Impact Finance Fund

Sustainability-related website disclosure for Regulation (EU) 2019/2088

Website disclosure for 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)

(a) Summary

This statement is published by Impact Finance Fund, a company organised as a *société en commandite par actions*, *société d'investissement à capital variable – fonds d'investissement spécialisé* ("**Impact Finance Fund**" or the "**Fund**") in accordance with Article 10 of 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**"). Its purpose is to provide transparency on the promotion of environmental or social characteristics and, as applicable to the Fund, of sustainable investments on websites.

(b) No significant harm to the sustainable investment objective

The Fund strives to ensure the effective management of potential sustainability risks associated with its investments to do no significant harm to any area of environmental or social concern. Toward that end, the Fund has implemented and maintains a specific investment process and investees selection criteria (as described below under sections "Investment strategy" and "Methodologies") making a sustainability risk rating of each potential investment. Furthermore, each company financed by the Fund shall reach an acceptable ESG rating for each three factors (i.e. environment, social and corporate governance) under the Kharmax Monitoring System (as described below under section "Methodologies").

(c) Sustainable investment objective of the financial product

The Impact Finance Fund is an impact investing fund, its aim is to effectively contribute to solutions to pressing social and environmental problems and is thus at the forefront of sustainable investments. The Fund has sustainable investment as its objective and falls within the scope of article 9.2 of the SFDR.
There are multiple global challenges that the world is facing which need to be addressed to reverse growing inequalities in societies and decrease pressure on the ecosystems. Impact Finance focuses on three major, global and urgent challenges to address, and in helping companies to do business more consciously and sustainably as we are all part of the natural ecosystem:

- Increasing inequalities
- Overexploitation of natural resources
- Climate change

(d) Investment strategy

All these challenges described above in section "Sustainable investment objective of the financial product" can be summarized into the concept of Regenerative Businesses which basically aim at two things at the time: human well-being and planetary health. The aim of regenerative businesses is to have a net positive impact on the people and the planet. Building on a more than 10 years of research and experience in financing companies in Latin America and Europe, Impact Finance has defined five investment verticals which are the core sectors of regenerative businesses which the fund is focused on:

- ***Small-scale Producers***: Inclusive companies working directly with small-scale producers in a win-win collaboration.
- ***Integrated farming:*** Farming companies that combine the use of modern technologies with natural practices to increase productivity while minimizing the use of chemicals and negative impact on the environment. Also, these companies focus on creating job opportunities in rural areas, prioritizing jobs for women.
- ***Agroforestry***: Companies combining agriculture and forestry to create sustainable and productive land-use practices, with a focus on the regeneration of ecosystems.
- ***Circular Industry***: Companies working to create innovative solutions for waste recovery. The optimization of flows of materials and energy derived in the circular industry helps to reduce the use of natural resources.
- ***Financial Inclusion***: Companies providing innovative financial intermediation to entrepreneurs excluded from traditional financing services.

Impact Finance Fund believes that these verticals have a significant market potential and therefore, by carefully selecting and financing companies that fit to these verticals, the Impact Finance Fund supports business-driven solutions to these challenges.

Impact Finance Fund can invest in all countries worldwide but is focused on Latin America. The country diversification is subject to the risk diversification rules set out in the private placement memorandum of the Fund.

Impact Finance Fund offers a wide variety of products to the potential investees. Generally, the debt investments will be deployed progressively and match the financial projections of the companies invested in. This approach is expected to provide sound risk management as the financing will be deployed based on results and will be accompanied by control mechanisms for capital deployment and impact.

The size of the investments to a company will vary depending on the company's size and needs, between USD 500,000 and USD 10,000,000. However, this range is only indicative and may considerably vary over time as the Fund evolves in size.

The different debt goes from:

- Short-term debt (≤12 months)
- Medium-term debt (>12 months to <60 months);
- Long-term debt (≥60 months).

The Fund focuses mainly on debt with fixed returns. In case of mezzanine debt, royalties and/or variable interest rates based on company growth can be added to the fixed returns. In addition, in very specific and limited cases, it can invest in convertible notes or subordinated debt when it is judged as highly strategic for the Fund and/or if it is to protect the interests of the investors. The debt, aside promissory notes can take the form of term deposits or certificates of deposit. The Fund is also entitled to participate in syndicated loans or to offer credit guarantees and stand-by letters of credit if it make sense to the investee and proves to lower the risk of the transaction.

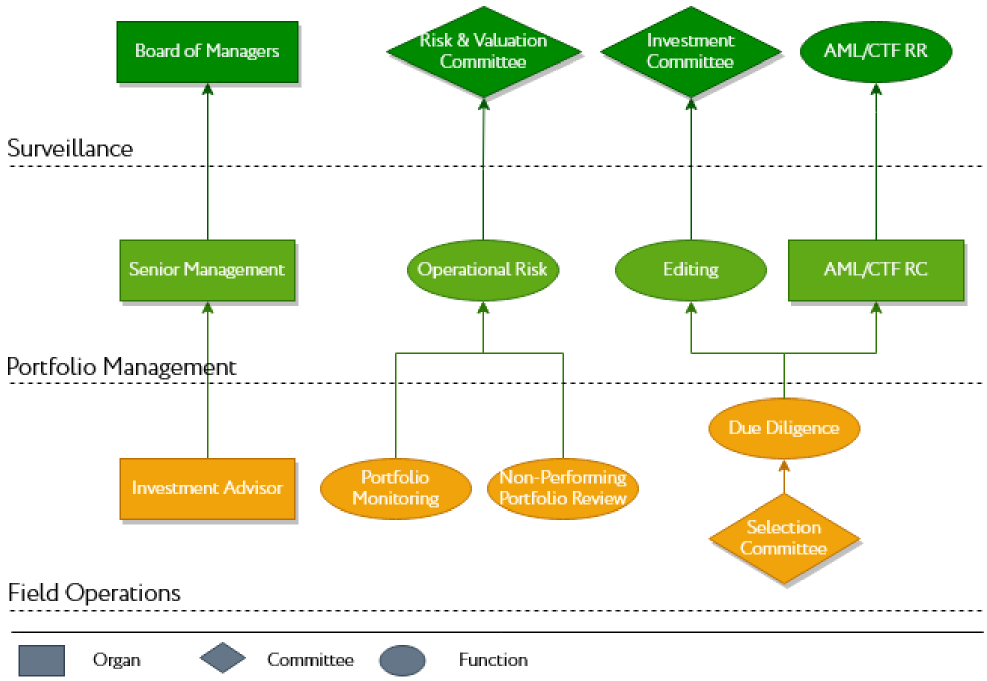
Practically Impact Finance Fund has defined the following investment criteria to ensure the high standard and limit the risk:

- Duly registered legal entity;
- Activity entering in the scope of Impact finance Fund investment strategy and sub-strategies;
- Minimum B sustainability Rating;
- Yearly sales or assets of minimum USD 2,000,000;
- Existing track record in related activities of at least five years;
- Good governance and corporate practices (e.g. balance of power, presence of independent members, transparent

  and regular reporting);
- Strong and reliable management team.

The investment process of the Fund is governed by two principles:

1) Separation of responsibilities between the portfolio management and the risk management
2) Simple and efficient process



Impact Finance Fund - Investment Process

There are three levels of activities: at the top the surveillance; in the middle the portfolio management; and at the bottom the field operations.

Impact Finance Management S.A., acting as the Investment Advisor of the Fund, oversees the collection and the processing of the information in the field and transmits it to the Senior Management (as referred in the above figure). The initial due diligence and ongoing monitoring of portfolio companies systematically include:

- AML/CTF/PEP risk
- Country risk
- Counterparty risk
    - Organization (Shareholders, Governance, Management, Human Resources)
    - Economics (Assets, Liabilities, Income Statement, Cash Flow)
    - Value Chain (Supply, Product, Process, Market)
    - Sustainability risks

- ESG Rating
- Impact assessment

The Senior Management (as referred in the above figure) is in charge of the day to day management of the Fund, and in particular of ensuring the quality of the information transmitted to the surveillance level. The surveillance level is in the hands of the Board of Managers of Impact Finance Investment S.à r.l. acting as General Partner (*associé gérant commandité*) of the Fund and its two (2) committees, the Risk & Valuation Committee and the Investment Committee.

Remuneration of members of the Board of Managers and members of the Board Committees of the General Partner shall not favour excessive risk taking, not limited to but explicitly with respect to sustainability risks.

(e) [Proportion of investments]

Impact Finance Fund will make not investment that are not fitting its impact thesis and consequently that are not sustainable. The only portion of the fund that will be kept in liquid instrument to ensure the right level of liquidity as indicated in the PPM.

The Impact Finance Fund will not make investments that are not fitting its impact thesis and consequently, the Impact Finance Fund commits to invest at least 80% of its assets in investments considered as sustainable under the SFDR (#1 Sustainable). The Impact Finance Fund's investments have in most of the cases both social and environmental objectives. Social and Environmental are cumulative and not exclusive.

The Company is only allowed to keep up to 20% of its assets in liquid instrument to ensure the right level of liquidity (#2 Not sustainable).

(f) Monitoring of sustainable investment objectives

The Investment Advisor monitors the impact performance of the Fund. A set of impact indicators has been defined as described below in section "Methodologies" and these indicators are monitored at the investee level. The expected performance of potential investments against these indicators is assessed during the investment selection phase and actual performance is monitored post investment at least on an annual basis and reported in the Fund's annual impact report available on this website.

(g) Methodologies

The Fund intends to deliver a positive impact and it expects from portfolio companies the highest standards in terms of corporate social responsibility. To do so, it has developed two levels of analysis.

First, an ESG screening focused on ensuring that the companies the Fund finances are doing their best to benefit all stakeholders. Since 2011, Impact Finance has put in place an internally developed monitoring tool called Kharmax Monitoring System to collect and store ESG data of portfolio companies and rate them.

Second, an assessment of the intended positive impact of each sub-strategy. It has been decided to focus on 5 of the 17 Sustainable Development Goals defined by the United Nations. SDG 8 is central and at the heart of the impact objective, then each sub strategy is related to 2 specific SDGs :

- Integrated farming: SDG 10 & SDG 12
- Financial inclusion: SDG 10 & SDG 12
- Circular industry: SDG 12 & SDG 15
- Agroforestry: SDG 13 & SDG 15
- Small-scale producers: SDG 10 & SDG 15

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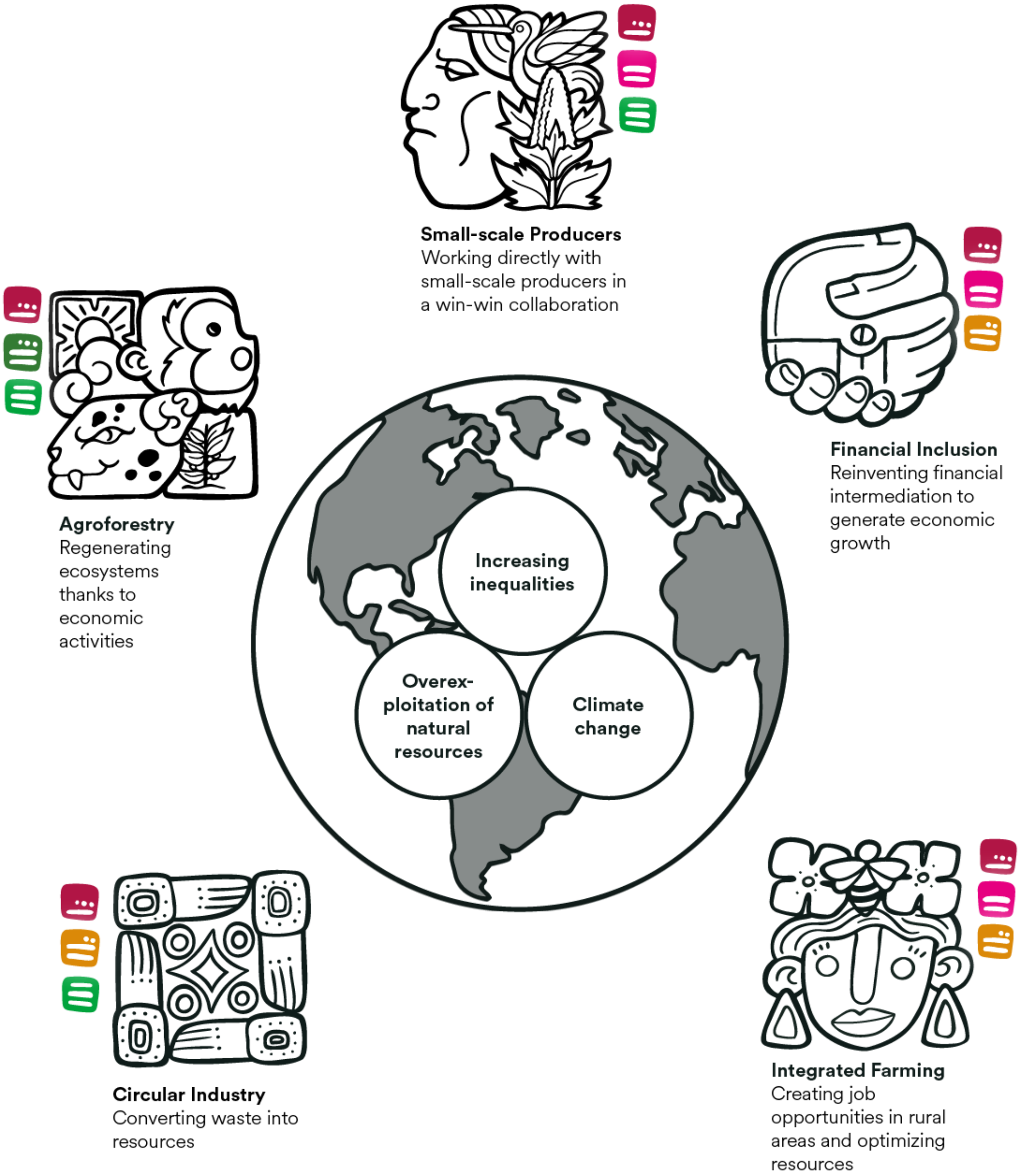

SDG Framework

The estimated degree of change is calculated through a list of indicators that are comparable for each project in a specific vertical corresponding to the 6 following Sustainable Development Goals of the UN (SDG):

SDG 8 (Decent work and economic growth):

- Net jobs created during the period;
- Indirect and direct jobs sustained;

SDG 10 (Reducing inequalities):

- Small-scale producers as suppliers and small scale enterprises financed;
- Rural women jobs sustained;

SDG 12 (Responsible production and consumption):

- Tons of recuperated waste during the period;
- Ha of technified cultivated land;

SDG 13 (Climate change):

- Tons of GHGs sequestrated during the period;
- Total tons of GHGs sequestrated;

and SDG 15 (Life on land):

- Ha of forest preserved and plantation sustained;
- Ha of organic/regenerative production sustained;

(h) Data sources and processing

All data sources used to measure the achievement of the sustainable investment objective of the Fund are internally sourced, relying on direct due diligence on and engagement with the investees' company.

(i) [Limitations to methodologies and data]

As all data comes from non-listed companies in emerging markets, we are not able to find external data providers that can be used to assess the Fund's sustainable investment objectives nor its potential adverse impact.

We rely on data provided by investees and carefully reviewed by our investment analysts professionals during due diligence visits to mitigate these uncertainties.

Reporting of investees is monitored and assessed by the Investment Advisor internally to ensure the attainment of the sustainable investment objectives priorly stated.

(j) [Due diligence]

The Investment Advisor's evaluation of SMEs and other potential investees includes an ESG risk screening and an ESG due diligence, customized according to the risk profile of the SME. Results of the ESG due diligence are presented to the Investment Committee (as referred under section 3.3 "Investment Process") for approval of investments. Where ESG-related risks cannot be mitigated to a satisfactory extent, the investment will not proceed.

All indicators for adverse impacts on sustainability as defined in Table 1, 2 and 3 of Annex I of the SFDR RTS (except the indicator #5 of the Table 2 that is irrelevant for the Impact Finance Fund) are taken into account when conducting due diligence and are integrated in the Kharmax Rating.
Due diligence process is further described in section (d) Investment strategy.

(k) [Engagement policies]

The Fund mainly focuses on private debt transactions and has only very limited exposure to publicly traded securities or listed companies and as such does not undertake investor engagement within the meaning and context provided by Article 3(g) of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Nevertheless, engagement with investee companies is an integral component of the Fund's investment process and contribution to positive development impact. This engagement often includes (but is not necessarily limited to) the ability and capacity of the relevant investee company to manage adverse ESG impact. Where appropriate*, e.g.*, when an investee company does not meet the required standards of ESG management, the Fund and its Investment Advisor support the relevant investee company to improve its governance and financial management. The Fund typically requests investee companies to establish a board of directors with at least one expert in finance and one independent member. In some cases, the Fund intervened to include persons of its trust in the board, to impose a finance director or even replace the general manager.

(l) Attainment of the sustainable investment objective

No index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective of the Fund.