Disclosure Statement

Operating Principles for Impact Management

Incofin Investment Management

June 2022

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 1.1 billion as of December 31st, 2021[1].

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June 2022

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[1] General disclaimer: the information provided in this document are correct and up-to-date as of December 31st, 2021 and have not been updated thereafter.

Contents

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 IM

Incofin IM is an AIFM[2] licensed impact fund management company specializing in rural financial inclusion, agri-food value chain and access to safe drinking water. We have a global footprint with direct investments in 177 financial institutions and agri-focused companies across 50 countries.

With 5 regional offices in each continent (Colombia, Kenya, India and Cambodia) and a team of 80+ 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, agri-food value chains and access to safe drinking water. Each of our funds have specialized focuses on specific markets including base-of-the-pyramid and underserved 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, agri- and water-businesses to reach end-beneficiaries that are:

- *Geographically excluded:* our investments are deployed in emerging markets. Incofin IM is present in emerging 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 and underserved populations, MSMEs, smallholder farmers and producers. Each fund establishes eligibility criteria to ensure that the target clientele of potential investees meets this objective.

- *Vulnerable communities or value chains:* our funds FAF[3] and agRIF also target smallholder farmers and Fairtrade 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

[2] Alternative Investment Fund Manager
[3] Fairtrade Access Fund

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. Another harsh reality is the inadequate or unreliable access to safe water, especially in large parts of Africa and Asia. In fact, 3 out of 10 people worldwide do not have access to safe drinking water. The mission of one of our latest fund under development (W2AF[4]) is to scale access to affordable safe drinking water in underserved populations with a focus on people living under $8/day by investing in innovative water businesses.

Desired outputs

By investing in responsible financial intermediaries, producer organizations, agri- and water-businesses, our aim is to improve access to products and services that meet basic needs for end-beneficiaries, such as microloans, savings, microinsurance, agri-financing or safe drinking water. We also value investees who provide education, health or housing loans, and who contribute to their customers' capacity building through the provision of non-financial services, such as training services on women 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. Fairtrade 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.

Through our investments in the water sector, our aim is to respond to the increasing inequality in access to safe water, which is intensified by a growing world population, rising consumption and climate change. Incofin IM will support up-coming entrepreneurs with promising solutions and invest in various decentralized solutions such as water kiosks, which deliver safely treated drinking water in gallons to the home or to the local store, water pipes and water technologies. As of April 2022, no investment through W2AF has been made yet; therefore, the ESG and impact processes described in the below sections will only focus on financial inclusion and agri-financing.

Below are some output indicators (from our 2021 Impact Report[5]) that we track to measure our alignment with the impact objectives of our fund:

[4] Water Access Acceleration Fund
[5] https://incofin.com/impact-report/report/impact-report-2020-2021

Alignment with the Sustainable Development Goals

Our investment strategy is aligned with the United Nations Sustainable Development Goals (SDGs). 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, managed and advised fund.

	Fund	Targeted UN SDGs
Proprietary funds	Incofin cvso	1 No Poverty; 2 Zero Hunger; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 12 Responsible Consumption and Production
	Rural Impulse Fund II	1 No Poverty; 2 Zero Hunger; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 12 Responsible Consumption and Production
	agRIF	1 No Poverty; 2 Zero Hunger; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 12 Responsible Consumption and Production
	Incofin Inclusive Finance Fund	1 No Poverty; 2 Zero Hunger; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 12 Responsible Consumption and Production
	Fairtrade Access Fund SA (FAF)	1 No Poverty; 2 Zero Hunger; 5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 12 Responsible Consumption and Production; 13 Climate Action
	Agri-Finance Liquidity Fund (ALF)	1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
	Incofin India Progress Fund (IPF)	2 Zero Hunger; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 13 Climate Action
Managed	Water Access Acceleration Fund (W2AF)	5 Gender Equality; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 12 Responsible Consumption and Production; 13 Climate Action

Advised	Invest in Visions Mikrofinanzfonds (IIV)	1 NO POVERTY	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	
	Microfinance Enhancement Facility (MEF)	1 NO POVERTY	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES		
	BRS Microfinance Coop Fund	1 NO POVERTY	2 ZERO HUNGER	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES
	FPM SA	1 NO POVERTY	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	

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© for producer organizations and agri-businesses, and ECHOS-SME Water for water businesses. 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 SDGs 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 IM'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 Principles, ILO Labour Conventions, and relevant EU Sustainable Finance Disclosure regulations. The approach is embedded in our impact management system.

A dedicated team

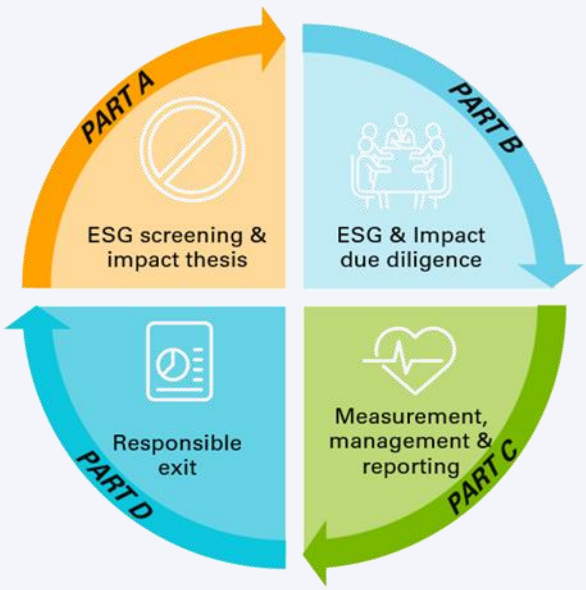
Our investment team is equipped to implement our Sustainability Risk Policy and contribute to the achievement of impact. Recruitment is based on experience and affinity in the field of impact investing. Each newcomer at Incofin IM receives an induction training that includes an impact onboarding session. 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 framework

In light of the EU Sustainable Finance Disclosure Regulations (SFDR), we updated our impact framework in 2021 to differentiate among the different types of ESG risks of our investments with the aim to ensure adequate identification and mitigation of potential adverse risks, as well as to clarify roles and establish accountability across the organization. The A-B-C impact framework[6] presented below views impact as a continuum, starting from the "do no harm" ESG risk screening of all investments to a more ambitious target of "doing good" and value creation for the shareholders, investees, end-clients, society and environment:

Impact methodology

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 *ESG screening & impact thesis*. During origination, we only select investees that aim for a healthy balance between social, environmental and commercial goals. The filters includes:

- **Positive selection.** Only investments that are aligned with the investment strategy and impact goals of the fund will be eligible. The impact thesis of the company needs to clearly spell out the intent, who, what and how.
- **Negative selection.** Harmful investments linked with high ESG risk companies as per the fund's exclusion list and failing the AML-CFT checks (i.e. child labor, weapons, money laundering) are excluded.

[6] In line with the framework developed by the Impact Management Project (IMP), a forum for building global consensus on how to measure and manage impact (https://impactmanagementproject.com).

Part B is the *ESG & impact due diligence*. We believe that in order to avoid and control adverse ESG risks, a good ESG Management System needs to be well defined and implemented. Therefore, we carry out a thorough assessment of all investees' ESG practices using a comprehensive audit tool. We use different ESG 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 IM)
- For agriculture SMEs: ECHOS-AgSME© + ESMS screening tool (Incofin IM)
- For microfinance: SPI4-Alinus (CERISE)[7]
- For water businesses: ECHOS SME Water© (Incofin IM – still in development)
- For other sectors: Social Business Scorecard (CERISE)[8]

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 ESG 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 need 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. At this stage, there is the possibility to consult the dedicated Impact Committee.

Legal documentation related to the transaction is reviewed by the Legal department of Incofin IM. Loan and shareholder agreements include ESG undertakings which prohibit the investee from using the loan to finance activities on the exclusion list, and requires to report on social performance, comply with the Client Protection Pathway[9], and to charge a responsible pricing to its borrowers.

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

[7] https://cerise-spm.org/en/alinus
[8] https://cerise-spm.org/en/sbs
[9] https://sptf.info/client-protection/the-client-protection-pathway

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[10]. 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, and mapped against the UN SDGs. 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 IM's investment activities. We have an exceptional track record in providing debt, quasi-equity and equity financing to 122 financial institutions across 50 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 19 countries and 14 different crops, the agri-finance portfolio is currently providing more than USD 66m in financing to smallholder farmers[11]. Our dedicated investment team oversees a balanced portfolio of 55 clients serving local food chain systems as well as global food demands for exported products.

Finally, with 27 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 innovative financing products meet the needs of investees and enable 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 gives 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.

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[10] 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.

[11] Outstanding agri portfolio as of December 31st, 2021.

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 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 ESG practices in our portfolio companies through promotion of client protection practices, 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 ESG 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 IM 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 14 million in grant funding and structured about 151 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 Group[12], CSAF[13] and GIIN[14].

The fruits of our holistic approach to value creation are the high retention rate: 74% of our current FI debt investees have been with Incofin IM for at least 5 years and 53% for at least 8 years.

Reporting results at the portfolio level

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

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[12] 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).
[13] Council on Smallholder Agricultural Finance (https://csaf.org).
[14] Global Impact Investing Network (https://thegiin.org).

Because we highly value transparency in the market, we also disclose our yearly ESG and impact data on the IRIS+ Directory[15], allowing us to benchmark our performance against our peers and contribute to industry research.

[15] https://iris.thegiin.org/directory

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[16] 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? [17] 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 standards[18] and follow best practices[19].

For each investment, Incofin IM assesses in advance the possible positive impact of the investment. We follow the IMP's "five dimensions of impact" to answer the fundamental questions on what, who, how much, contribution (see principle 3) and risk (see principle 6), as described below:

What is the intended impact?

This question is checked 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 verified during the due diligence stage through the collection of end-customers data, including sector, gender and level of rurality of FI borrowers, smallholder farmers and water customers. We also analyze the type of products offered by portfolio companies and in which regions they operate. 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 IM 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.

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[16] 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.

[17] Adapted from the Impact Management Project (www.impactmanagementproject.com).

[18] 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.

[19] 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.

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 IM decides to become a shareholder in an institution, we work with the company to identify relevant outcome 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 in 2020 an "Outcomes Measurement" project via the fund's technical assistance facility, with CERISE and M-CRIL as an implementing consortium. The project aims to develop tailored 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. New investees were included in the project in 2021, bringing the total project beneficiaries to 9.

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) risks[20]. 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 practice[21].

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.

Incofin's Sustainability Risk Policy ("Policy") describes the process and tools used to identify, assess, control and monitor sustainability risks that could have a materially negative impact on the value of the investments and/or its sustainability objectives. This Policy is reviewed and approved periodically. The latest policy was approved on March 2021.

As outlined in the Policy and described in previous sections, the Incofin IM considers the sustainability risks of its investments from a double materiality perspective using a 4-step risk management approach:

1. **Identify** - Principal adverse impacts are largely filtered out before an investment is even made through the eligibility criteria, which applies both a positive and negative screening;
2. **Assess** - The materiality of potential sustainability risks are evaluated with our ESG rating tools that takes into account the probability of occurrence and severity of adverse impact, including their potentially irremediable character. A rigorous due diligence of the company, including an onsite verification, is carried out to determine if an adequate ESG management system is in place. The findings during the due diligence could lead to modification of the. Where ESG-related risks of adverse impacts cannot be mitigated to a satisfactory extent, the investment will not proceed.
3. **Control** - Potential sustainability risks are controlled by avoiding or limiting them through various methods including ESG clauses in loan agreements, technical assistance to portfolio companies, requirement for an E&S action plan; and
4. **Monitor and report** - All portfolio companies are reviewed on an annual basis. Indicators are set to track the performance of the portfolio company over the investment period and reported to stakeholders.

Compliance with EU regulations on Sustainable Finance

As an AIFM licensed global impact fund management company with the objective to achieve sustainability, Incofin IM and its funds fall under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR). As required by the regulation, we have published our Sustainability Risk Policy,

[20] 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.
[21] 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).

Remuneration Policy Statement and Principal Adverse Impact Statement on Incofin IM's website[22]. We are currently working on the next steps to ensure full compliance by 2023.

Principal Adverse Impacts

Incofin IM considers the principal adverse impacts (PAI) of investment decisions on sustainability factors in accordance with the Regulatory Technical Standards (RTS) of the Regulation (EU) 2019/2088. Incofin will report on the 14 mandatory PAI indicators plus one additional indicator for each of the topics (i.e., climate, social, and anti-corruption) as set out in Table 1 of the Annex 1 of the RTS no later than June 30, 2023. The current list based on the 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 of UN Global Compact principles. The PAI indicators will be collected on an annual basis from our investees through a standardized template that is currently being developed with industry peers.

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 action[23]. The Manager shall also seek to use the results framework to capture investment outcomes[24].

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

Our investees are subject to an ESG reporting obligation. Our legal documentation sets out the terms of the ESG data collection process, including purpose (how data will be used), frequency (reporting deadlines), and method (Incofin IM'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 IM's 4-parts impact methodology, as described above. This is **part C** on *ESG & impact measurement, management and reporting*: 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).

[22] https://incofin.com/wp-content/uploads/IIM-Sustainability-Risk-Final-for-RMC-approval.pdf

[23] 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.

[24] 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.

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, environmental and governance 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, and can be discussed in the Impact Committee (ImC).

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 IM 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 IM's commitment to measure the outcome of its 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 IM's Risk Management Committee (RMC) regularly.

Principle 7: Conduct exits considering the effect on sustained impact

When conducting an exit[25], 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.

Engagement strategy and responsible exit

Part D of Incofin IM's 4-parts methodology is about *responsible exits*, specifically related to our equity investments. Incofin IM 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.

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

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.

The 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 a bi-annually basis. Any major breaches or concerns are escalated to Incofin IM'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' ESG 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 verification[26] 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 IM's procedures with the Impact Principles and will be updated annually. In accordance with the Impact Principles' requirements, Incofin IM engaged Ernest & Young as the external and independent verifier. The assurance report, dated February 5th, 2021, confirms Incofin IM'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.

[26] 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

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

misstatement. A limited assurance engagement is substantially less in scope than a reasonable assurance 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:

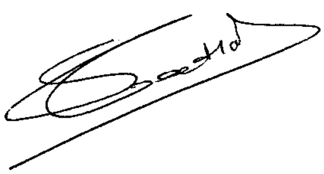
- We verified, based on walkthrough procedures, that the Policies address each of the Principles.
- We examined the relevance, completeness, reliability, neutrality and understandability of the Policies in relation to the Principles.
- We conducted interviews with the people in charge of defining, applying 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



Sylvie Goethals
Partner
21SGO0001

February 5, 2021
Brussels, Belgium