Compliance with the EU Sustainable Financial Disclosure Regulation (EU SFDR)

Impact Expansion Fund I ("the Fund") regards itself as an Article 9 fund according to the definition included in the EU SFDR. All the requirements of Article 9 fund are considered and are at the core of our investment decisions.

April 2022

Table of Content

I - PRINCIPLES AND APPROACH TO IMPACT & SUSTAINABILITY

1. Overview

The Impact Expansion team is convinced of the essential role that the private sector, and particularly private businesses, can play in creating a more inclusive and sustainable society.

Based on this conviction, we will invest the Fund by combining the vision of impact investment with the financial rigour and business-building capability of private equity to generate superior returns while delivering meaningful social and environmental impact, carefully targeted at areas of major needs in Western Europe. These areas of needs identified in our Theory of Change[1] based on existing researches and data, comprise (i) structural unemployement, (ii) bad health and (iii) climate crisis and environmental degradation.

The overall objective of the Fund is to enhance and maximise the positive social and environmental impact (refered as "impact" in the rest of this document) of its investee companies on all stakeholders including employees, clients/patients and impacted communities, as relevant and appropriate, while at the same time minimising and controlling adverse sustainability and ESG-related effects/risks ("Do not harm" principle). To achieve this objective, the Fund will accompany the companies it invests in get to the next step of their development by providing growth capital and strategic and operational support for their organic and M&A (buy-and-build).

2. Environmental and Social characteristics of the Fund

The Fund seeks to identify and invest in businesses that provide best-in-class solutions to these large-scale needs in the education/formation/skilling, health services and environmental-related sectors and have the potential to substantially grow into new geographies or markets, through organic growth and M&A, thereby increasing the scale and reach of the benefits generated by each company to its stakeholders (impact scaling strategy).

Based on its Theory of Change, the Fund identified the following SDGs it aims to address:

- **SDG 3** «ensuring healthy lives and promoting well-being for all at all ages»
- **SDG 4** «ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all»
- **SDG 7** «ensuring access to affordable, reliable, sustainable and modern energy for all»
- **SDG 8** «decent work and economic growth»
- **SDG 10** «reduce inequality within and among countries»
- **SDG 13** «taking urgent action to combat climate change»

In addition to the Impact focus, Impact Expansion endeavors to carry out its investment activity with appropriate consideration for sustainability risks including climate change-related risks (transitional and physical) and environmental, social, and governance (ESG) aspects derived from the companies financed by the Fund. Our team views sustainability risks and ESG management essentially as a risk-management tool which we will use to analyse and monitor the risks of its portfolio. The Fund's objective is the generation and enhancement of positive social and environmental impact and attractive financial returns; this objective is the driving force of our investment strategy and its achievement the focus of our team.

[1] *Document available upon request.*

3. Impact Expansion Impact and Sustainability Commitments

Impact Expansion is strongly committed to:

- guarantee that the pursue of impact (intentional social and environmental objectives) at the core of our investment strategy, is reflected in its processes, from origination to exit, is measured against pre-defined targets, evaluated and reported upon to our investors and that the team is aligned financially with the impact performance of the Fund.
- pursue ethical behaviour in general, including respect for all its related stakeholders[2], transparent and fair decision-making processes; and the adoption of a long-term view of investment development.
- integrate sustainability risks and ESG matters (risk management) into investment analysis and life cycle: sourcing and initial screening, due diligence, investment decision-making and investment agreement, management over the entire holding period and exit process.
- require businesses we invest in, at a minimum, to comply with the legal and regulatory requirements in the jurisdictions where they operate and respect the UN Global Compact Principles[3].
- ensure that our investee companies tend towards the appropriate level of corporate governance, including a board of directors comprising Impact Expansion's professionals and independent members (when possible), a management team with defined roles, KPIs and transparent financial statements.
- support our investee companies in enhancing and maximising their positive impact on society and minimising their adverse effects on the environment and all stakeholders, as relevant and appropriate.
- encourage our investee companies to make efficient use of natural resources and to protect the environment wherever possible and support the reduction of greenhouse gas emissions.
- provide our investors with transparent and relevant information on the impact our investee companies are generating and inform them on sustainability risks and ESG matters related to our investment activity, while observing the appropriate commercial confidentiality requirements.

II- INVESTMENT STRATEGY, SUSTAINABILITY RISKS AND ESG MATTERS

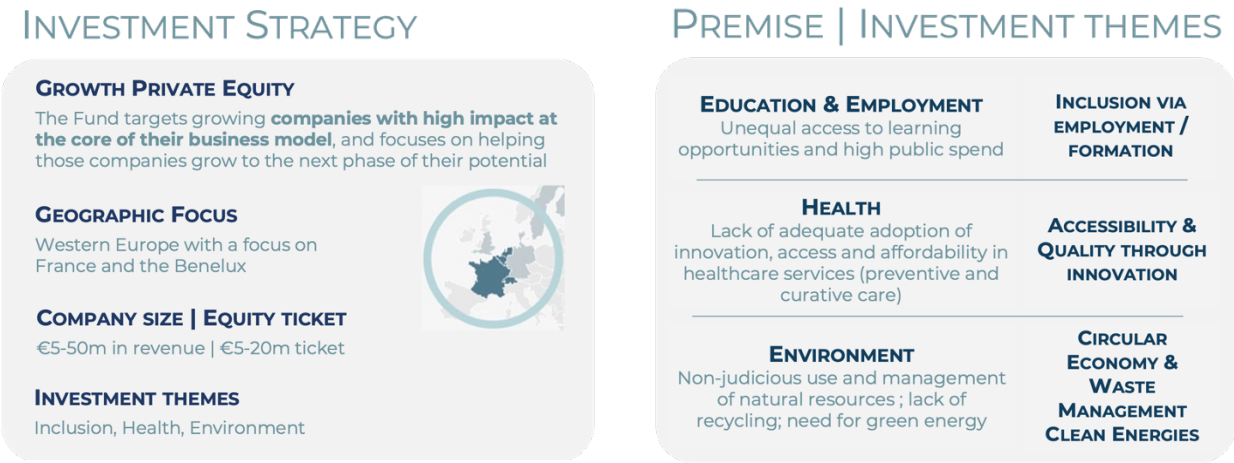
1. Investment Strategy and Approach

Impact Expansion is an impact-focused fund manager, and impact investing is at the core of our investment strategy. The Fund targets and invests in impactful companies where impact is an integral part of their business model and therefore aligned with the company's financial performance. The targeted companies will offer solutions to the three areas of needs identified in our Theory of Change: (i) structural unemployement, (ii) bad health and (iii)

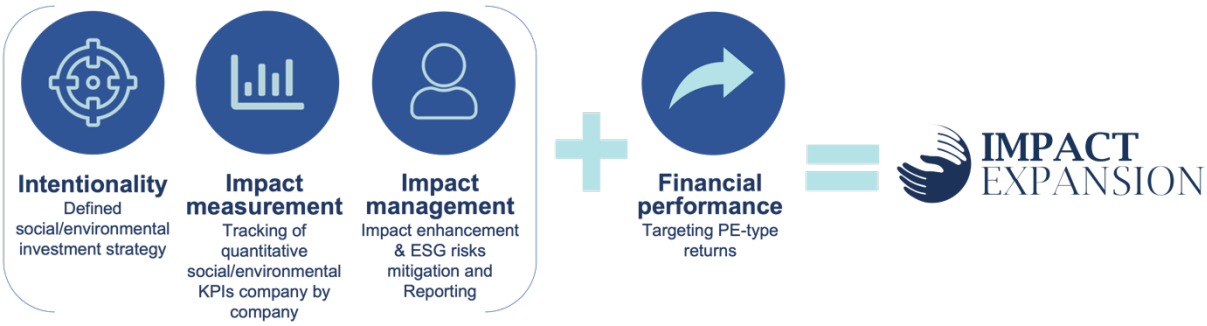
[2] *Including investors, clients/patients,, suppliers, impacted communities and employees.*
[3] *www.unglobalcompact.org/what-is-gc/mission/principles.*

climate crisis and environmental degradation. As such, all the companies we will invest in will promote social and environmental characteristics.

The charts below summarise of our investment strategy:



and the graph below summarises our Impact Investing approach:



The **intentionality** is defined in our investment strategy. Impact Expansion Fund I, "the Fund", focuses on access to affordable, effective healthcare; improvement of life opportunities through education and skill development; and protection of the environment (transition to a low carbon economy including waste management, renewable energy, eco-friendly agriculture and food production solutions, circular economy), where it has observed that the need to tackle recognised problems, combined with government budget limitations and insufficient delivery in Western Europe, has created a substantial base of forward-looking companies developing new solutions to endemic social and environmental problems. As mentioned previously, the Fund aims to address at least six of the 17 SDGs (#3, #4, #7, #8, #10 and #13), but will also contribute to others including SDGs #12 ("Responsible consumption and production") and #17 ("Partnership for the goals").

The **impact measurement, assessment and management** process is organised throughout the investment process, from sourcing to exit (please refer to the next section for further details).

In terms of financial returns, the Fund targets gross IRR of 20% and gross investment multiple of 2.5x, which is in line with what the partners have achieved with their European Impact or Impact-leaning investments over the last 10 years. This objectif is related to SDG 8, which aims to generate economic growth.

2. Sutainability Risk and ESG matters

Despite generating positive impact, some of the companies we invest in can still generate negative outcomes (sutainability risks/ESG negative externalities), which we commit to help our investee companies estimate and mitigate ("Do Not Harm Principle"). As part of our due diligence process implemented for each investment opportunity, we will include a full analysis of the sustainability risks and a mapping of key ESG indicators.

a. Sustainability risks

Sustainability risks are an important factor to take into account during the investment process, as well as during the investment period. At Impact Expansion, we developed a simplified version of the TCFD[4] framework, which is more applicable to the type of companies the Fund invests in (unlisted companies generating a few millions euros of revenues per year, with generally simple business models).

As part of our due diligence when we analyse an investment opportunity, Impact Expansion deal team will run a climate risks assessment of the target company, using the table displayed on the next page. The information collected will be analysed and the results will be included in the Final Investment Memorandum (FIR) which is the document summarising the outcome of the deal team due diligence, presented to the Investment Committee and used by its members to take the final investment decision.

Once an investment is closed, the key risks (risks with a score from 4 to 9[5]) identified during due diligence will be discussed at the board level of our investee companies on an annual basis, to ensure they are efficiently tracked and tackled. If new risks are identified during the holding period, the sustainability risk table will be updated. Special attention will be paid to businesses active in the energy, agriculture, transport and construction sectors, as these sectors are more at risk when it comes to climate change.

As a general rule, the Fund will not invest in companies which present sustainability risks above 6 (red risks) that cannot be mitigated. However, in specific and unlikely cases where the Investment Committee decides to invest in a company presenting a red risk which cannot be mitigated, because it concludes that the social or environmental impact of the investments more than compensate the sustainability risks, it will need to explain the rationale of its investment decision to the Impact / KPI Committee[6].

The result of the above Sustainability table will be considered to adapt the company's valuation during the holding period.

[4] *TCFD: Task Force on Climate-Related Financial Disclosures.*

[5] *Please refer to the Sustainability Risk Table below.*

[6] *The Impact / KPI Committee is an independent Committee comprised of investors in the Fund and Impact Experts in the Fund's targeted themes.*

Sustainability Risk Table[1]

	Risk description (supply, production, distribution, etc)			Materiality (score : 1-Low / 2-Medium / 3-High)	Probability (score : 1-Low / 2-Medium / 3-High)	Total score [2] (from 1-low to 9-High)	Methodology set to oversee the risk (if any)	Actions taken to address the risk (if any)
Transition risks								
Political and legal risks						Score between 1 and 3		
Technological risk						Score between 4 and 6		
Market risk						Score between 7 and 9		
Reputational risk								
Physical risks								
Acute risks								
- Drought / heat waves						Score between 1 and 3		
- Flooding / rising sea levels						Score between 4 and 6		
- Public health risks						Score between 7 and 9		
- Other natural disasters								
Chronic risks								
Drought / heat waves						Score between 1 and 3		
Flooding / rising sea levels						Score between 4 and 6		
Public health risks						Score between 7 and 9		
Other natural disasters								

[1] For further explaination of the Sustainability Risk Table, please refer to Appendix 1.

[2] The total score is calculated by multiplying the materiality score with the probability score. The higher the total score, the riskier the investment. Total scores between 1 and 3 denote a low sustainability risk (green cells); total scores between 4 and 6 a medium sustainability risk (orange cells) and scores between 7 and 9 a high sustainability risk (red cells).

b. ESG Matters

In addition to the sustainability risk analysis, we will also collect and analyse key ESG indicators, which we commit to map and track when relevant at investee companies' level and with their input, to report to our investors, and to help our portfolio companies mitigate. These key ESG indicators are based on the EU SFRD Principal Adverse Impact indicators, which are part of the reporting requirements. The table below displays the PAIs indicators we commit to map and track[7]:

ENVIRONMENTAL INDICATORS	SOCIAL INDICATORS
1. Greenhouse gas emissions (scope 1, 2, 3 when feasible) 2. Carbon footprint 3. Carbon intensity 4. Exposure to fossil fuel sector 5. Share of consumption and production of non-renewable energies 6. Emissions to water (water pollution) 7. Share of investments in activities having a negative impact on biodiversity 8. Intensity of energy consumption by high-emission sectors 9. Hazardous waste	10. Share of investee companies implicated in a violation of the UN's Global Compact principles 11. Share of investee companies where there is insufficient processes and mechanisms for monitoring based on the UN's Global Compact principles 12. Share of investee companies linked to controversial weapons (antipersonnel mines, cluster weapons, and chemical and biological weapons) 13. Non-adjusted gender gap in compensation 14. Diversity on boards of directors (gender ratio) 15. Insufficient whistleblower protection 16. Incidents of discrimination

Principal Adverse Impact Indicators (PAIs) 1 to 14 are the official indicators which are requested to be tracked by Article 9 of the EU Sustainable Finance Disclosure Regulation ("EU SFDR"). There are four additional compulsory PAIs, but they only apply to Sovereign and Real Estate investing, which the Fund does not do; we have therefore not included them in our tracking table. Indicators 15 and 16 were selected within the rest of the EU SFDR PAIs based on their relevance to Impact Expansion's investee companies.

When reporting on the PAIs on an annual basis, we will be using the Principal Adverse Impact Disclosure Statement, displayed in Appendix 1 of the Draft Regulatory Technical Standard – Feb 2021.[8]

Given the type of companies we are targeting for the Fund, i.e. companies that generate positive environmental and social positive impact, we anticipate that the companies we invest in will not display meaningful ESG risks.

Overall, and given the type of companies we are targing, the priority on the environmental side will be put on indicators 1, 2, 3, 4 and 7. Indeed, we expect to invest in very few companies with industrial production process and therefore, PAIs 6 and 9 will generally not apply. Also, given our focus on investing in companies that bring solutions to the climate crisis and

[7] *By PAIs, we mean: Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the Fund.*
[8] *The PAI disclosure statement – Appendix I (page 52-58) of the RTS: https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf*

environmental degradation, we will avoid high-emission sectors and therefore indicator 8 will rarely apply.

On the social side, in order for us to invest in a company, indicators 10 and 12 will both need to be zero, otherwise, we will not invest. Our priority will therefore be on improving indicators 11, 13, 14, 15 and 16, for which we will support our investee companies.

The ESG risks measured by the PAIs will be considered at the time of the investment decision as well as during the monitoring phase as explained in the following sections. As the Fund starts investing, the evaluation and migitation processes of ESG risks will be improved and fine-tuned.

3. Impact Methodology

The methodology used to manage and measure each investee company impact is inspired by the COMPASS methodology[9] – a public standardised impact measurement methodology developed by the Global Impact Investment Network (GIIN), based on the IMP Framework, and aimed at enabling investors to compare the impact of across their individual/fund investments.

III- INCORPORATING IMPACT AND SUSTAINABILITY RISKS AND ESG MATTERS INTO OUR INVESTMENT PROCESS

The impact measurement, assessment and management process is organised throughout the investment process, from sourcing to exit. In parallel, we also integrate a sustainability risk assessment (as described above) that is considered in the investment decision process and that we aim to monitor during the holding period until the exit.

The Fund does not use a market reference benchmark for the impact it will generate. However, before investing in a company, it will define with the management of the company, between one and five KPIs for which it will set targets that the Fund's underlying companies will aim to achieve during the Fund's ownership and that will be tracked on an annual basis. The KPIs will be aligned with the social and environmental objectives of the Fund and the achievement of the impact's targets will impact investee companies' management annual remuneration as well as ultimately Impact Expansion's team carried interest (50% of the Fund's carried interest is linked to the achievement of the underlying companies impact targets, aggregated at the Fund's level). KPIs and the targets set for each KPI will be reviewed by an independent Impact / KPIs Committee at entry and the impact performance achieved validated by the same Committee when the Fund exits each investment.

1. From the sourcing phase to the exit

[9] The COMPASS methodology framework is available on: www.thegiin.org/assets/COMPASS%20Methodology_For%20Investors.pdf

a. Sourcing and Initial screening

The Fund invests only where impact is core to the company business model – an integral part of the product or service offered. Specifically, the team focuses on selecting companies whose impact is closely correlated to financial performance, in order to achieve the Fund's objective of delivering impact alongside attractive financial returns.

The deal team conducts an impact analysis at the screening stage of potential investment opportunities. The analysis specifically aims to assess the (i) intentionality, (ii) measurability, and (iii) additionality of the impact generated by each potential investment target. Preliminary impact indicators to track are also defined and discussed. In this process, the deal team can consult the Impact Expert Pool (comprised of impact experts in each of the themes the Fund targets) on case-by-case basis, depending on its members' respective field of expertise. The results of this initial analysis are subsequently presented to the Fund Investment Committee for validation, and only target companies that fulfil a minimum threshold for the three evaluation criteria above are analysed further.

Alongside the impact evaluation, Impact Expansion compiles, when appropriate, environmental, social and governance indicators and evaluate if the target company presents critical sustainability risks using the Sustainability Risk Table (displayed above). These risks will be balanced with the positive impact the target company generates and is expected to generate, and an evaluation will be made on the ways to mitigate them.

b. Due Diligence

The team conducts in-depth impact analysis, using widely accepted tools and frameworks (COMPASS/ Impact Management Project Framework - IRIS+ indicators when available), to assess the full impact generated by each portfolio company, including direct and indirect impacts, both positive and negative, with the view to maximise the overall positive impact of the aggregated portfolio and avoid significant negative externalities. Specifically, the deal team will assess (i) whether the target company offers a solution to the needs indentified in Impact Expansion's theory of change, (ii) alignment between the business and impact objectives, as well as (iii) definitions, measurement, and historical impact track record of the target; and (iv) whether the target company generates or could generate significant negative externalities. At the end of this stage, in coordination with the target's management team, the deal team defines a set of (existing and/or new) impact indicators (KPIs) and targets for the purposes of the investment management and impact reporting. One to maximum five main quantitative impact indicators are chosen and tracked, reported to investors and used for the carried interest calculation. Each indicator receives a percentage weight and a yearly objective to be reached by the management. These impact KPIs and targets are reviewed by the Impact / KPI Committee following the process described in Impact Expansion's Impact Procedures and Process manual.

Information related to the sustainability risks will be collected and analysed as part of the due diligence process (using the methodology described above) to evaluate the transition and physical risks related to the target company. An evaluation of the governance of the company is also implemented and the Fund will only invest in companies with the appropriate level of corporate governance, including a board of directors to include Impact Expansion's professionals, a management team with defined roles, KPIs and transparent and audited financial statements. The sustainability risks and governance due diligence are considered to assess the sustainability of the target company business and determine its entry valuation.

Before signing an investment, the target company's management team is also informed on the list of ESG indicators (PAIs indicators listed in the table page 6) that will need to be provided on an annual basis to the Fund and, if applicable, is requested to provide an action plan to mitigate/avoid the identified material ESG risks or potential risks.

c. Investment Decision

Once the target impact indicators proposed by the deal team have been validated by the Impact / KPI Committee, they are presented in the Final Investment Review report (FIR), which the Fund's Investment Committee receives prior to the final investment decision. This report will also include the sustainability risks due diligence findings. In order to go ahead, the investment opportunity will need to be approved unanimously by Fund's Investment Committee members.

The KPIs and targets as well as the ESG indicators to report on will be included in the shareholder agreement signed with the target company.

d. Investment Monitoring

For information to be fully standardised, each individual Impact and ESG indicators will be disclosed using the COMPASS/IMP methodology for the impact KPIs and targets and the definitions provided by the EU SFDR for the ESG indicators (PAIs). The Sustainability Table will be updated once a year.

The pre-defined impact targets of each investee company are tracked quarterly (unless specified otherwise). The monitoring team reviews the intermediary impact indicators to make sure that (i) each investee is on track to deliver the expected impact, and (ii) there is no mission drift detected. In case of a discrepancy between each intermediary impact objective and the realised indicator value, the monitoring team investigates further to explain the specific reasons of the difference and works with the investee company to make sure it can get back on track in an acceptable timeframe. Impact achievements will be considered yearly for management compensation package, using, but not limited to, the impact KPIs defined in the pre-investment phase.

To ensure ESG indicators are collected and reported in a standardised way, Impact Expansion aligns its data with the EU SFDR[10] Principal Adverse Impact indicators (PAIs)[11] and definitions. In reporting on the PAIs, we will be using the Principal Adverse Impact Disclosure Statement, displayed in Appendix 1 of the Draft Regulatory Technical Standard – Feb 2021. On a semi-annual basis and when applicable, Impact Expansion reviews with the investee company management, if applicable, the implementation of the action plan aimed at mitigating/avoiding any material ESG risk, evaluated using the PAIs listed above, and raises and requests the investee company to address any identified unintended ESG related negative impacts.

The sustainability risks identified at the time of the due diligence using the Sustainability Risk Table (orange and red risks), will be tracked during the holding period and considered by the Fund to (i) adapt the valuation of the company for its quarterly and annual reporting; (ii) to evaluate whether the sustainability risks have evolved; and (iii) to report any new potential and meaningful sustainability risks to our investors.

[10] *EU SFDR stands for EU Sustainable Financial Disclosure Regulation.*

[11] *The EU SFDR defines PAIs as: "Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advices performed by a Fund Manager."*

For companies aiming to fight climate change, impacts will be tracked following the impact methodology (definition of one to five KPIs and targets tracked throughout the life of the investment), with a specific focus on greenhouse emissions avoided. As explained in the Fund's Investment Strategy, the companies the Fund will invest in, in the environmental space, will be expected to bring solutions to fight climate change, and consequently to achieve the Paris Agreement objective of reaching 1.5 degrees Celsius above pre-industrial level and achieving a carbon-neutral EU by 2050.

Risk of mission drift

If a mission drift occurs, an Impact / KPI committee is called to discuss the case. Three situations could emerge:

- Original positive impact reduced or nilled, along with the appearance of new positive impacts/externalities;
- Original positive impact reduced or nilled, along with the appearance of new negative impacts/externalities;
- Original positive impact reduced or nilled and no new impact (negative or positive) created.

If the situation is deemed overall positive(for example the positive impact generated is in line with our Theory of Change and more than compensates for the negative impact caused by the mission drift), the Impact Expansion team and the Impact/KPI Committee will discuss the new impact KPIs and objectives to track during the life of the investment, and steps will be taken to reduce as much as possible the negative impact/externalities.

If the situation is deemed overall negative (for example the negative impact generated by the missions drift is more than compensated by the positive impact), the Impact Expansion team will present to the Impact/KPI Committee a strategy to tackle the issue. Examples of such next steps could be:

- a change in business strategy to stop negative impact/externalities;
- a change in business leadership if there is an issue with its intentionality;
- planned exit of the investment in case the negative impact/externalities are judged unsustainable by Impact Expansion Investment Committee and cannot get mitigated.

The situation will be discussed at each future Impact / KPI committee until it is resolved.

e. Exit

At the exit stage, the monitoring team collects all the impact data from each investee company and compares them with the initial targets, to assess whether the Fund's impact objectives have been achieved or not. In case of discrepancy between the objectives and the realised impact, the team investigates the reasons for not achieving the objectives to (i) explain them to the Impact / KPI Committee and the Limited Partners Advisory Committee, and to (ii) prevent the repetition for similar investments/errors in the future.

At the time of each investment exit, the Impact / KPI Committee will validate the level of achievement of the impact performance. If it has a doubt or requires further clarification on the impact performance data communited by the monitoring team, the Impact / KPI Committee can request an external audit[12].

[12] More information available in the the Impact Procedures and Process Manual, which is available upon request.

An evaluation of the sustainability risks will be implemented prior to the exit and taken into account to set the targeted exit price for the Fund's investment. This will include, when applicable, the assessment of the progress made on the ESG-related action plan to manage and mitigate material ESG risks, which will be shared with the potential buyers.

2. Reporting

Across the investment cycle, Impact Expansion will report its impact results and ESG PAIs indicators as well as the broader information displayed in Appendix IV of the Final Report on draft Regulatory Technical Standards of the EU Sustainable Finance Disclosure Regulation (EU SFDR)[13], to its investors and its staff.

- Impact indicators will be reported and communicated to the fund's investors on a per-investee-company basis (as their activities across different sectors and geographies are not directly comparable) and compared with the annual and final targets;
- The team will follow its Impact Methodology[14] based on the COMPASS/IMP framework for the evaluation of the Fund's Impact Performance;
- The ESG PAIs will be reported at the investee-company basis and at the Fund level (when possible) and on an annual basis in compliance with the EU SFDR.

3. Impact Expansion's team alignment with the Fund's impact performance

The entire team is aligned with the Fund's Impact objectives. Members of the team came together not only because of their shared vision of the future opportunity within the growth impact investing space, but also because of their shared culture and values, which are based on a deep respect for other people and the wider world and their commitment to creating a better planet and society.

In addition to the individual commitment of each of the team members to impact, the team is ultimately financially aligned with the social and environmental impact performance of the Fund. Indeed, half of the team's carried interest (10 basis points of the 20% carried interest allocated to the Impact Expansion team) is linked to the achievement the Impact Performance at the Fund's level. If the impact performance is not achieved at the Fund's level, the "impact carried interest" will be allocated to NGOs that focus on the impact themes the Fund promotes.

There is no direct financial alignment between the Sustainability risks / ESG-related indicators and Impact Expansion's carried interest, because, as mentioned earlier, the team views the sustainability risk / ESG management essentially as a risk-management tool, not at the core of its value creation strategy aimed at creating positive impact. This is the main reason why investee companies and Impact Expansion team will solely be financially aligned with the impact performance of the Fund.

[13] *www.esma.europa.eu/sites/default/files/library/jc_2021_50_-_final_report_on_taxonomy-related_product_disclosure_rts.pdf - Annexe IV page 49.*

[11] *Impact Expansion complete Impact Methodology is a document available upon request.*

IV- OTHER

1. Code of Conduct

Impact Expansion team members and employees are requested to abide to the the Impact Expansion Code of Conduct. The Code is communicated to all team members and any new joiner.

2. Aligment with the EU Taxonomy

Based on its current pipeline of investment opportunities (the Fund has not yet made any investment), it is expected that around 25% of the Fund's investments with an environmental objectives will be aligned with the EU Taxonomy's objectives 1 and 2 (Climate Change Mitigation and Climate Change Adaptation)[15] . An additional 25% are expected to be aligned with objectives 3 to 6 of the EU Taxonomy, with a focus on objective 3 (Transition to a circular economy), but this percentage will be dependent on the development of the EU Taxonomy as regards to these specific objectives, which is still under consideration.

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is expected to be 50%.

3. Participation to Impact-related initiatives

- Impact Expansion's portfolio companies are required to adhere to the UN Global Compact Principles (www.unglobalcompact.org/what-is-gc/mission/principles).
- Our mother company and the Fund sponsor, KOIS (www.koisinvest.com) and Impact Expansion are members of the Global Impact Investing Network (GIIN – www.thegiin.org/); KOIS is a member of the French Advisory Committee of the Global Steering Group for Impact Investment (www.gsgii.org), the FAIR association ("Association de la finance solidaire et de l'investissement d'impact – www.finance-fair.org), Solifin, the Belgian association of impact financing companies, and TONIIC, the Global Action Community for impact investing (www.toniic.com)
- KOIS has signed the Chart for the support of the development of Impact Finance in France, as part of the initiative launched by Paris Europlace, "Finance à Impact - Finance for Tomorrow" (www.financefortomorrow.com/en/). Through this Chart, KOIS reaffirms its commitment to the three Impact Investing Pillars: Intentionality, measurement and additionality.

[15] The Fund does not yet hold investment as it has not yet had its first closing. The percentage provided is based on the team's expectation.

APPENDIX

Sustainability Risk Table: Definitions and further explaination

1. Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

a) Policy and Legal Risks

Policy actions around climate change continue to evolve. Their objectives generally fall into two categories—policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change. Some examples include implementing carbon-pricing mechanisms to reduce GHG emissions, shifting energy use toward lower emission sources, adopting energy-efficiency solutions, encouraging greater water efficiency measures, and promoting more sustainable land-use practices. The risk associated with and financial impact of policy changes depend on the nature and timing of the policy change.

Another important risk is litigation or legal risk. Recent years have seen an increase in climate-related litigation claims being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organizations. Reasons for such litigation include the failure of organizations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase.

b) Technology Risk

Technological improvements or innovations that support the transition to a lower-carbon, energy- efficient economic system can have a significant impact on organizations. For example, the development and use of emerging technologies such as renewable energy, battery storage, energy efficiency, and carbon capture and storage will affect the competitiveness of certain organizations, their production and distribution costs, and ultimately the demand for their products and services from end users. To the extent that new technology displaces old systems and disrupts some parts of the existing economic system, winners and losers will emerge from this “creative destruction” process. The timing of technology development and deployment, however, is a key uncertainty in assessing technology risk.

c) Market Risk

While the ways in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities,

products, and services as climate-related risks and opportunities are increasingly taken into account.

d) **Reputation Risk**

Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy.

2. Physical Risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

a) **Acute Risk**

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

b) **Chronic Risk**

Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.