<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 (the "**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 acts 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 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 risks across the major types of funds that can be managed by Innpact AIFM. Secondly, it provides guidance for categorizing the ESG risks and implements appropriate mitigation strategies.

- **<u>Innpact AIFM sustainability-related disclosures</u>**, 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 the SFDR.

  - **B.** **<u>Innpact AIFM Integration of Principal Adverse Impacts of investment decisions on sustainability factors,</u>** in alignment with Article 4 of the SFDR. This section is complemented by the "Statement on principal adverse impacts of investment decisions on sustainability factors" which provides information about the consideration of Principal Adverse Impacts in relation to the funds for which Innpact AIFM acts as alternative investment fund manager and is published annually on Innpact AIFM website.

  - **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 the SFDR.

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<u>Innpact Fund Management S.A.</u>
Updated as of 29 March 2024

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.

The publication 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 (the "**SFDR**") marks a key milestone in the 2018 EU Action Plan on financing sustainable growth. The 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 impacts on sustainability factors 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.

<u>Definitions of sustainability-related terms:</u>

- "**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.
- "**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.
- "**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.

- “**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 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.

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:

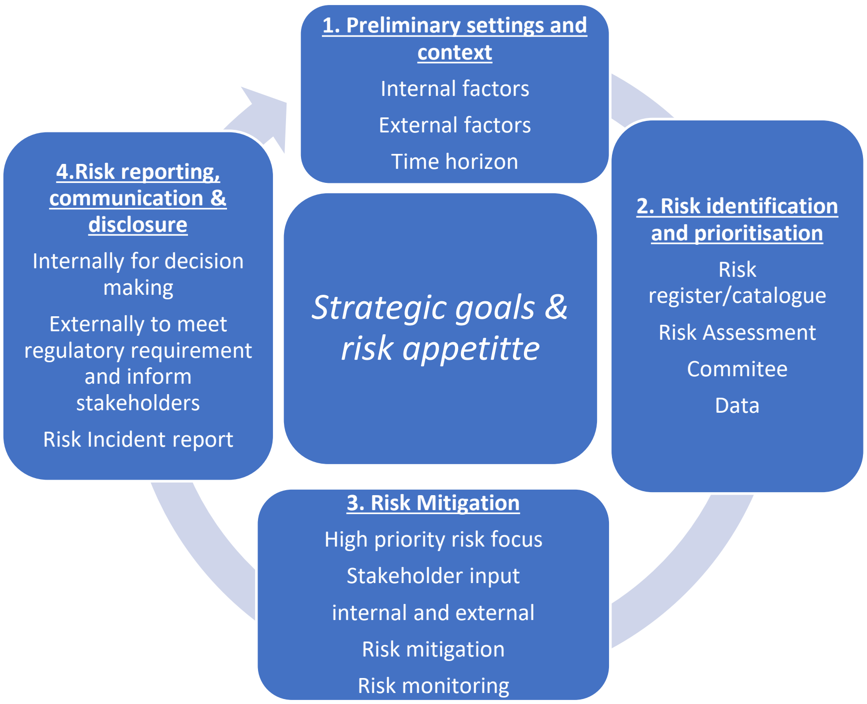
- Innpact AIFM **ESG Risk Policy**, which details Innpact AIFM’s approach to the integration of Sustainability Risks in its investment decision-making process, in alignment with Article 3 of SFDR.
- Innpact AIFM **ESG Risk Procedure**, which consists of a procedural document, complementary to the ESG Risk Policy. The ESG Risk Procedure highlights steps needed in analyzing ESG Risks 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 an entity’s 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 an entity’s 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 an entity’s 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 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 whole 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 System.

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 or equity financing, each Fund may be affected by ESG events impacting its investees and their ultimate borrowers or stakeholders. 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.

Exclusion list

Each Fund shall have an exclusion list, defining the sectors and/or activities where the Fund will not invest, compliant with (i) the IFC Exclusion List or (ii) the exclusion list of other Development Finance Institutions (DFIs) if sufficient safeguards are in place considering the Fund's investment strategy and risk profile. This requirement is reflected in the relevant investment advisory or portfolio management agreement with respect to each Fund.

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 considers the Principal Adverse Impacts of its investment decisions on Sustainability Factors (i.e. at entity-level) and publishes an annual "statement on principal adverse impacts of investment decisions on sustainability factors" on its website in accordance with Article 4 of the SFDR (the PAI Statement). In this regard, 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 monitoring of the investments.

Innpact AIFM also supports the Funds to comply with their SFDR obligations and gather specific data or proxies with respect to Principal Adverse Impacts. The consideration of Principal Adverse Impacts at Fund-level is detailed in the pre-contractual and website disclosures of each Fund.

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 considered in respect of an Article 8 Fund or 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, Innpact AIFM ensures that appropriate disclosures are contained within the relevant pre-contractual documents of the Funds and the PAI Statement.

C. Information on Innpact 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, and in compliance with the Luxembourg law of 12 July 2013 on alternative investment fund managers (and related regulatory requirements) and Article 5 of the SFDR. The Policy promotes sound and effective risk management and does not encourage risk-taking (including in relation to ESG Risks) 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, including variable remuneration schemes which aim to align the employees' incentives with a sound and effective risk management culture in order to protect the value of the investment portfolio and to meet sustainability considerations. The board of directors of Innpact AIFM undertakes to apply these principles to all staff members, officers and directors of Innpact AIFM.