

Operating Principles for Impact Management

Cardano Development hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the 'Principles').

Cardano Development is both a Fund Manager and incubator and empowers financial markets by streamlining capital and applying risk insights to create innovative and scalable solutions. Thereby we have an overall vision to build Inclusive and sustainable local financial markets that leads to economic growth in frontier countries. Our expertise includes the ability to apply comprehensive risk management tools to complex risks in data-poor environments. With over USD 5 billion assets and USD 1.2 billion capital under management Cardano Development manages the following eight mandates:

- The Currency Exchange Fund (TCX)
- GuarantCo
- Frontier Clearing Corporation (Frontclear)
- ILX Fund (ILX)
- Water Finance Facility (WFF)
- Savings
- IMFact
- BIX Capital

Cardano Development works with reputable partners including development banks, foundations, governments, impact investors, Institutional Investors and commercial partners. Each institution is managed by a separately focused subsidiary with targeted governance and manages its own impact framework.

This Disclosure Statement affirms that TCX Fund and ILX Fund are managed in alignment with the Principles. Total assets under management in alignment with the Principles is USD 3,100 million as of May 31st, 2020. The AuM corresponds to TCX's Long Derivatives Portfolio, as ILX is working towards first close and has no assets under management. The attached Disclosure Statement of ILX should be considered and understood in that context. All procedures and policies referenced in this statement are under development and subject to adaptations into their final form. The intent of the Fund Manager is however in line with this statement.



Joost Zuidberg

CEO - Cardano Development
10th July 2020

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TCX DISCLOSURE STATEMENT

Operating Principles for Impact Management

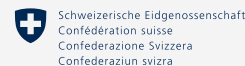
PRINCIPLE 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

TCX is a specialised Fund providing long-term hedging products in illiquid emerging and frontier market currencies (OECD DAC list). Its development mission is to de-risk development finance, by removing the currency and interest rate risk of investors and local borrowers and to promote capital markets, thus spurring financial stability and inclusive economic growth.

TCX was founded by the world's leading multilateral and bilateral Development Finance Institutions (DFIs) with the purpose to act as a global currency risk-pool. It's (supra) national ownership through the DFIs is reflected in the Fund's Business Principles of Additionality, Non-Speculation and Market Based Pricing. Combined, these principles entail that the Fund only offers its products (Cross currency swaps and FX forwards) where the market fails, when investments in the real economy are supported and, on the condition, that it does not distort markets.



The Fund's geographical scope has been limited to the countries on the OECD Development Assistance Committee list.

PRINCIPLE 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

TCX applies an Impact Measurement and Reporting Framework (IMRF) which reports hedging volumes, as well as a Development Impact Score (DIS) on a portfolio and sub-portfolio level. The volumes and the DIS are derived from cumulating transaction level data. The DIS is an internally developed score, ranking each hedging transaction according to its currency/country, tenor, and the sector of the underlying transaction.

The IMRF makes a distinction between TCX's "Primary" and "Market Creation" portfolio. The former contains all transactions that hedge the financing of development projects with a tangible impact on the local economy, whereas the latter refers to all transactions where TCX sells the accumulated frontier currency risk to international investors, thus contributing to market creation. For both sub-portfolios, the TCX Supervisory Board approves annual targets, which are linked to the staff incentive system.

PRINCIPLE 3

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

TCX's contribution is its unique risk bearing capacity, combined with its ability to price long-term currency risk in even the most frontier countries. TCX offers its products in currencies and tenors far beyond where the markets operate, thus making the Fund complementary to other market participants, rather than competing with them. This high level of additionality is one of the Fund's key principles and provides added value for its shareholders.

TCX also spearheads numerous advocacy efforts to increase local currency solutions in development finance. The Fund Manager's staff regularly speaks at events, publishes policy papers, and visits local borrowers to increase understanding and awareness of currency risk.

PRINCIPLE 4**Assess the expected impact of each investment, based on a systematic approach.**

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:

- 1. What is the intended impact?**
- 2. Who experiences the intended impact?**
- 3. How significant is the intended impact?**

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

TCX, as a hedging provider, is not directly involved in the investment. The Fund's counterparty however discloses the sector of the project that is being financed, as well as the details of the financing structure relevant for the hedge (currency, tenor, instalments, etc.).

In order to estimate the indirect impact deriving from the investments that are being hedged, TCX applies the Joint Impact model (JIM), resulting in concrete impact indicators that assess in advance the expected impact. The JIM uses a harmonized approach, meaning that the methodology and assumptions are consistently applied across portfolios of all users of the model (e.g. FMO, Proparco, BIO Invest, CDC, FinDev Canada, etc.)

PRINCIPLE 5

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

TCX strives to meet high Environmental and Social (E&S) standards when fulfilling its role and its E&S Guidelines ensure that the Fund will only enter into Primary Investments that support sustainable business practices.

While there is no E&S risk in the derivatives themselves, there is in the underlying business activities supported with the hedge. TCX provides hedging services to DFIs, MIVs, commercial banks, or non-bank financial institutions for the purpose of hedging the funding they provide to the emerging market borrower (Primary Investments), in which case TCX has no relation with the end-client that should adhere to the E&S standards. Our counterparty is the one that assesses the end-client and requires certain E&S standards from it. As such, TCX's policy only applies to Primary Investments and focuses on assessing whether its counterparties have appropriate E&S management systems in place.

TCX has a clear and linear process to provide all the elements necessary for the Fund to take an informed decision on whether the potential counterparty meets TCX's E&S requirements and therefore is eligible to have access to the Fund's services.

TCX will not make Primary Investments for the purpose of hedging projects that are on the IFC Exclusion List. TCX will always need to ensure this is adhered to, irrespective of the type of counterparty. Counterparties are required to confirm to TCX that the underlying loans are not related to projects on the Exclusion List or in case of non-FIs that the counterparty is not involved in any activities on the Exclusion List. The standard implementation is via an ongoing, counterparty-wide representation in the ISDA.

PRINCIPLE 6**Monitor the progress of each investment in achieving impact against expectations and respond appropriately.**

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

As laid out under Principle 4, TCX's counterparty only discloses information relevant for the hedge contract, and the sector of the underlying project. The limited data hinders TCX to monitor the ongoing progress of each investment in achieving impact. The JIM results provide a one-off estimation of the impact indicators that result from the projects being hedged.

However, the value of the hedge contract is assessed on a daily (or weekly) basis. The impact on the financial stability of the project funding, is therefore continuously measured. At inception of the hedge, the present value of the contract is zero, but this changes over time when expectations differ from reality. A larger discrepancy indicates a higher risk that was avoided by hedging against the currency volatility.

PRINCIPLE 7**Conduct exits considering the effect on sustained impact.**

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

TCX generally does not unwind existing hedges proactively. The Fund's patient capital structure is designed to serve its shareholders for long-term transactions of occasionally 15 years and longer. However, a premature unwinding of a hedge can be requested by TCX's counterparty. On (partial) termination or amendment of a Primary Investment, the unwind value of the Primary Investment will be determined in accordance with the TCX Valuation Policy.

When the hedge contract terminates, the currency and interest rate risk for the remainder of the financing period remains.

PRINCIPLE 8**Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.**

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

TCX reviews and documents the impact performance of the aggregate portfolio on a quarterly and annual basis. The results are shared with TCX shareholders and may be used as basis for operational or strategic management decisions.

The Supervisory Board approved development impact targets are renewed annually.

PRINCIPLE 9**Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.**

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure note re-affirms the alignment of TCX policies and procedures with the Principles and will be updated annually.

Independent verification will be undertaken after finalising the Fund's updated Impact Framework, estimated to be in Q4 2020.



ILX FUND DISCLOSURE STATEMENT

Operating Principles for Impact Management



PRINCIPLE 1

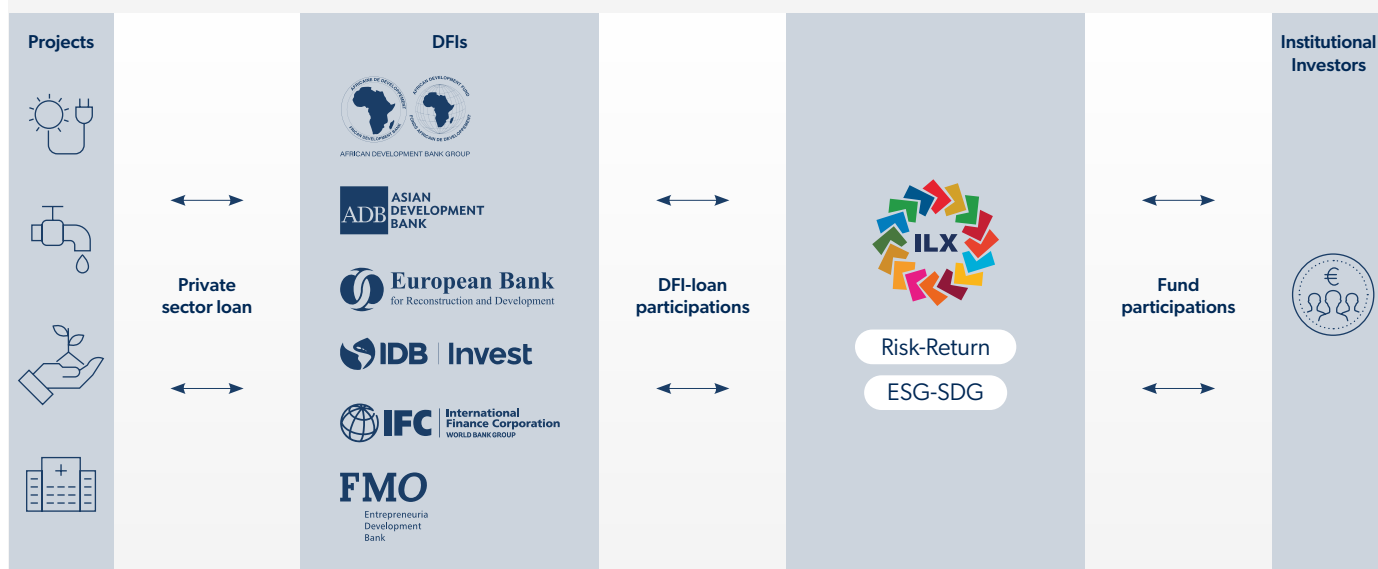
Define strategic impact objective(s), consistent with the investment strategy.

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About ILX

ILX Fund (hereinafter 'ILX') is an SDG-targeted Emerging Market (EM) focused Private Credit Fund that invests in an unlevered diversified portfolio of loan participations originated, structured and syndicated by Global Development Finance Institutions (DFIs). These USD and EUR denominated loans finance projects and companies in emerging markets across regions and sectors.

ILX seeks to balance risk and return to create long-term value for its Institutional Investors as well as to provide its clients with the opportunity to have a positive societal impact across global EM and Sustainable Development Goals (SDGs).



ILX seeks impact across the themes of (i) Energy, (ii) Sustainable Industry and Infrastructure, (iii) Inclusive Finance and (iv) Food Security and aims to identify, measure and report its contribution to both sector and cross-sector SDGs.



01

Sustainability Themes



Sustainability Objective

The Fund's sustainability objective is to avoid, minimise and mitigate any potential negative Environmental, Social and Governance (ESG) impact and to directly and measurably contribute towards the SDGs in emerging markets.

This ESG and SDG objective benefits significantly from the unique experience and high standards of the DFIs' ESG safeguarding and SDG impact investment objectives. DFIs adhere to the highest policy standards, have a longstanding track record and extensive teams to manage the ESG and SDG implementation and processes.



PRINCIPLE 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Sustainability Strategy

ILX's sustainability strategy is fully integrated with its investment strategy and is based on three key pillars considered in all investments:

- 1.Exclusions:** the Manager avoids investments in activities that it deems unsuitable, largely driven by the desire to align portfolio content with the Fund's and its Investor's values. Our exclusions span a broad range of activities including weapons and munitions, tobacco, alcohol, coal, upstream oil and gas-related activities.
- 2.ESG Safeguarding:** the Manager ensures that all material ESG factors are identified and mitigated, which results in the Borrower's improved ESG behaviour, as the Borrower engages with the arranging DFI and commits to comply with minimum ESG requirements.
- 3.SDG-targeted Investments:** the Manager identifies, measures, monitors and reports the contribution of the investments in its portfolio to the SDGs across its four Sustainability Themes, as the Borrower engages with the arranging DFI and commits to report on agreed outcome targets. Targets are identified, monitored and reported at a transaction level, not portfolio level.





All three key pillars are reflected in the Fund's sustainability policies, which comprise its (i) Exclusion Policy; (ii) ESG Policy and (iii) SDG Policy. These policies set out the Manager's approach to sustainability matters and are to be adhered in all investments.

Dedicated Sustainability Team

ILX has a dedicated Sustainability Team that sits under the CIO and assesses all investments, seeking to minimize potential negative ESG impacts and achieve positive and measurable SDG-related impact. The Sustainability Team is integrated with the Investment Team. The staff incentive system is yet to be developed and intends to consider both financial and non-financial elements.

Integrated Investment Process

The sustainability process is fully embedded into the ILX investment process, including Exclusion, ESG and SDG assessments at Initial Investment Proposal (IIP) stage, Final Investment Proposal (FIP) stage and Monitoring stages, and is based on the arranging DFI project due diligence, monitoring and reporting capacities.



PRINCIPLE 3

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Private Capital Mobilisation - Bridging the Gap

ILX is an intermediary Fund seeking to connect the dots between DFIs and Institutional Investors. Institutional Investors are not yet fully equipped to invest in private debt in emerging markets, where the SDG gaps are most pressing. Thus, ILX's key role is to help Institutional Investors harness their investment decisions in emerging economies to, ultimately, increase private capital mobilisation towards emerging markets, with positive SDG-related results. ILX does this by leveraging DFIs expertise financing projects that deliver attractive market-based returns, ESG safeguarding as well as SDG-related results.



ESG and SDG Data

As explained in Principle 4 and Principle 5, ILX retrieves the Borrower's ESG and SDG data through the arranging DFIs and (i) conducts its own independent assessment, which acts as a second line of defence in minimizing ESG risks and (ii) maps the investment's contribution to the SDGs, in line with Institutional Investor's approaches.

ILX has close dialogue with ESG and Impact specialists at originating DFIs and builds on their robust methodologies and administrative capacity to collect ESG and SDG-related data that is then channelled to Institutional Investors seeking SDG-aligned investments.



Thought Leadership

ILX is at the forefront of global discussions on sustainable investments, aiming to act as a matchmaker between DFIs and Institutional Investors. ILX is committed to increasing awareness of the need to mobilize private capital towards emerging markets to deliver the SDG agenda. Examples of such commitment include the ILX-led panel at the GIIN 2019 Forum, 'Institutional Investors finding high-impact assets in emerging markets', where Institutional Investors and DFIs showed how DFIs could be instrumental in facilitating attractive and impactful investment opportunities.

Another key goal for the Manager is to advance the harmonisation agenda in the impact investing field. For that end, ILX actively engages with internationally recognised leaders in the impact investing industry, such as the Global Impact Investing Network, IRIS, Impact Management Project or Convergence Finance. In addition, ILX participates as an observer of the HIPSO initiative, which aims to harmonise indicators to measure SDG-related results in private sector investments. This gives the Manager a unique opportunity to share the view of Institutional Investors among DFIs and help to close the gap.



PRINCIPLE 4

Assess the expected impact of each investment, based on a systemic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:

1. What is the intended impact?
2. Who experiences the intended impact?
3. How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Expected Results Identification and Measurement

For each investment, the Manager will identify the expected outcome/output quantitative and qualitative results, as defined by the Borrower in cooperation with the arranging DFI. As an aggregator of syndicated deals originated by DFIs, ILX's Results Measurement Framework is anchored on the joint measurement system utilised by leading DFIs, who committed in 2013 to the use of harmonised indicators to measure the impact performance of their private sector investments, agreed in a Memorandum of Understanding named HIPSO (Harmonized Indicators for Private Sector Operations). HIPSO is typically used by leading MDBs to measure the economic, environmental and social results of their private sector investments and is the most advanced harmonised set of indicators and is currently being revamped.

The DFI project targets and indicators could deviate from HIPSO formulated indicators. In such a case, the DFI indicator has priority over formulated HIPSO indicators. Typical metrics of the Fund includes: number of direct jobs created (FTEe); GHG emission reduction (CO₂e t/y); renewable energy installed capacity (MW); number and amount of outstanding loans to MSMEs (# and currency); number of patients served; number of students reached, etc.



SDG Mapping

Investments funded by the Manager are labelled per Sustainability Theme and marked with one principal Sector-SDG, allowing the Manager to report the alignment of its investments to the SDGs at IIP (Initial Investment Proposal) stage. At FIP stage, the Manager maps the output/outcome expected results of each investment to the SDG at a target level, following a methodology that is in line with the mapping methodologies developed by leading DFIs and the so called SDIs (Sustainable Development Investments) taxonomy, developed by leading Dutch asset Managers.

SDG-Related Risks Identification

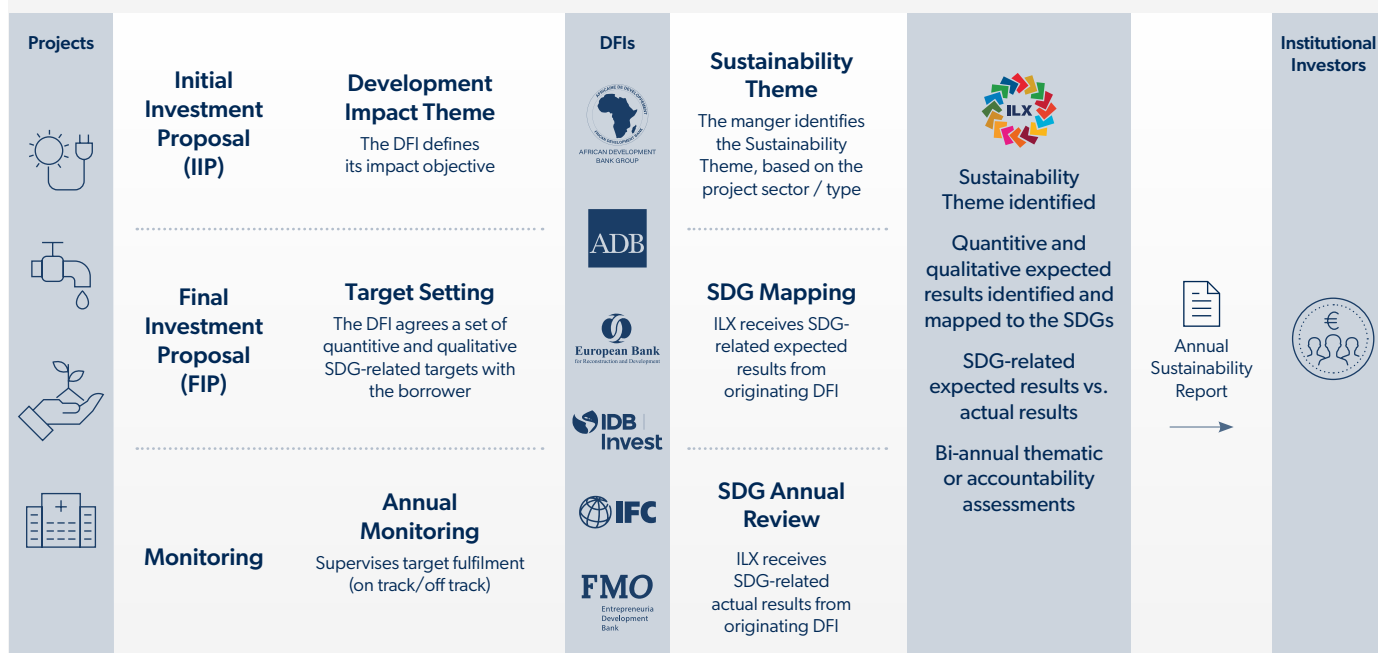
The Manager seeks to assess the likelihood of achieving the project-level quantitative and qualitative expected results and identifies the risk factors that could result in actual results varying from the expected results. The risk factors considered are (i) Measurement risk (ii) External risk and (iii) Execution risk.

SDG Assessments

Every two years, the Manager aims to conduct assessments in a subset of projects, in possible collaboration with an external third party. These assessments can have an accountability or thematic approach. In the first case, the Manager's selection criteria ensure representation across sectors, geographies and investment volumes. In the second case, the selection criteria consider the Fund's sustainability themes and its contribution to Sector and Cross-Sector SDGs.

SDG Management Process

ILX's assessment of the expected output and outcome results of its investments builds on the DFI's, who are considered pioneer impact investors and have developed robust and sophisticated methodologies. At each stage of the investment process (Initial Investment Proposal; Final Investment Proposal and Monitoring), the Sustainability Unit assessment is integrated into the overall investment assessment.





The Manager will inform its Participants of the (i) expected quantitative and qualitative results of our investments (ii) actual quantitative and qualitative results of our investments and its (iii) investment's contribution to the SDGs.

**PRINCIPLE 5****Assess, address, monitor, and manage potential negative impacts of each investment.**

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

ESG Safeguarding

The Manager identifies and assesses any potentially significant adverse ESG impacts associated with a proposed investment. The Manager utilises a diverse set of data sources to collect data on material ESG factors. The ESG data collected is reviewed by following the Fund's ESG Guidelines to (i) identify potential ESG impacts (ii) assess the Borrower's compliance with the applicable E&S Performance Standards (PS) and (iii) assess the Borrower's Corporate Governance (CG) practices, if applicable.

The Fund's ESG Guidelines serve as the guiding principles for this assessment, and are based on the leading DFIs Environmental and Social (E&S) Performance Standards (PS) and the DFIs Corporate Governance Development Framework.

For each primary investment, ILX assesses the compliance status with the above ESG factors. A materiality assessment is conducted to decide whether a factor is applicable to the specific project or company. Materiality depends on industries and activities and will be defined by the originating DFI.

If material ESG factors are identified and not covered in the ESG data collected, a two-step approach is undertaken (i) additional ESG data is collected by engaging with the arranging DFI and (ii) an independent assessment is conducted to assess the material ESG factors not yet fully covered in the data collected.

When material ESG issues are identified, the Borrower, in close cooperation with the originating DFI, develops an action plan to avoid, minimise or mitigate those risks. The action plan specifies the necessary actions to be undertaken by the Borrower in order to increase the level of compliance with the ESG Guidelines in the course of the investment's life cycle. The level of compliance with the applicable ESG Guidelines and, in case of non-compliance, the willingness to put in place an action plan in order to comply in the future, is as a significant element in the final investment decision of the Manager.



ESG Score

The Manager screens ESG factors and derives an overall ESG score of the Borrower, which is used during the initial ESG assessment, as well during the monitoring, throughout the life cycle of each investment. This ESG score reflects the level of the Borrower's at-the-moment-in-time and expected future compliance with the applicable ESG Guidelines. At initial investment, an ESG score is determined. Subsequently, this ESG score is assessed on an annual basis, based on the ESG updates received from the arranging DFI, on an annual and rolling basis.

ESG Management Process

ESG factors are managed both by the lead DFI and by ILX; ILX provides an independent review at each stage of the investment process (Initial Investment Proposal; Final Investment Proposal and Monitoring), building on the DFI's approaches, with over 30 years of experience safeguarding ESG factors in Emerging Market investments.





PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

ESG Monitoring

After approval of the Loan investments and based on the annual ESG updates provided by the arranging DFI, the Manager analyses the Borrower's compliance with the agreed mitigation measures and brings the Borrower's ESG score and its monitoring system up-to-date.

SDG Monitoring

After approval of the Loan investments, the Manager periodically analyses the SDG-related performance of its portfolio by monitoring the progress of each investment in achieving the SDG-related expected results. For monitoring Fund performance, the Manager utilises its SDG Results Framework and relies on project indicators and data formulated, collected and monitored by the arranging DFI. The Manager expects to collect the data self-reported by the Borrower to the arranging DFI on an annual and rolling basis.

If the Borrower is not fulfilling the expected results the Manager will assess the situation, in coordination with the arranging DFI and, when appropriate, identify a remedial action such as active engagement with the Borrower or other appropriate measures to improve performance.



PRINCIPLE 7

Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

The Fund is a Private Debt Fund with the strategy to hold loan investments until maturity. However, the Manager may decide to exit a loan investment when it believes it is to the best interest of the Fund's participants to do so. In such a case, the Manager aims to consider the effect of the timing, structure and process which the exit may have on the sustainability of the impact of the loan investment.



PRINCIPLE 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

As described in Principle 4, Principle 5 and Principle 6, the Manager will review and document potential negative ESG impact and positive SDG-related results of each investment, throughout their life cycle. This includes comparing the expected versus actual SDG-related results and conducting regular SDG assessment on a subset of projects, which will inform the sustainability strategy and policies. The findings and lessons learned from previous years will be fundamental in the annual review process of the Fund's Exclusion policy, ESG policy and SDG policy.

Annual policy reviews are the responsibility of the CIO and ensure that both the policy and its governance remain up-to-date and well implemented. It is the Sustainability Unit's responsibility to ensure that the lessons learned from past impact management practices are well reflected in both policies and procedures and that these are in line with industry best practices.



PRINCIPLE 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure note re-affirms the alignment of ILX Fund's policies and procedures with the Principles and will be updated annually.

Independent verification will be undertaken by an external and independent party. This will be conducted after the Manager has closed its first Fund and repeated on an annual basis, in line with the Fund Manager's review timeline.



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