

Disclosure Statement

Operating Principles for Impact Management

Incofin Investment Management

June 2021

Incofin Investment Management (“Incofin”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). The Disclosure Statement applies to our proprietary funds, with a total AUM of USD 431 million as of December 31st, 2020¹.



Geert Peetermans
Senior Managing Partner
Incofin Investment management
June 17th, 2021

¹ General disclaimer: the information provided in this document are correct and up to date as of December 31st, 2020 and have not been updated thereafter.

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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 and 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 Incofin

Incofin is an AIFM² licensed impact fund management company specializing in rural financial inclusion and the agri-food value chain. We have a global footprint with direct investments in 164 financial institutions across 49 countries.

With 4 regional offices in each continent (Colombia, Kenya, India and Cambodia) and a team of 70 employees, we ensure proximity with our investees, which allows us to easily conduct on-site visits for due-diligence and monitoring purposes with each investee.

Impact objectives

The overarching impact objective of our funds is to promote access to basic goods and services for vulnerable and excluded populations through creative business solutions, with a specific focus on financial inclusion and agri-food value chains. Each of our funds have specialized focuses on specific markets including base-of-the-pyramid populations, smallholder farmers, rural MSMEs, and fair-trade producer organizations.

Targeting

We implement a clear targeting strategy to ensure that our investments will achieve the fund’s impact objectives. We work with socially responsible financial intermediaries, producer organizations and agri-businesses to reach end-beneficiaries that are:

- *Geographically excluded:* our investments are deployed in emerging markets. Incofin IM is present in poor countries of Africa, Latin America, Eastern Europe, Central Asia, South-East Asia and South Asia. We also invest in post-conflict zones and fragile states such as Colombia and Congo DRC, where people face insecurity or ethnic and political violence. In some of our funds, we specifically target end-beneficiaries living in rural areas.
- *Economically excluded:* the objective of our funds is to ultimately reach base-of-the-pyramid populations, MSMEs, smallholder farmers and producers. Each fund establishes eligibility criteria to ensure that the target clientele of potential investees meet this objective.
- *Vulnerable communities or value chains:* our funds FAF and agRIF also target smallholder farmers and fair-trade producer organizations. We believe that agri-finance is another important cornerstone of our long-term impact vision: smallholders represent 70% of the world’s poor and contribute more than 80% of total food production on our planet. Yet they are severely financially underserved due to market breakdowns and challenges in the value chain structures of smallholders.

² Alternative Investment Fund Manager.

Desired outputs

By investing in responsible financial intermediaries, producer organizations and agri-businesses, we aim to improve access to products and services that meet basic needs for end-beneficiaries, such as microloans, savings, microinsurance, or agri-financing. We also value investees which provide education, health or housing loans, and investees which contribute to their customers' capacity building through the provision of non-financial services, such as training services on women's empowerment, financial literacy, business development, sustainable agriculture practices, health and other educational services.

Finally, by providing funding to our investees, our funds aim to support the development of the local communities where it invests. The development can take the form of creating sustainable employment and decent jobs for people excluded from the labor market.

Through our investments in responsible producer organizations and agri businesses, we support environmental conservation. Fair trade and sustainable value chains have standards and codes of conduct on environmentally sound agricultural practices, including minimized and safe use of agrochemicals, proper and safe management of waste, maintenance of soil fertility and water resources, and no use of genetically modified organisms.

Below are some output indicators that we track to measure our alignment with the impact objectives of our fund:

Financial services indicators (2020)

	45 million	number of end beneficiaries in current portfolio
	67%	rural clients
	62%	women active borrowers
	30%	female management staff of portfolio companies
	42%	female staff of portfolio companies

Food and agriculture indicators (2020)

	327 137	smallholder farmers and collectors served
	85 782	Women suppliers
	USD 69m	premiums received by investees through certifications
	15 516	farmers trained on good agricultural practices
	85 286	TA beneficiaries

Alignment with the Sustainable Development Goals

Our investment strategy is aligned with the United Nations Sustainable Development Goals (SDGs). In 2018, we integrated the SDGs into our impact methodology. Across our various funds, we set specific impact indicators for each investment. Each indicator has been mapped to a specific SDG target and is regularly monitored and reported to assess the progress towards each SDG. See below for a mapping of the major direct targeted SDGs for each proprietary fund.

Fund name	Targeted UN SDGs						
Incofin cvso							
RIF II							
agRIF							
IIFF							
FAF							

SDGs are embedded in the various industry recognized and adapted social and environmental audit tools we use, including SPI4-ALINUS for financial institutions, ECHOS-AgPO© and ECHOS-AgSME©. Mapping is not only conducted at the SDG level, but for each of the 169 targets. This mapping enables our team to track how our investees and funds are contributing to the Goals in a tangible, measurable and actionable way. Furthermore, our Technical Assistance programs are increasingly structured around specific SDGs, and our reporting speaks the same impact language.

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.

Incofin’s Sustainability Risk Policy articulates our approach to identifying, assessing, controlling and monitoring ESG risks, which is framed around globally recognized principles such as the IFC Performance Standards, UN Global Compact, ILO Labour Conventions, and relevant EU Sustainable Finance Disclosure regulations. The approach is embedded in our impact management system.

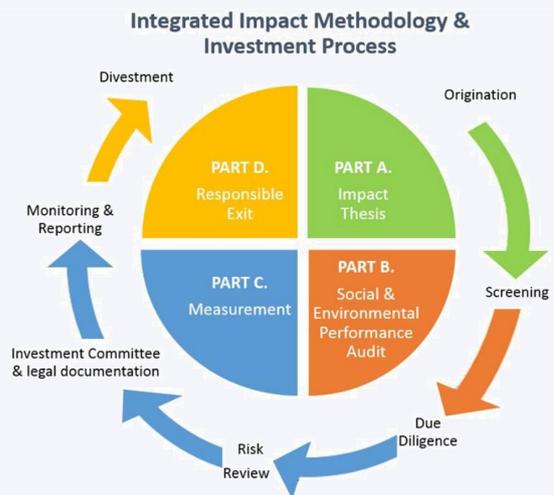
A dedicated team

Our investment team is equipped to implement our Sustainability Risk Policy and contribute to the achievement of impact. Recruitment is based on experience and affinity in the field of impact investing. Each newcomer at Incofin receives an induction training that includes an impact onboarding session. Refresher trainings on investees’ social and environmental assessment are regularly conducted. On an annual basis, we design an Impact Plan, which is further translated into impact goals and included in staff’s annual goals that makes up part of their annual performance evaluation.

Impact process

In all investment decisions that we make, our 4-parts impact methodology is embedded in the process. This systematic approach helps us assess whether the organization has aligned social, environmental and commercial goals with our funds.

Part A is the *impact thesis*. During origination, we only select investees that aim for a healthy balance between social, environmental and commercial goals. Potential investees’ characteristics (including status, social mission, target clientele and type of services provided)



are checked against the funds’ eligibility criteria. For equity investee specifically, ahead of the Investment Committee, an In-take Committee is convened to assess whether the target social mission is aligned with the fund’s impact goals.

Part B is the *social and environmental due diligence*. We use different environmental, social, and governance audit tools for different types of institutions. Two of the tools have been developed in-house and two are industry tools. Each tool has a minimum cut-off score (55% minimum) in order to be eligible for financing, reflecting our commitment to promoting responsible and impactful businesses only.

- For agriculture producer organizations: ECHOS-AgPO© + ESMS Screening tool (Incofin)
- For agriculture SMEs: ECHOS-AgSME© + ESMS Screening tool (Incofin)
- For microfinance: SPI4-Alinus (CERISE)³
- For other sectors: Social Business Scorecard (CERISE)⁴

³ <https://cerise-spm.org/en/alinus/>

⁴ <https://cerise-spm.org/en/sbs/>

The investment memo describes the rationale for investing in an underserved sector and/or unserved country. It also includes a dedicated section which analyses the social and environmental practices of the potential investee against relevant international standards, and its alignment with the fund's impact thesis.

Transactions classified as high risk in terms of financial and ESG factors are escalated to the Risk department and must undergo a risk review before it can be presented to the Investment Committee. These high-risk transactions may also require additional clauses in the legal agreement in the form of

E&S covenants, which needs to be complied with during the lifetime of the investment. At this stage, AML-CFT checks are also conducted on investees by the investment team.

Investment memos are then presented to the Investment Committee who decides on investments and divestments. The Investment Committee makes its decision based on the double-bottom line performance of each institution as described in the memo.

Part C (impact measurement) and **part D** (responsible exit) will be elaborated in separate sections below.

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 channels⁵. The narrative should be stated in clear terms and supported as much as possible, by evidence.

Formalization of the impact thesis

The investment policy for each fund clearly establishes its specific impact thesis. This includes definitions of the problems that the fund aims to address, the targeted sector and population, and how the investments aim to reach the targeted population. Indicators for monitoring results are formalized through tools mentioned in Principle 2 above. The social and environmental scores are tracked, reviewed and assessed on an annual basis during the course of the investment to check that the client is progressing in a positive direction.

Financial products

Our funds contribute to the achievement of the stated impact objectives through the provision of innovative financing instruments, sharing our expertise on best practices on social performance management, and technical assistance.

Risk capital is the core of Incofin's investment activities. We have an exceptional track record in providing debt, quasi-equity and equity financing to 164 financial institutions across 49 countries. We also finance sustainability-focused producer cooperatives and agri SMEs through trade finance, working capital and long-term financing products. With a strong investment track record diversified across 20 countries and 14 different crops, the agri-finance portfolio has provided more than USD 312m in financing to smallholder farmers. Our dedicated investment team oversees a balanced portfolio of 65 clients serving local food chain systems as well as global food demands for exported products.

Finally, with more than 30 equity investments including a strong exit track record, we are proud to say that we have helped build and support solid institutions serving millions of clients globally.

Our innovate financing products meet the needs of investees and enables these impact driven companies to access international capital markets. Market studies and sector analyses are regularly conducted, and our products' features can be adapted according to such findings and changing needs.

For our debt clients, our flexible loan structures give investees the option to select an amortizing loan repayment structure or bullet payment. Most of our loans are unsecured. Loan maturity is 3 years on average, which matches with current market trends. We strive to mitigate liquidity risks of our clients by providing cashless rollovers when possible and adjusting disbursement dates to the portfolio funding needs of the client.

For equity, by investing with an average tenor of 7 years, we provide patient capital, which we think is crucial to allow an ambitious impact strategy to be put in place. While two out of our three equity funds are close ended, the investment horizon is sufficiently long to not constrain the exit strategy.

Another pioneering feature of our funds is local currency lending. This enables investees to borrow without any FX risks. As of date, we have transactions in 32 different local currencies. Depending on the fund, local

⁵ For example, this may include, improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

currency loans will be hedged against the USD or EUR by the fund.

Non-financial contributions

In addition to financial support, we reinforce ethical principles and good E&S practices in our portfolio companies through promotion of client protection principles, promotion of decent working conditions for employees, fight against corruption, money laundering, and tax evasion, as well as environmental preservation. Commitment to certain ESG practices is formalized through E&S clauses in the loan agreement and adapted based on the maturity level of the company. Where applicable, such commitments are accompanied with technical assistance.

For our equity investees, we always seek to be our investees' hands-on co-pilot. We strive to obtain a seat on the Board of Directors for all companies where we invest equity and contribute by initiating social performance thinking through strategic conversations, guiding companies on how to engage debt providers, raising investees' profiles by showcasing their success in industry events and supporting investees with grant-funded technical assistance. We work with the company to further establish an environmental and social action plan that seeks to create value.

Incofin provides tailored capacity building to its investees across funds and geographies with the aim to magnify impact. We continuously work to mobilize donor funding to implement tailored, high quality capacity building programs that respond to the real needs of our investees. To date, we have mobilized over EUR 9 million in grant funding and structured about 100 technical assistance projects in various fields, including governance enhancement, risk management, product development, social performance, new technologies, or business

planning. We work with a well-established network of service providers to ensure our clients get the right expertise and support. We continuously monitor the project development, evaluate results and measure impact for investees and for end clients.

At the microfinance industry at large, Incofin IM believes in the importance of harmonization and partnership to sustain impact. We have spearheaded a number of initiatives including the Cambodia Lending Guidelines, and actively participated in many sector defining initiatives such as the SPTF Social Investor Working Group⁶, CSAF⁷ and GIIN.

The fruits of our holistic approach to value creation are the high retention rate: 48% of our current FI debt investees have been with Incofin IM for at least 5 years and 21% for at least 8 years.

Reporting results at the portfolio level

On an annual basis, we update, consolidate and analyze our investees' E&S practices and trends at the portfolio level and measure the results against the fund's impact thesis. The results are shared with the fund's Supervisory Board, IC and general stakeholders.



⁶ The SPTF Social Investor Working Group (SIWG) works to advance responsible investment in financial inclusion. The working group is open to all investors seeking financial and social returns. Currently, there are more than 600 investor

members representing over 200 organizations in the group (<https://sptf.info/working-groups/investors>).

⁷ Council on Smallholder Agricultural Finance (<https://csaf.org>).

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 impact⁸ 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? ⁹ 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 systematic impacts. Indicators shall, to the extent possible, be aligned with industry standards¹⁰ and follow best practices¹¹.

For each investment, Incofin assesses in advance the possible positive impact of the investment. The fundamental questions on what, who and how are answered in the following way:

What is the intended impact?

This question is addressed early in the process during the screening stage through the use of eligibility criteria. Only companies meeting the minimum requirements of the fund’s impact thesis, such as targeted beneficiaries, social intent, products and services, will be selected. The intended impact will then be linked to the specific UN SDGs of the fund.

Who experiences the intended impact?

This question is addressed during the due diligence stage through the collection and analysis of the investee’s portfolio data, including the break-down of sectors, products, regions, etc. This allows us to understand who the end-beneficiaries of each investment will

be and to determine if it matches with the fund’s impact thesis.

How significant is the intended impact?

As spelled out in the investment procedures (and in Principle 2 above), Incofin assesses the expected impact of all individual investments in its portfolio prior to investment using an industry-aligned social and environmental audit tool: for financial institutions, we use ALINUS; for agriculture and food value chain investments, we use proprietary tools called ECHOS-AgPO© and ECHOS-AgSME©. These tools measure the maturity of the company’s environmental and social performance management system. Companies with a more mature system with advanced ESG practices will have a stronger likelihood of contributing to positive impacts.

For our equity investees, having an active seat on the Board of Directors gives us an opportunity to go the extra mile in helping the companies to develop a realistic E&S plan and impact strategy. Once Incofin decides to

⁸ Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

⁹ Adapted from the Impact Management Project (www.impactmanagementproject.com).

¹⁰ Industry indicator standards include HIPSO (<https://indicators.ifipartnership.org/about>), IRIS (www.iris.thegiin.org), GIIRS (<http://b-analytics.net/giirs-funds>), GRI (www.globalreporting.org/Pages/default.aspx), and SASB (www.sasb.org), among others.

¹¹ International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

become a shareholder in an institution, we work with the company to identify relevant outcomes indicators at the level of the end-clients, aligned with IRIS and CERISE metrics, which are tracked throughout the life of the investment. With our fund agRIF, we launched an “Outcomes Measurement” project which

aims to develop impact dashboards for each investee in collaboration with them. This allows us to track changes at the end-customers level, in terms of income, employment, health, education, housing, gender equality, etc. depending on each investee’s social mission.

Principle 5: Assess, address, monitor and manage potential negative impacts of each investment.

For each investment, the Manager 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) risks¹². Where appropriate, the Manager shall engage with their investee to seek its commitment to take action to address potential gaps in the current investee systems, processes, and standards, using an approach aligned with good international industry practice¹³.

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.

Compliance with EU regulations on Sustainable Finance

As an AIFM licensed global impact fund management company with the objective to achieve sustainability, Incofin IM falls under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR). As required by the regulation, we have published our Sustainability Risk Policy, Remuneration Policy Statement and Principal Adverse Impact Statement on Incofin’s website¹⁴. We are currently working on the next steps to ensure full compliance by 2023.

Incofin IM considers the principal adverse impacts (PAI) of investment decisions on sustainability factors in accordance with Incofin’s Sustainability Risk Policy and Fund-specific ESG Policies.

As described in Recital 20 of the Regulation (EU) 2019/2088, principal adverse sustainability impacts are defined as “those impacts of investment decisions and advice that result in

negative effects on sustainability factors”, with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

PAI is identified, assessed, controlled and monitored using our integrated 4-step risk management process as described above in Principle 2.

Incofin will report on all the mandatory indicators plus one additional indicator for each of the topic (i.e., climate, social, and anti-corruption) related to the PAI on sustainability factors as set out in Table 1 of the Annex 1 of the Regulatory Technical Standards of the Regulation (EU) 2019/2088, and specifically addressing Article 4 (1) (a) no later than June 30, 2023. The current list based on the draft RTS includes greenhouse gas emissions, carbon footprint, greenhouse gas intensity, exposure to companies active in the fossil fuel sector, share of non-renewable energy, and violations

¹² The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principle 4 and 6.

¹³ Examples of good international practice includes: IFC’s Performance Standards (www.ifc.org/performancestandards), IFC’s Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2), and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

¹⁴ <https://incofin.com/wp-content/uploads/IIM-Sustainability-Risk-Final-for-RMC-approval.pdf>

of UN Global Compact principles.

The PAI indicators will be calculated based on a mix of quantitative and qualitative information collected from either the investee, during due diligence, and/or complemented with external

market research and other publicly available information, to obtain the most accurate data as possible.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (reference in Principle 4) to monitor the 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 action¹⁵. The Manager shall also seek to use the results framework to capture investment outcomes¹⁶.

A process is defined for assessing and monitoring results of investees related to the impact thesis.

Our investees are subject to an E&S reporting obligation. Our legal documentation sets out the terms of the E&S data collection process, including purpose (how data will be used), frequency (reporting deadlines), and method (Incofin’s online reporting platform). The non-respect of the reporting clause constitutes an event of default.

The monitoring of progress of each investment is incorporated into Incofin’s 4-parts impact methodology, as described above. This is **part C** on impact measurement: on a quarterly basis, investees report on impact metrics such as (for financial intermediaries): number of borrowers (including breakdown by gender, rurality and lending methodology), number of transactions, average loan size, portfolio breakdown by sector, portfolio yield, return on assets, client turnover, staff turnover, staff composition, etc. For agri-businesses, impact metrics collected from investees include smallholder farmers and suppliers reached (including breakdown by gender), number of Fairtrade or sustainable

certified farmers, number of hectares sustainably cultivated, number of crops, amount of premiums, etc. These metrics are aligned with industry standards (SPI4-Alinus metrics for microfinance and IRIS metrics for agri-finance).

Progress of each investment in achieving impact is compared to expectations.

In addition to mandatory quarterly reporting by investees, the investment team conducts annual monitoring visits, which include social and environmental checks. In the event that the investment is no longer expected to achieve its intended impacts, the situation is escalated to the Investment Committee (IC) for resolution on appropriate action.

Part C is also about helping equity investees develop a realistic impact strategy where they can positively and sustainably impact the lives of their end customers. Once Incofin decides to invest in an institution, output indicators at the level of the end-clients are tracked throughout the life of the investment, showing Incofin’s commitment to measure the outcome of its

¹⁵ Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio’s expected impact

performance.

¹⁶ Outcomes are the short-term and medium-term effects of an investment’s outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted form OECD-DAC.

investment at both fund and investee level. Some of the areas measured and tracked include but are not limited to new customers obtaining access to financial products, additional credit to smallholder farmers and SMEs, increase in agricultural production, employment of females in the workforce, training and delivery of programs. Indicators are specific to each fund and each investee. The indicators identified include those that not only promote social performance management

(“SPM”) practices but also impact on the end-customer.

The investment team is responsible for collecting E&S data from investees, while the Risk department oversees aggregating and analyzing the data at the fund or Incofin IM level. The analyses are shared with the respective funds and Incofin’s Risk Management Committee (RMC) regularly.

Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit¹⁷, 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 impact.

Active role in governance and responsible exit.

Part D of Incofin’s 4 parts methodology is about responsible exits, specifically related to our equity investments. Incofin considers sustainability of its impact objectives not only at the start and duration of the investment, but also during the exit.

In equity, we want to ensure that each exit meets the financial objectives of our investees (scaling up targets) and sustained impact post exit. For this reason, we developed a Fitness and Compatibility checklist to screen all exits: during the exit process, the fitness and

compatibility of a potential new partner for our portfolio clients is taken seriously. The choice of the buying shareholder is based on the following dimensions: reputation, financial stability/performance, regional and local knowledge, financial inclusion knowledge, social performance, clear rationale for acquisition, corporate culture, funding availability, management stability, management development, innovation/technology. While two of our three equity funds are close ended, the investment horizon is sufficiently long to not constrain the exit strategy.

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.

Data-driven decision making

An impact report is produced annually that reviews and documents the impact performance of the portfolio. This includes a review of progress towards the fund’s impact objectives, trends in the ESG situation of each investee, and updates on processes based on

lessons learned and industry developments.

An Impact Committee (ImC) was created in 2021 with the mandate to monitor Incofin IM’s progress towards its social goals and provide recommendations to the Management team when necessary. Among other things, this includes a review of key social risk indicators on

¹⁷ This may include debt, equity or bond sales and excludes self-liquidating or maturing instruments.

a quarterly basis. Any major breaches or concerns are escalated to Incofin's Risk Management Committee (RMC), who will determine if operational and strategic adjustments are needed.

External social and environmental audits and ratings are taken into consideration in

investees' E&S performance monitoring. More specifically, we monitor: i) the certification status of our CPP-certified investees and ii) the certification status of our Fairtrade and sustainable certified agri investees, to ensure that they maintain compliance with the highest standards.

Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification¹⁸ of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the 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.

This Disclosure Statement re-affirms the alignment of Incofin's procedures with the Impact Principles and will be updated annually.

In accordance with the Impact Principles' requirements, Incofin engaged Ernest & Young as the external and independent verifier. The assurance report, dated February 5th, 2021, confirms Incofin's alignment with the nine principles and can be found on the following page.

Independent verification of our impact management systems will be conducted on a regular basis no later than at three-year intervals, or earlier if there is a significant change to our impact management systems.

For this disclosure, the independent limited assurance report conducted by EY on February 2021 remains relevant and is annexed.

¹⁸ The independent verification may be conducted in different ways, i.e. as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.



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Incofin Investment Management

Independent verifier's limited assurance report on the alignment of Incofin Investment Management (IIM) with the Operating Principles for Impact Management.

To the Chief Operating Officer

In response to your request, we verified that IIM's impact management system, as described in its policies and procedures (the "Policies") and summarized in its annual Disclosure Statement dated May 8, 2020 (the "Statement"¹) as attached in appendix, is aligned with the Operating Principles for Impact Management dated February 2019 (the "Principles"), issued by IIM for USD 302.76 million of its total assets under management for its proprietary funds (as of December 31, 2019).

IIM's responsibility for the alignment of its impact management system with the Principles

It is the responsibility of IIM to define the processes, roles and responsibilities necessary to align its organization with the Principles. It is also the responsibility of IIM to publicly report on its website (www.incofin.com), on an annual basis, its commitment to the Principles and the extent to which impact management systems are aligned with them.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance and ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the compliance of the impact management system of IIM described in the Policies with the Principles based on the procedures we performed and the evidence we obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Statement is free from material misstatement. A limited assurance engagement is substantially less in scope than a reasonable assurance

¹ Available at <http://www.incofin.com/incofin-commits-to-9-principles-to-ensure-high-global-standards-for-impact-investments/>

engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Nature and scope of our work

We performed the following procedures based on our professional judgment:

- We verified, based on walkthrough procedures, that the Policies address each of the Principles.
- We examined the relevance, completeness, reliability, neutrality and understandability of the Policies in relation to the Principles.
- We conducted interviews with the people in charge of defining, applying and enforcing the Policies.
- We verified that the amount of assets under management (as of December 31, 2019) aligns with the Statement.
- We examined the integrity of the information provided in the Statement in relation to the Policies.

The scope of our procedures does not include however an assessment of the effectiveness of the Policies, the effectiveness of IIM's impact measurement approach nor the verification of the resulting impacts achieved.

Limited assurance conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that IIM has not complied, in all material respects, with the Principles for USD 302.76 million of its total assets under management for its proprietary funds (as of December 31, 2019).

EY Bedrijfsrevisoren BV
Represented by

A handwritten signature in black ink, appearing to read 'Sylvie Goethals', written over a horizontal line.

Sylvie Goethals
Partner
21SG00001

February 5, 2021
Brussels, Belgium