



STICHTING ANDGREEN.FUND
INVESTMENT PRINCIPLES

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1. POLICY STATEMENT

1.1 Purpose of these Investment Principles

This document sets out the &Green investment principles which form the foundation upon which all investment activities of the Stichting andgreen.fund (“&Green”) are based. The investment principles specifically address how &Green will ensure effective delivery of its overarching objectives and, through that delivery, assist with achieving the Paris Climate Agreement and Glasgow Declaration goals by contributing to the reduction of carbon emissions from Land Use, Land Use Change and Forestry.

The Investment Principles aim to deliver a consistent application of &Green's lending and management practices throughout all aspects of its operations. These Principles may only be amended in accordance with the relevant provisions of the &Green policy documents attached as the Annexes.

These Investment Principles are intended to be binding on the Investment Advisor and the Board of Directors of &Green. Nothing in these Investment Principles is intended to reduce the duties and obligations of the Investment Advisor set out in the Investment Advisory Agreement (or similar document).

In case of discrepancy between this document or other &Green documents including the Investment Advisory Agreement, this document should be considered the governing document. Capitalized terms used in this document but not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the &Green policy documents in the Annexes.

1.2 Vision statement of &Green

Tropical agricultural commodity production that is deforestation free and socially inclusive.

1.3 Mission statement of &Green

&Green works across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests and optimize production to drive transformational change of global supply chains.

1.4 &Green's Theory of Change

To achieve its Vision and Mission, &Green works across tropical forest landscapes to support agri-commodity businesses with capital, expertise and partnerships with the aim to change large-scale tropical agricultural commodity production to climate-resilient, deforestation-free and socially inclusive models.



&Green's innovative finance follows a nature-based solutions¹ approach and aims to change current low productivity, ecosystem-degrading business models in various sectors into models which provide sustainably intensified production across those sectors. &Green's investments will become blueprints for sustainable land use and management that other participants in each sector can adopt, replicate, and scale. Therefore, the transactions that &Green invests in drive sectoral transformation, beyond the individual investments, in the wider landscape and across commodity supply chains.

1.5 Principles of Integrity

The portfolio of &Green, and all &Green lending activity, will be guided by the principles established in the [Code of Conduct](#), including integrity.

1.6 Compliance with Laws and Regulations

&Green promotes and monitors adherence to all relevant regulatory requirements, voluntary commitments and best practice standards, which includes the EU Taxonomy criteria for 'eligible activities'².

1.7 Transparency via Regular Reporting

&Green will report on the management of the material risks in the portfolio, and in particular on environmental and social ("E&S") risks and impacts, in all reports to the Advisory Board and the Contributors. To the extent permitted by law, &Green will also inform the Contributors, on an ad hoc basis, when material issues have arisen, in particular those relating to E&S incidents, in line with the disclosure commitments outlined in this document and other [&Green policy documents](#).

1.8 Approval and Review

These Investment Principles are approved by &Green's Board of Director, with the express consent of the Advisory Board, and will be available to all staff members, Borrowers and third parties acting on behalf of &Green.

The Investment Advisor will manage periodic reviews to assess the continued relevance and efficacy of the systems in place to deliver on these Investment Principles; and will make adjustments and improvements as agreed by the Board of Directors and with the consent of the Advisory Board.

¹ Nature-based Solutions are 'actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits. Source: [UNEP EA](#).

² &Green investments are aligned with substantial contributions to the Taxonomy environmental objectives of (1) Climate Change mitigation; (3) Circular economy; and/or (6) Healthy ecosystems and biodiversity.



2. SCOPE AND PURPOSE

&Green is committed to ensuring that its lending practices align with:

- the interests of its Borrowers and the communities in which they operate;
- the objectives of &Green; and
- the objective of its Contributors.

In this document, and related Annexes, &Green defines the standards of E&S performance that its Borrowers must meet in order to be financed by &Green, together with the financial parameters which the debt instruments provided to those Borrowers must meet.

These Investment Principles are, in part, designed to provide concrete guidance to the Investment Advisor and Board of Directors to systematically identify, manage and report on E&S aspects and potential impacts of the &Green's lending programme and its Borrowers by:

1. Ensuring that E&S factors are part of the decision making and monitoring processes throughout the investment cycle;
2. Assisting each &Green Borrower and the Investment Advisor to effectively identify and manage E&S risks;
3. Providing a framework to engage with stakeholders on E&S standards and sustainable business performance that &Green intends its Borrowers to meet;
4. Providing a framework to monitor performance, identify areas for preventive or corrective action, and ensure a consistent approach to E&S across all lending activities and enable continuous improvement;
5. Helping &Green to capture the value of E&S factors, record the lessons of its experiences and demonstrate this E&S track record to new Contributors or new Borrowers.

3. INVESTMENT PHILOSOPHY AND APPROACH

&Green's investment philosophy is to provide a credible proof of concept for the financial markets as to how to provide for inclusive economic growth AND forest and peat protection (and potentially restoration) when financing the production of commodities that are sourced from tropical landscapes. It will do so by:

- Providing credit facilities only in jurisdictions with progressive forest and/or peat protection agendas and sustainable development strategies.
- Adding quantitative and qualitative output- and outcome-based E&S criteria and targets to the financing of commodity production.
- Improving livelihoods of smallholders by including them in high-productivity, sustainable supply chains.
- Attracting co-investment into such projects by leading transactions from a credit (financial safeguarding) and environmental (sustainability safeguarding) perspective.



- Stimulating innovation in business models and approaches in order to catalyse financially sustainable, deforestation free, socially inclusive, high productivity agriculture in tropical forest landscapes.

3.1 Additionality Principles

- All credit facilities provided by &Green must be additional to the existing market in terms of both E&S impact and financial impact.
- “Additionality” means the extent to which something happens as the result of an intervention (e.g. lending) that would most likely not have happened had this intervention not occurred.

3.2 Sector/industry

&Green is sector and supply chain agnostic (except for sectors on the Exclusion List). It will measure opportunities by the supply chain’s sourcing link to the forest, and thus possibilities for forest protection, forest restoration, climate mitigation and climate resilience.

3.3 Borrowers

&Green intends to finance companies which are privately owned. It may consider financing state-owned enterprises only where these have their own governance bodies, independent of government, and their operations are free from political interference.

All borrowers must be financially viable businesses.

4. FINANCIAL PARAMETERS

&Green considers the following financial parameters of each transaction before it will lend to a Borrower.

4.1 Lending mechanisms

&Green will provide financing directly to landowners or managers or indirectly via an intermediary or intermediaries. This includes the financing of producer companies, for production on their own concession and/or smallholder-controlled land, in conjunction with tropical forest and peat landscape conservation on and/or off their concession.

&Green would typically provide corporate financing to a business, however it is also able to take direct exposure to a specific project of that business. This may be through a:

- Position in an issued instrument (e.g. a Note, Bond, etc) which meets the &Green criteria;
- Financial institution that develops an underlying portfolio which meets the &Green criteria and shares risk alongside &Green;



- Special purpose vehicle set up by &Green, or with &Green as a project sponsor, to finance an underlying project which meets the &Green criteria.

4.2 Use of Proceeds

&Green does include a specific Use of Proceeds clause in its Loan Agreements, but it does not necessarily require an audited account of the specific use of its proceeds from Borrowers.

The Use of Proceeds will always also include the proceeds to be used for the implementation by the Borrower of the Environmental and Social Action Plan and the Landscape Protection Plan developed together with &Green. In each case the implementation must be in compliance with the IFC Performance Standards and in accordance with the relevant local laws, the Organizational Documents of the Borrower, other Applicable Law and the other terms of the Loan Agreement.

4.3 Principles on Taxation:

&Green Borrowers are subject to taxation in their country or jurisdiction of incorporation and domicile. &Green, however, may have preferential tax treatment at times in its own domicile, the Netherlands. In order to minimize its tax obligations in the countries in which it transacts ("transaction countries"), &Green may make use of onshore and offshore project finance vehicles to reduce withholding tax obligations at source (in transaction countries).

&Green will not be part of structures which could be considered outside the spirit of the local law of a transaction country. &Green will always err on the side of caution with respect to local tax treatment.

&Green may also make use of vehicles to ensure access to professional intermediaries, or to pool &Green funds with partner financial institutions seeking to use such vehicles to avoid double taxation in both transaction countries and countries in which the financial institution is domiciled.

Intermediary vehicles or project finance vehicles may not be established in jurisdictions included in the OECD list of uncooperative tax havens. Furthermore, &Green shall, under no circumstances, be involved in any arrangement or transaction that can be viewed as tax evasion.

4.4 Instrument types

&Green will make use of a range of credit instruments (including term loans, notes, subordinate and senior loans, guarantees), and aims to maximize leverage from co-investors. &Green may seek to structure upside economics through various mezzanine structures, including making use of derivative instruments, however &Green is not mandated to make equity investments.



4.5 Loan sizes

&Green aims to not take more than 25% of an underlying project's total investment requirement. This is determined as the total investment required by the Borrower to complete the project over the life of the &Green loan.

There is no set minimum &Green contribution to a transaction.

4.6 Loan tenors

&Green can provide long-term financing, beyond what is available in the mainstream market. However, the risks of doing so are carefully considered and will not extend its tenors beyond a commercially viable length. Furthermore, all transactions must have a defined maturity date at contract signing.

&Green's loan tenors must be in line with its Assets and Liability Management (AML) Policy³, thus not requiring further funding from new investors to meet payments to existing investors under the ordinary course of business.

4.7 Pricing

&Green will price its credit commercially and considering other credit provided in the markets in which its Borrowers are operating. &Green pricing for a transaction will, at a minimum, need to cover its credit risk, the direct costs of the transaction plus a proportionate share of &Green's overall operating costs.

The overall objective for the portfolio is to maintain &Green's capital base in real terms over the long term (i.e. its average return on its portfolio of investments will cover its costs and losses). &Green will need to ensure sufficient levels of cost recovery to cover the cost of the capital that &Green has raised plus its direct operating expenses ("**DOE**"s), including transaction costs. Transaction costs are incurred in accordance with &Green's Procurement Policy and include all the costs incurred in developing, contracting, disbursing, monitoring, evaluating, and exiting a particular transaction.

4.8 Technical Assistance

To improve the prospects of achieving &Green's objectives, a dedicated Technical Assistance (TA) Budget has been established to support Borrowers, and prospective Borrowers, in reaching the standard of &Green's ESMS, which is required in order to qualify for financing from &Green. The &Green TA processes run in close connection with the investment process and the governance of the &Green TA Budget is integrated in to the existing &Green governance structure.

There are certain eligibility criteria for providing &Green TA, including cost-sharing requirements for Borrowers. To provide additional support, particularly where a (prospective) Borrower is not eligible under &Green's TA, &Green strives to connect Borrowers to its strategic partners that are

³ <https://www.andgreen.fund/wp-content/uploads/2022/03/220224-AndGreen-AML-CFT-Policy-approved-by-BOD-1.pdf>



able to provide similar grant-based support to catalyse &Green's investment and maximize impact.

4.9 Currency strategy

&Green will transact primarily in USD. However, wherever &Green provides local currency ("LCY") financing it will adequately hedge that LCY exposure. &Green will not provide for unhedged LCY exposure in its portfolio.

The Investment Advisor is expected to propose projects in which &Green will lend responsibly and not provide financing to Borrowers in a currency where it can not be established that the Borrower has sufficient experience with adequately managing their exposure to that currency.

4.10 Security policy (collateral and guarantees)

&Green is able to provide secured and unsecured loans to Borrowers. The pricing of the transaction will reflect the security package associated with &Green's loan.

5. INVESTMENT PROCESS

5.1 Credit Process Overview

&Green employs a comprehensive range of risk assessment techniques and tools to control &Green's credit risk, including, but not limited to, the use of risk rating agencies, initial due diligence assessments, peer group analysis, credit risk pricing, periodic aggregate credit portfolio monitoring and reporting and active relationship management with the Borrowers.

Key elements of this methodology include:

- Deep assessment of the counterparty's financial and operational past performance;
- On-site due diligence, including (where needed) the services of external expert consultants;
- Quantitative and qualitative assessment of the Borrower's risk profile prior to investing in new credit instruments, as well as on an ongoing basis until maturity of /exit from the credit instrument;
- Active covenant monitoring and early warning systems in place.

5.2 Decision Making across the Investment Process

&Green employs an independent review of all transactions ultimately approved for investment. This review is performed by the &Green Credit Committee on behalf of the Board of Directors, and the Credit Committee provides its recommendation directly to the Board of Directors for a final decision on whether to approve the investment or not.



The Investment Advisor proposes all transactions to the Credit Committee, which then determines whether or not to recommend the transaction for final approval by the Board of Directors. After final approval the Investment Advisor negotiates all legal documentation with the Borrower in line with the approval received from the Board of Directors.

Prior to this final approval, and before full due diligence is commenced, the Investment Advisor will prepare an expected outline of the proposed transaction (called a 'Deal Note') for review by the Credit Committee. The Deal Note includes an eligibility check against all relevant &Green criteria (e.g. Jurisdictional Eligibility, lending restrictions) and explains the Investment Rationale for the transaction, considering the transformational change impact of the proposal as well as the commercial viability of the transaction. At the Deal Note stage the Credit Committee provides guidance to the Investment Advisor to guide its due diligence and final proposal with respect to the transaction.

Credit Applications will be the main source of information for the Credit Committee to make recommendations to the Board of Directors. The Credit Application, including the commercial terms as well as the Landscape Protection Plan (LPP) and E&S Action Plan (ESAP), is prepared by the Investment Advisor and sent to the Credit Committee after completion of due diligence and negotiation with the Borrower. The Credit Application will document the targets and KPIs agreed with the Borrower that form the basis of quantitative performance monitoring at both transaction and portfolio levels.

There will always be at least one dedicated E&S expert on the Credit Committee, and this expert is required to specifically comment on the E&S aspects of the Credit Application. The dedicated Credit Committee member(s) responsible for E&S assessment will provide clear guidance to the Investment Advisor on additional E&S terms to include in transaction documents and may stipulate conditions precedent that need to be fulfilled by the Borrower prior to a transaction proceeding.

5.3 E&S integration into the investment process

Activities at each stage of the investment cycle should integrate E&S considerations. In addition to conducting comprehensive financial, commercial, technical and legal due diligence, &Green will assess E&S aspects of the prospective Borrower and project.

This E&S due diligence assessment will cover:

- A gap analysis with respect to compliance with IFC Performance Standards;
- Preparation of an E&S Action Plan ("ESAP") to address any gaps identified;
- Elaboration and review of the Landscape Protection Plan ("LPP");
- Confirmation of the Borrower's E&S risk categorisation;
- Evaluation of the Borrower's commitment, capacity and track record; and
- Costing of E&S compliance and incorporation of costs into financial models where necessary.

Where required in accordance with these Investment Principles or necessary due to specific skill sets required, the Investment Advisor will engage third-party experts to assist with the E&S due diligence assessment.



5.4 Transaction Documentation

The Investment Advisor is required to ensure that appropriate representations, warranties and covenants are incorporated into transaction documents (e.g. loan agreements).

In particular, the E&S terms in the transaction documents should cover preventive and corrective action to be taken by the Borrower in order to achieve the E&S objectives of the transaction, including:

- the contents of the ESAP;
- its specific commitments under the LPP;
- ongoing E&S obligations (such as maintaining compliance with IFC Performance Standards and the list of excluded activities);
- conditions for disbursement of follow-on capital linked to ESAP and LPP milestones; and
- consequences for breaches of key covenants (e.g. an E&S termination clause) along with remedy clauses.

The Investment Advisor should develop and maintain a set of standard E&S terms and conditions, which can be adapted to each investment based on the findings of due diligence and the &Green policy documents attached as Annexes hereto. These standard E&S terms should include reference to the Exclusion List and should always be available for review by the Board of Directors.

6. INVESTMENT ELIGIBILITY

6.1 Jurisdictional Eligibility Criteria

&Green is permitted to operate in all countries included in the DAC List of ODA Recipients, who also meet the Jurisdictional Eligibility Criteria ("JEC") of &Green and are approved by the Advisory Board.

The Advisory Board may approve alternative systems which assess jurisdictions to determine eligibility for investment by &Green, provided that they are equivalent to &Green's JEC. The Advisory Board will approve the necessary conditions for use of those alternative systems to safeguard equivalence with &Green's JEC.

6.2 Risk categorisation

The process for identifying risks/impacts for each transaction should be carried out by the Investment Advisor, potentially in conjunction with E&S specialists. This process should include a categorization process that identifies and scores risks and impacts (covering both voluntary commitments, best practice standards and legal requirements) based on considerations such as:

- Scale, intensity and irreversibility of potential risks/impacts;
- Presence of customary or informal tenure claims;



- Government/regulatory support for proposed E&S requirements;
- Proximity to areas of environmental or social value or sensitivity;
- The ability to influence Borrowers and enforce debt covenants.

6.3 Exclusion Criteria

&Green will not invest in projects which fall within the &Green Exclusion List.

6.4 &Green's approach to carbon

&Green supports efforts by its Borrowers to unlock payments for ecosystem services from clearly attributable and prudently calculated impact results of their additional activities, provided that they are aligned with the legal and regulatory frameworks of international agreements and the jurisdiction in which the activity takes place. Consequently, no part of an &Green Loan shall be used by a Borrower, directly or indirectly, to seek additional financing through carbon credits which are not aligned with the policies and programs of the host government or jurisdiction.

All efforts by the Borrower, or any of its Subsidiaries, to access carbon markets based on any claim to have sequestered or reduced emissions from deforestation and forest degradation (REDD+) as a result of the implementation of the relevant Landscape Protection Plan (LPP), shall follow current best practice for such efforts. &Green further requires that any REDD+ credits generated from the activity by the Borrower, or any of its Subsidiaries, are accounted for under a jurisdictional nested approach.

6.5 &Green's approach to forest logging

The fund will not finance natural forest logging.

6.6 Borrower and Co-Investor Criteria

All lending should comply with applicable local laws and regulations. All Borrowers and co-investors should be a legal person and enjoy a legal status that offers sufficient protection to &Green as the creditor. Borrowers and co-investors should have good reputational standing, be credible, and show good corporate governance across their organisational structure.

All prospective Borrowers must be prepared to follow the IFC Performance Standards and to commit to a Landscape Protection Plan (LPP) as well as to making an unconditional written organisational level policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE).

Financial Institutions acting as co-investors in the transaction (i.e syndication) must meet the following requirements:

- Be a partner institution, or client, of a recognized Development Finance Institution ("DFI"), or a signatory of the Equator Principles;
- Show sound financial standing;



- Have adequate management information systems in place which are able to produce meaningful and reliable reports on the use of &Green's investment capital and the financial standing of the institution;
- Present an adequate risk management system, organisation, governance structure and quality; and
- Any other criteria as defined by the Board of &Green.

6.7 Portfolio restrictions

&Green will manage its portfolio development appropriately in line with best practice for portfolio diversification, taking into account the investment thesis and strategy being deployed.

Concentration limits:

- No single sector (e.g. palm oil, livestock, cocoa) will constitute more than 40% (and any two sectors more than 70%) of the value of a mature outstanding portfolio;
- No single transaction will constitute more than 10% of the value of a mature outstanding portfolio;
- No single country will constitute more than 50% of the value of a mature outstanding portfolio.

(A "mature outstanding portfolio" is defined as an outstanding portfolio of more than USD 250 million.)

The Board of Directors maybe allow for a breach of these concentration limits for a period, provided that there are valid reasons therefor and the Board is confident that the limits will be reinstated within an acceptable period of time.

7. ORGANISATION, ROLES AND RESPONSIBILITIES

The Investment Advisor is responsible for all aspects of the implementation of these Investment Principles' as well as the Fund-level reporting and disclosure to the Board of Directors, the Advisory Board, Contributors and other stakeholders.

The Investment Advisor will employ the necessary investment, credit, financial and E&S management expertise to adequately manage &Green's outstanding portfolio. The Investment Advisor's team must include E&S specialists that can act as a resource to the wider &Green governance bodies, as well as provide E&S related advice and support to Borrowers as required. They should have experience in successfully managing E&S management systems and engaging with Borrowers around E&S management.

Representatives from the Board of Directors, Credit Committee and Investment Advisor who are engaging with Borrowers should have sufficient understanding of and experience with investment management, E&S matters and regulatory requirements. Where this is not the case, e.g. for a specific scenario which requires a particular expertise, capacity building should be provided and/or external expertise brought in.



8. E&S RISK MANAGEMENT AND IMPACT

8.1 IFC Performance Standards

&Green adopts the International Finance Corporation (IFC) Performance Standards as its framework for the management of E&S risks and impacts associated with the Borrowers and projects it seeks to finance.

&Green requires its Borrowers to obtain the free, prior and informed consent (FPIC) of all local communities (not just Indigenous Peoples) with customary rights to land used for both production and conservation components of projects that the &Green finances.

For the financing of SMEs, including smallholders and smallholder cooperatives, other local or international standards (e.g. RSPO principles & criteria in the case of the palm oil sector), including those developed specifically for smallholders, may be used where the performance standards are equivalent but may be more familiar or better adapted to the scale and intensity of management of the Borrower. Where such alternative standards are applied, the Investment Advisor must document the rationale for use of the standard in the publicly available E&S information provided for each transaction (see section 10.3 on '*External Communications and Reporting*').

The IFC Performance Standards may be used in conjunction with relevant best practice standards, guidelines and tools (e.g. the Voluntary Guidelines on the Responsible Governance of Tenure, the Sustainable Agriculture Standard, RSPO Principles & Criteria, Forest Stewardship Council Principles & Criteria, the High Carbon Stock Approach Toolkit and the Climate, Community & Biodiversity Standards or other emerging best practice standards) where these provide additional detailed guidance or requirements that support compliance with the IFC Performance Standards.

&Green recognizes that its Borrowers may not meet these standards at the point of signing the transaction agreement, and in these situations &Green will define a timeframe within which full compliance and/or remediation must be achieved as part of the LPP.

8.2 Forest and Biodiversity Framework

Considering the importance of biodiversity-related impacts in its investments, &Green has a specific Forest & Biodiversity Framework that mainstreams biodiversity concerns into investment decision-making. The framework embeds IFC Performance Standard 6 within & Green's E&S Management System (ESMS), ensuring that mainstream biodiversity concerns are considered as part of the investment decision-making. Guidance is provided on the depth of biodiversity specific studies for each transaction, which is commensurate with the level of biodiversity risk presented by the investment, in order to provide a pragmatic approach for balancing cost-effective risk management whilst maintaining the integrity of IFC Performance Standards.



8.3 NDPE Policy

&Green requires its Borrowers to make an unconditional written organisational policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE). &Green monitors progress towards the NDPE policy commitments throughout the tenor of its investments. Lack of progress is addressed with Borrowers based on contractually defined obligations and ramifications.

8.4 Landscape Protection

&Green requires its Borrowers to translate their vision for maximizing long-term environmental impacts and social inclusion, and for contributing to sector transformation, into a Landscape Protection Plan (LPP) and to commit to the implementation of the LPP as a term of its investment agreement.

The LPP describes the Borrower's strategy and the additionality of the strategy against sector practices in the landscape in which the Borrower operates. Additionally, the LPP defines the output and outcome targets of the strategy, the Borrower's accountability and the Monitoring, Reporting and Verification framework for these undertakings.

8.5 Sustainability Risks and Due Diligence

&Green has determined, upon advice from its legal advisors, that although its investments fall within the definition of "Sustainable Investment" in the EU's Sustainable Financial Disclosures Regulation (SFDR)⁴, the SFDR does not apply to &Green. Nevertheless, &Green adopts the policy of applying market best practice, irrespective of whether the regulation requires it to or not.

&Green has identified that its investments are exposed to Sustainability Risks⁵, which are analogous to the E&S Risks referred to in these Investment Principles. These Investment Principles include the identification of the Sustainability Risks during due diligence and the management and/or mitigation thereof through, *inter alia*, the ESMS, ESAP, NDPE and LPP. The consideration of Sustainability Risks, their potential impact on &Green and their management, are integrated in to the &Green Investment Process as set out in these Investment Principles.

9. PORTFOLIO RISK MANAGEMENT

The primary investment risks, other than the E&S risks (whose management is specifically described in section 8 above) are described in the risk management policy, which also sets out the manner in which those risks are intended to be managed and mitigated.

Credit risk is monitored on a regular basis through qualitative and quantitative assessment of each of the Fund's borrowers. The IA has a robust process to determine the Probability of Default (PD), the Loss Given Default (LGD) which it uses when determining the credit risk premium required from every transaction.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088>

⁵ Also defined in the SFDR: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088>



&Green's Board of Directors has overall responsibility for the risk management of &Green, including defining the overall risk appetite, as set out in these Investment Principles, and monitoring how the capital is allocated in accordance with the risk appetite and limits (including addressing any exceptions / limit breaches). The Board of Directors has appointed various service providers to execute risk management functions.

The Investment Advisor manages, and reports to the Board on, the risks of, *inter alia*, the investments in the &Green portfolio, and of the portfolio as a whole, in accordance with these Investment Principles and with guidance from the Credit Committee and support from &Green's other service providers, where applicable.

10. MONITORING, REPORTING AND VERIFICATION

10.1 Impact Framework

To assess the degree to which investments are transformational and measure the impacts that they deliver, &Green applies a Key Performance Indicators (KPI) framework, which was internally developed and which has a clear hierarchy between top-level indicators and contributing indicators (the "Impact Framework"). This Impact Framework is embedded in &Green's investment process and monitors, reports, and verifies impacts and progress towards the transformational change targeted in each transaction. The purpose of the Impact Framework is to provide clear, consistent and meaningful insights into the impacts of the Fund. KPIs have been developed from a review of best practices.

The Fund does not operate with impact targets or thresholds, but regularly benchmarks impacts projected at project and aggregated portfolio level against impacts actually achieved. As such, the impact targets of &Green are set bottom up from the combination of targets of each portfolio investment. For each newly approved investment, &Green will benchmark its expected impact against average impact per USD million invested of the existing portfolio for information purposes. There is, however, no limitation to investing in Borrowers which underperform on one or several impact KPIs relative to the portfolio provided the transformational change rationale is approved by the Credit Committee and the Board of Directions in the investment process.

10.2 Communication and Reporting

Continued engagement with Borrowers following execution of a financial agreement is key to ensuring that:

- E&S management is integrated into the Borrowers' operations,
- the LPP and ESAPs are effectively implemented,
- E&S risk mitigation and value creation opportunities are realized, and
- there is regular monitoring and reporting on material events such as serious accidents involving or affecting Borrowers (e.g. fatalities) and other E&S-related developments that have occurred in the reporting period that could affect the implementation of the ESMS and the E&S performance of Borrowers.



Where appropriate, Borrowers should adopt their own ESMS, which the Investment Advisor should monitor and report upon to the Board of Directors.

Borrower reports to the Investment Advisor should include, but may not be limited to:

- Audited financial statements (and interim management accounts periodically as required by the Investment Advisor);
- Annual E&S Reports;
- Annual report of progress against transaction targets and KPIs, including milestones defined in the ESAP and LPPs, with the latter to be reported on semi-annually for the first two years of a transaction, and thereafter annually;
- Breaches of transaction document covenants;
- Any other matter that could result in legal action against the Borrower or generate reputational risk for the Borrower or &Green;
- A brief account of, and the lessons learned from, any other material risks encountered by the Borrower (i.e. any fraud, corruption, financial mismanagement, environmental, health and safety, gender, equality or human rights aspects), including how these have been identified and handled in the reporting period, and how previous recommendations from &Green, if any, have been followed-up;
- Other reports deemed necessary by the Investment Advisor, including payment demands, renewal of credit, etc.

Reporting to the Board of Directors by the Investment Advisor should include, but may not be limited to:

- Quarterly Financial Statements of &Green;
- Quarterly E&S performance of the portfolio;
- Annual detailed E&S Reports from each underlying transaction;
- Report of progress against &Green targets and KPIs;
- Any breaches of transaction document covenants or significant deterioration in the portfolio risk profile, provided that the Investment Advisor must inform the Board of Directors of any material breach of loan covenants within 5 business days of becoming aware of such breach, and all breaches are to be documented in the Investment Advisor's reporting;
- Any other matter that could result in legal action against a Borrower or &Green or generate reputational risk for a Borrower or &Green; and
- A brief account of, and the lessons learned from, any other material risks encountered by a Borrower (i.e. any fraud, corruption, financial mismanagement, environmental, health and safety, gender, equality and human rights aspects), including how these have been identified and handled in the reporting period, and how previous recommendations from &Green, if any, have been followed-up.

&Green aims to complete a detailed Impact Assessment by a third party every 5 years, evaluating the performance of &Green and its portfolio of investments against &Green's impact objectives.



10.3 External communication and reporting

&Green will systematically identify and engage with relevant stakeholders as well as participate in initiatives and developing partnerships which it believes to support enhanced implementation of its ESMS. This engagement may involve communities, industry groups, government agencies, policy fora, as well as civil society organisations and social enterprises. Where appropriate, &Green will seek to ensure that this level of external engagement is replicated at Borrower level. &Green will report on progress with respect to ESMS implementation and performance in its public annual reports.

10.4 Disclosure

&Green will publicly disclose its activities in accordance with the highest standards of transparency and public accountability to the extent permitted by law. Although &Green is not subject to the SFDR, the policy is to adopt market best practice, including the sustainability-related disclosure requirements set out in the SFDR.

There is a presumption in favour of increased disclosure with respect to:

- a) information about &Green itself ("*Organisational Information*", detailed below); and
- b) information regarding the activities supported by &Green ("*Investment-Related Information*", detailed below).

The *Organisational Information* to be considered public and to be disclosed through publication on the &Green website, includes, but may not be limited to:

- the notarised Articles;
- these Investment Principles, as well as related Policies and Frameworks attached as Annexes, adopted by the Board of Directors;
- the Code of Conduct adopted by the Board of Directors;
- the AML/CFT Policy adopted by the Board of Directors;
- the Complaints Management Policy adopted by the Board of Directors;
- the eligible jurisdictions assessments as approved by the Advisory Board;
- the annual audited financial statements of &Green, including the balance sheet, profit and loss statement, cash flow statement and notes thereto, as well as the accompanying management report and audit statement;
- the annual report of &Green approved by the Board of Directors;
- the details of the &Green investments, including descriptions of the projects financed and the rationale for the decisions taken, the ESAPs and the LPPs, with targets and milestones for each project, and the respective regular progress reports, including third party verification;
- any impact studies and evaluation reports approved by the Board of Directors.

Other Organisational Information to be considered public and to be made available upon request, include, but may not be limited to:



- the communications and disclosure policy adopted by the Board of Directors;
- the procurement policy adopted by the Board of Directors; and
- the travel and expenses policy adopted by the Board of Directors.

The *Investment-Related Information* that &Green and/or its Contributors can publish on their websites are:

- the name of &Green and the Investment Advisor;
- a description of &Green, its mission statement, objective and Investment Principles;
- decisions in relation to eligible jurisdictions in which &Green can operate;
- the aggregate amount of the Contributor's contributions to &Green including the total capital committed to &Green and the total capital disbursed to &Green;
- place of establishment of &Green and the geographic and market sectors in which &Green operates;
- general description of projects financed by &Green, such as type of activity and objective, rationale for &Green investing in the project, identity of the project initiator, date of signing of main transaction documents and total size of the projects financed by the &Green;
- aggregate data regarding size of projects invested in by &Green, and in a particular per jurisdiction.

The reasons that certain other &Green policies and documents are not made publicly available are:

- The primary responsibility for disclosing information regarding Borrowers lies with the relevant Borrower. &Green does, however, encourage its Borrowers to be more transparent about their businesses, in order to help broaden understanding of their projects, and how each contributes to the mission of &Green, and &Green does publish the Investment-Related Information (detailed above).
- In carrying out its mission, &Green receives information that is not publicly available (from its Borrowers and other parties) in order to assess investment opportunities and to monitor and evaluate existing investments, and &Green has a duty to respect the confidentiality .
- To preserve the integrity of the deliberation processes of &Green and to safeguard the candid exchange of ideas between members of the governance bodies of &Green, &Green does not disclose any documents, memoranda or other communications which relate to such deliberations or decision-making processes, including documents in a draft form and internal communications with &Green's legal advisors, consultants or other service providers.
- Consistent with restrictions imposed by banking laws, &Green does not disclose information that would violate such law, such as the financial, business, proprietary or other non-public information provided to &Green by its Borrowers, service providers or other third parties, where to do so would be contrary to the legitimate expectations of such parties.



10.5 Complaints Management

&Green takes all reasonable precautions to conduct its operations in a manner that avoids complaints about its conduct. Effective complaint handling offers many practical benefits to &Green and helps to improve the quality of services. Complaints provide evidence of poor decisions and/or poor service delivery. &Green works to assure its stakeholders that their complaints are easy to report, are acknowledged and are dealt with quickly, fairly and sensitively. In order to preserve and enhance its reputation, &Green attempts to identify dissatisfied counterparties and work out methods of resolving their complaints.

&Green relies on a Complaints Management Policy that is available on its website and is based on the following principles:

- All stakeholders are given the opportunity to raise their complaints;
- All complaints must be answered within three months from receipt; and
- All complaints must be documented and reported.