Responsible Investing Policy

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investing for change

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Responsible Investing Policy

1. About Fama Re.Capital

Fama Re.Capital is an independent Brazilian asset manager that invests in opportunities where environmental, social and economic transformations drive long-term value creation. With over 30 years of experience in responsible investing, we have developed our own investment approach based on the conviction that financial returns, sustainability and positive impact are mutually reinforcing.

Our approach combines financial discipline, a long-term perspective and a deep understanding of the structural transformations shaping the economy, markets and society. We believe that anticipating these changes and integrating them into the investment process is essential to identifying opportunities, managing risks and building more resilient portfolios over time.

Our role extends beyond capital allocation. We view active ownership and engagement as essential components of the investment process and work closely with portfolio companies and other stakeholders to support the evolution of corporate strategies, strengthen governance and transparency, and promote long-term value creation.

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2. Systemic Investing

At Fama Re.Capital, we recognize that a world defined by growing complexity, volatility, transition risks, and structural shifts demands a systemic reading of the economy, markets, and risks that are frequently underpriced by fragmented investment models and short-term horizons. Our approach combines financial rigor with a systemic perspective to identify asymmetries and anticipate how environmental, social, and regulatory transformations translate into risk, competitiveness, and returns.

Our investment discipline expands traditional fundamentals by incorporating structural variables that are increasingly influencing economic outcomes. This science-driven, expanded perspective strengthens our ability to allocate capital along efficient transition pathways, where complexity creates opportunities for repricing, resilience, and long-term value generation.

Drawing on a thematic lens and a reading of structural socio-environmental challenges, Fama Re.Capital's strategy combines different investment theses, asset classes, and financial instruments, seeking to develop pioneering and proprietary strategies capable of capturing opportunities associated with the transition toward more resilient, sustainable, and inclusive economic models.

I. Sustainability as a Value Creation Driver

Fama Re.Capital understands impact as a driver of long-term value creation and financial resilience. We believe that companies and assets better prepared to respond to environmental, social, and economic challenges tend to demonstrate greater capacity for adaptation, risk mitigation, and capture of structural opportunities — thereby strengthening risk-adjusted returns over time. Our approach is concentrated in investments aligned with the major systemic transitions of the real economy, recognizing that these dynamics are set to redefine markets, value chains, and capital allocation in the decades ahead.

II. Thematic Investment Lens

Our investment activities are built on the conviction that we are experiencing a profound economic and ecological transition that will reshape capital allocation, business competitiveness, and value creation over the coming decades. Based on this perspective, we identify systemic challenges and structural trends that guide our investment theses, organized around three thematic lenses. These lenses reflect our belief that environmental, social, and economic factors are fundamental drivers of resilience, productivity, and sustainable long-term value creation.

Climate: Capturing asset repricing opportunities associated with adaptation to physical and regulatory transition risks, and with the strengthening of industrial competitiveness and resilience through low-carbon economy innovations.

Nature: Capturing opportunities associated with the valuation and regeneration of natural capital, the strengthening of productive supply chains, and the efficient use of strategic natural resources.

Inequality: Capturing opportunities associated with productivity gains, the reduction of structural inefficiencies, and the strengthening of economic resilience and long-term growth.

III. UN SDG Alignment

Alignment with the UN Sustainable Development Goals (SDGs) is used as a strategic and thematic reference, without replacing the definition of fund-, thesis-, or asset-specific indicators:

2 – No Hunger and Sustainable Agriculture

5 – Gender Equality

6 – Clean Water and Sanitation

7 – Affordable and Clean Energy

8 – Decent Work and Economic Growth

9 – Industry, Innovation and Infrastructure

10 – Reduced Inequalities

12 – Responsible Production and Consumption

13 – Climate Action

15 – Life on Land

3. Scope and Applicability of the Policy

Fama Re.Capital's Responsible Investment Policy establishes the principles, guidelines, and lenses that govern the integration of environmental, social, governance, and impact considerations into the manager's activities. This Policy applies to the operations and investment strategies of Fama Re.Capital, covering both aspects related to the manager's internal operations and the funds comprising our assets under management, taking into account the specificities of different asset classes, sectors, geographies, and business models.

The application of this Policy follows a risk-based and proportionality approach, considering factors such as the nature of the investment, the level of influence exercised by Fama Re.Capital, and the materiality of identified risks and impacts. In cases where the manager exercises a higher level of control or influence, Fama Re.Capital seeks to promote alignment with this Policy through governance mechanisms, due diligence, engagement, and other instruments deemed appropriate.

4. International References

Fama Re.Capital has developed its approach to impact integration and responsible investment drawing on internationally recognized frameworks, including:

UN Sustainable Development Goals (SDGs): Provide a global reference for identifying key social, environmental, and economic challenges, guiding the definition of the outcomes and impacts we seek to generate through our investments.

Impact Management Project (IMP): Offers a framework for defining, assessing, and managing impact, supporting the understanding of investment contributions and their effects on stakeholders and systems.

IRIS+: Provides standardized metrics for measuring, monitoring, and reporting impact, promoting greater consistency, materiality, and comparability in analyses.

Global Impact Investing Network (GIIN): A global reference organization for the development of the impact investing market, responsible for creating and disseminating standards, research, and best practices, including the IRIS+ system.

Principles for Responsible Investment (PRI): Guide the integration of environmental, social, and governance (ESG) factors into the investment analysis, decision-making, and active portfolio management process.

Additionally, where applicable to the nature of the strategy, asset class, and the manager's level of influence, Fama Re.Capital may consider references such as the IFC Performance Standards, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, TCFD/ISSB for climate-related risks, and TNFD for nature and biodiversity-related themes.

5. Pillars of Our Approach

Fama Re.Capital's approach to integrating socio-environmental and impact considerations is guided by three foundational pillars:

I. Ex-ante and ex-post integration

Environmental, social, and impact aspects are assessed prior to the investment, during the approval process, and throughout the full investment lifecycle through each fund's Impact Management System (IMS), in a manner proportional to the nature of the investment, the asset class, and the materiality of identified themes. Socio-environmental and impact analysis is embedded intrinsically into the decision-making process, not as a parallel exercise, but as an integral component from the development of the investment thesis through to approval by each fund's investment committee. This integration may occur, as applicable, at the stages of initial screening, investment thesis development, due diligence, investment memorandum, committee deliberation, indicator definition, periodic monitoring, portfolio company engagement, and investor reporting. Where material risks are identified, action plans may be established, including monitoring indicators, designated responsible parties, timelines, and escalation mechanisms.

II. Multidimensional risk and positive contribution analysis

Our approach combines the analysis of socio-environmental risks, encompassing the identification, prevention, and mitigation of adverse impacts, with the assessment of the investment's positive contribution and transformative potential, evaluating both the expected and achieved impact of investments made.

III. Sustainability lens at the manager and fund level

The integration of socio-environmental and sustainability considerations stems from a strategic and integrated view at the firm level, ensuring portfolio coherence, alignment, and intentionality in generating positive impact. This lens is also applied individually to each fund and strategy, respecting the specificities of each mandate, sector, and asset class.

6. Impact Assessment Methodology

Respecting the nature and particularities of each product and strategy, an impact assessment of investments will be conducted periodically. Fama Re.Capital's impact assessment approach draws on the IRIS+ and Impact Management Project (IMP) frameworks, seeking to: (i) define indicators specific to the mandates of each fund, to be tracked and monitored on a periodic basis; and (ii) classify investments, where applicable, into three impact categories: A, Avoid Harm; B, Benefit Stakeholders; and C, Contribute to Solutions.

I. Periodic Monitoring of Impact Indicators

Depending on each fund's strategy, sector, asset class, governance, and influence profile, indicators will be defined for periodic tracking that reflect the primary economic, ecological, or social transformation objective of the mandate, using IRIS+ as a reference for impact metrics relevant to each strategy and context.

II. Impact Classification (A-B-C)

Where applicable within the context of each investment fund, we apply an impact assessment tool to classify each investment opportunity across the three categories below. The evidence, criteria, and classification mechanisms are adapted to the reality of each fund, considering sector, materiality, scale, depth, duration, additionality, impact risks, and the manager's level of influence. Classification must be documented and reviewed periodically, or whenever there is a material change in the thesis, the asset, or the impact context.

Avoid Harm: Investments or projects whose sustainability lens focuses on preventing, mitigating, or reducing negative externalities and adverse risks associated with operations.

Benefit Stakeholders: Investments or projects whose activities generate direct benefits and positive outcomes for specific stakeholders.

Contribute to Solutions: Investments or projects whose activities are directed at addressing structural environmental and social challenges, contributing to systemic transformations in the economy and society.

Classification across the above categories evaluates investments along the following dimensions, as recommended by the IMP:

What: The nature and relevance of the outcome generated

Who: The profile of impacted stakeholders and their degree of vulnerability

How Much: The scale, depth, and duration of the impact generated

Contribution: The degree of additionality and the influence of the investment

Risk: The probability that the expected impact will not materialize

7. Principles for ESG Integration

Fama Re.Capital integrates environmental, social, and governance analysis to guide its operations and investment activities. This integration reflects the manager's commitment to responsible risk and impact management, the promotion of positive outcomes, and the contribution to more resilient, sustainable, and inclusive economic systems.

I. Environmental Themes

Fama Re.Capital recognizes that environmental challenges represent systemic risks and demand coordinated transformation across sectors, value chains, and economic actors. In this context, the manager's activities are guided by the following principles:

- Climate Mitigation and Transition: Supporting the decarbonization of the real economy and the transition toward more resilient and carbon-efficient business models.
- Climate Adaptation and Resilience: Strengthening operational resilience and value chain robustness in the face of the physical impacts of climate change.
- Biodiversity and Natural Capital: Promoting ecosystem preservation, sustainable land use, and the mitigation of risks related to deforestation and environmental degradation.

II. Social Themes

Fama Re.Capital recognizes that social factors are fundamental to business sustainability and long-term value creation. The manager's activities are guided by the following principles:

- Labor and Working Conditions: Promoting fair, safe, and respectful working conditions.
- Human Rights: Considering risks and impacts related to human rights across investment activities.
- Communities and Stakeholders: Taking into account impacts on communities, territories, and other relevant stakeholders.
- Health, Safety, and Well-being: Promoting practices aimed at protecting workers and potentially affected communities.
- Inclusive Value Chains: Supporting more inclusive business models, particularly in value chains linked to the socio-bioeconomy and sustainable territorial development.

III. Governance Themes

Fama Re.Capital recognizes that robust governance structures are fundamental to the proper management of environmental and social risks and impacts, as well as to the sustainability and integrity of its operations and investments, seeking to promote sound governance practices through the following principles:

- ESG Integration: Incorporating environmental and social aspects into investment processes, risk management, and decision-making.
- Accountability and Oversight: Clear definition of responsibilities and oversight mechanisms.
- Transparency: Promoting transparency and adequate disclosure of material information.
- Ethics and Integrity: Alignment with high ethical standards, regulatory compliance, and anti-corruption practices.
- Risk Management and Controls: Maintaining proportional processes for identifying, assessing, and monitoring risks.
- Stakeholder Engagement: Promoting constructive dialogue with investors, portfolio companies, and other relevant stakeholders.

8. Exclusion Policy

Fama Re.Capital recognizes that many of the structural challenges of the real economy are associated with carbon-intensive sectors and value chains of high socio-environmental complexity. For this reason, Fama Re.Capital does not adopt a blanket exclusion approach for hard-to-abate or hard-to-transform sectors, instead favoring a best-in-class approach oriented towards the ongoing evolution of companies over time. We believe that in many cases, stewardship, active engagement, and directing capital toward companies committed to transformation can generate more meaningful outcomes than the outright exclusion of specific sectors.

Notwithstanding this transition and engagement approach, Fama Re.Capital will not make investments where there is material evidence, without a credible remediation or corrective action plan of: forced labor or labor analogous to slavery; illegal or harmful forms of child labor; systemic corruption; serious environmental crimes; illegal deforestation; gross violations of human rights; activities inconsistent with applicable sanctions; activities prohibited by national legislation or relevant international conventions; and repeated patterns of legal non-compliance incompatible with the manager's principles. Where applicable, the assessment may consider public databases, restrictive lists, sanctions, regulatory violations, material controversies, administrative or judicial decisions, and other due diligence sources.

9. Engagement and Stewardship

Fama Re.Capital's engagement approach is risk-based and proportional, considering the materiality of identified themes, the potential impact of investments, and the level of influence exercised by the manager. Through this approach, Fama Re.Capital seeks to contribute to the evolution of companies and value chains on themes such as decarbonization, sustainable land use, biodiversity, and inclusive economic development. Stewardship represents the active and constructive influence we seek to exercise with portfolio companies, promoting practices aligned with sustainable value creation, sound governance, and responsible management of material risks and opportunities.

Since our founding in 1993, engagement has been at the core of Fama Re.Capital's identity. In 2022, we became signatories to the Brazilian Stewardship Code (Código Brasileiro de Stewardship) of AMEC, further strengthening this commitment and making our practices more structured without losing the proximity, dialogue, and flexibility we have built with our investees. In this context, we seek to develop long-term relationships with portfolio companies, grounded in value creation, continuous dialogue, and structured engagement to support the evolution of practices and the strengthening of material risk and opportunity management.

Our approach may include:

- Structured engagement processes, with defined priorities, objectives, and material themes for interaction with portfolio companies;
- Thematic engagements on topics such as:
    - Climate transition and decarbonization strategies;
    - Biodiversity, land use, and deforestation-related risks;
    - Labor and working conditions; and
    - Governance practices related to environmental and social management;
- Ongoing dialogue and periodic follow-up, seeking to assess progress, discuss identified challenges, and support the implementation of improvement measures; and
- Documentation and monitoring of engagement activities, including topics discussed, agreed actions, and progress observed over time.

10. Commitments and Memberships

Fama Re.Capital seeks to operate in alignment with the leading global initiatives and commitments related to sustainability, corporate responsibility, climate transition, and responsible investment, reinforcing our commitment to international best practices.

PRI – Principles for Responsible Investment: A United Nations-supported initiative that promotes the integration of ESG factors into investment decisions and portfolio management, of which we have been a signatory since 2011.

Sistema B (B Corp): A global movement of companies committed to high standards of social and environmental performance, transparency, and governance, of which we have been a member since 2020. In 2021 and 2022, we were recognized as Best for the World in the Workers category.

NZAM – Net Zero Asset Managers Initiative: A global initiative of asset managers committed to aligning portfolios with the goal of net zero emissions by 2050. We were among the 30 founding members of the initiative — the only Latin American asset manager at its launch in 2020.

Código Brasileiro de Stewardship (Brazilian Stewardship Code): A code developed to strengthen stewardship practices in the Brazilian capital markets, promoting responsible engagement, transparency, and active participation of institutional investors with portfolio companies.

2X Challenge Aligned: An international initiative focused on advancing gender equality through the mobilization of capital toward businesses and investments that expand opportunities for women.

Aliança pelo Impacto (Impact Alliance): An initiative to mobilize public and private capital for impact investing and support the development of the impact investing market.

Compromisso 1% (1% Commitment): An initiative that encourages companies to allocate at least 1% of their annual net profit to civil society organizations, social movements, and community groups dedicated to advancing causes of public interest.

11. Governance and Responsibilities

Fama Re.Capital defines clear roles and responsibilities to ensure the effective implementation of this Policy and the integration of environmental and social considerations into its operations and investment activities.

This governance structure includes:

Partners: Responsible for overall oversight of the manager's sustainability approach, including alignment with strategic priorities, applicable standards, and internal policies.

Impact Team: Responsible for developing and maintaining frameworks, tools, and methodologies to support the identification, assessment, and management of environmental and social risks and impacts, as well as providing technical support to the investment teams.

Investment Team: Responsible for integrating environmental and social aspects into the investment process, including screening, analysis, due diligence, decision-making, monitoring, and engagement with portfolio companies.

Compliance Team: Responsible for overseeing adherence to this Policy and related internal procedures, including the management of complaint mechanisms, monitoring compliance with applicable requirements, and appropriate escalation of material issues.

Cross-functional coordination: Seeking to ensure collaboration across relevant teams for the assessment, management, and monitoring of environmental and social risks, impacts, and opportunities.

12. Monitoring, Reporting, and Transparency

Fama Re.Capital seeks to track environmental, social, and governance themes related to its operations and investment activities, in a manner proportional to the materiality of identified themes and the nature of each strategy. This may include monitoring of portfolio companies, tracking material themes, engagement activities, and analysis of relevant information and disclosures related to environmental and social risks, impacts, and opportunities.

The manager also seeks to maintain internal documentation, monitoring, and reporting processes that support the implementation of this Policy, the continuous improvement of its practices, and transparency toward investors and other stakeholders. Monitoring and reporting efforts are guided by a risk-based and proportionality approach, considering the investment profile, material themes involved, and the level of influence exercised by the manager.

The application of this Policy considers the characteristics of each strategy, asset class, and financial instrument, and may involve mechanisms such as asset selection, portfolio construction, due diligence, and engagement. Fama Re.Capital will periodically review this Policy to ensure alignment with regulations, best practices, and the manager's strategic priorities.

The implementation of this Policy will be supported by internal records proportional to the nature of each strategy, including, where applicable, documentation of socio-environmental analyses, committee deliberations, monitored indicators, engagement activities, material controversies, action plans, and escalation measures. This Policy will be reviewed at least annually, or whenever there is a material change in the manager's strategy, its products, regulatory requirements, or relevant best practices.