Engagement Policy

IMPACT VENTURES III. EQUITY FUND

Effective date: DRAFT
Approved by:
Review frequency: At least annually and whenever required due to material regulatory or operational changes.

1. Purpose

IMPACT VENTURES III. Equity Fund invests in innovative companies that seek to generate measurable positive social and/or environmental impact alongside competitive financial returns. As an active long-term investor, the Impact Ventures III. Equity Fund managed by Impact Ventures Ltd. is committed to maintaining constructive and continuous dialogue with its portfolio companies to support sustainable growth, strong governance, responsible business practices, and measurable impact.

This Engagement Policy sets out the principles and processes through which the Fund Manager engages with its portfolio companies on strategic, financial, operational, environmental, social and governance ("ESG") matters, including the management of sustainability risks and Principal Adverse Impacts ("PAIs"), in accordance with the objectives of its Article 8 financial products under Regulation (EU) 2019/2088 ("SFDR").

2. Scope

This Policy applies to IMPACT VENTURES III. EQUITY FUND managed by IMPACT VENTURES Ltd. and to the engagement activities undertaken with their portfolio companies.

Engagement activities are implemented proportionately, taking into account:

- the company's stage of development;
- sector and geographical location;
- ownership stake and governance rights;
- material sustainability risks and opportunities;
- relevance of ESG and impact considerations; and
- availability of reliable sustainability data.

3. Engagement Principles

The Fund Manager’s engagement approach is based on the following principles.

Long-term value creation

The Fund Manager seeks to create long-term financial value while supporting measurable positive social and environmental outcomes.

Partnership approach

The Fund Manager acts as an active, supportive and responsible investment partner. Engagement is based on open dialogue, mutual trust and long-term cooperation with founders and management teams.

Proportionality

Expectations are tailored to the size, maturity and capabilities of each portfolio company. Early-stage companies are expected to progressively strengthen their governance, ESG management and impact measurement capabilities over time.

Integration of sustainability

Environmental, social and governance considerations are integrated throughout the investment lifecycle, including investment monitoring, strategic discussions and value creation initiatives.

Transparency and accountability

Material engagement activities, key discussions, agreed actions and relevant sustainability information are appropriately documented and incorporated into the Fund Manager’s investment monitoring processes.

4. Areas of Engagement

The Fund Manager maintains regular dialogue with portfolio companies on matters that may affect their long-term performance, sustainability profile and impact.

4.1 Strategy and Business Development

Engagement includes discussions regarding:

- business strategy;
- growth plans;
- product-market fit;
- commercial development;
- international expansion;

- fundraising strategy;
- operational milestones; and
- long-term value creation.

4.2 Financial Performance

The Fund Manager regularly reviews financial performance, including, where relevant:

- revenue growth;
- cash runway;
- liquidity position;
- budgeting;
- financial planning;
- key business metrics; and
- material financial risks.

4.3 Impact Performance

Consistent with the Fund Manager's impact investment strategy, portfolio companies are encouraged to define, measure and continuously improve their social and/or environmental impact.

Where appropriate, impact objectives are aligned with internationally recognised frameworks, including the United Nations Sustainable Development Goals (SDGs).

The Fund Manager supports portfolio companies in developing appropriate impact KPIs, measurement methodologies and reporting processes.

4.4 ESG and Good Governance

Engagement covers relevant ESG matters including:

- corporate governance;
- board effectiveness;
- business ethics;
- anti-corruption measures;
- data protection;
- employee wellbeing;
- diversity, equity and inclusion;
- human capital management;
- environmental management; and
- responsible business conduct.

The Fund Manager expects portfolio companies to maintain sound governance practices appropriate to their size and stage of development.

4.5 Principal Adverse Impacts (PAIs)

The Fund Manager considers Principal Adverse Impacts on sustainability factors throughout the investment lifecycle.

Portfolio companies may be requested, on a best-efforts and proportionate basis, to provide information relating to relevant PAI indicators, including, where applicable:

- greenhouse gas emissions;
- energy consumption;
- biodiversity impacts;
- water use;
- waste generation;
- social and employee matters;
- human rights;
- anti-corruption and anti-bribery practices; and
- board diversity.

Recognising that many portfolio companies operate at an early stage, the Fund Manager applies a progressive approach to data collection and supports companies in developing appropriate reporting capabilities over time.

4.6 Sustainability Risks

The Fund Manager engages with portfolio companies regarding sustainability risks that may materially affect business performance, enterprise value, operational resilience or long-term impact objectives.

4.7 Founder Wellbeing

The Fund Manager recognises that founder wellbeing is an important contributor to sustainable business performance.

Where appropriate, portfolio companies may receive support related to leadership development, organisational resilience and founder wellbeing.

5. Engagement Activities

The Fund Manager may engage with portfolio companies through various channels, including:

- regular portfolio reporting;
- quarterly business reviews;
- board meetings or observer participation, where applicable;
- strategic workshops;

- ESG and impact reviews;
- fundraising support;
- operational mentoring;
- expert introductions;
- networking opportunities;
- implementation of ESG improvement initiatives; and
- targeted action plans where material sustainability or governance issues are identified.

The frequency and intensity of engagement are determined based on the size, maturity, risk profile and strategic importance of each investment.

6. Monitoring and Reporting

Portfolio companies are expected, where appropriate, to provide information relating to:

- financial performance;
- operational performance;
- impact KPIs;
- ESG performance;
- relevant PAI indicators;
- material sustainability risks;
- governance developments; and
- progress against agreed improvement actions.

Information obtained through engagement contributes to:

- investment monitoring;
- portfolio management;
- investor reporting;
- SFDR disclosures;
- PAI reporting; and
- ongoing stewardship activities.

7. Escalation Process

Where material concerns arise, the Fund Manager seeks constructive engagement before considering formal escalation.

Possible escalation measures include:

1. management discussions;
2. written recommendations;

3. agreed corrective action plans;
4. enhanced monitoring;
5. board-level discussions;
6. involvement of external experts;
7. conditioning follow-on investments on agreed improvements; and
8. exercising contractual or shareholder rights where appropriate.

The primary objective of escalation is to support sustainable improvement rather than impose sanctions.

8. Exercise of Shareholder Rights

Where the Impact Ventures III. Equity Fund holds shareholder or contractual rights, these are exercised in a manner consistent with:

- the long-term interests of investors;
- sustainable value creation;
- the impact objectives of the investment;
- sound corporate governance;
- the sustainability characteristics promoted under Article 8 SFDR; and
- applicable legal and fiduciary obligations.

9. Collaboration with Other Investors and Stakeholders

Where appropriate, the Fund Manager may cooperate with:

- co-investors;
- other shareholders;
- advisors;
- accelerators;
- incubators;
- development institutions;
- ecosystem partners; and
- other relevant stakeholders.

Such collaboration aims to improve portfolio company performance while respecting confidentiality obligations, competition law and applicable regulations.

10. Conflicts of Interest

Potential conflicts of interest may arise where:

- multiple funds managed by the Fund Manager invest in the same company;
- investor interests differ;
- follow-on investment or exit decisions are considered;
- employees have personal relationships with portfolio companies; or
- conflicts arise between different portfolio companies.

The Fund Manager identifies, manages and documents such conflicts in accordance with its internal Conflicts of Interest Policy and applicable regulatory requirements.

Appropriate mitigation measures may include independent review, segregation of responsibilities, recusal from decision-making or enhanced governance procedures.

11. Review and Disclosure

This Engagement Policy is publicly available on the Fund Manager's website.

The Policy is reviewed at least annually and updated whenever necessary to reflect:

- regulatory developments;
- changes in investment strategy;
- evolution of SFDR requirements;
- market best practices; and
- operational experience.

The Fund Manager reports, where applicable, on its engagement activities through its SFDR disclosures, sustainability reporting and other regulatory or investor communications.

12. Responsibilities

The implementation of this Policy is the responsibility of the Investment Team and Portfolio Management Team.

Responsibility for ESG integration, SFDR implementation and PAI oversight rests with the designated sustainability function or other responsible governance body.

Material matters may be escalated to the Investment Committee and/or the Board of Directors, as appropriate.

13. Final Provisions

This Engagement Policy complements the Fund Manager's internal governance framework, including its Sustainability Risk Policy, ESG Policy, Principal Adverse Impact Statement, Conflict of Interest Policy and applicable investment documentation.

Nothing in this Policy limits or replaces any obligations arising under applicable laws, fund documentation or investment agreements.

The Fund Manager considers active engagement an essential component of responsible investment and believes that continuous dialogue with portfolio companies contributes to stronger financial performance, improved sustainability outcomes and measurable positive impact.