



Disclosure Statement

Operating Principles for Impact Management

IMPACT FINANCE

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Impact Finance Management S.A ("Impact Finance") here declares its status as signatory of the Operating Principles for Impact Management "The Impact Principles".

This Disclosure Statement applies to Impact Finance Fund ("IFF"), its sole investment fund, managed by Impact Finance Investment S.à r.L., an affiliate of Impact Finance in the Great Duchy of Luxembourg. As of the 1st of August of 2021 the Asset Value of the Impact Finance Fund is USD 51,664,918.



Cédric Lombard
Executive Director

Benjamin Firmenich
Executive Director

Disclosure Statement

Operating Principles for Impact Management



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PRINCIPLE 1

Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

About Impact Finance

Impact Finance was created in 2010 by Cédric Lombard and Fabio Malanchini, two successful entrepreneurs in the field of microfinance. Impact Finance is a pioneer and a leader in impact investing, striving to lead the sector through constant innovation and a true vocation in offering quality impact reporting. Our flagship fund is a private debt instrument created in 2011 in Luxembourg called the Impact Finance Fund. The Fund finances inspiring and replicable businesses active in the food and agribusiness sectors, that seek to make positive social and environmental changes to our world.

Investment Strategy

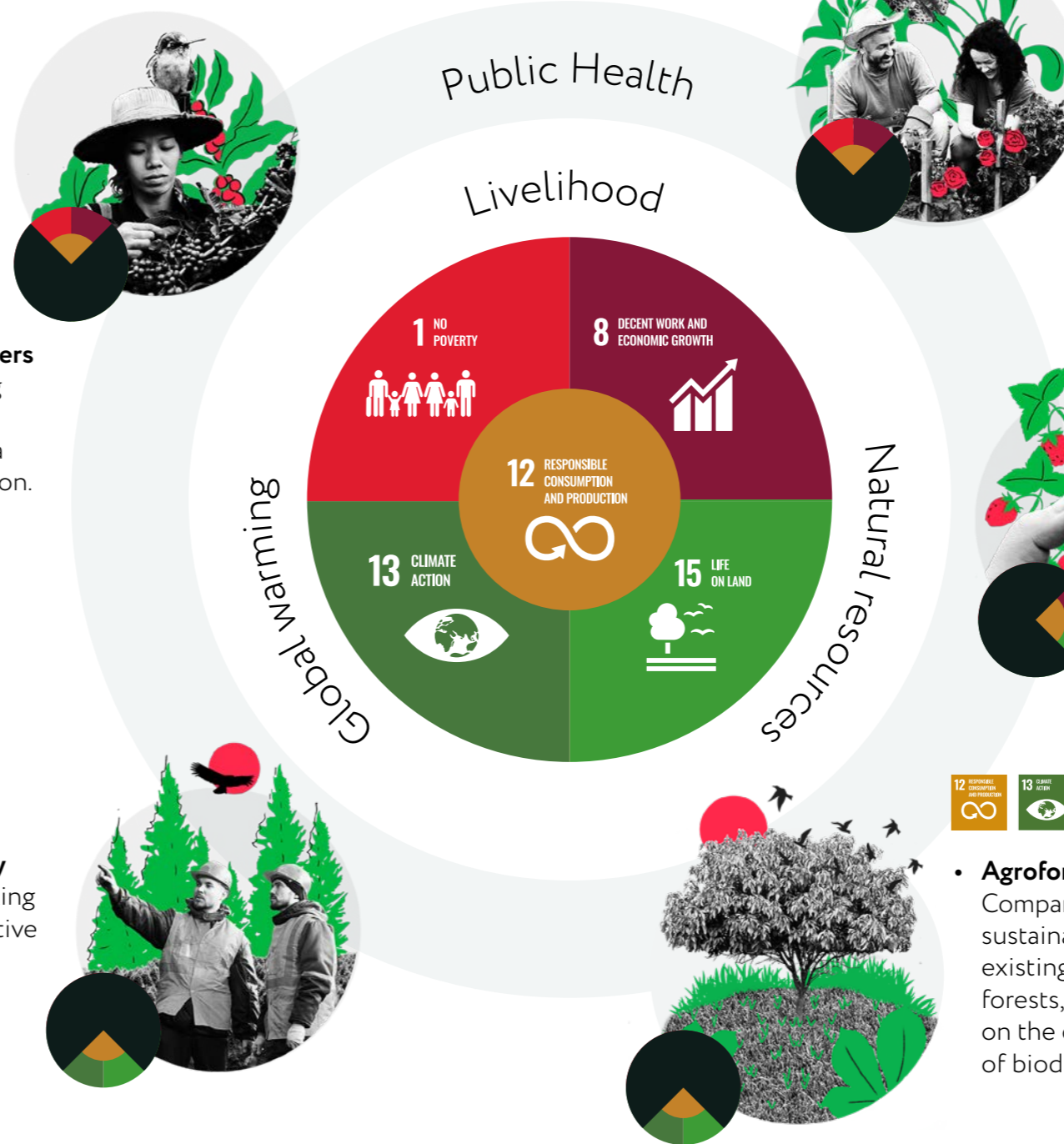
The world is on fire; there is an emergency and a need to address a set of challenges in the coming decades to reverse growing inequalities and to decrease pressure on ecosystems. Impact Finance has identified a number of these challenges in rural areas:

- **Livelihood:** Poverty is a huge obstacle for the implementation of better technologies for food production in rural areas. It leads to inefficient production in terms of the use of land and natural resources. Poverty also negatively affects social ties within families and at community level.
- **Public Health:** The way food is produced impacts the health of farmers and consumers. The uncontrolled use of chemicals in food production and unsustainable waste management are a serious threat to public health. This challenge can be addressed through improved agricultural practices.

- **Natural Resources:** To spare the limited resources of our planet, we need to make our food production more sustainable by using less land, less water, and by optimizing the use of chemicals.
- **Global Warming:** Farmers face serious challenges because of global warming. To adapt to these changes, agricultural practices need to improve crop protection against changes in temperature, rainfall or droughts, and other impacts of climate change.

Considering these challenges and in building on a decade of research and financing of companies in Latin America and Europe, Impact Finance has defined five investment sub-strategies that contribute to five Sustainable Development Goals of the United Nations (SDGs). SDG 12 is central and at the heart of the impact objective, then each sub-strategy is related to two specific SDGs. Impact Finance believes that these sub-strategies have a significant market potential, so by carefully selecting and financing companies that fit these sub-strategies, the Impact Finance Fund supports business-driven solutions to these challenges.

IMPACT FINANCE



- **Small-scale Producers**
Companies working directly with small-scale producers in a win-win collaboration.



- **Circular Industry**
Companies working to create innovative solutions for waste recovery.



- **Financial Inclusion**
Companies providing access to finance for small and micro enterprises, with a focus on productive loans.



- **Integrated Farming**
Farming companies that combine the use of modern technologies with natural practices to increase productivity while minimizing the use of chemicals.



- **Agroforestry**
Companies that sustainably operate existing plantations or forests, with a focus on the conservation of biodiversity.

OUR FIVE Sub-strategies

PRINCIPLE 2

Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Since 2010, Impact Finance has invested in its proprietary web-based impact monitoring system, Kharmax. It collects data, establishes an ESG rating for each company, and helps to report outcomes on an aggregated manner.

Kharmax is used to collect various kinds of indicators: The ESG rating is focused on 61 indicators applied to every companies regardless of their sub-strategy and sector. Indicators are classified in 6 categories and the rating of each category is the result of the average of its indicators; 70% of this indicators are based on the IRIS+ metrics.

The positive impact linked to each sub-strategy represents another set of indicators; these indicators are classified among 5 SDGs that Impact Finance has decided to focus on; 47% of these indicators are IRIS+ based. Since 2019, the positive impact of the Fund follows the framework proposed by the Impact Management Project.

Positive impact is Impact Finance's Raison d'être; it is embedded in our business model. All the deals evaluated by the company are first run by a Selection Committee which particularly focuses on impact. Then the project is discussed by the Investment Committee where, again, the question of impact is discussed and validated. The impact that portfolio companies have is, therefore, the angular stone of the Company's culture, it is a sine qua non condition for investing. The staff incentive system is aligned with the financial performance of the company and considering that impact criteria are rigorously kept, financial performance goes hand-in-hand with impact achievements.

PRINCIPLE 3

Establish the manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Impact Finance's approach toward impact investing is to conceive the financing of SMEs as a powerful tool that will push the company's growth and economic sustainability while promoting social responsibility and impact. Through a strict selection process and rigorous financial analysis, we believe we help to create a better and more sustainable impact.

Through the constant monitoring of the economic evolution of each investment and of around 75 risk indicators per company, we have an invaluable perspective on the intrinsic link between financial and non-financial elements of each investee.

Impact Finance does not provide technical assistance or entrepreneurial support per se to its investees: We provide them with a constant follow-up and reflection on their social responsibility and impact and how to use it as an added value. We offer them a critical point of view on their financial information and reporting, following the Socratic injunction: "Know thyself."

On the investors' side our duty and our aim are to report on the performance of the Fund and on its impact. On a quarterly basis we strive to present the key numbers on the financial and non-financial aspects as well as always showing a concrete case to illustrate our work. On a yearly basis we publish an impact report providing an update on our monitoring and reporting methodology, as well as presenting and discussing the results of the Fund in terms of impact.

PRINCIPLE 4

Assess the expected impact of each investment, based on a systematic approach

For each investment, the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact.

In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

The expected impact of each investment is determined in the investment proposal by evaluating all of the companies and by determining the baseline of analysis for the impact measurement. To define the geographic space, time, and who will experience the result of the impact, the IMP methodology allows collection of all the data in the IMP matrix and classification of it through its five dimensions.

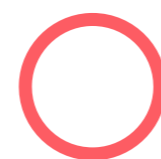
The risk rating provided by our risk assessment defines an accurate probability of the outcome; if the company does not perform well, it will not achieve its impact goals.

IMPACT MANAGEMENT PROJECT



What

Defines the company's degree of targeted impact and its importance to the stakeholders. Here is where the definition of the outcome that the investment project is looking for is made, plus an assessment of the relevance of the outcome.



Who

Defines the stakeholder that the impact is aimed at, and the relevance of that outcome in their everyday life. The outcome level at baseline is very important because it is the area where we are expecting change. It assesses the baseline reference to which we will compare the aimed impact.



How much

Here is where the scale (the number of individuals experiencing the outcome), the depth (difference between the outcome level at baseline and the outcome in the period), and the duration (the period during which the stakeholder experiences the outcome) are defined.



Contribution

Contribution is frontally tackling the question of additionality, that is the company's social outcome that would not have occurred if the company had not existed. The estimated degree of change is calculated through a list of indicators that are comparable for each project in a specific sub-strategy.



Risk

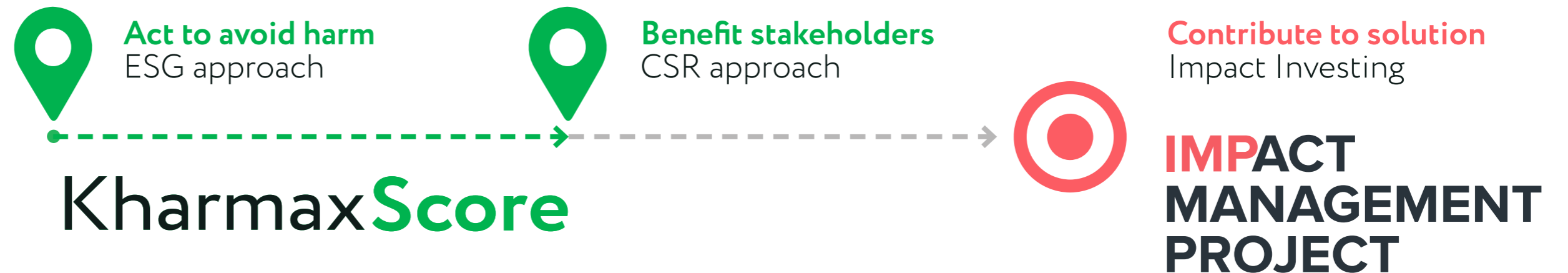
Impact Finance systematically performs a risk due diligence of portfolio companies, which is updated on a yearly basis, before investing. This internal risk assessment is used to overview the nine types of possible risk that the IMP methodology suggests.

PRINCIPLE 5

Assess, address, monitor and manage potential negative impacts of each investment

For each investment the Managers shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

The attention of the manager on a set of ESG indicators is constant. The ESG risks of each investment are identified and mitigated throughout the entire investment process, starting before the disbursement, and then they are regularly followed-up and monitored. The Selection Committee is the first step of the evaluation; following a desk review it excludes companies that do not fulfill the minimum requirements in terms of ESG criteria and that do not fit the investment strategy and sub-strategies. After the Selection Committee, an in-depth due diligence is conducted on site which includes identification of potential sustainability risks such as social unrest and extreme weather events. The due diligence includes a Kharmax ESG rating, which counts 61 indicators assessing the social responsibility of the company. The Kharmax ESG rating and the sustainability risks are reviewed by the Investment Committee, which sets the covenants and can define clear objectives to be reached. Once the investment is disbursed, the covenants and the indicators are regularly monitored. A Kharmax ESG rating is performed on a yearly basis along with the update of the risk rating.



PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond accordingly

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Whereas the Kharmax ESG rating is standard with the same indicators across all sectors, monitoring of the achievement of positive impact is based on a set of indicators specific to each sub-strategy. The information related to positive impact is collected yearly. It is gathered by the investment team and entered in the Kharmax web-based tool where it is reviewed by the impact reporting officer and validated.

During the compulsory yearly visit, the investment officer interviews all the key managers and meets with members of the board, as well as visiting the infrastructures and suppliers.

An update of the elements discovered during the on-site visit is shared with the senior management and with the Risk and Valuation Committee. Given the difficulty of visiting the companies during the pandemic, on-line due diligence has been organized as well as visits by local advisors or co-investors.

PRINCIPLE 7

Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Impact Finance is specialized in debt; our focus is on supporting the companies financially if we bring additionality, and we enable the companies to sustain their impact but also to increase its breadth and depth. We are generally monitoring whether they need us while they are working toward their impact objectives and economic projections. Most of the companies are exiting the fund for three main reasons:

1. Because companies are underperforming in terms of impact and their capacity to grow and better themselves, we believe that our funding can be better allocated. We generally put them in contact with an alternative funder better equipped in terms of size, performance, and impact.
2. Companies grow beyond our funding capacity and can develop new partnerships to grow further and deepen their impact.
3. Companies are becoming too risky in terms of achieving their impact objectives or in simply surviving. It is generally related to a badly evolving governance or management, or to market conditions.

We generally remain on good terms with exited companies and continue to support them with advice.

PRINCIPLE 8

Review, document and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

There are two levels to be considered as we check the company performance: the day-to-day follow-up first, and then the yearly review of both impact monitoring and risk rating.

1. The portfolio and investments at risk are reviewed on a weekly basis and each company is carefully monitored. This follow up is well documented at the manager level and has been shared with the investment and the operations team. The evaluation of each company is also reviewed at the level of the Risk & Valuation Committee on a quarterly basis, particularly the cases that are underperforming economically and that are in breach of their reporting obligations.
2. The sustainable finance and the impact investing world are moving forward fast. Ten years ago when we launched our Fund; the tools at disposal were scarce and disappointing. In a decade the sector has grown tremendously. From our start with a tool which was revolutionary in the way it was focusing on the impact of the whole value chain, we have moved ahead towards our current methodology integrating our ESG rating our impact assessment and reporting tool (based on IMP methodology), as well as our risk rating.
3. Every year has been a year of change. Our main engines have been our investors and our investees. The team has been continuously looking to bring to both a tool that can satisfy their needs and enable

them both to communicate on their impact. Thanks to an ongoing dialogue with both our investors and our investees on ESG and on impact, our approach has evolved year after year with the strong belief that what we report and how we report are crucial elements of the equation. They enable the impact investing to become stronger.

4. In addition to our stakeholders, we have always followed the initiative proposed by actors of the industry and emerging standards. The adoption of IMP methodology in 2019 and our B-Corp certification in 2020 are important milestones of our walk forward; 2021 will be dedicated to the integration of the 32 ESG indicator proposed by the Sustainable Finance Disclosure Regulation of the EU into our monitoring. The Senior Management of Impact Finance, together with the impact reporting officer is establishing the yearly objectives regarding the evolution of the impact monitoring and reporting.

In the same way, our risk assessment methodology is regularly updated based on the specific cases we have been through, especially the ones which brought to light lack of focus or a flow in the process.



PRINCIPLE 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the extent of alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.



www.telosimpact.com

As a signatory of the Operating Principles for Impact Management, Impact Finance is committed to disclosing on an annual basis its impact management methodology. Impact Finance has appointed Telos Impact to undertake the assessment of its methodology and policies and validate the content of the present Disclosure Statement.

Telos Impact is an advisory firm specialized in impact investing and providing the highest level of services to individuals and families. Created in 2015, Telos Impact counts with 20 people in Belgium and France. It is dedicated to screen impact investment opportunities and recommend them to their customers.

Telos Impact reviewed Impact Finance methodology and policies and has released its positive verification statement on the 31/10/2021. The independent verification will be updated every year.



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