Article 3 – Sustainable Risk Policy

Purpose of Fair Capital Partners Impact Investing

Fair Capital Partners Impact Investing (hereafter: Fair Capital) is an impact fund manager bridging the gap between wealth holders who want to deploy their wealth with impact and companies with a deep sustainable mission in need of growth capital.

Sustainability is the reason why Fair Capital exists and the core objective of all of our activities and financial products. Fair Capital places a high value on sustainability, and aims to align all of its activities and investments to a sustainable objective. We aspire to fuel sustainable businesses that offer solutions for some of the most pressing environmental challenges, including climate change and depletion of the natural resources and biodiversity of the planet. As an impact investor we do this by investing in growing companies that contribute to our purpose with their products and services and inspire customers and others at the same time. The companies should have sound business models to eventually not only deliver high societal impact but also generate a financial return for our investors.

FCPII is registered with the AFM as an exempt manager under the AIFM directive (Alternative Investment Fund Managers Directive) under AFM id BKF714. FCPII acts as manager of the Fair Capital Impact Fund with AFM id 50024566. On the basis of its registration, FCPII is not supervised by the Netherlands Authority for the Financial Markets (AFM) or The Dutch Central Bank (De Nederlandse Bank).

Sustainability risks and our policy

We define sustainability risks as environmental, social and governance events or conditions, which if they occur could cause a negative material impact on the value of an investment.

This Sustainability Risk Policy spells out Fair Capital's framework for identifying, measuring, managing and reporting on sustainability risks. Also, it explains how these sustainability risks impact the remuneration at Fair Capital. Fair Capital takes sustainability risks into account before any investment decision is made, in line with the investment strategy and investor mandate.

Scope of the policy

This Policy is intended for investors who consider investing in, or are already invested in, the products of Fair Capital.

Fair Capital acts in this context in accordance with the following legal provisions and their implementation:

- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR")

- Applicable amendments to the AIFMD law

Sustainability risks considered

Fair Capital has identified sustainability risks most relevant for the type of companies invested in, their phase of development and their sectors of operation that could negatively impact the financial value of an investment.

Given the nature of investing in early stage companies, we recognize challenges that may arise:

- At an early stage, ESG issues (risk and impact) are typically not material
- In small founding teams, it is challenging to demonstrate diversity
- Small founding teams often lack a dedicated ESG professional and advanced reporting skills

Nevertheless, the founders that Fair Capital invests in are highly conscious of environmental challenges such as climate change, energy transition, pollution, and the unsustainable use of natural resources, as well as social megatrends like demographic shifts and inequality. They are dedicated to developing innovative technologies and business approaches that address these challenges in an entrepreneurial way by building a successful and profitable company. In doing so they minimize potential long term risks with a financial impact on their company by focusing on growth opportunities in the area of planet and human conservation.

For every investment, Fair Capital qualitatively weighs ESG factors to determine whether to invest or not. These criteria are embedded in our investment strategy.

Table of ESG factors most material to Fair Capital

Environment	**Social**	**Governance**
Greenhouse gas emissions	Diversity	Corporate governance
Waste reduction	Inclusion	Ethical business practices
Biodiversity loss		Board diversity
Climate change strategy		
Carbon footprint reduction		

The identified most significant sustainability risks can negatively impact the exiting risks run by Fair Capital and its products. For example:

Concentration risk

The portfolio of an investor consists of a relatively limited number of companies on a small geographical area. In case of environmental risks occurring such as extreme heat waves, flooding or droughts

Laws and regulation risk
In case environmental rules and regulations are relaxed in a country of operation or the EU as a whole this might seriously impact the business perspective of some or all of the portfolio companies impacting the financial return perspectives of the fund as a whole.

Counterparty risk
A counterparty or a group of counterparties may default on the fulfilment of their obligations because of the occurrence of severe weather conditions such as wide spread flooding. Because most investees are based in The Netherlands, a low-lying country, flooding is considered an increasing risk that could negatively impact the value of investments.

Reputational risk
The objective of Fair Capital and the funds under management attract investors aiming for high environmental impact. In case an investee is found not to live up to agreed and expected sustainability levels this could seriously damage the reputation of the manager and fund. Slow or stop development of the funds with negative financial consequences for existing investors.

Liquidity risk
The investment policy of Fair Capital is based on follow-on investments in growing investees to maximise impact and financial returns. In case of reputational issues related to governance issues with investees the inflow of capital into the fund might stop impacting the overall policy and related returns.

Liquidation risk
In case of social unrest at investees, for example as result of a conflict on remuneration, exit opportunities might be lost making it impossible to liquidate an investment.

Operational risk
Investees use more sustainable ingredients and packaging than competitors. As these are not the norm they are more difficult to source, often depending on small suppliers. This makes the investees liable to hick-ups or stand stills in production that could seriously jeopardize their survival and as such impact the returns of the fund.

Risk-Based Approach

Sustainability Risk is integrated into the risk management structure of Fair Capital through a 4-step risk management approach (identify, assess, control, and monitor). ESG checks are carried out at each stage of the investment process to best as possible filter out companies that violate the do no harm principle.

Identify
Fair Capital uses an iterative process for the early recognition of sustainability risks that continues throughout the investment period. We base our judgement of risks on relevant information from sources such as interviews with founders and stakeholders, (historic) financial reports, market and sector information etc. During the due diligence, we dig

deeper into the potential ESG risks and mitigation systems of the company through desk review, onsite visits, interviews with employees and consultation with local industry experts. The findings of the due diligence could result in changes to the transaction terms, or even cancellation of the deal. The findings will also play a crucial role in ongoing monitoring and active involvement throughout the investment period.

Assess

A mix of quantitative and qualitative tools are used to analyze the information and to evaluate the materiality of the sustainability risks. All findings of the analysis of financial and ESG risks are combined in the investment proposal, including detailed documentation. This proposal is presented to all member of the internal team to safeguard 'the four eyes principle' and make well-considered investment decisions.

Control

Strategies and measures are implemented to manage and mitigate identified sustainability risks, aiming to avoid and limit sustainability risks:

- Negative screening: Companies with high sustainability risks based on business activities, practices and countries are excluded from investment considerations at an early stage.
- Positive screening: Fair Capital limits long term negative financial impact on investments by only considering investments in companies that explicitly contribute to opportunities in energy transition, sustainable food systems and circular economies. Areas that are expected to receive significant policy support and grow strongly delivering investment opportunities with interesting long term financial results.
- Additional mitigation: during the entire period of the investment, Fair Capital actively engages with portfolio companies to avoid and mitigate potential sustainability risks. We do this through the legal documents, influence through board seats and by providing support to build and improve ESG management systems. In the event of an exit, a fitness and compatibility assessment is conducted on potential new partners to avoid mission drift once the fund exits.

Monitor

All investments are monitored on their impact KPI's during the investment period and we report quarterly to our investors and annually to our other stakeholders on the realised impact of the Fund and its investee companies. KPIs are specific to each company and correspond with their business and maturity stage.

Article 5 – Fair Capital Remuneration policy in relation to sustainability risks

Fair Capital's remuneration policy is consistent with effective risk management with a long-term focus, including sustainability risks. The remuneration policy does not induce any risk-taking that would exceed the risk level tolerated by Fair Capital. Fair Capital does not provide any variable salaries or bonuses to its employees. At Fair Capital we do not believe that financial incentives trigger the most effective outcome in realizing our investment targets in general, or ESG/impact targets specifically.