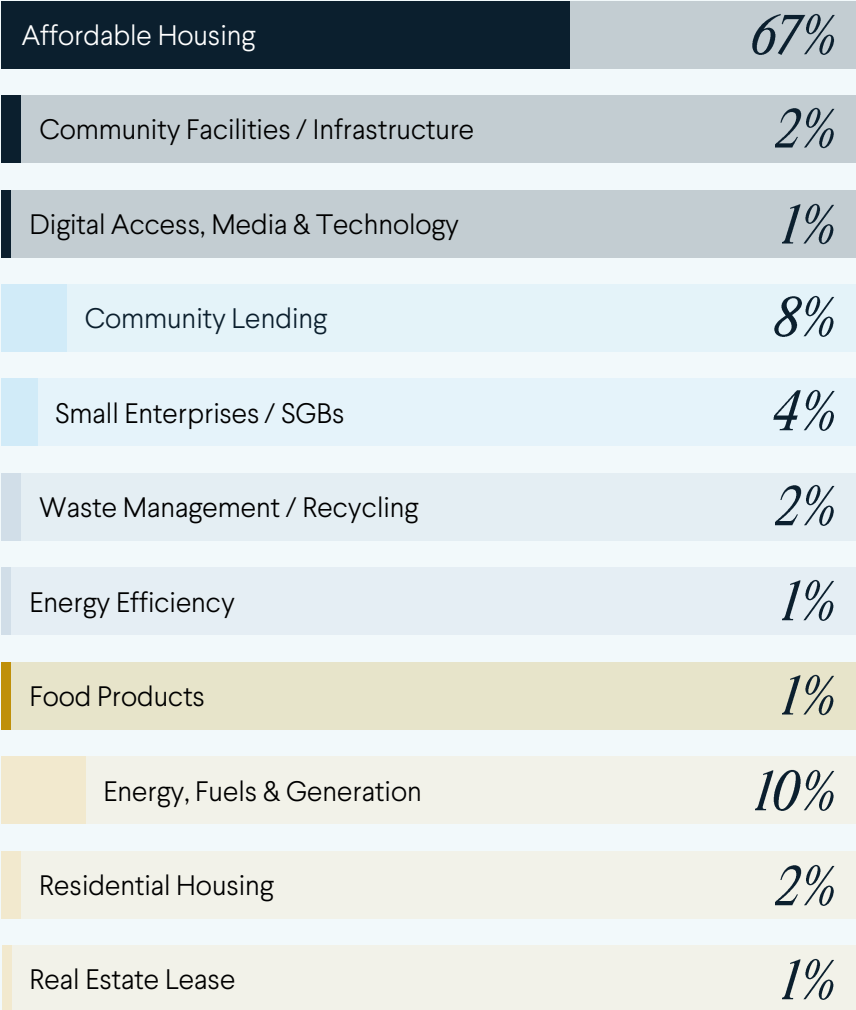
MAIN TOPICS



SUSTAINABILITY IMPACT



SUBTOPICS



Affiliations

We recognize the importance of promoting sustainability in the private equity industry. We believe that one of the ways to drive responsible investment and professional ethics is through close collaborations with alliances that promote the adoption of best practices and progress toward sustainable development. As part of our role as corporate citizen, we are part of global and regional partnerships or initiatives.



UNPRI is an organization founded in 2005, represented by institutional investors and managers worldwide. It is the leading organization in responsible investment for the investment management industry. It promotes six principles for incorporating ESG factors into the investment process. As of 2023, Alsis Funds is 1 of 27 Mexican asset managers signatories.



UN Global Compact is the world's largest corporate sustainability initiative. It seeks to encourage companies to align their strategies and operations with universal principles on human rights, labor, environment, and corruption, as well as to support the SDGs. Alsis Funds has participated in this initiative since 2023, along with approximately 950 other Mexican companies.



AMEXCAP

Founded in 2003, AMEXCAP is a non-profit organization whose mission is to promote the development of Mexico's private equity and venture capital industry. Alsis Funds has been a member of AMEXCAP since 2015 and actively participates in various initiatives of the association. In 2022, Alsis Funds became a member of the association's ESG Committee, which seeks to promote sustainability and ESG factors in the industry.



Our Commitment

By becoming a signatory to the UNPRI and UN Global Compact in March 2023, we formalized and made public our commitment to responsible investment and corporate social responsibility, where we support, specifically, 6 UNPRI principles and 10 UN Global Compact principles in 4 main guidelines:

PRINCIPLES | UNPRI

- 01

We will incorporate ESG issues into our investment analysis and decision-making processes
- 02

We will actively own investments and incorporate ESG issues into our practices and policies
- 03

We will seek appropriate disclosure on ESG issues by the entities in which we invest
- 04

We will promote acceptance and implementation of the Principles within the investment industry
- 05

We will work together to enhance our effectiveness in implementing the Principles
- 06

We will each report on our activities and progress towards implementing the Principles

PRINCIPLES | UNGC

- 

Human Rights
 - 1) Businesses should support and respect the protection of internationally proclaimed human rights
 - 2) Make sure that they are not complicit in human rights abuses
- 

Labor
 - 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
 - 4) The elimination of all forms of forced and compulsory labor
 - 5) The effective abolition of child labor
 - 6) The elimination of discrimination in respect of employment and occupation
- 

Environment
 - 7) Businesses should support a precautionary approach to environmental challenges
 - 8) Undertake initiatives to promote greater environmental responsibility
 - 9) Encourage the development and diffusion of environmentally friendly technologies
- 

Anti-corruption
 - 10) Businesses should work against corruption in all its forms, including extortion and bribery

SDGs Contribution

As a vehicle for mobilizing resources to key sectors of the economy, we recognize our commitment to global development agendas. To assess the extent to which and how our investments contribute to the United Nations Sustainable Development Goals, a first alignment exercise with the 2030 Agenda has been developed:



“

We believe that as a firm we contribute primarily to 6 of the 17 Sustainable Development Goals. As we progress on our impact trajectory, we will continue to deepen our contribution.

”

Towards the Future

2022 was a highly important year for Alsis Funds regarding our sustainability and impact strategy. Making our public commitment to sustainability is vital to us. We will continue to advance on our ESG strategy, achieve relevant milestones and continuously improve. We will seek to improve our operating processes, data analysis, ESG strategy, communication, and the firm overall. We aim to drive our industry forward and contribute to shaping a sustainable future for generations to come. Our objectives in ESG factors are described below:

Environmental



- We will strengthen our environmental focus through a dual-materiality analysis to identify risks and determine additional strategies
- We will promote an investment strategy that invests in sustainable projects, such as energy-efficient housing developments
- We will do our best to improve the environmental information we obtain from our investment

Social



- We will continue to promote diversity, equity, and inclusion within our People and with our portfolio companies/borrowers
- We will seek to strengthen further our commitment through new affiliations and certifications such as B Corp, GRESB, and OPIM, among others
- We will continue to safeguard child labor or modern slavery within the projects we finance and other health and safety issues

Governance



- We will form a Sustainability & Impact Committee, our corporate governance body, to drive our ESG strategy
- Continue to report our progress annually through the publication of our Sustainability & Impact Report
- We will continue enhancing our corporate governance and procedures



05 Appendix

GRI Index

GRI
 The Global Reporting Initiative (GRI) standards allow us to report our impacts on the economy, the environmental, and people in a comparable manner, adding to our commitment and transparency to contribute to sustainable development.

CODE	INDICATOR	DISCLOSURE	PAGES
GRI 2-1	Organizational details	Introduction, About Alsis Funds and Our People	4, 8, 14
GRI 2-2	Entities included in the organization's sustainability reporting	Appendix	33-40
GRI 2-3	Reporting period, frequency and contact point	Introduction	4
GRI 2-6	Activities, value chain and other business relationships	About Alsis Funds	10-11
GRI 2-7	Employees	Our People	14-17
GRI 2-9	Governance structure and composition	Our People and Sustainability at Alsis Funds	14, 24
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability at Alsis Funds	24
GRI 2-13	Delegation of responsibility for managing impacts	Sustainability at Alsis Funds	24
GRI 2-14	Role of the highest governance body in sustainability reporting	Sustainability at Alsis Funds	24
GRI 2-16	Communication of critical concerns	Sustainability at Alsis Funds	24-26
GRI 2-17	Collective knowledge of the highest governance body	Our People and Sustainability at Alsis Funds	14, 24

GRI Index (cont.)

GRI
 The Global Reporting Initiative (GRI) standards allow us to report our impacts on the economy, the environmental, and people in a comparable manner, adding to our commitment and transparency to contribute to sustainable development.

CODE	INDICATOR	DISCLOSURE	PAGES
GRI 2-23	Policy commitments	Our People	18-19
GRI 2-24	Embedding policy commitments	Our People and Sustainability at Alsis Funds	15-18, 24
GRI 2-26	Mechanisms for seeking advice and raising concerns	Our People and Sustainability at Alsis Funds	18, 26
GRI 2-27	Compliance with laws and regulations	About Alsis Funds and Sustainability at Alsis Funds	11, 26
GRI 2-28	Membership associations	Sustainability at Alsis Funds	29
GRI 2-29	Approach to stakeholder engagement	Sustainability at Alsis Funds	21-22
GRI 3-1	Process to determine material topics	Sustainability at Alsis Funds	21-22
GRI 3-2	List of material topics	Sustainability at Alsis Funds	21-22
GRI 3-3	Management of material topics	Sustainability at Alsis Funds	21-22

SASB Index



SASB (Sustainability Accounting Standards Board) standards guide companies' disclosure of financially meaningful sustainability information to their investors. Our disclosure of information from this perspective allows us to incorporate the dual-materiality view into our business.

CODE	INDICATOR	DISCLOSURE	PAGES
FN-AC-270a.3	Description of the approach taken to inform customers about products and services	About Alsis Funds	10, 11
FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Our People	14, 16
FN-AC-410a.1	Number of assets under management, by asset class, that employ (1) environmental, social and governance (ESG) integration, (2) thematic sustainability investing, and (3) screening	Our People and Sustainability at Alsis Funds	18, 28
FN-AC-410a.2	Description of approach to incorporating environmental, social and governance (ESG) factors into investment and/or wealth management processes and strategies	Sustainability at Alsis Funds	11, 24-28
FN-AC-510a.2	Description of whistleblowing policies and procedures	Our People and Sustainability at Alsis Funds	18, 26

Materiality Index

MATERIAL THEME	DISCLOSURE	PAGES
Child labor	Sustainability at Alsis Funds	26
Taxes	Sustainability at Alsis Funds	25
Transparency	Sustainability at Alsis Funds	24–26
Anti-corruption	Sustainability at Alsis Funds	24
Grievance mechanism	Sustainability at Alsis Funds	26
Client privacy	About Alsis Funds	11
Non-discrimination	About Alsis Funds and Our People	15–17
Diversity and equal opportunities	Our People	15–17
Client health and safety	Sustainability at Alsis Funds	25–27
Emissions	Sustainability at Alsis Funds	21–22, 26–27
ESG considerations in investment management	Introduction, About Alsis Funds and Sustainability at Alsis Funds	11, 24–27, 30

UNPRI Index



UNPRI considers 6 principles of responsible investment, which are a reference for Alsis Funds in our investment process and which we seek to comply with in order to promote responsible investment.

PRINCIPLE	DISCLOSURE	PAGES
1) We will incorporate ESG issues into our investment analysis and decision-making processes	Sustainability at Alsis Funds	23-27
2) We will actively own investments and incorporate ESG issues into our practices and policies	Sustainability at Alsis Funds	23-27
3) We will seek appropriate disclosure on ESG issues by the entities in which we invest	About Alsis Funds and Sustainability at Alsis Funds	11, 25-27
4) We will promote acceptance and implementation of the Principles within the investment industry	Sustainability at Alsis Funds	30
5) We will work together to enhance our effectiveness in implementing the Principles	Sustainability at Alsis Funds	30
6) We will each report on our activities and progress towards implementing the Principles	Sustainability at Alsis Funds	30

UNGC Index



UNGC considers 4 categories: human rights, labor, environment, and anti-corruption, and the following 10 principles. Our corporate governance is the pillar of compliance with these principles at Alsis Funds and towards our investments.

PRINCIPLE	DISCLOSURE	PAGE
1) Businesses should support and respect the protection of internationally proclaimed human rights	Sustainability at Alsis Funds	18-19, 24-27, 30
2) Make sure that they are not complicit in human rights abuses	Sustainability at Alsis Funds	24-27, 30
3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Sustainability at Alsis Funds	26, 30
4) The elimination of all forms of forced and compulsory labor	Sustainability at Alsis Funds	24-27, 30
5) The effective abolition of child labor	About Alsis Funds and Sustainability at Alsis Funds	11, 24-27, 30
6) The elimination of discrimination in respect of employment and occupation	Our People and Sustainability at Alsis Funds	15-18, 24-27, 30
7) Businesses should support a precautionary approach to environmental challenges	About Alsis Funds and Sustainability at Alsis Funds	11, 24-27, 30
8) Undertake initiatives to promote greater environmental responsibility	Sustainability at Alsis Funds	29-30
9) Encourage the development and diffusion of environmentally friendly technologies	Sustainability at Alsis Funds	26-27, 30
10) Businesses should work against corruption in all its forms, including extortion and bribery	Our People and Sustainability at Alsis Funds	18-19, 30

SDGs Index

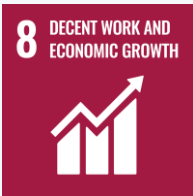
REPORT SECTION

SUSTAINABLE DEVELOPMENT GOALS

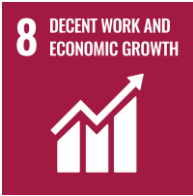
Introduction



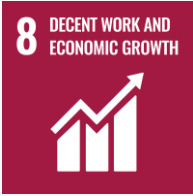
About Alsis Funds



Our People



Sustainability at Alsis Funds



Legal Disclaimer

The information contained in the report integrates data and comments intended solely for informational and educational purposes as of a specific date, which in some cases are estimates or future prospects that should not be taken as forecasts or promises and which may be changed without notice, such information is not binding on Alsis Funds. However, statements of fact contained in this presentation have been obtained from and are based on sources Alsis Funds or Alsis Funds believes to be reliable; Alsis Funds does not guarantee their accuracy, and any information may be incomplete or condensed; Alsis Funds is not responsible for information provided by third parties. Nothing herein constitutes investment advice or information for promotional, marketing, or advertising purposes regarding securities or services of any kind, nor does it constitute an offer, solicitation, or recommendation to sell or an offer to buy any securities, investment products, or investment advisory services, the mention of or reference to specific strategies or instruments in this presentation shall not be construed as a recommendation or opinion that you should make any purchase or sale or engage in any transaction.

Alsis Funds is a registered trademark.

Alsis Funds