

ANNEX III

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: **Fair Capital Impact Fund**

Legal entity identifier: **724500WYYJRPZH4I2L29**

Sustainable investment objective

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective: 100%**



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective:**



It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?



The Fair Capital Impact Fund invests in companies with an explicit sustainable mission that is aligned with the transition to a sustainable economy. The objective of the fund is to accelerate transitions towards sustainable energy, fair food systems and a circular economy. To achieve this, the fund invests in innovative companies that:

1. Reduce CO2 emissions with products and services that accelerate the transition to renewable energy sources and energy efficiency.
2. Reduce CO2 emissions and waste by extending product lifecycles, thereby using fewer resources and thus contribute to a circular economy.

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

In addition to the impact, the objective of the fund is to achieve a financial return for the participants in the fund.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

1. Total CO2e emissions avoided
2. Kilogrammes of waste reduced
3. Units of sustainable products sold

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund assesses the business activities, internal policies & processes of all companies pre-investment on current or potential significant environmental or social harm based on Principal Adverse Impact Indicators (PAIs). If and when a company does not pass the threshold for a PAI, binding corrective action is agreed upon with the investee in the shareholders agreement. If such agreement cannot be reached the investment will no longer be considered.

How have the indicators for adverse impacts on sustainability factors been taken into account?

If the Fund concludes that an investment currently does not meet the internally set threshold, or is at risk of crossing a threshold of any of the PAIs in Table 1 of Annex I of the Commission Delegated Regulation (EU) 2022/1288, and in addition adverse impacts around:

1. Land degradation, desertification, soil sealing
from Table 2 of Annex I of the Commission Delegated Regulation (EU) 2022/1288
2. Excessive CEO Pay
from Table 3 of Annex I of the Commission Delegated Regulation (EU) 2022/1288,

then the investment cannot be considered as not doing significant harm, and therefore cannot be classified as a sustainable investment.

While conducting this assessment, the Fund will apply its discretion to either measure adverse impacts directly caused due to the products or services offered by the investee, or if more appropriate, the adverse impacts of the products or services that are enabled by the offerings of the investee in comparison with existing conventional alternatives that these would replace.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

As an example, for a hypothetical investee that sets up charging stations for electric vehicles, the Fund would consider the PAIs of electric vehicles in comparison with the fossil fuel based vehicles that these replace.

If no data is available for a specific investee, the Fund will aim to use proxy data to assess if the PAI can be expected to be under a specific threshold. Further, if no proxy data is available, then the Fund will aim to make an estimate of the value of the PAI based on the sector, nature of business of the investee and other reported metrics from the investee. Finally, if a credible estimate cannot be made either, then the Fund would consider that the investee company does not meet the threshold of that specific PAI.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The Fund analyses the potential investee for violations of the OECD Guidelines for Multinational Enterprises, as well as the UN Guiding Principles on Business and Human Rights, as well as presence of compliance mechanisms that the investee has in relation with both of these. Any investee for which a violation is discovered in the last 3 years, or that is not willing to conduct an internal assessment to check adherence with the OECD Guidelines & UN Guiding Principles on Business and Human Rights, is not considered a sustainable investment.



Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, this Fund considers principal adverse impacts for each investment made, as part of the Do No Significant Harm (DNSH) check explained in the previous section.
- No



What investment strategy does this financial product follow?

The investment policy of the fund focuses on making a positive contribution to a sustainable and social world. The objective is to achieve both impact and financial returns for the investors.

The Fund invests in companies that contribute to this policy through their practices, products, or services. These investments mainly consist of funding where the fund acquires an equity stake or provides a (convertible) loan. Investments can involve a combination of loans and equity stakes.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund aims to acquire minority stakes in its investments. The investments are made in the early-stage and growth-stage of companies because these phases often require risk capital and financing for expansion. The Fund supports start-ups and scale-ups.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

To be considered as a potential investee, the company needs to:

- Have a clear and measurable positive contribution to the sustainable objectives of the fund
- Be willing to communicate and/or share information on its contribution to the sustainable investment objectives of the Fund and report on it regularly
- Report its performance on the principal adverse impacts considered by the Fund
- Be open to an audit of its reported financial statements, governance mechanisms, and internal business processes, if required by the Fund
- Accept a veto by the Fund (if necessary together with other sustainable investors in the company) on any action or decision that would alter the sustainable objectives of the company

● ***What is the policy to assess good governance practices of the investee companies?***

The Fund conducts a formal assessment of good governance practices of investee companies as part of its due diligence, prior to any investment.

Factors considered include:

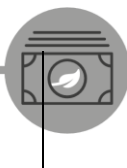
1. Shareholding & management structure of the investee, including the existence of a formal financial accounting & audit system, a shareholder agreement between key shareholders, and compliance with key legal requirements within the relevant corporate jurisdiction
2. Existence of formal working contracts between the company and all key employees which include appropriate employee protections (e.g. for holidays and sick leaves)
3. Remuneration of all key management personnel and board members
4. Compliance with local taxes, and the timely filing of yearly corporate tax returns

No investments are made in cases where:

1. Potential investee companies do not provide necessary information on any of the above factors
2. A potential investee does not meet the requirements described above

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- In cases where the Fund believes that existing structures or policies do not meet commonly accepted market practises, without a credible explanation for any divergences.

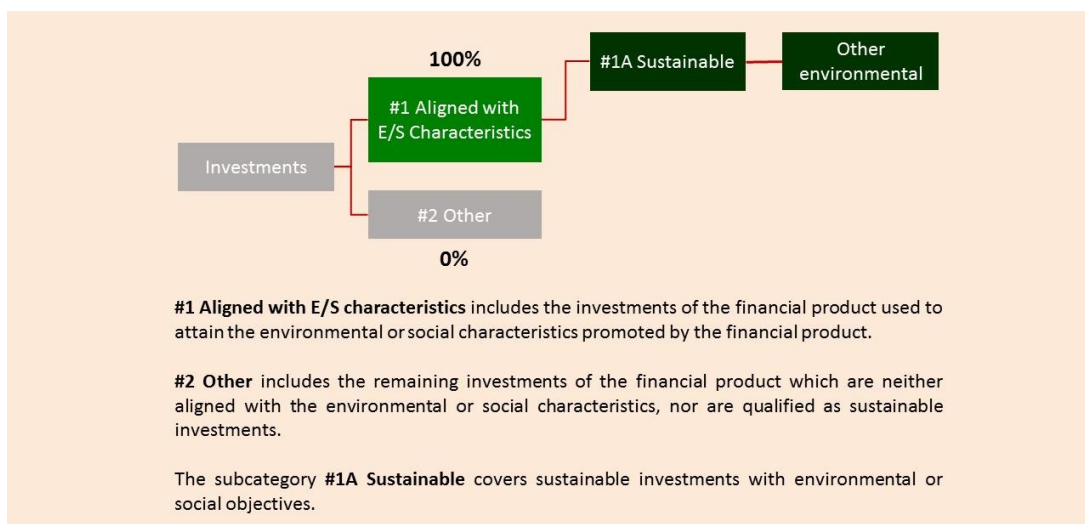


What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

Fair Capital invests 100% of its assets to meet its sustainable investment objective, in accordance with the binding elements of the investment strategy. On an ongoing basis, however, cash may be held for operational purposes, portfolio management activities or awaiting deployment in future sustainable investments.

The Fund has a binary approach to determine whether an investment is a sustainable investment: when an investee is considered to substantially contribute to the sustainable investment objectives of the Fund (while meeting the do no significant harm assessment and the good governance requirement), that investment is considered a sustainable investment for 100% of the portfolio value. This number is subsequently used in the calculation of the asset allocation of the Fund.



● How does the use of derivatives attain the sustainable investment objective?

Derivatives are not used to attain the sustainable investment objective of the Fund.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

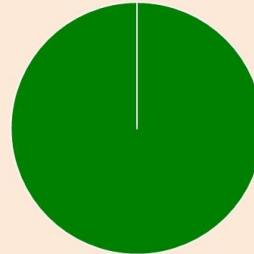
The Fund intends to make sustainable investments, but does not specifically strive to make EU Taxonomy aligned investments.

Therefore, the minimum extent of sustainable investments with an environmental objective aligned with the EU Taxonomy is 0%.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

Taxonomy-alignment of investments including sovereign bonds*

Taxonomy aligned investments
 Other investments



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:

In fossil gas

In nuclear energy

No

● **What is the minimum share of investments in transitional and enabling activities?**

The Fund intends to make sustainable investments, but does not specifically strive to make EU Taxonomy aligned investments.

Therefore, the minimum share of investments in transitional and enabling activities is 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund aims to make sustainable investments with an environmental objective, but does not intentionally steer for sustainable investments with an environmental objective that is either aligned or not aligned with the EU Taxonomy.

Therefore the minimum share of sustainable investments with an environmental objective that is not aligned with the EU Taxonomy is up to 100%.

non-aligned investments are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

N/A



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

No specific index is designated



Where can I find more product specific information online?

More product-specific information can be found on the website:
https://www.faircapitalpartners.nl/impact_investing/ by going to the Sustainability Disclosures page.