

Aldea Ventures ESG policy

At Aldea Ventures we use the term 'ESG' to describe a comprehensive set of environmental, social and governance matters impacting both our fund and our portfolio. We put these concerns at the core of our operations.

What ESG means for us

While a plethora of frameworks and definitions of ESG exist, most are not fit for usage in venture capital and for working with early stage technology startup and funds. We are hence following a definition of ESG developed with and by VentureESG, which defines ESG across eight issue areas linked to E, S and G respectively.

1. **Environment:** considering the environmental impact from Scope 1 (directly caused by the company/VC, e.g. through facilities, mobility, employees) and Scope 2 (indirectly caused, e.g. energy, electricity, waste) to Scope 3 (caused by upstream and downstream activities, e.g. business travel, transportation of the product, customers' energy usage); targeting both measuring but most importantly reducing the impact across all scopes (at fund and portfolio level).
2. **Social:**
 - a. DEI: integrating diverse and inclusive practices across all areas of the business (e.g. diversity of the fund or the founding teams, inclusive hiring practices).
 - b. Team and working environment: building a strong culture and being a conscientious employer (e.g. pay gap, parental leave, living wage).
 - c. Responsible product design: designing and building products with consideration of the ethical and human implications on the end-user and society.
 - d. Supply chain: working towards an ethical and environmentally resilient supply chain.
3. **Governance**
 - a. Legal and regulatory: being on top of and aligned to the latest laws, regulations and compliance standards (e.g. GDPR, UN Guiding Principles of Business and Human Rights, the eight core ILO conventions); the oversight of these issues is ensured by the Board of Directors.
 - b. Governance: having appropriate governance structures in place, according to the company's stage (e.g. board structure, share structure).
 - c. Data privacy and security: instilling a strong culture of trust, responsibility and best practice (e.g. with internal systems) around data

How we operationalize ESG in our VC firm

ESG does not only apply to how we invest and help our portfolio companies and funds flourish and grow but it is also part and parcel of how we internally manage our fund. We aim at applying higher ESG considerations and standards to ourselves than to our portfolio; being in a strong position when it comes to ESG ourselves not only makes our demands to portfolio companies more believable, it also strengthens our (economic and structural) position as a VC firm.

- **ESG responsibility:** while every member of our team is concerned with and thinks along lines of ESG when making decisions and supporting portfolio companies, we have assigned the overall ESG lead to Núria Zaragoza Vicente. In addition to this, Gonzalo Rodés Vilà is the partner responsible of overseeing the comprehensive ESG efforts of Aldea Ventures. Our approach to ESG will be discussed at a board level at least once a quarter.
- **Hiring and working environment:** we are committed to hiring a diverse team and providing an inclusive working environment. We will be working on integrating a specific DEI policy, which will include considerations of inclusive hiring, parental leave, pay gaps, among others.
- **Good governance:** all our decision making in both the advisory board and the investment committee is committed to good governance principles; across these bodies, we aim to track a range of diversity metrics, and we started tracking gender diversity.

By good governance we refer to structures and processes that are designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation. Good governance also represents the norms, values and rules of the game through which affairs are managed in a manner that is transparent, participatory, inclusive and responsive. Governance therefore can be subtle and may not be easily observable.

How we operationalize ESG in the investment process

Applying ESG principles to growth companies is differs significantly from applying them to emerging fund managers. As a result, our approach within both our direct coinvestment practice and our FoF practice also differs. When making a direct coinvestment, we seek out specific ESG criteria, but we recognize that emerging funds may require guidance and assistance in this area. Therefore, our role in the funds in which we invest is to offer support, resources, and empowerment to help establish appropriate ESG practices.

In addition to this, we also think through how ESG applies to the entire investment process from sourcing and screening to due diligence and portfolio management and exit.

1. Exclusion list:

There are certain business models and sectors we do not invest in, which include companies engaged in the production or trade:

- of products or services deemed illegal under host country laws or regulations or international conventions and agreements.
- produce/trade in tobacco (and other addictive substances), weapons/munition, pesticides/herbicides (subject to international phase outs / bans), sex work, pornography, gambling or casinos, as well as companies where more than five percent of total sales come from the distribution of these products.
- produce/are involved in the production of fossil fuels¹, including unconventional extraction of fossil fuels, such as oil sands and deep-sea drilling in particularly sensitive areas

We will also exclude companies and funds who / whose:

- founder / GP / member of the senior team is involved in and/or legally condemned by cases of harassment, discrimination or bullying
- do not comply with international standards and conventions regarding human rights, the environment, anti-corruption or labour laws
- product/service/business model is rooted in/reliant on exploitative tactics, either of a certain demographic or an at-risk group

2. Sourcing:

We are committed to ensuring accessibility to as a principle in the sourcing and pipeline management of the deals that fulfil our investment criteria. Concretely, we have put in place two mechanisms and steps to make our funnel easier to access and to counteract any lack of diversity that early in the investment process:

- Open application process: all applications are screened by at least one, ideally two, members of the investment team.
- Usage of accessible language: On our communications. website as well as in all (written) communication, we are careful to use accessible language (e.g. gender inclusive).

3. Due diligence / qualitative assessment of investments:

In the process of screening and conducting due diligence on potential investment targets, ESG considerations (across the above eight sub-categories) play an important role. We are keen to understand the attitude of the GPs and founders, their approach to building their companies and any

¹ A company tackling to reduce the environmental impact of fossil fuels might be eligible for investment analysis.

consideration of adverse impacts they might foresee early in the process and have our investment decisions influenced by these factors. The information we collect is duly documented in our investment memos and plays an important role in our investment decision. We are using three tools in particular at this stage to probe the startups and founding team's thinking around ESG:

- ESG screening checklist (three quick questions):
 - What is the founding team's approach to ESG?
 - Is the founding team's vision for their business congruent with ESG principles?
 - To what extent have they considered potential adverse impacts of their business?
- ESG due diligence checklist (comprehensive DD questions based on the ESG VC Measurement Framework, [see here](#)):
 - Are there any obvious red flags (e.g. non-compliance, ESG risks) along the lines of our comprehensive DD checklist?
 - How could ESG considerations impact the viability of the business model?
 - Goal: rigorous ESG assessment with relevant DD questions as part of every investment memo (in a separate section)
- ESG term sheet clause: we will do our best efforts to include ESG material aspects in the term sheet or through a side letter whenever suitable.
- ESG commitments post-investment: we will do our best efforts to ask the GPs and the founding teams to commit to ESG policies and procedures with regular milestone reporting post-investment.

4. Post-investment portfolio support

Once we have committed to invest in a company or in a fund, ESG considerations will further guide our portfolio management with a focus on both risk mitigation and value creation. We continue our comprehensive approach to ESG across the eight core areas supporting our portfolio companies actively in their journey.

- On-boarding conversation: modelled on and harmonised with the due diligence checklist, our on-boarding alignment conversation for every new portfolio company and fund includes an ESG framework exercise to identify their blind spots and company priorities based on stage / sector / region (from both a risk and strategic value perspective). The outcome of this initial workshop is to agree on 2-3 reporting metrics (e.g. DEI of growing team), set goals for improvements and set out a plan of action and support requirements.
 - Regular milestone meeting(s): while providing ongoing portfolio support, also specifically around matters of ESG, regular ESG-focused milestone meetings conducted every 12 months will ensure progress. For these meetings, the agreed upon KPIs/milestones will be reviewed and adapted (if necessary) as well as new support requirements set.
5. **Follow-on funding:** we believe that making ESG part of our decision making is key, so receiving follow-on funding at our fund is not only based on commercial milestones (e.g. around revenue numbers) but also ESG aspects and progresses will be taken into consideration. Decisions will be taken on a case-by-case and the portfolio company/fund will be involved along the process.

ESG leadership

Aldea Ventures SGEIC, SA, is part of the international [VentureESG](#) initiative and community, a group of over 400 VC funds between the US, Europe and Israel driving the industry towards more consideration of ESG principles. We intend to further contribute to this development by both embodying the ESG principles set out in this policy in our fund and helping our portfolio to do the same. We aim to work towards a global ESG ecosystem by sharing and encouraging our practices across the VC landscape.

In addition to that, Aldea is part of [Level 20](#), a not-for-profit organisation founded with the aim of improving gender diversity in the venture capital and private equity industry. Carlos Trenchs, Managing Partner at Aldea, is part of the Spanish Board of Level 20; and Núria Zaragoza is part of the Outreach Committee of Level 20.