Sustainability-related disclosures: Statements on sustainable investment objective

Introduction

This statement is published by the eco.business Fund (EBF, "the Fund") on its website in accordance with Article 10 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR, "the Regulation").

As an umbrella fund, EBF includes two separate sub-funds in its structure, the eco.business I Sub-Fund and eco.business II Sub-Fund. The sustainability-related disclosures providing transparency on the sustainable investment objective of each sub-fund can be found below:

- eco.business I Sub-Fund
- eco.business II Sub-Fund

eco.business I Sub-Fund

Sustainability-related disclosures: Statement on sustainable investment objective

(a) Summary

Sustainable investment objective of the financial product: The eco.business I Sub-Fund's sustainable investment objective is to support biodiversity conservation, the sustainable use of natural resources and climate change mitigation and adaptation.

Considering the Fund's target region and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

No significant harm to the sustainable investment objective: The Sub-Fund considers potential adverse impacts of its investments beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/ Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Sub-Fund's Environmental & Social (E&S) Policy, E&S exclusion list, and detailed E&S procedures. The eco.business I Sub-Fund's ESMS guides the Sub-Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment decisions and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage adverse impacts of the Sub-Fund's funded activities to avoid significant harm. The PI's capacity and commitment to manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, the ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Investment strategy: The eco.business I Sub-Fund works towards its sustainable investment objective by providing debt financing to businesses that contribute to biodiversity conservation, to the sustainable use of natural resources and to mitigate climate change and adapt to its impacts. The Sub-Fund primarily invests indirectly through financial intermediaries and, to a limited extent, also invests directly in such businesses, in its target countries in Latin America and the Caribbean. In both cases, financing is focussed on businesses engaged in or associated with sustainable agriculture, sustainable forestry, sustainable fishery (including aquaculture) and sustainable tourism, potentially to be expanded to other sectors.

To facilitate contribution to the Fund's sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds.

The Sub-Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as on building investee capacity on managing and mitigating potential adverse impacts.

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. PIs (type);
2. eligibility criteria for PIs; and
3. target countries.

The eco.business I Sub-Fund, guided by the EBF Investment Guidelines, Risk Management Policy, E&S Policy and AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection, financing and monitoring of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the eco.business I Sub-Fund's decision making.

Proportion of investments: The Sub-Fund strives to invest at least 85% of its total net assets in investments considered as sustainable under SFDR, considering the annual average. The remaining share can be held in cash and cash equivalent instruments (including cash placements and money market instruments) to ensure the Sub-Fund's sound operations and to optimize short-term liquidity management. Given the Sub-Fund's evergreen structure this position might at times fluctuate beyond the level implied above, for example due to high portfolio repayments, or to mismatches between the timing of on-boarding new investors (for example, the Sub-Fund has limited influence on the exact timing of funding subscriptions from public investors and on tranching this funding) and disbursements of the Sub-Fund's investment in the target region. While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Fund's overarching sustainable investment objective.

Out of the minimum share of sustainable investments overall, the share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 100%.

Monitoring of sustainable investment objective: In order to monitor the positive impact of its activities, the Sub-Fund has identified a set of sustainability indicators. These were selected based on the Fund's Theory of Change and include:

- Hectares of farmland under sustainable management
- Tons of absolute CO_2 stored by agroforestry activities
- M^3 of irrigation water saved[1]
- Liters of herbicides avoided[2]

(b) No significant harm to sustainable investment objectives

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

The Sub-Fund considers potential adverse impacts of its investments beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Sub-Fund's Environmental & Social (E&S) Policy, E&S exclusion list, and detailed E&S procedures.

The eco.business I Sub-Fund's ESMS guides the Sub-Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment decisions and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage adverse impacts of the Sub-Fund's funded activities to avoid significant harm. The PI's capacity and commitment to manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, the ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

As part of the Sub-Fund's approach to managing adverse impacts associated with its investments, the Sub-Fund considers and collects information on the PAI indicators outlined in Table 1/Annex I of the SFDR RTS. Assessment of PAI indicators is integrated into due diligence and monitoring. The Sub-Fund uses proxies and tools to estimate performance against the PAI indicators, where data gaps exist.

[1] Calculation of the indicator is based on modelling by the eco.business Fund based on primary reporting and third-party data. See details in section "Methodologies" of this statement.

[2] Ibid.

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

The eco.business I Sub-Fund is committed to incorporating ESG considerations in its financing activities, including human rights, and is guided by relevant international standards, such as the IFC Performance Standards, UN Global Compact and ILO fundamental conventions. The Sub-Fund's E&S due diligence process is a key tool for identifying potential adverse impacts related to human rights, corruption and bribery and taxation. The PI's capacity and commitment to avoid causing harm is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

For more details, please refer to the eco.business Fund's statement on consideration of principal adverse impacts on sustainability factors.

(c) Sustainable investment objective of the financial product

What is the sustainable investment objective of this financial product?

The eco.business I Sub-Fund's sustainable investment objective is to support biodiversity conservation, the sustainable use of natural resources and climate change mitigation and adaptation in the target countries.

Considering the Sub-Fund's target region and specifics of the investment strategy, the Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

(d) Investment strategy

What investment strategy does this financial product follow?

The eco.business I Sub-Fund works towards its sustainable investment objective by providing debt financing to businesses that contribute to biodiversity conservation, to the sustainable use of natural resources and to mitigate climate change and adapt to its impacts. The Sub-Fund primarily invests indirectly through financial intermediaries and, to a limited extent, also invests directly in such businesses in its target countries in Latin America and the Caribbean. In both cases, financing is focussed on businesses engaged in or associated with sustainable agriculture, sustainable forestry, sustainable fishery (including aquaculture) and sustainable tourism, potentially to be expanded to other sectors.

Financial intermediaries include but are not limited to local commercial banks, regulated/supervised and non-regulated/non-supervised microfinance institutions and other non-bank financial institutions like investment companies, investment funds or holding companies. Direct investees include but are not limited to projects and companies like producer associations and cooperatives or other entities that can contribute to the Fund's mission.

To facilitate contribution to the Sub-Fund's sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds.

Eligibility criteria for the PI selection reflect considerations of the Sub-Fund's sustainable investment objective and principles of good corporate governance.

Positive and negative criteria for the use-of-proceeds include:

- Use-of-proceeds requirements relate to the type of end-borrower, the sector and the measure to be financed. End-borrowers as well as direct investees of eco.business I Sub-Fund must be active in either of the priority sectors and either hold an eligible sustainability certification or implement a sustainable business practice included on the eco.business I Sub-Fund's "Green List". Measures included on this list have been screened for their positive contribution towards the Sub-Fund's sustainable investment objective. For the exceptional case where the investment does not meet either of the two options described above but is nonetheless contributing to the Fund's mission, the eco.business I Sub-Fund's Investment Guidelines define additional requirements to be met for either the end-borrower or the measure to qualify for financing.

- Investments have to follow the Fund's E&S Exclusion List, which prohibits financing activities with inherent or elevated sustainability risk, such as those related to coal, oil and gas sectors, activities involving child or forced labor, and those involving the destruction of high conservation value areas, among others.

PIs have to provide regular reporting, based on which, the Sub-Fund monitors alignment with the use-of-proceeds criteria.

The Sub-Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as on building investee capacity on managing and mitigating principal adverse impacts.

In working towards the above stated investment objective, the Sub-Fund contributes to the Sustainable Development Goals (SDGs), particularly SDG 2 (Zero Hunger), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water), SDG 15 (Life on Land) and SDG 17 (Partnerships for the Goals).

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

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. PIs (type);
2. eligibility criteria for PIs; and
3. target countries.

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

The eco.business I Sub-Fund, guided by the EBF Investment Guidelines, Risk Management Policy, E&S Policy and AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection, financing and monitoring of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the eco.business I Sub-Fund's decision making.

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

☒ Yes
☐ No

Through its ESMS, the eco.business I Sub-Fund considers adverse impacts beyond the PAI indicators on sustainability factors outlined in Table 1/Annex I of the SFDR RTS at each stage of the investment cycle, including the Sub-Fund's decision-making process.

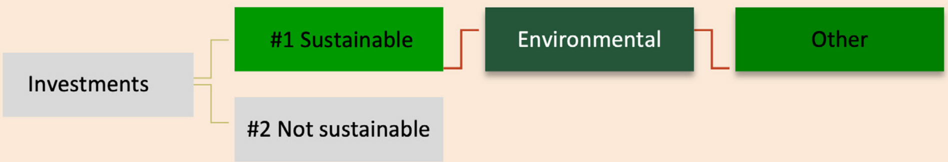
Investments are subject to initial screening and comprehensive due diligence processes which support the Sub-Fund in identifying potential adverse impacts and in assessing the PI's capacity and commitment to address and mitigate against these impacts. Results of the due diligence form a part of the investment proposal and are presented to the Investment Committee. Where adverse impacts cannot be mitigated to a satisfactory extent, the investment will not proceed.

The Sub-Fund's E&S requirements to PIs include obligations to manage potential adverse impacts: The Sub-Fund requires its PIs to carry out their activities in compliance with the eco.business I Sub-Fund's Exclusion List and national laws and regulations, and – among others – in conformance with the ILO Fundamental Conventions and relevant IFC Performance Standards.

Regular monitoring of the PI's E&S performance is considered crucial to effectively manage the potential risks of potential adverse impacts of the Sub-Fund's investments. The Sub-Fund requires PIs to report on material negative E&S incidents, and on E&S performance on an annual basis, including on PAI indicators (as applicable). Adequate proxies are utilized when primary data is not available. The Sub-Fund's due diligence and monitoring process also includes the use of data intelligence platforms for adverse media and controversies screening, to identify any high-risk factors or sustainability-related incidents.

(e) **Proportion of investments**

What is the planned asset allocation for this financial product?



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable.

The Sub-Fund strives to invest at least 85% of its total net assets in investments considered as sustainable under SFDR (#1 Sustainable), considering the annual average.

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

The eco.business I Sub-Fund invests in economic activities that are expected to contribute to the following environmental objective set out in the Article 9 of the Taxonomy Regulation[3]: (a) climate change mitigation; (b) climate change adaptation.

The minimum extent to which the Sub-Fund's sustainable investments are aligned with the EU Taxonomy constitutes 0%, considering that the largest proportion of the Sub-Fund's investments are in economic activities in the agricultural sector, which is currently not covered by the Technical Screening Criteria of the Taxonomy Regulation. Once agricultural activities are included in the Technical Screening Criteria, the Sub-Fund intends to assess alignment with the Taxonomy, provided that relevant data is available. However, considering the Fund's target region (implying a different regulatory context) and investment strategy, availability of data to demonstrate alignment is expected to be limited.

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

Out of the minimum share of sustainable investments, 100% will work towards an environmental objective.

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

[3] Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment

The Sub-Fund's assets not qualifying as sustainable investments under the SFDR can be held in cash placements and money market instruments for liquidity purposes, falling under the scope "#2 Not sustainable". In addition, attaining the sustainable investment objective in its target region requires the Sub-Fund to provide investments in currencies suitable for these countries (in local currency, or in hard currency other than the Sub-Fund's currency) as well as in interest rate structures that do not necessarily match the interest rate structures paid to investors. In these cases, the Sub-Fund may use derivatives for the purpose of hedging currency risk and interest rate risks. By doing so, derivatives enable the Sub-Fund to make sustainable investments that would not have been possible otherwise.

Given the Sub-Fund's evergreen structure this position might at times fluctuate beyond the level implied above, for example due to high portfolio repayments, or to mismatches between the timing of on-boarding new investors (for example, the Sub-Fund has limited influence on the exact timing of funding subscriptions from public investors and on tranching this funding) and disbursements of the Sub-Fund's investment in the target region.

While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Sub-Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Sub-Fund's overarching sustainable investment objective.

(f) Monitoring of sustainable investment objective

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

In order to monitor the positive impact of its activities, the Sub-Fund has identified a set of sustainability indicators, including:

- Hectares of farmland under sustainable management
- Tons of absolute CO_2 stored by agroforestry activities[4]
- M^3 of irrigation water saved[3]
- Liters of herbicides avoided[3]

How are the sustainable investment objective and the sustainability indicators monitored throughout the lifecycle of the financial product and what are the related internal/external control mechanisms?

The expected environmental impacts are assessed ex-ante which informs the specific monitoring requirements and engagement focus areas throughout the investment period. Impacts are regularly monitored and reviewed at the Fund portfolio level as well as for each investment. Where appropriate, third-party consultants are engaged to support the Sub-Fund's due diligence or monitoring of investments.

[4] Calculation of the indicator is based on modelling by the eco.business Fund based on primary reporting and third-party data. See details in section "Methodologies" of this statement.

Results towards these indicators along with additional metrics are regularly published on the Fund's website and in periodic publications and reports.

For more information on the Fund's monitoring approach and results please see:

- Fund Annual Impact Report
- Fund Impact Framework
- Fund website
- Fund Advisor's Disclosure statement to the Operating Principles for Impact Management

(g) Methodologies

What is the methodology to measure the attainment of the sustainable investment objective using the sustainability indicators?

The Sub-Fund utilizes primary data, such as from PI's reporting or EBF's own, internal Sub-Fund monitoring data as a general practice. In order to assess and monitor its environmental impact contribution, the Fund applies the following methodologies:

- Modelling: For a set of indicators, the Sub-Fund combines primary information from PI reports with technical parameters derived from third-party evidence (e.g. academic studies, statistics by international organizations). For example, to assess absolute CO_2 storage in agroforestry systems financed by the Sub-Fund, parameters were calculated considering different production systems, agro-climatic zones, shade tree species, and crop varieties. As per the recommendations of the Intergovernmental Panel on Climate Change (IPCC), long-term sequestration parameters are used to factor in the fact that plantations are regularly renovated and that the age of trees and therefore their biomass content varies from plot to plot. These sequestration factors are combined with the PI reported number of hectares per sub-borrower to arrive at the overall absolute CO_2 storage estimation. The use-of-proceeds criteria – voluntary sustainability certification (as per prior selection by the Sub-Fund) or sustainable business practice as identified through the Sub-Fund's region-specific Green Lists – also play a key role in assessing the environmental impact. For example, some voluntary sustainability standards require the implementation of specific land management practices, such as no soil tillage, or the reduced usage of herbicides. In combination with PI reporting on hectares under management and crops financed, these impact claims allow for estimations to be made with regards to environmental benefits supported through the Sub-Fund.

- Quantitative and qualitative studies: Periodically, the Sub-Fund, mostly through the Development Facility, is conducting on-the-ground studies for a deeper understanding of the contribution to environmental impact.

(h) Data sources and processing

What are the data sources used to attain the sustainable investment objective of the financial product including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

For monitoring the Sub-Fund's attainment of the sustainable investment objective, it draws on the following data sources:

- Sub-Fund monitoring: Aggregated in the internal data management tools of the Fund Advisor. The data covers a range of data points at Fund and portfolio level, allowing monitoring of the Fund's overall activities related to resource mobilization, financing, and technical assistance.

- PI reporting: Contractually agreed reporting on a set of predefined indicators, submitted by the PIs to the Sub-Fund on a regular basis, utilized for continuous monitoring of use-of-proceeds.

- Fund studies: Studies conducted, usually with support of the Sub-Fund's Development Facility.

- Third party data and technical parameters: Parameters on environmental impacts (e.g. CO2 storage) that are derived from third-party evidence (academia and international organizations).

- External evaluations: Where appropriate, specialized consultants are engaged to conduct E&S studies.

- On-site visits and continuous engagement: Site visits facilitated through the Fund Advisor's staff operating from several offices across the region, facilitating continuous exchange with PIs, and the incorporation of on-the-ground market knowledge.

Considering the wide range of data sources and its quality, the proportion of data that is estimated is limited.

(i) Limitations to methodologies and data

What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the sustainable investment objective and the actions taken to address such limitations)

Considering the Sub-Fund's target region and investment strategy, the availability of the external data for monitoring of the attainment of the Sub-Fund's sustainable investment objective is limited. To address this limitation and to ensure that it does not affect the attainment of the sustainable investment objective, input data on the abovementioned sustainability indicators is collected directly from PIs. The data reported to the Sub-Fund is reviewed by the Fund Advisor's expert teams.

(j) Due diligence

What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?

Assessing the potential of an investment to contribute to the positive impact objective follows a two-step approach in the pre-investment phase:

- During pre-screening, the investment's alignment with the Fund's requirements is assessed. This relates to minimum requirements regarding ESG aspects, as per the Fund's Issue Document and Investment Guidelines.

- During the due diligence phase, the investment is assessed with regards to the binding elements of the Fund's investment strategy related to the eligibility criteria and positive and negative screening criteria for the use of proceeds. In addition, for each investment the alignment with the Fund's impact objectives is reviewed, taking into consideration different elements such as potential outreach to the target group, the investee's capacity to deliver the expected impact and the Sub-Fund's specific impact contribution. . The due diligence also includes the identification of potential adverse impacts and an assessment of the PI's capacity and commitment to address and mitigate against these impacts. The Sub-Fund assesses the PI's own ESG practices and capacities. If material gaps are identified, the PI will be required to address them within a reasonable timeframe.

(k) Engagement policies

Is engagement part of the investment strategy?

Engagement with PIs is an integral component of the Sub-Fund's investment process and central to managing its positive development impact. The Sub-Fund considers itself a long-term partner to its PIs in line with its target to sustainably strengthen the green/conservation finance capacities in the local investment environments of its target region. This engagement includes (but is not necessarily limited to) the provision of tailored technical assistance to train PI staff, enhance a PI's capacities to assess and monitor environmental impacts, build awareness for conservation finance, and offer assistance to end-clients to enhance and integrate sustainable business practices.

(l) Attainment of the sustainable investment objective

Has a reference benchmark been designated?

☐ Yes
☒ No

Annex

Version history	
Version date	**Description of the change**
9 March 2021	First publication in accordance with Article 10 of SFDR
19 December 2022	Update of the statement in line with the final Regulatory Technical Standards (RTS) in accordance with Article 10 of SFDR

eco.business II Sub-Fund

Sustainability-related disclosures: Statement on sustainable investment objective

(a) Summary

Sustainable investment objective of the financial product: The eco.business II Sub-Fund's sustainable investment objective is to support biodiversity conservation, the sustainable use of natural resources and climate change mitigation and adaptation.

Considering the Fund's target regions and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

No significant harm to the sustainable investment objective: The eco.business II Sub-Fund considers potential adverse impacts of its investments beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Sub-Fund's Environmental and Social (E&S) Policy, E&S Exclusion List, and detailed E&S procedures. The eco.business II Sub-Fund's ESMS guides the Sub-Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Sub-Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment decisions and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage E&S risks and impacts of the Sub-Fund's funded activities to avoid significant harm. The PI's capacity and commitment to manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Investment strategy: The eco.business II Sub-Fund works towards its sustainable investment objective by providing debt financing to businesses that contribute to biodiversity conservation, to the sustainable use of natural resources and to mitigate climate change and adapt to its impacts. The Fund invests primarily indirectly through financial intermediaries and, to a limited extent, also invests directly in non-financial institutions, in its target countries in sub-Saharan Africa. In both cases, financing is focussed on businesses engaged in or associated with sustainable agriculture, sustainable forestry, sustainable fishery (including aquaculture) and sustainable tourism, potentially to be expanded to other sectors.

To facilitate contribution to the Fund's sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds.

The Sub-Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as to build investee capacity on managing and mitigating potential adverse impacts.

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. PIs (type);
2. eligibility criteria for PIs; and
3. target countries.

The eco.business II Sub-Fund, guided by the EBF Investment Guidelines, Risk Management Policy, E&S Policy and AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection, financing and monitoring of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the eco.business II Sub-Fund's decision making.

Proportion of investments: The Sub-Fund has been launched in 2019 and is currently in the ramp up period. At the end of this ramp up period, expected for the end of 2023, it strives to invest at least 80% of its total net assets in investments considered as sustainable under SFDR, considering the annual average. The remaining share can be held in cash and cash equivalent instruments (including cash placements and money market instruments) to ensure the Sub-Fund's sound operations and to optimize short-term liquidity management. Given the Sub-Fund's evergreen structure this position might at times fluctuate beyond the level implied above, for example due to high portfolio repayments, or to mismatches between the timing of on-boarding new investors (for example, the Sub-Fund has limited influence on the exact timing of funding subscriptions from public investors and on tranching this funding) and disbursements of the Sub-Fund's investment in the target region. While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Fund's overarching sustainable investment objective.

Out of the minimum share of sustainable investments overall, the share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 100%.

Monitoring of sustainable investment objective: In order to monitor the positive impact of its activities, the Sub-Fund has identified a set of sustainability indicators. These were selected based on the Fund's Theory of Change and include:

- Hectares of farmland under sustainable management
- Tons of absolute CO_2 stored by agroforestry activities[1]

(b) No significant harm to sustainable investment objectives

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

The eco.business II Sub-Fund considers potential adverse impacts of its investments beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Sub-Fund's Environmental and Social (E&S) Policy, E&S Exclusion List, and detailed E&S procedures.

The eco.business II Sub-Fund's ESMS guides the Sub-Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Sub-Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment decisions and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage E&S risks and impacts of the Sub-Fund's funded activities to avoid significant harm. The PI's capacity and commitment to manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

As part of the eco.business II Sub-Fund's approach to managing adverse impacts associated with its investments, the Sub-Fund considers and collects information on the PAI indicators outlined in Table 1/ Annex I of the SFDR RTS. Assessment of PAI indicators is integrated into due diligence and monitoring. The Sub-Fund uses appropriate proxies and tools to estimate performance against the indicators, where data gaps exist.

[1] Calculation of the indicator is based on modelling by the eco.business Fund based on primary reporting and third-party data. See details in section "Methodologies" of this statement.

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

The eco.business II Sub-Fund is committed to incorporating ESG considerations in its financing activities, including human rights, and is guided by relevant international standards, such as the IFC Performance Standards, UN Global Compact and ILO fundamental conventions. The Sub-Fund's E&S due diligence process is a key tool for identifying potential adverse impacts on human rights, corruption and bribery and taxation. The PI's capacity and commitment to avoid causing harm is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

For more details, please refer to the eco.business Fund's [statement on consideration of principal adverse impacts on sustainability factors].

(c) Sustainable investment objective of the financial product

What is the sustainable investment objective of this financial product?

The eco.business II Sub-Fund's sustainable investment objective is to support biodiversity conservation, the sustainable use of natural resources and climate change mitigation and adaptation in the target countries.

Considering the Sub-Fund's target region and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

(d) Investment strategy

What investment strategy does this financial product follow?

The eco.business II Sub-Fund works towards its sustainable investment objective by providing debt financing to businesses that contribute to biodiversity conservation, to the sustainable use of natural resources and to mitigate climate change and adapt to its impacts. The Sub-Fund invests primarily indirectly through financial intermediaries and, to a limited extent, also invests directly in non-financial institutions, in target countries in sub-Saharan Africa. In both cases, financing is focused on businesses engaged in or associated with sustainable agriculture, sustainable forestry, sustainable fishery (including aquaculture) and sustainable tourism, potentially to be expanded to other sectors.

Financial intermediaries include but are not limited to local commercial banks, regulated/supervised and non-regulated/non-supervised microfinance institutions and other non-bank financial institutions like investment companies, investment funds or holding companies.

Non-financial institutions include:

- intermediaries playing a financial role with respect to the Target Group in their respective value chain which include but are not limited to, commodity off-takers as well as those companies involved in production, processing or storage;

- direct investees which include, but are not limited to farmers, producer associations, cooperatives, projects or companies active along the value chain that can contribute to the Sub-Fund's mission.

To facilitate contribution to the Sub-Fund's sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds.

Eligibility criteria for the PI selection reflect considerations of the Sub-Fund's sustainable investment objective and principles of good corporate governance.

Positive and negative criteria for the use-of-proceeds include:

- Use-of-proceeds requirements relate to the type of end-borrower, the sector and the measure to be financed. End-borrowers as well as direct investees of eco.business II Sub-Fund must be active in either of the priority sectors and either hold an eligible sustainability certification or implement a sustainable business practice included on the eco.business II Sub-Fund's "Green List". Measures included on this list have been screened for their positive contribution towards the Sub-Fund's sustainable investment objective. For the exceptional case where the investment does not meet either of the two options described above but is nonetheless contributing to the Fund's mission, the eco.business II Sub-Fund's Investment Guidelines define additional requirements to be met for either the end-borrower or the measure to qualify for financing.
- Investments have to follow the Fund's E&S Exclusion List, which prohibits financing activities with inherent or elevated sustainability risk, such as those related to coal, oil and gas sectors, activities involving child or forced labor, and those involving the destruction of high conservation value areas, among others.

PIs have to provide regular reporting, based on which, the Sub-Fund monitors alignment with the use-of-proceeds criteria.

The Sub-Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as to build investee capacity on managing and mitigating principal adverse impacts.

In working towards the above stated investment objective, the Sub-Fund contributes to the Sustainable Development Goals (SDGs), particularly SDG 2 (Zero Hunger), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water), SDG 15 (Life on Land) and SDG 17 (Partnerships for the Goals).

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

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. PIs (type);
2. eligibility criteria for PIs; and
3. target countries.

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

The eco.business II Sub-Fund, guided by the EBF Investment Guidelines, Risk Management Policy, E&S Policy and AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection, financing and monitoring of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the eco.business II Sub-Fund's decision making.

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

☒ Yes
☐ No

Through its ESMS, the eco.business II Sub-Fund considers adverse impacts beyond the PAI indicators on sustainability factors outlined in Table 1/Annex I of the SFDR RTS at each stage of the investment cycle, including the Sub-Fund's decision-making process.

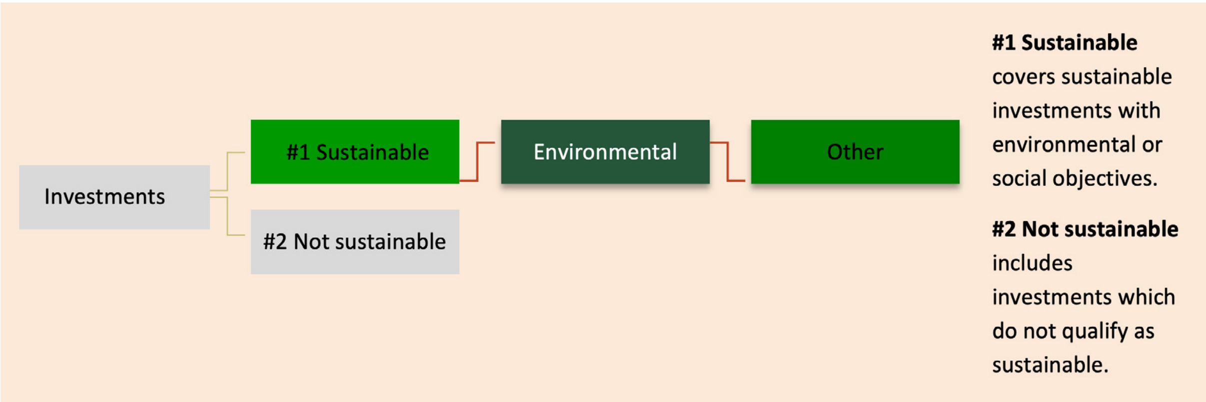
Investments are subject to initial screening and comprehensive due diligence processes which support the Sub-Fund in identifying potential adverse impacts and in assessing the PI's capacity and commitment to address and mitigate against these impacts. Results of the due diligence form a part of the investment proposal and are presented to the Investment Committee. Where negative adverse impacts cannot be mitigated to a satisfactory extent, the investment will not proceed.

The Sub-Fund's E&S requirements to PIs include obligations to manage potential adverse impacts: The Sub-Fund requires its PIs to carry out their activities in compliance with the eco.business II Sub-Fund Exclusion List and national laws and regulations, and in conformance with – among others – the ILO Fundamental Conventions and relevant IFC Performance Standards.

Regular monitoring of the PI's E&S performance is considered crucial to effectively manage the potential risks of potential adverse impacts of the Sub-Fund's investments. The Sub-Fund requires PIs to report on material negative E&S incidents, and on E&S performance on an annual basis, including on PAI indicators (as applicable). Adequate proxies are utilized when primary data is not available The Sub-Fund's due diligence and monitoring process also includes the use of data intelligence platforms for adverse media and controversies screening, to identify any high-risk factors or sustainability-related incidents.

(e) Proportion of investments

What is the planned asset allocation for this financial product?



The Sub-Fund has been launched in 2019 and is currently in the ramp up period. At the end of this ramp up period, expected for the end of 2023, it strives to invest at least 80% of its total net assets in investments considered as sustainable under SFDR (#1 Sustainable) considering the annual average.

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

The eco.business II Sub-Fund invests in economic activities that are expected to contribute to the following environmental objective set out in the Article 9 of the Taxonomy Regulation[2]: (a) climate change mitigation; (b) climate change adaptation.

The minimum extent to which the Sub-Fund's sustainable investments are aligned with the EU Taxonomy constitutes 0%. The largest proportion of the Sub-Fund's investments are in economic activities in the agricultural sector, which is currently not covered by the Technical Screening Criteria of the Taxonomy Regulation. Once agricultural activities are included in the Technical Screening Criteria, the Sub-Fund intends to assess alignment with the Taxonomy, provided that relevant data is available. However, considering the Fund's target region (implying a different regulatory context) and investment strategy, availability of data to demonstrate alignment is expected to be limited.

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

Out of the minimum share of sustainable investments, 100% will work towards an environmental objective.

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

[2] Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment

The Sub-Fund's assets not qualifying as sustainable investments under the SFDR can be held in cash placements and money market instruments for liquidity purposes, falling under the scope "#2 Not sustainable". In addition, attaining the sustainable investment objective in its target region requires the Sub-Fund to provide investments in currencies suitable for these countries (in local currency, or in hard currency other than the Sub-Fund's currency) as well as in interest rate structures that do not necessarily match the interest rate structures paid to investors. In these cases, the Sub-Fund may use derivatives for the purpose of hedging currency risk and interest rate risks. By doing so, derivatives enable the Sub-Fund to make sustainable investments that would not have been possible otherwise.

Given the Sub-Fund's evergreen structure this position might at times fluctuate beyond the level implied above, for example due to high portfolio repayments, or to mismatches between the timing of on-boarding new investors (for example, the Sub-Fund has limited influence on the exact timing of funding subscriptions from public investors and on tranching this funding) and disbursements of the Sub-Fund's investment in the target region.

While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Sub-Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Sub-Fund's overarching sustainable investment objective.

(f) Monitoring of sustainable investment objective

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

In order to monitor the positive impact of its activities, the Sub-Fund has identified a set of sustainability indicators, including:

- Hectares of farmland under sustainable management
- Tons of absolute CO_2 stored by agroforestry activities[3]
- *How are the sustainable investment objective and the sustainability indicators monitored throughout the lifecycle of the financial product and what are the related internal/external control mechanisms?*

The expected environmental impacts are assessed ex-ante which informs the specific monitoring requirements and engagement focus areas throughout the investment period. Impacts are continuously monitored and reviewed at the Fund portfolio level as well as for each investment. Where appropriate, third-party consultants are engaged to support the Sub-Fund's due diligence or monitoring of investments.

[3] Calculation of the indicator is based on modelling by the eco.business Fund based on primary reporting and third-party data. See details in section "Methodologies" of this statement.

Results towards these indicators along with additional metrics are regularly published on the Fund's website and in periodic publications and reports.

For **more information** on the Fund's monitoring approach and results please see:

- Fund Annual Impact Report
- Fund Impact Framework
- Fund website
- Fund's Advisor's Disclosure statement to the Operating Principles for Impact Management

(g) Methodologies

What is the methodology to measure the attainment of the sustainable investment objective using the sustainability indicators?

The Sub-Fund utilizes primary data, such as from PI's reporting or EBF's own, internal Sub-Fund monitoring data as a general practice. In order to assess and monitor its environmental impact contribution, the Sub-Fund applies the following methodologies:

- Modelling: For a set of indicators, the Fund combines primary information from PI reports with technical parameters derived from third-party evidence (e.g. academic studies, statistics by international organizations). For example, to assess absolute CO_2 storage in agroforestry systems financed by the Sub-Fund, parameters were calculated considering different production systems, agro-climatic zones, shade tree species, and crop varieties. As per the recommendations of the Intergovernmental Panel on Climate Change (IPCC), long-term sequestration parameters are used to factor in the fact that plantations are regularly renovated and that the age of trees and therefore their biomass content varies from plot to plot. These sequestration factors are combined with the PI reported number of hectares per sub-borrower to arrive at the overall absolute CO_2 storage estimation. The use-of-proceeds criteria – voluntary sustainability certification (as per prior selection by the Sub-Fund) or sustainable business practice as identified through the Sub-Fund's region-specific Green Lists – also play a key role in assessing the environmental impact. For example, some voluntary sustainability standards require the implementation of specific land management practices, such as no soil tillage, or the reduced usage of herbicides. In combination with PI reporting on hectares under management and crops financed, these impact claims allow for estimations to be made with regards to environmental benefits supported through the Sub-Fund.

- Quantitative and qualitative studies: Periodically, the Fund, mostly through the Development Facility, is conducting on-the-ground studies for a deeper understanding of the contribution to environmental impact.

Methodologies as well as parameters used are reviewed and updated as required on a regular basis.

(h) Data sources and processing

What are the data sources used to attain the sustainable investment objective of the financial product including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

For monitoring the Sub-Fund's attainment of the sustainable investment objective, it draws on the following data sources:

- Sub-Fund monitoring: Aggregated in the internal data management tools of the Fund Advisor. The data covers a range of data points at Fund and portfolio level, allowing monitoring of the Fund's overall activities related to resource mobilization, financing, and technical assistance.
- PI reporting: Contractually agreed reporting on a set of predefined indicators, submitted by the PIs to the Sub-Fund on a regular basis, utilized for continuous monitoring of use-of-proceeds.
- Fund studies: Studies conducted, usually with support of the Sub-Fund's Development Facility.
- Third party data and technical parameters: Parameters on environmental impacts (e.g. CO2 storage) that are derived from third-party evidence (academia and international organizations).
- External evaluations: Where appropriate, specialized consultants are engaged to conduct E&S studies.
- On-site visits and continuous engagement: Site visits facilitated through the Fund Advisor's staff operating from several offices across the region, facilitating continuous exchange with PIs, and the incorporation of on-the-ground market knowledge.

Considering the wide range of data sources and its quality, the proportion of data that is estimated is limited.

(i) Limitations to methodologies and data

What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the sustainable investment objective and the actions taken to address such limitations)

Considering the Sub-Fund's target region and investment strategy, the availability of the external data for monitoring of the attainment of the Sub-Fund's sustainable investment objective is limited. To address this limitation and to ensure that it does not affect the attainment of the sustainable investment objective, input data on the abovementioned sustainability indicators is collected directly from PIs. The data reported to the Fund is reviewed by the Fund Advisor's expert teams.

(j) Due diligence

What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?

Assessing the potential of an investment to contribute to the positive impact objective follows a two-step approach in the pre-investment phase:

- During pre-screening, the investment's alignment with the Fund's requirements is assessed. This relates to minimum requirements regarding ESG aspects, as per the Fund's Issue Document and Investment Guidelines.

- During the due diligence phase, the investment is assessed with regards to the binding elements of the Fund's investment strategy related to the eligibility criteria and positive and negative screening criteria for the use of proceeds. In addition, for each investment the alignment with the Fund's impact objectives is reviewed, taking into consideration different elements such as potential outreach to the target group, the investee's capacity to deliver the expected impact and the Sub-Fund's specific impact contribution. The due diligence also includes the identification of potential adverse impacts and an assessment of the PI's capacity and commitment to address and mitigate against these impacts. The Sub-Fund assesses the PI's own ESG practices and capacities. If material gaps are identified, the PI will be required to address them within a reasonable timeframe.

(k) Engagement policies

Is engagement part of the investment strategy?

Engagement with PIs is an integral component of the Sub-Fund's investment process and central to managing its positive development impact. The Sub-Fund considers itself a long-term partner to its PIs in line with its target to sustainably strengthen the green/conservation finance capacities in the local investment environments of its target region. This engagement includes (but is not necessarily limited to) the provision of tailored technical assistance to train PI staff, enhance a PI's capacities to assess and monitor environmental impacts, build awareness for conservation finance, and offer assistance to end-clients to enhance and integrate sustainable business practices.

(l) Attainment of the sustainable investment objective

Has a reference benchmark been designated?

☐ Yes
☒ No

Annex

Version history	
Version date	**Description of the change**
9 March 2021	First publication in accordance with Article 10 of SFDR
19 December 2022	Update of the statement in line with the final Regulatory Technical Standards (RTS) in accordance with Article 10 of SFDR