Impact & Sustainability Policy

PG Impact Investments AG

March 2021

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1. Introduction

PG Impact Investments AG ("**PG Impact Investments** ", "**Firm**" or "**Company**"), founded in 2015, is a private sector, mission-driven, global investment firm specializing in investment solutions aimed at creating a positive social and/or environmental impact as well as delivering attractive financial returns. In alignment with the United Nations' ("UN") Sustainable Development Goals ("SDGs"), all of PG Impact Investments' funds invest across social impact sectors.

The scope of PG Impact Investments' Impact & Sustainability Policy comprises all products and mandates advised by the Firm. The objective is to:

- outline how PG Impact Investments assesses the impact of investment opportunities and creates, measures and reports on social and/or environmental impact;
- provide transparency on the integration of sustainability risks in PG Impact Investments' investment decision and management processes, in accordance with the SFDR[1] to protect value for clients.

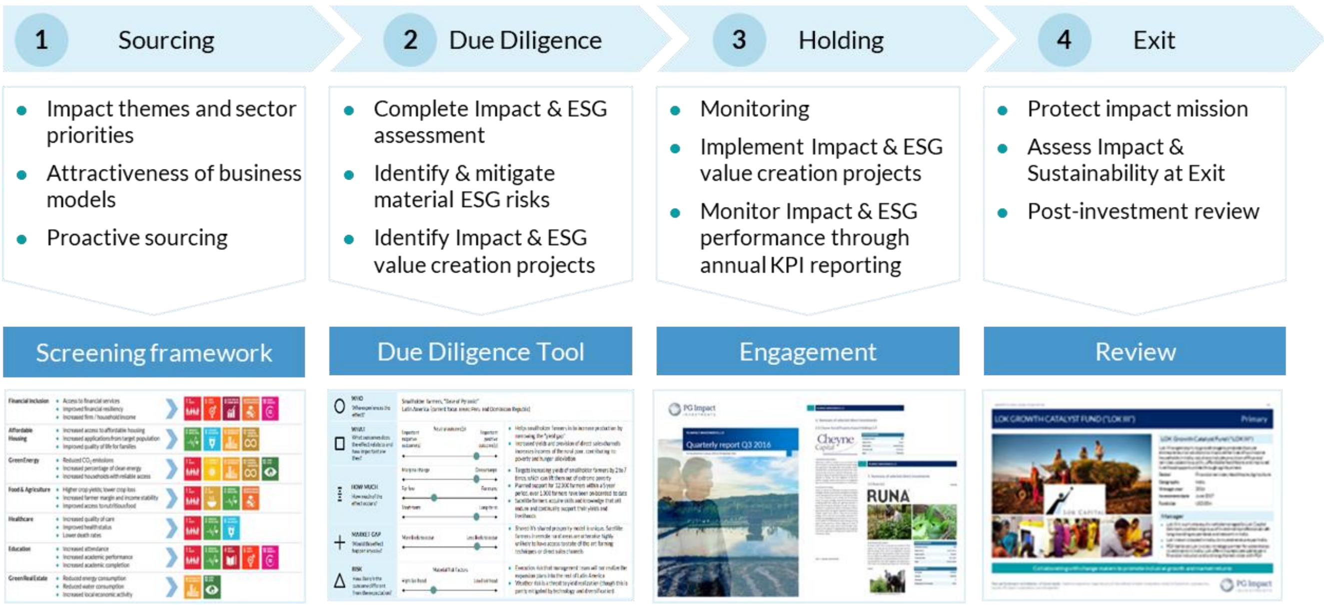
1.1. Impact investment & sustainability approach

PG Impact Investments has the dual mission of achieving attractive financial returns and positive environmental and social impact, as framed by the UN SDGs. To achieve the latter, PG Impact Investments integrates a robust impact and sustainability management system throughout the investment lifecycle; including a best-in-class impact and ESG assessment and reporting methodology.

Companies and funds will be selected only after multiple assessment points in the investment lifecycle, from deal sourcing and due diligence through exit, for their potential to generate environmental and social impact in line with the funds' mandates. The results of impact and ESG assessments performed during due diligence will be considered by the Investment Committee of PG Impact Investments as one of the key factors in deciding whether or not to invest. Furthermore, impact-related metrics and progress made on key ESG indicators will be monitored throughout the ownership and reported in annual impact reports. Upon exit, thorough consideration is given on how the impact mission can be protected under a new ownership structure. Lastly, PG Impact Investments will integrate learnings on how to create and sustain impact into new and existing impact investments.

The purpose of this document is to set out the process for integrating impact and ESG considerations throughout the investment lifecycle. This is reflected in the diagram below:

[1] EU Regulation 2019/2088; Sustainable Finance Disclosure Regulation



1.2. Impact & sustainability governance

PG Impact Investments employs a specialised impact investment team with relevant experience in the impact sectors, regions and asset classes in which it invests. Each investment professional brings a combination of private market investment know-how as well as impact investment experience and specialises in a certain region and/or impact sector. This specialised investment team performs both the commercial, impact and ESG analysis of an investment and presents its conclusions to the PG Impact Investments Investment Committee. Where appropriate, this is supported by an external commercial, ESG, legal and tax due diligence.

The PG Impact Investments' **Investment Committee** is the gatekeeper of individual investments into a fund or mandate and ensures alignment with a fund's or mandate's dual mission. The Investment Committee reviews the impact, ESG and commercial assessments of each impact investment opportunity. To fulfil its mission, the Investment Committee has seven members and is composed of a combination of senior private markets investors and impact investment specialists.

The head of Impact & ESG Management, together with the Executive Committee regularly review the quality and consistency of the impact and ESG framework and methodology and ensure its further development according to the evolving market best-practices. The most recent updates to the framework were rolled out in 2020.

1.3. Alignment of compensation with impact & sustainability

PG Impact Investments' staff incentive systems are aligned with the achievement of impact and sustainability of its investments. Impact and sustainability factors are incorporated across all levels of PG Impact Investments' compensation system:

- Our Compensation Directive includes impact and sustainability risk considerations as one of the guiding principles when making compensation decisions;
- Our Annual Bonus is based on individual function and performance. A malus of up to 100% can be applied based on (among others) non-compliance with the Company's Impact and Sustainability Policy;

- Our Management Incentive Plans typically have three equally weighted performance components. The Quality Incentive Component includes an assessment of impact and social innovation achievements;
- Carried Interest is shared between management and our not-for-profit foundation (PG Impact Investments Foundation). In our Management Carry Plans, the final Funding Factor for carry pools available for distribution is subject to an assessment by the Board of Directors of achieved impact performance of the underlying funds.

1.4. Impact & alignment with global Sustainable Development Goals (SDGs)

PG Impact Investments' mission is to mobilize capital and expertise towards meeting some of the world's most pressing social and environmental challenges by delivering measurable impact with attractive and sustainable financial returns. Its portfolio companies and fund investees contribute to this goal by providing access to basic products and services (financial services, affordable housing, clean energy, affordable quality healthcare and education), by enabling inclusive and sustainable growth and economic development, and by supporting climate action, the development of sustainable cities and communities, and responsible consumption and production. PG Impact Investments focuses on regions where impact is needed the most. The vast majority of its capital targeting social impact is being invested in emerging markets with a focus on South East Asia, South Asia, Sub-Saharan Africa and Latin America.

PG Impact Investments believes that for an investment to be considered impactful:

- A societal or environmental challenge or gap must be identifiable and addressable
- A beneficiary group must be discernible
- A clear link between the activities and outputs of the business and the intended outcomes/impact for the target beneficiary group must be established
- Impact Key Performance Indicators (KPI's) must be measurable

Based on its global, relative-value investment approach, PG Impact Investments is able to offer investment solutions across impact sectors and asset classes in order to cater for different client preferences with regard to:

- WHAT impact does the client want to achieve (e.g., social vs. environmental impact; specific impact sectors or SDGs)
- WHO shall be the beneficiary group (e.g., base of the pyramid, underserved vs. society at large)
- WHERE shall impact be generated (e.g., emerging vs. developed markets)
- Target return and size requirements

PG Impact Investments' impact objectives are fully aligned with the United Nations' Sustainable Development Goals (UN's SDGs). To ensure alignment with the SDGs, for each investment PG Impact Investments develops a logic model that links the investees' Outputs to Outcomes, Impact, and applicable Sustainable Development Targets (SDTs).

1.5. Operating Principles for Impact Management

In 2019, the International Finance Corporation launched a new framework, the Operating Principles for Impact Management ("Impact Principles"), that establishes a set of best practices for impact management. The Impact Principles were developed in collaboration with key stakeholders from the impact investment community.

Signatories to the Impact Principles are required to ensure purposeful integration of these good practices throughout the manager's full investment cycle. More importantly, these encourage broader transparency and knowledge-sharing across the industry.

PG Impact Investments welcomes the establishment of the Impact Principles as they foster increased accountability for both veteran impact managers and newcomers alike. Since PG Impact Investments has been wholly dedicated to impact investing since founding, our platform and its management policies, tools and processes are thoroughly aligned with the Impact Principles. PG Impact Investments is a Signatory to the Impact Principles as of December 2020.

In 2020, PG Impact Investments engaged BlueMark – an arm of leading US impact consulting firm Tideline – to review its impact management practices and to conduct an independent verification of our alignment with the Impact Principles. This supplements ongoing internal assessment of alignment and process improvement against the Impact Principles. Additionally, PG Impact Investments has published a full alignment disclosure as well as BlueMark's independent verification.

1.6. Sustainability principles

PG Impact Investments regards ESG risks as important and takes them into account in the investment decision-making process alongside impact and commercial due diligence (as outlined above). For this purpose, PG Impact Investments completes a sustainability risk assessment of any emerging risks.

To our understanding and application, sustainability risks mean events or conditions in the environmental, social or corporate governance areas (ESG), the occurrence of which could actually or potentially have material negative effects on the value of the investment.

Integration of sustainability risk factors into investment activities is guided by the following principles:

i. Investments are in line with the funds' specified impact goals.

ii. Impact and ESG factors are integrated throughout the investment process.

iii. PG Impact Investments is committed to improving impact and ESG performance and reporting practices of investee companies and assets.

iv. Avoid investments that cause significant social or environmental harm.

PG Impact Investments' impact due diligence process assesses impact related risks based on the IMP methodology (further information under sections 2.1 and 3.2 below) and through our ESG due diligence, strives to identify and manage ESG risk factors. At this stage, PG Impact Investments does not consider principal adverse sustainability impacts (PASI) as defined in the EU Sustainable Finance Disclosure Regulation[2].

[2] EU Regulation 2019/2088; Sustainable Finance Disclosure Regulation

2. Impact & sustainability assessment methodology

PG Impact Investments' impact and ESG assessment and management methodology is based on the following tools:

2.1. Impact Management Project

The Impact Management Project ("IMP") is a working group of over 700 practitioners from across geographies and disciplines. The group establishes consensus on how the impact investing industry talks about, measures and manages impact, bridging the perspectives of investment, grant-making, business, non-profits, social science, evaluation, wealth management, policy, standards bodies and accounting (among others). The approach has been global, open and iterative through in-person and virtual sessions. The results are published on *impactmanagementproject.com.*

PG Impact Investments has actively contributed to the development of this industry-wide framework and is one of the first global impact investment firms which has adopted and integrated the work and findings of IMP in its due diligence process.

2.2. Logic Model ("Theory of Change")

A Logic Model (also known as "Theory of Change") is a tool used by funders, managers and evaluators of development programs to evaluate the effectiveness of a program or intervention. Logic models are usually a graphical depiction of the logical relationships between the resources, activities, outputs and outcomes of a program. For more information please see W.K. Kellogg Foundation, "Logic Model Development Guide".

While there are many ways in which logic models are used, PG Impact Investments uses logic models to:

- assess the causal relationships between inputs, outputs, short-term outcomes and long-term outcomes (impact) of an investment
- link measurable outputs of an organization to the SDTs/SDGs
- establish impact KPIs in support of SDTs/SDGs

2.3. United Nations Sustainable Development Goals

On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development — adopted by world leaders in September 2015 at an historic UN Summit — officially came into force. These new Goals are to be be universally applied by member countries over the fifteen years to 2030 to mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, ensuring no one is left behind.

While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for the achievement of the 17 Goals. The 17 Goals are further detailed by 169 targets.

PG Impact Investments is fully aligned with the United Nations' Sustainable Development Goals (UN's SDGs), both as an organization and through all its investment activities. To ensure alignment with the SDGs, PG Impact Investments develops a logic model for each investment that links the investees' Outputs to Outcomes, Impact, and applicable Sustainable Development Targets (SDTs).

2.4. IRIS metrics

IRIS is the catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental and financial success. The catalog has been developed and is being maintained by the Global Impact Investing Network (GIIN). Where possible and meaningful, PG Impact Investments aligns its impact metrics with IRIS.

2.5. ESG Due Diligence Tools

The goal of ESG due diligence is to protect value for clients through sustainability risk assessment and management. The ESG due diligence process aims to identify risks from ESG factors and areas for ESG engagement post-investment.

Direct investments

For direct investments, PG Impact Investments uses a proprietary ESG due diligence tool to ensure the integration of sustainability risk factors throughout the investment process (as per the diagram in section 1.1). The tool distils the wide range of potential ESG topics into those most likely to be material for a given investment. Investment teams are responsible for completing the ESG assessment, evaluating the risks identified, and where possible, identifying opportunities to add value through improved ESG management.

Primary investments

For primary investments, PG Impact Investments undertakes a "Primary ESG Assessment" based on the UN PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire as well as alignment to leading ESG standards (e.g. from Development Finance Institutions) to assess the strength of a manager's approach to ESG integration. We negotiate responsible investment standards into fund documentation.

3. Impact & sustainability management throughout the investment cycle

PG Impact Investments operates a rigorous and sophisticated investment process to fulfill the firm's core function of identifying and investing in the most attractive impact investment opportunities. The decision-making process was founded on Partners Group[3]'s best-in-class investment practices, honed across 25+ years of experience, then refined to incorporate impact filters and considerations to align with PG Impact Investments' unique dual mandate. This process is consistently applied across all investment opportunities, ensuring the assessment and management of any social and/or environmental impact and risks forms an integral part of the investment process.

The following section describes the four building blocks of the investment process for a Direct Investment. A similar process is followed for Portfolio Fund (primary) investments.

3.1. Sourcing

PG Impact Investments defines specific impact themes for each investment strategy, based on the societal challenges a specific investment strategy aims to address. For each investment theme, PG Impact Investments researches and identifies business models which are attractive both from a commercial and from an impact point of view.

PG Impact Investments then proactively sources investment opportunities globally through its own team, its network of social entrepreneurs, industry experts and platforms, impact investment managers and the local teams of Partners Group's global offices. To benchmark the global investment opportunity set, PG Impact Investments identifies those areas with the greatest potential for financial and social return in the prevailing market environment and defines the sectors, regions and strategies likely to offer higher investment value and impact relative to other segments. Based on the opportunity set available, PG Impact Investments then defines the most appropriate investment approach to achieve the targeted outcomes and risk-adjusted returns.

3.2. Due diligence

PG Impact Investments' impact and ESG due diligence processes involve the following five steps.

Assess impact and potential contribution

All investments are subject to a comprehensive impact assessment, as well as a contribution assessment to determine the potential additionality of PG Impact Investments' capital.

To align with emerging good practice, PG Impact Investments' due diligence framework is built on the findings of the Impact Management Project ("IMP"). In particular, the framework adopts IMP's five dimensions of impact: WHO, WHAT, MARKET GAP/CONTRIBUTION, RISK.

Target investments are rated on a 1 to 4 scale for each of the five dimensions defined by the IMP framework (What, How Much, Who, Market Gap/Contribution, and Risk). PG Impact Investments has developed specific rating criteria for the Fund's mandate considering the specified impact mission and mandate of the Fund.

[3] PG Impact Investments AG is backed by, but independent from, Partners Group Holding AG and its affiliated companies.

While investments may impact multiple SDGs and SDTs (as identified by the logic models), the rating will be focused on the most compelling i.e. those that are likely to be of the greatest scale and most relevance. In most cases, this will be up to three specific SDTs.

For each investment, the Investment Committee will agree on a final overall impact rating, considering the relative weighing of IMP's five impact dimensions and the specific context of the geography and impact sectors targeted.

Additionally, PG Impact Investments has developed a rating scale to assess the contribution of capital invested on each direct or fund investment opportunity, to determine where funding is likely to have outsized impact (including via contribution to corporate governance or value-add initiatives).

Depending on the role of PG Impact Investments as the investor, the investment teams identify opportunities for impact & value creation strategies during the due diligence process. A focused impact and value creation strategy is defined including initiatives required for its implementation.

Identify ESG risks and opportunities

Alongside the impact assessment, which also covers potential impact-related risks (e.g. mission drift), PG Impact Investments follows Partners Groups' robust ESG assessment framework to identify and manage ESG risks and opportunities. All ESG risks are classified and addressed for each direct investment. Fund investments are also assessed on ESG strength and alignment with UNPRI and industry ESG standards. PG Impact Investments negotiates responsible investment standards into legal documentation where possible. PG Impact Investments also strives to monitor its investments on an ongoing basis to ensure that any potential ESG or reputational issues are quickly identified and properly managed.

In this process, PG Impact Investments assesses the governance practices of the underlying companies/investments, including whether they have sound management or where potential risks could result from staff remuneration structures, employee relations and tax compliance practices.

Develop a logic model

The second stage in the impact due diligence is developing the logic model. Sometimes referred to as 'theories of change' or 'impact pathways', logic models help set out how society experiences the impacts generated by the activities of a company or asset, both positive and negative. Logic models also help identify relevant metrics for measuring the scale and depth of an impact. The logic model links the investment to potential outputs, outcomes, and ultimately impacts. The impacts can then be linked to the relevant SDGs and SDTs. In certain cases, it may be appropriate to develop more than one logic model for certain investments e.g. those with a diverse set of products and services and related impacts.

Identify metrics

The third step of the process is to identify relevant metrics that will be used to set and agree targets with management and to measure progress in achieving the agreed targets, and at what rate. The logic model(s) developed by the investment team will help identify relevant & measurable metrics. Where relevant and helpful, PG Impact Investments aligns impact metrics with the Global Impact Investment Network's IRIS[4] framework.

4 For more information, see: iris.thegiin.org/

Align with management

In a last step, PG Impact Investments aims to confirm the proposed impact goals to be achieved and impact metrics to be tracked and reported with the management team and provides clear guidance on the impact reporting cycle. Where ESG risks have been identified, PG Impact Investments will also align with management to address these at this stage. Typically, PG Impact Investments and management will agree between three and five metrics that will communicate the asset's most compelling potential impacts. These metrics should tie in with the company or fund's core operating model. Furthermore, the company or fund should have appropriate systems in place to be able to track and report these metrics credibly. To assess the latter, PG Impact Investments will undertake steps to understand the company or fund's current approach to recording impact-related data through a high-level review of its relevant definitions, processes and controls. Where gaps or weaknesses are identified, PG Impact Investments and management will agree any remedial measures necessary to report credibly. Where appropriate and necessary, PG Impact Investments may set goals as covenants on select direct transactions.

Depending on the investee type and investment size, PG Impact Investments may not have the ability to request reporting against specific metrics. In such cases, PG Impact Investments will estimate impact data from measurable operating data, based on logic model developed for such investment during the due diligence phase.

3.3. Ownership

PG Impact Investments continues to integrate impact and sustainability considerations throughout the ownership period.

Monitoring and management of impact & sustainability

PG Impact Investments pro-actively monitors the impact generated against plan, and (where possible and meaningful) engages with management throughout the ownership period to ensure impact deliverables and to avoid "mission drift". Areas for technical assistance and capacity building are identified and funneled to the PG Impact Investments Foundation for philanthropic resources.

Reporting

On a quarterly basis, PG Impact Investments provides standardized and detailed quarterly investment reports to all its clients. On an annual basis, PG Impact Investments produces a comprehensive Impact Report to all clients. The report provides detail on the performance of the portfolio against key impact-related metrics, highlighting noteworthy trends or improvements with case studies.

Depending on PG Impact Investments' role as investor, the Firm monitors ESG risks addressed, and (where possible and meaningful) reports on progress made on key ESG indicators.

Where possible, PG Impact Investments identifies common impact metrics that can be aggregated across assets at a sector and portfolio level. These are aggregated to show the collective impact of the portfolio and reported in the annual Impact Report.

In addition to the total impact tracked at individual investee level, PG Impact Investments calculates the pro-rata impact that is attributable to the Fund's share of capital invested relative each investee's total catalytic capitalization to avoid "double counting" of impact among different impact investors. For fund investments, PG Impact Investments calculates its attribution on a "look-through" basis.

3.4. Exit

Exit planning is addressed from the outset of the deal evaluation process and forms an important part of the investment decision making process. At the time of final investment approval, deal teams should have a clearly documented exit path, along with the value and impact creation initiatives required to guide the company along this path, where relevant. PG Impact Investments works closely with management to ensure that thorough consideration is given to how the impact mission & sustainability of its investments can be protected after exit.

Before an exit decision is presented to the Investment Committee, PG Impact Investments' investment team will be required to analyse a set of common factors related to impact sustainability (i.e. materiality of the stake in the business, timing of exit, impact & sustainability orientation of acquirers and remaining stakeholders, and built-in impact & sustainability in the business model) in order to assess potential exit options from an impact, sustainability and commercial perspective.

PG Impact Investments will utilize exits as an opportunity to reflect on lessons learned over the period of ownership of the asset in terms of creating, optimizing and sustaining positive impact and sustainability. These learnings will be reflected in the selection of new assets, and the management of current assets. For noteworthy cases, PG Impact Investments may produce exit reports, summarizing the impact & sustainability achieved for a specific asset over PG Impact Investments' ownership period as well as lessons learned.