innpact

<u>Sustainability related disclosures</u>
<u>Innpact Fund Management S.A.</u>

This page aims to inform about the sustainability-related matters considered by Innpact Fund Management S.A. (hereinafter, "**Innpact AIFM**"), as required by the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**").

Innpact AIFM has developed a proprietary set of policies and procedures defining how sustainability and impact factors are consistently implemented throughout its investment activities. These pertain to:

- **<u>Innpact AIFM Environmental and Social Management System</u>** ("**ESMS**"), which defines Innpact AIFM's vision and sets out the principles for how environmental, social and governance ("**ESG**") and impact factors are integrated in the investment strategies for funds where Innpact AIFM act as alternative investment fund manager.

- **<u>Innpact AIFM ESG Risk Policy</u>**, which details Innpact AIFM's definition of ESG risks and identifies the relevant ESG risks indicators, that Innpact AIFM considers to integrate ESG risks throughout its investment activities.

- **<u>Innpact AIFM ESG Risk Procedure</u>**, which consists of a procedural document, complementary to the ESG Risk Policy. The ESG Risk Procedure highlights steps needed in analyzing ESG risk across the major types of funds that can be managed by Innpact AIFM. Secondly, it provides guidance for categorizing the ESG risks and implement appropriate mitigation strategies.

- **Innpact AIFM sustainability-related disclosures**, which include the following:
  A. **<u>Innpact AIFM Disclosure on the Integration of Sustainability Risks in the Investment Process</u>**, in alignment with Article 3 of SFDR.

  B. **<u>Innpact AIFM Integration of Principal Adverse Impacts Statement</u>**, in alignment with Article 4 of SFDR. This section also provides information about the consideration of Principal Adverse Impacts within the funds for which Innpact AIFM acts as alternative investment fund manager.

  C. **<u>Information on Innpact AIFM Remuneration Policy</u>**, which explains how Innpact AIFM remuneration policy is consistent with the integration of sustainability risks, as per Article 5 of SFDR.

Sustainability-related disclosures
Innpact Fund Management S.A.
Updated as of 1st July 2023

Innpact Fund Management S.A. ("**Innpact AIFM**") is authorized by the Luxembourg financial authority, the *Commission de Surveillance du Secteur Financier*, to act as authorized alternative investment fund manager. Innpact AIFM is the only third-party AIFM in Luxembourg exclusively dedicated to impact investment funds.

Innpact AIFM aligns its communication with the requirements of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**").

The publication of the SFDR marks a key milestone in the 2018 EU Action Plan on financing sustainable growth. SFDR offers transparency to investors as it provides a common sustainability disclosure framework. It is applicable to financial market participants (including, among others, alternative investment fund managers) and financial advisers which manage or make available financial products (including, for example, impact investment funds). Financial market participants and financial advisers are now required to disclose transparent information regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products they manage or make available.

Innpact AIFM is considered as a financial market participant for the purposes of the SFDR and is required to publish on its website the following disclosures to comply with articles 3, 4 and 5 of the SFDR.

Definitions of sustainability-related terms:

- "**IFC Performance Standards**" means the eight Performance Standards established by the International Finance Corporation ("**IFC**") providing guidance on how to identify risks and impacts, and designed to avoid, mitigate and manage risks and impacts as a way of doing business in a sustainable way. Further information is available at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards.
    - **IFC Performance Standard 1** establishes importance of effective and integrated Assessment and Management of Environmental and Social Risks and Impacts.
    - **IFC Performance Standard 2** recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers and sets out requirements for Labor and Working conditions. These requirements are guided by a number of international conventions, including those of the International Labour Organization and the United Nations.
- "**Principal Adverse Impact**" means an adverse impact of investment decisions (i) on climate, or on other environment-related sustainability factors, and (ii) on social, employee, human rights, anti-corruption or anti-bribery sustainability factors, as measured by specific indicators outlined in Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the SFDR with regard to regulatory technical standards, as may be amended from time to time.

- "**SFDR Minimum Safeguards**" mean the principles and rights set out in (i) the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work, (ii) the International Bill of Human Rights, (iii) the UN Guiding Principles on Business and Human Rights and (iv) the OECD Guidelines for Multinational Enterprises.
- "**Sustainability Risk**" (also referred to herein as "**ESG Risk**") means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.
- "**Sustainability Factors**" mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- "**SFDR**" means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

A. Integration of Sustainability Risks in the Investment Process

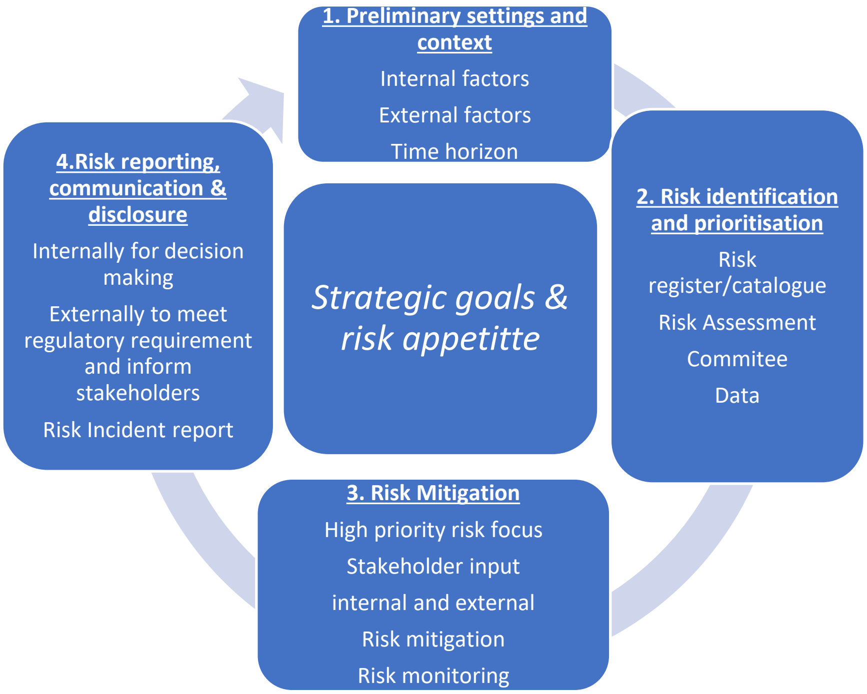
Innpact AIFM identifies and considers Sustainability Risks throughout the investment cycle for each alternative investment fund it manages. Innpact AIFM developed two core documents defining how ESG risks are integrated throughout Innpact AIFM's investment activities. These are:

- Innpact AIFM **ESG Risk Policy**, which details Innpact AIFM's approach to the integration of sustainability risk in its investment decision-making process, in alignment with Article 3 of SFDR.
- Innpact AIFM **ESG Risk Procedure**, which consists of a procedural document, complementary to the ESG Risk Policy. The ESG Risk Procedure highlights steps needed in analyzing ESG risk across the major types of funds that can be managed by Innpact AIFM. Secondly, it provides guidance for categorizing the ESG risks and implement appropriate mitigation strategies.

Innpact AIFM defines ESG Risks as follows:

- **Environmental Risk:** the risks of any negative financial impact stemming from the current or prospective impacts of environmental factors on its counterparties or invested assets. Examples of the environmental factors of environmental risk areas could include: high GHG emissions; energy consumption and inefficiency, high air pollutants, water usage and inadequate recycling, lack of adequate waste production etc..
- **Social Risks:** these are the risks of any negative financial impact stemming from the current or prospective impacts of social factors on its counterparties or invested assets. Examples of the social factors determining social risk areas include: lack of child labour policy, forced and compulsory labour, lack of workplace health and safety, lack of customer health and safety policy.
- **Governance Risks:** the risks of any negative financial impact stemming from the current or prospective impacts of governance factors on its counterparties or invested assets. Example of environmental factors of governance risks areas include: inadequate accountability, inadequate transparency and disclosures, lack of executive pay policy, lack of board diversity and structure, bribery and corruption.

The following diagram iterates how to assess and evaluate ESG Risks. ESG Risk identification and prioritization is performed in alignment with IFC Performance Standard 1 on Environment and Social Sustainability. Innpact AIFM will ensure that if portfolio management is delegated, the external portfolio manager complies with the following steps.



In line with the process above, Innpact AIFM follows the below procedure for the ESG Risk assessment of its alternative investment funds under management (the "**Funds**").

1. Define & identify	Description
Risk identification	• Innpact AIFM identifies associated material risks
Risk categories	• Identifying risk categories by the country of operation, core investment activities, duration of operation and sector
Risk factors	• Identify risk factors according to environment, social and governance factors
2. Risk Evaluation	
Risk method	• Developing a methodology (qualitative or quantitative) to evaluate risk • Define the risk scoring approach • Defining risk threshold, appetite, and likelihood of occurrence • Defining the risk impact
3. Risk Mitigation	
Actions	• Developing set of policies that adopts the SFDR Minimum Safeguards • Define mitigation plans if the risks are material • Developing a policy checklist • Set mitigants and provide remedial plans

4. Report	
Risk reporting	• Define the reporting frequency • Define the reporting structure to the board • Provide risk severity level • Provide clear mitigation plan and strategy.

The risk assessment is reviewed periodically based on monitoring of undertakings. Any change in environmental and social category or governance risk will be reported to the Investment Committee/Board of Directors of the relevant Fund(s).

Integration of Sustainability Risks into the investment decisions of the Funds

The Funds managed by Innpact AIFM integrate Sustainability Risks into decision-making and investee engagement throughout the investment process. The guiding principles for how all ESG and impact factors, including ESG risks, are integrated in the investment strategy of the Funds are defined in Innpact AIFM Environmental and Social Management Systems.

Each Fund has defined ESG investing criteria as further detailed in its investment strategy. Each Fund's investment evaluation of investees includes an ESG Risk assessment, leading to an ESG Risk score according to the level of ESG Risks. The ESG Risk assessment, conducted during the due diligence phase, is customized according to the profile of the investee. Results of the ESG due diligence are included in the investment memorandum presented to the investment committee of each Fund whose investment decision is informed by the review of ESG factors. Where ESG Risks are considered high and cannot be mitigated to a satisfactory extent or if it is not possible to establish an adequate ESG action plan, the investment will not proceed. Where significant ESG Risks are identified as a result of the ESG due diligence of an investee, but the risk level is still medium or low, a clear ESG Risk mitigation strategy and/or ESG action plan is requested as a prerequisite for the investment considered, and regular updates related to the ESG Risk mitigation strategy and/or ESG action plan will be imposed on the investee as a reporting requirement.

Throughout its portfolio of investments, each Fund collects, analyses and consolidates the impact metrics of portfolio companies. Each Fund has designed a list of impact indicators to be monitored and reported on for each investee, aligned with the Fund's impact objectives. Each Fund reports back to its investors through an annual impact report on progress achieved and informs them of any development that can affect the impact of portfolio investments. Additional in-depth impact analyses must be carried out in the latter case.

Assessment of the likely impacts of Sustainability Risks

The Funds under the management of Innpact AIFM are exposed to Sustainability Risks, through their investees' operations and ultimate clients, in the form of ESG events and conditions that can have negative impacts on the assets, financial and/or earnings situation, or the reputation of the Funds.

When providing debt financing, as a balance sheet lender, each Fund may be affected by ESG events impacting its investees and their ultimate borrowers. This risk is amplified by the often weaker environmental and social laws and enforcement thereof in the developing countries in which each Fund operates.

Considering the portfolio composition, the target countries and the investment activities of the Funds, potential ESG Risks may arise such as water pollution, carbon emissions, release of hazardous substances, threats to local biodiversity, location in areas subject to extreme weather events, child labor, forced labor or exploitative working conditions, hazards to health and safety, impacts to indigenous people and cultural heritage, population displacement, monopoly of contractors, lacks in client information and/or protection, corruption, money laundering and/or link to armed groups.

If not adequately managed, these ESG factors may negatively affect the reputation, regulatory compliance, and financial viability of the investees of the Funds. Such impacts may in turn negatively affect the Funds' credit risk profile, reputation and/or financial situation. For each Fund managed by Innpact AIFM, such ESG Risks and their potential impacts are further specified in the Fund's sustainability-related disclosures as well as in the Fund's ESG policy.

B. Integration of Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Innpact AIFM plays an important role in understanding the relationship between the social and environmental challenges the world faces and the potential impact that these will have on all investments made by the Funds under its management. Being the only Luxembourg third-party AIFM exclusively dedicated to impact investment funds, Innpact AIFM works in close collaboration with the investment advisor and/or the delegated portfolio manager of the Funds to consider the Principal Adverse Impacts in the Fund's investment decision process and Fund's monitoring of the investments but also to help the Funds to be in compliance with their SFDR obligations and gather specific data or proxies with respect to their SFDR obligations.

In this respect, Innpact AIFM ensures that:

- The relevant delegated portfolio manager and/or the investment advisor of the Fund has the appropriate infrastructure in place to report on Principal Adverse Impacts on an ongoing basis.
- Where Principal Adverse Impacts are to be considered in respect of a Fund, the appropriate disclosures are made in the pre-contractual documents of the Fund in line with SFDR requirements.
- The processes, systems and procedures in place to consider and report on Principal Adverse Impacts in respect of each Fund remain subject to Innpact AIFM's periodic due diligence.
- The periodic reports of the Funds contain sufficient and appropriate information as to the assessment of Principal Adverse Impacts.

Where Principal Adverse Impacts are not yet considered in respect of a Fund which Innpact AIFM manages due to (i) the absence of sufficient data/information and/or (ii) the absence of sufficient qualitative data/information to provide a meaningful assessment of any potential Principal Adverse Impact caused by the lack of relevant information from underlying companies/investments, or (iii) the relevant data for 2022 is still being collected, Innpact AIFM ensures that appropriate disclosures are contained within the relevant pre-contractual documents of the Funds.

See below an overview of the consideration of Principal Adverse Impacts for the Funds:

Africa Conservation and Communities Tourism Fund "ACCT" – Article 9 SFDR

ACCT monitors and reports on Principal Adverse Impacts on an annual basis, including all mandatory indicators outlined in Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the SFDR with regards to regulatory technical standards ("**RTS**"), as well as two additional indicators as specified below:

- Additional Environmental Principal Adverse Impact Indicator: Natural Species and Protected Areas;
- Additional Social Principal Adverse Impact Indicator: Lack of grievance/complaints handling mechanism related to employee matters.

The absence of investee data is expected for a few Principal Adverse Impacts indicators given the nature, sector and geography of the investments made by ACCT. Nonetheless, in the spirit of SFDR, ACCT will report on estimates through tailored proxy indicators for the following mandatory Principal Adverse Impacts:

- Scope 3 GHG Emissions;
- Total GHG Emissions;
- Carbon Footprint;
- GHG Intensity.

Agri-Business Capital Fund – ABC Global sub-fund "ABC" – Art 9 SFDR

ABC aims to mitigate Principal Adverse Impacts on sustainability factors through its investment strategy by considering the principal adverse impact indicators during the pre-investment phase, and the AIFM is engaging with Bamboo Capital Partners, i.e. ABC delegated portfolio manager, to monitor and report on an annual basis, all mandatory indicators outlined in Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the SFDR with regards to RTS, as well as the following additional indicators:

- Additional Environmental Principal Adverse Impact Indicator:
    - Emissions of ozone-depleting substances;
    - Investment in companies without water management policies;
    - Land degradation, desertification, soil sealing;
    - Investment in companies without sustainable land/agriculture practices;
    - Natural species and protected areas;
    - Deforestation.

- Additional Social Principal Adverse Impact Indicator:
  - Investment in companies without workplace accident prevention policies;
  - Lack of a supplier code of conduct;
  - Lack of a grievance/complaints handling mechanism related to employee matters;
  - Operations and suppliers at significant risk of incidents of child labor;
  - Operations and suppliers at significant risk of incidents of forced or compulsory labor;
  - Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws.

Genesis Biodiversity Fund "Genesis" – Article 9 SFDR

Genesis was incorporated on 13 November 2022 and no investments have been made to date. Therefore, no reporting on Principal Adverse Impacts of the Fund's investment decisions on Sustainability Factors is expected for the time being.

Livelihoods Carbon Fund "LCF3" – Article 9 SFDR

The AIFM is engaging with Livelihoods Venture SAS, the investment advisor of LCF3, to capture relevant Principal Adverse Impacts data in relation to LCF3 for the first Principal Adverse Impacts reporting in 2023 and to ensure that data on Principal Adverse Impacts regarding the underlying projects financed by LCF3 is collected on a periodic basis depending on the investee's capacity to report and availability of proxies when needed. Due to the investment strategy of LCF3 and the nature of the projects financed by the Fund which are implemented by non-governmental organisations, LCF3 may not be able to report on all data required for reporting on the mandatory Principal Adverse Impacts indicators. When it is the case, LCF3 will report ratios provided by a specialized provider able to generate relevant proxies based on the characteristics of each sustainable investment or proxies that LCF3 may deem reasonable.

LCF3 will report on the following two additional Principal Adverse Impacts indicators:

- Additional Environmental Principal Adverse Impacts Indicator: Deforestation;
- Additional Social Principal Adverse Impacts Indicator: Lack of grievance/complaints handling mechanism related to employee matters.

Social Enterprise Fund for Agriculture in Africa "SEFAA" – Article 9 SFDR

The AIFM is engaging with the investment advisor of SEFAA, Sahel Capital (Mauritius) Limited, to implement a consistent approach regarding the monitoring and reporting of Principal Adverse Impacts on an annual basis. All investments of SEFAA are screened for relevant Principal Adverse Impact Indicators as part of the ESG due diligence. If significant gaps are identified during the investment process, an environmental and social plan is developed for each portfolio company to define appropriate mitigation measures.

When the relevant data to report on certain Principal Adverse Impact Indicators are not available at investee level, SEFAA will report on estimates through tailored proxy indicators for the following mandatory Principal Adverse Impacts:

SEFFA will also report on the following two additional Principal Adverse Impact Indicators:

- Additional Environmental Principal Adverse Impact Indicator: Water usage & recycling investments;
- Additional Social Principal Adverse Impact Indicator: Lack of grievance/complaints handling mechanism related to employee matters.

Grameen Credit Agricole Fund – FIR sub-fund "GCA" – Article 8 SFDR

As part of the management of adverse impacts of GCA, Innpact AIFM and Grameen Credit Agricole Foundation, investment advisor of GCA (the "Investment Advisor"), are progressively implementing a consistent approach to collect data on Principal Adverse Impacts. All Principal Adverse Impacts will be reported with data at the investee level and not at the end-client level. When the investee is able to report the required data, GCA will report data provided by the investee and verified by the Investment Advisor. When this is not the case, GCA will report ratios provided by a specialized provider able to generate relevant proxies based on the characteristics of the investee's loan portfolio.

Innpact AIFM will work in close collaboration with the Investment Advisor on this process. The aim is to analyze Principal Adverse Impacts throughout the investment process and determine if relevant a remediation plan on negatively assessed Principal Adverse Impacts. Based on this assessment, Innpact AIFM will not knowingly approve any investment which is expected, or is determined, to do significant harm to any environmental or social objective as detailed in Article 2(17) of SFDR. Innpact AIFM will engage with the Investment Advisor to capture relevant Principal Adverse Impacts data for the first reporting in 2023 and to ensure that data on Principal Adverse Impacts regarding the investees is collected on periodic basis depending on the investees' capacity to report and the availability of proxies where needed.

GCA will report on the following two additional Principal Adverse Impacts indicators:

- Additional Environmental Principal Adverse Impacts Indicator: Investments in companies without carbon emission reduction initiatives;
- Additional Social Principal Adverse Impacts Indicator: Lack of grievance/complaints handling mechanism related to employee matters.

C. Information on Impact AIFM Remuneration Policy

Innpact AIFM has implemented a remuneration policy (the "**Policy**") in line with the remuneration principles of Innpact S.A., the sole shareholder of Innpact AIFM. The Policy promotes sound and effective risk management and does not encourage risk-taking (including ESG Risk) which is inconsistent with the risk profile, sustainable investment objective, rules or instruments of incorporation of the Funds managed by Innpact AIFM.

The Policy is in line with (i) the business strategy, objectives, values and interests of Innpact AIFM and the Funds and (ii) the best interest of the investors of the Funds, and (iii) includes measures to avoid conflicts of interest.

The Policy is aligned with Innpact AIFM's strategy, objectives, values and long-term interests, which can be summed up as a desire for impact and sustainable growth, while ensuring the protection of clients and investors for the entire duration of the business relationship. In addition, the Policy governs the determination and payment of all kinds of remunerations related to the activity of Innpact AIFM. The board of directors of Innpact AIFM undertakes to apply these principles to all staff members, officers and directors of Innpact AIFM.