4IMPACT

Investing in a better future

Sustainability Risk Policy

(SFDR Article 3)

September 2022

1. Introduction

The Sustainable Finance Disclosure Regulation ("SFDR" or "the Regulation") applied from 10 March 2021. This Sustainability Risk Policy specifically addresses the obligation in Article 3 of the Regulation which requires financial market participants such as 4impact to:

"…publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.."

2. Sustainability Risks

"Sustainability Risks" as defined in Article 2(22) of the Regulation: "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment".

Sustainability Risks include (but are not limited to) the following: environmental risks such as exposure to acute physical climate change risks on operations of portfolio companies; social risks such as impact of non-compliance with anti-slavery or working conditions laws and regulations by portfolio companies; and governance risks such as inadequate management oversight of portfolio companies.

3. Integration of sustainability risks in investment processes

For all funds managed by Aline B.V. ("4impact"), including 4impact Fund I Cooperatie U.A. (Fund 1) and 4impact Fund II Cooperatie U.A. (Fund 2), we invest with the deliberate intention of making a net positive social and/or environmental impact. Therefore, we integrate sustainability risks into our investment decision-making process. We do this by flagging important risks in all investment proposals through the use of our Impact Assessment Framework. This framework includes both negative screening against controversial sectors, and the provision and consideration of certain sustainability risk data at the investment committee.

Negative screening – We perform negative screening based on the IFC Exclusion List ahead of each investment decision to ensure that sectors with high likelihood of sustainability risks are identified at an early stage. The negative screening criteria is reviewed and updated for each of our funds, based on exclusions criteria determined by 4impact as well as by our investors.

Sustainability risk data – As part of our ESG policy, all potentially material sustainability risks are identified through our Impact Assessment Framework early on in our due diligence process. This also uses sector-specific risks as outlined by SASB, and investee-specific risks. Our investment committee is provided with relevant material sustainability risk data to ensure that all investments are made considering positive impact, principal adverse impacts and sustainability risks.

Our commitment is underpinned by being a signatory to the United Nations Principles for Responsible Investing (UNPRI), the United Nations' Global Compact and being members of FundRight.

4. Review of the policy

4impact commits to reviewing its sustainability policy annually as part of its review of its ESG policy which sets out further details of the framework for sustainability risk integration at 4impact.