Disclosure Statement
Operating Principles for Impact Management
EcoEnterprises Fund
June 7, 2024

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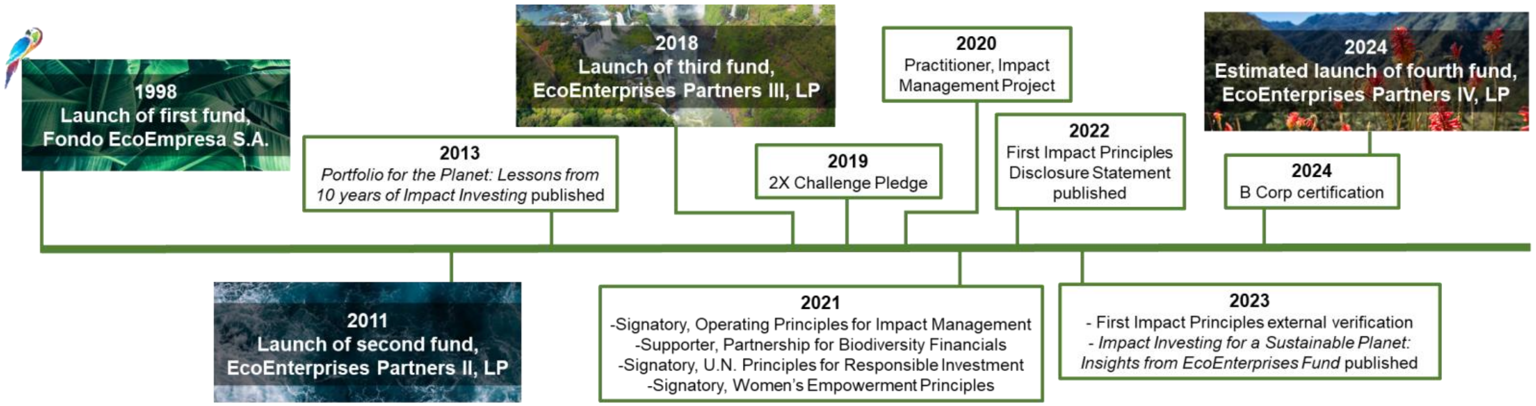
EcoEnterprises Fund (the Manager) is an impact investment fund that offers tailored growth capital and strategic guidance to innovative sustainable biodiverse businesses in order to scale and optimize their financial, environmental and social performance. Since 1998 we have successfully proven our unique approach, managing three successive funds: Fondo EcoEmpresas, S.A., EcoEnterprises Partners II, L.P., and EcoEnterprises Partners III, L.P., that have financed nearly 50 companies in Latin America, Europe, and the U.S. We have built a track record of delivering portfolio results while generating fair and sustainable livelihoods for local communities and preserving our most important natural asset: Planet Earth.



The Operating Principles for Impact Management (the "Impact Principles") align with EcoEnterprises Fund's goal to promote best practices and enhance impact on an industry level. EcoEnterprises Fund hereby affirms its status as a signatory to the Impact Principles; this Disclosure Statement demonstrates our commitment to managing our portfolio in line with the Impact Principles and applies to all funds under EcoEnterprises Fund's management (Covered Assets).

The total Assets under Management in alignment with the Impact Principles is **US$111,000,000** as of June 7, 2024.

Tammy Newmark
CEO, Managing Partner
June 7, 2024

EcoEnterprises Fund

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.

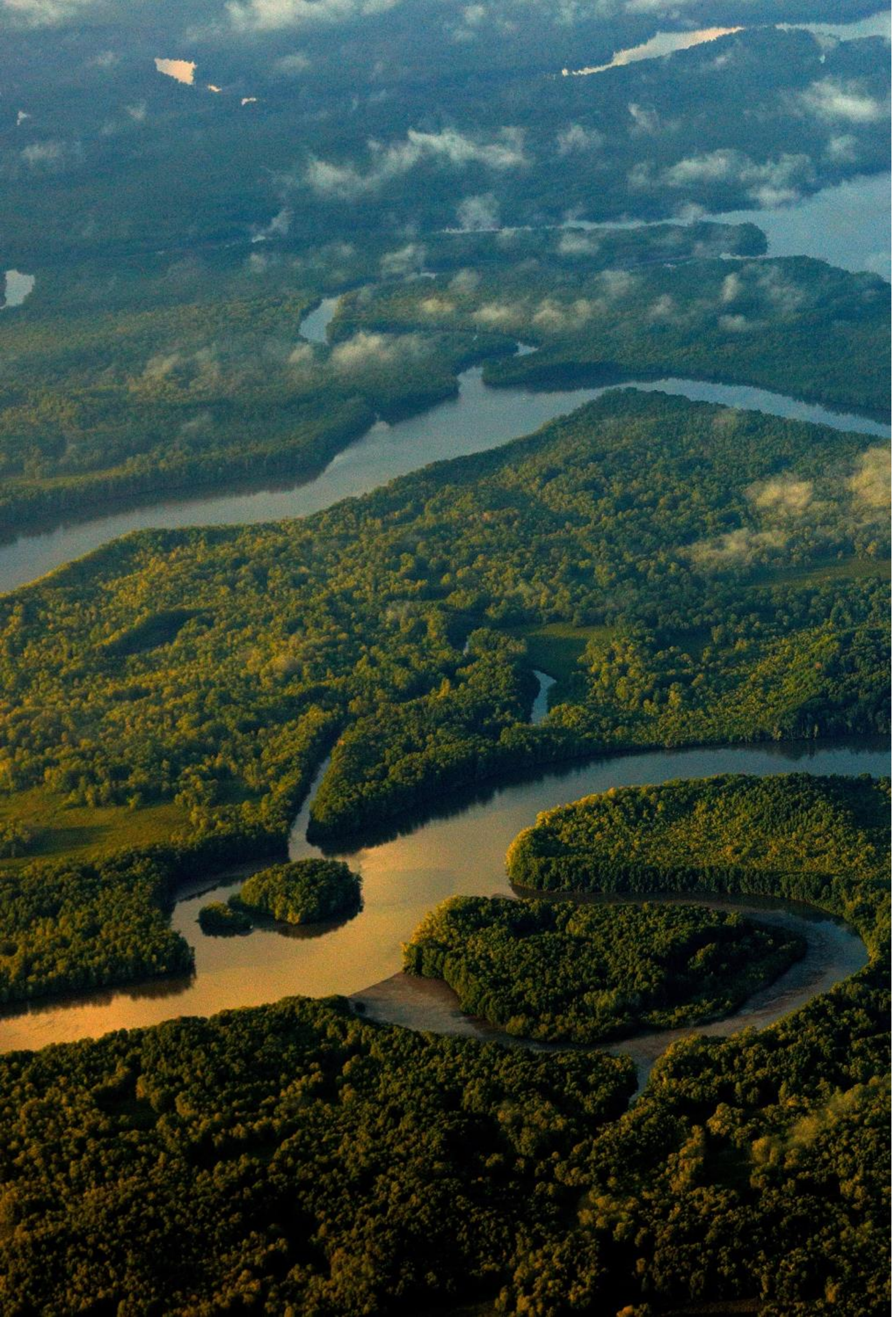
A pioneer in impact investing, EcoEnterprises Fund was created as an innovative tool to help protect critical ecosystems. We currently focus on Latin America, one of the world's most biologically-rich regions with nearly 40% of the planet's remaining biodiversity, where there is a significant burden on natural resources due to unsustainable agricultural methods, deforestation, and harmful business practices. We provide tailored growth capital, including equity, mezzanine instruments with upsides, and quasi-equity, and capacity building services to support expanding, small businesses providing nature-based solutions in sectors such as regenerative agriculture, agroforestry, sustainable aquaculture, circular economies, agri-tech, etc., that can be a positive force for change in the region and transform the way both business and conservation are achieved.

Our investment strategy is driven by our overall, long-term impact objectives to ensure planetary health by focusing on our three investment verticals: biodiversity and natural ecosystems, climate solutions, and social equity. We support companies with regenerative business models aligned with the UN SDGs that create value from biodiversity, combat climate change and provide fair and equitable livelihoods. We support businesses that directly protect and restore valuable ecosystems such as sustainable forestry, ecotourism and ocean-based businesses. In addition to the climate benefits achieved through biodiversity preservation and regenerative practices, we invest in unique opportunities in areas such as alternative proteins, ag-tech, renewable energy and the circular economy that reduce emissions, help climate resilience and support planetary health. With a particular focus on gender-inclusive and women-led companies, we focus on community businesses that collaborate with local peoples - including Indigenous communities - to boost incomes and take action to create a more equitable and just society.

During our due diligence of a portfolio company, we identify the impact objectives and related SDGs to which the company contributes, and we look for opportunities for scalable impact. As our portfolio companies grow, so do the benefits for the environment, employees, and local communities. Impact and returns are maximized by leveraging the Manager's broad network of partners, as well as our expert investment and risk mitigation strategies developed and tested over two decades.

We use the UN SDGs as a framework to identify how portfolio companies contribute to our target impact objectives. We invest in and elevate innovative, small- and medium-sized enterprises that foster the preservation and sustainable use of natural resources as well as the conservation of biodiversity and ecosystem services, offer employees a fair and safe working environment, and serve as important economic engines for surrounding communities and suppliers. By investing without discrimination based on gender, and cultivating female entrepreneurs and business talent, we work to end discrimination against women and girls and to bolster the role for women in economic life, creating avenues for women to assume central positions in their communities and countries. Many of the portfolio companies also implement programs providing social services to women and children in the surrounding communities, supporting schools, medical care, improved nutrition, and financial literacy.

The SDGs below visually represent our portfolio impact focus areas, with larger SDG icons 2, 5, 8, 12, 13, 14, and 15 demonstrating the most prominent impact objectives of our investments. We also indirectly target SDGs 6 and 7, with clean water and energy access embedded into the activities of our portfolio companies. For us, SDG 17 - focused on partnerships - rises to the top, as collaboration is essential to any effective strategy to bring about the necessary systematic change to tackle the interrelated challenges we face.



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 recognizing 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.

The ability to manage overall portfolio environmental and social (E&S) impact relies primarily on the quality of the tools used for measuring and monitoring. As pioneers in impact investing, the Manager has been at the forefront of finding ways to evaluate and report on environmental and social performance, developing our own tools when none existed. Our internal Environmental & Social Management System (ESMS), developed over twenty years and reviewed yearly, combines these tools and our expertise to steer our investments and assure company performance is in line with our target sustainable impact goals.

Positive environmental and social impact is necessary for a company to be considered by EcoEnterprises Fund's Investment Committee. Before closing the deal, the Manager works with each portfolio company to develop an E&S Action Plan that is used throughout the investment to enhance results. Sector- and company-specific metrics pertaining to best practices in governance, diversity, community engagement, waste, energy and water usage and others are included in the Impact Metrics Tool used during due diligence and subsequent monitoring. Impact outcomes are reported to investors alongside financial outcomes each quarter and are an important driver for the Fund's Limited Partners.

A highly qualified Impact Committee composed of foremost experts in environmental and social sectors provides critical feedback and support to the investment team and portfolio companies on specific E&S results that are identified, monitored, and improved over time. Our collaborative approach throughout the investment accelerates our ability to foster transformative business models which address the challenges facing our planet.

Alignment with EcoEnterprises Fund's mission and vision have been a prerequisite for the inclusion of every member of our team for more than 20 years, and it is included as a clause in the legal agreement of every fund. Additionally, the team receives regular training on impact management best practices and incorporates impact considerations at every stage of the investment process, both innately and by following our structured process. To formalize commitment further, aligning staff incentives with impact may be considered as best practices emerge.

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PRINCIPLE 3: Establish the Manager's contribution to the achievement of impact.

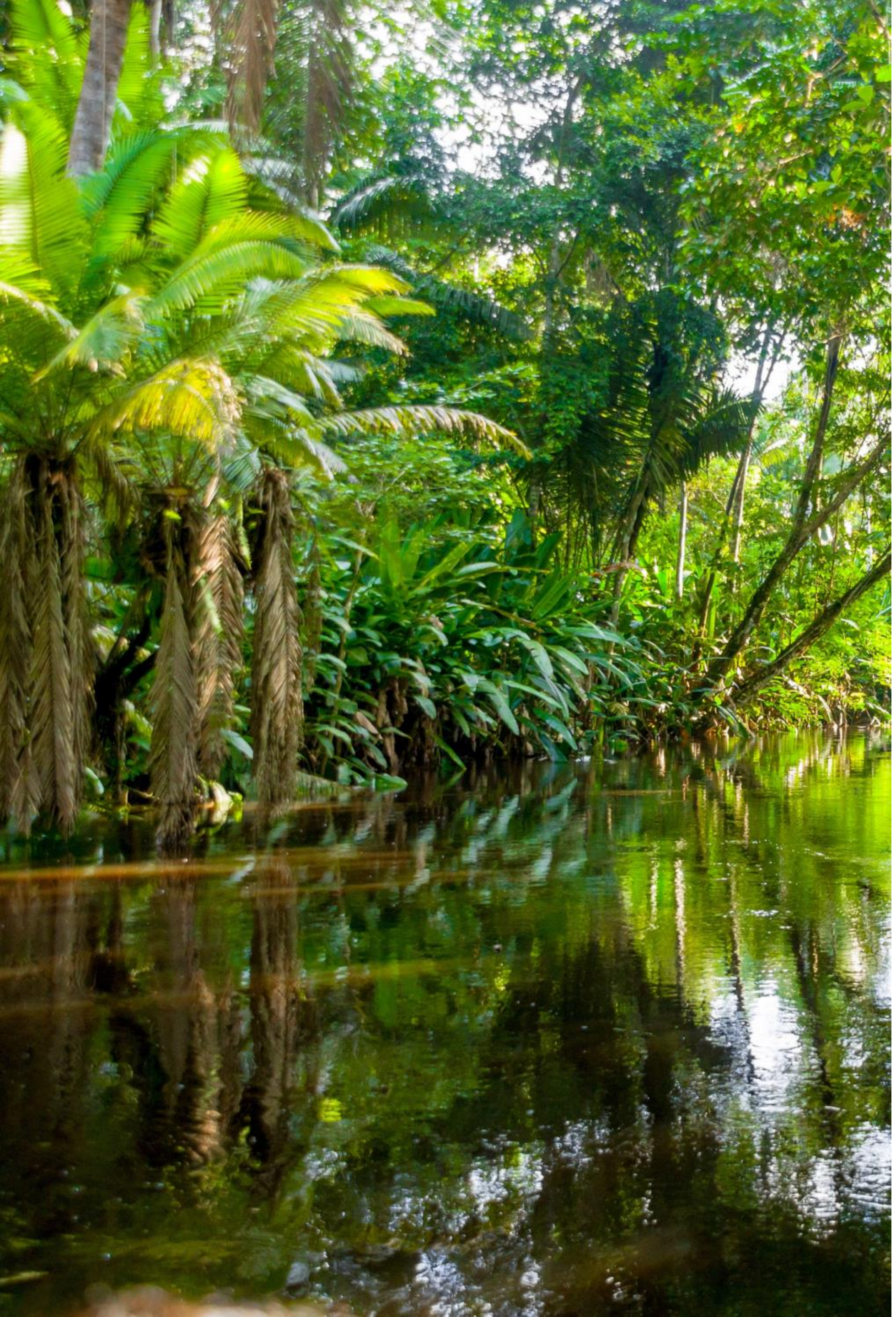
The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible,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

For each investment, EcoEnterprises Fund establishes an impact rationale tied to the Fund's overall impact goals. We provide both financial and non-financial inputs to help the portfolio company generate measurable impact outputs at the company-level that support that rationale. We cultivate trust-based relationships based on respect, transparency, authenticity, and accountability to work hand-in-hand with our portfolios towards the achievement of impact. These results contribute to the environmental and social outcomes that are at the foundation of how we as a fund can effect broader-scale change.

EcoEnterprises Fund fills a financing gap in the market for growth-stage impact-oriented projects bringing nature-based solutions in Latin America. For our target companies in this 'missing middle', the financing we provide – including creative, long-term financing structures – catalyzes growth for impact businesses.

Importantly, our additionality goes beyond access to financing. Our experience has demonstrated that to truly transform systems, more than just investment capital is needed; there must be an intentionality that drives engagement with companies. For EcoEnterprises Fund, engagement with our portfolio companies comes in a variety of forms including business advisory services that encourage the survival and long-term success of impact businesses, as well as support to enhance the impact performance of the companies in environmental, social and governance areas. Our technical assistance contributes to this impact, funding projects that improve supply chain sustainability and resiliency, promote gender-smart actions, and target climate change mitigation and adaptation, among others.

With the help of external consultants, we have worked to quantify the time and resources invested in providing this value-add advisory and technical assistance. Through case studies reviewing the outcomes of this engagement, as well as discussions with portfolio companies, we strive to draw lessons learned from our experience over the last two decades to further maximize impact outcomes in our portfolio.



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.

As a pioneer in impact investing, EcoEnterprises Fund has been at the forefront of measuring and monitoring portfolio company impact since the launch of our first fund in 2000, developing our own tools to assess and report on environmental and social impact when none existed. These tools form the foundation of our Environmental & Social Management System (ESMS) which guides our overall impact management approach.

Over the last two decades, there has been much progress on measuring impact in the industry, and our ESMS has evolved to integrate those advances. Our ESG Risk Rating Tool and an enhanced Due Diligence Checklist were developed in alignment with the IFC Performance Standards to help assess risk across the portfolio more comprehensively, and we've drawn from both IRIS+ and the 2X Challenge to refine our Impact Metrics Tool to ensure that the indicators we collect fully grasp the scope of our companies' impact and reflect the current learning in the field.

Our ESMS also incorporates the Impact Management Project framework, using the **five dimensions of impact** to assess the impact of each investment: 1) **What** outcome the enterprise is contributing to; 2) **Which stakeholders** are experiencing the outcome; 3) **How significant** are the outcomes delivered by enterprises, across scale, depth and duration; 4) **Contribution** of the company's efforts to the resulting outcomes; and, 5) **Risk** that the expected outcomes will not occur. During the due diligence process for a potential investment, these dimensions are reviewed and elaborated in the investment memorandum, and risks and positive outcomes are reported on a quarterly basis to investors. We collect portfolio impact metrics (e.g. acres conserved/sustainably managed, number of female employees/women in senior management, suppliers or local communities involved, among others) at the outset of an investment and then monitor and work with the company to improve those metrics over time.

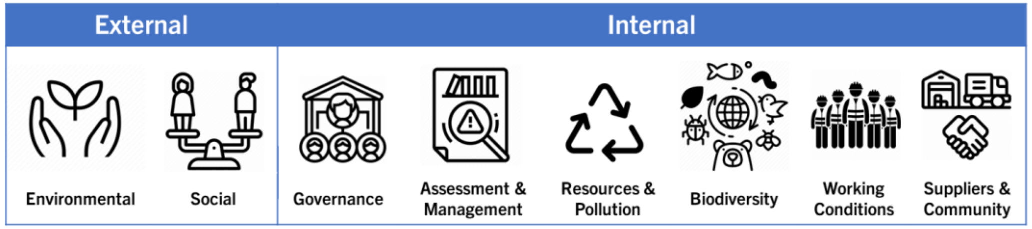
PRINCIPLE 5: Assess, address, monitor, and manage potential negative impacts of each investment.

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.

EcoEnterprises Fund's ESMS has a comprehensive ESG risk identification and management component. At the outset, certain activities with negative E&S impact are avoided through the Fund's exclusion list. During due diligence, a thorough risk assessment based on the IFC Performance Standards is performed to identify areas of potential negative impact. When a company joins our portfolio, we use that risk assessment to develop an E&S Action Plan (ESAP) that identifies areas to be monitored and improved over time. The Manager reports on ESAP progress regularly to investors.

Each portfolio company is assigned an ESG risk score through our risk rating tool, honed over the last two decades and based on best industry standards, including external review from expert consultants. Risk ratings are updated yearly and shared with investors.

<u>EcoEnterprises Fund's ESG Risk Rating</u>



The Manager's close engagement with portfolio companies keeps ESG issues at the forefront, and we work to address any gaps, mitigate risks, and boost positive impact performance through technical assistance and advisory services.

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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.

EcoEnterprises Fund's ESMS includes a monitoring system with an outlined process for collecting and processing metrics on an annual basis.

The Impact Metrics tool, fed by IRIS+ and 2X Challenge metrics and definitions, is shared with portfolio companies, who are active participants in the metrics collection process and are therefore consistently aware of their performance with impact metrics. E&S Action Plans are also updated on at least an annual basis. Metrics collection is handled by the investments' Managing Director in collaboration with EcoEnterprises Fund's dedicated Impact & ESG Officer. When possible, metrics are collected from the same contact person within the portfolio company to encourage consistency. Key E&S aspects are included into the contract with the investee. If an investee no longer aligns with the Manager's impact approach, the Manager has an outlined process for addressing the breach and if necessary, exiting the investment.

	Pre-Investment	Due Diligence	Post-Investment
OBJECTIVES	Identify alignment with EcoEnterprises Fund's investment strategy; assess E&S red flags and positive impacts	Assess compliance with Good International Industry Practices; develop ESAP; identify E&S KPIs	Monitor impact, risks and performance; manage potential negative impacts and maximize E&S outcomes; track ESAP progress
RESOURCES	- Fund Exclusion List - World Resources Institute ResourceWatch database - External advisers	- E&S DD checklist - Site visit and baseline - ESG Risk Rating (RR) - IFC Performance Standards - Impact Metrics Tool - Impact Management Project framework - ESAP - Loan covenants	- Regular monitoring visits - Follow-up on ESAP - Track performance and improvements with Impact Metrics Tool and ESG Risk Rating - Annual E&S Report - Capacity building support

Outcomes

Identify approaches to manage impacts and maximize benefits to communities and the environment. Production of E&S report and ESAP included in Investment Memorandum. Improvement of company's E&S performance and contribution to development impacts. Maximization of investment sustainability.

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.

All exits are structured to encourage a successful return for EcoEnterprises Fund's investors while promoting the long-term sustainability of positive impact for company stakeholders. The companies' impact and sustainability practices are their biggest asset. From the outset of the investment, EcoEnterprises Fund works closely with companies to ensure that impact is embedded into the company DNA; the Manager engages with investees to improve governance structures, support E&S certification efforts, and develop processes that ensure positive impact will remain long after the Manager has exited the investment. Throughout our experience with mergers and acquisitions, we have recognized that the portfolio company's environmental and social operating principles are the essence of the asset being purchased. This ensures that the positive environmental and social benefits remain.

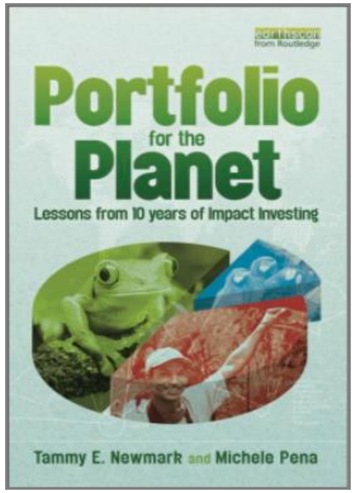
In instances where the Manager possesses the authority to influence the selection of an acquirer for a portfolio company, the Acquirer and Investor Impact Criteria Policy comes into play as a pivotal guiding framework. The Manager focuses on selecting partners that possess a strong commitment to E&S standards and exhibit a clear alignment with impact. These potential partners must demonstrate capacity to maintain or enhance the portfolio company's social and environmental practices post-acquisition or investment, such as a proven track record of successful E&S integration, a dedicated impact-oriented mission, and the resources and expertise to sustain and amplify impact initiatives. This approach ensures a seamless transition that upholds and strengthens the Fund's commitment to impactful investments. By emphasizing E&S commitment, impact mission, and resources, the Manager fosters a collaborative ecosystem that promotes enduring impact progress within portfolio companies.

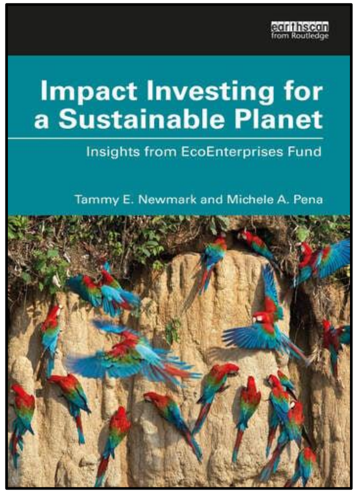
PRINCIPLE 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

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.

Collecting and sharing lessons learned is a key tenet of EcoEnterprises Fund's operating philosophy. Expected and actual impact of investments is reviewed throughout the life of each fund, with support from experts on our Impact Committee as well as consultants. We have developed many case studies on the outcomes of our investments, reviewing areas such as climate solutions, biodiversity, results of technical assistance support, sector-level risk and impact, and company-specific analyses. The results of these case studies have been used to inform our engagement with other portfolio companies and launched discussions on how to further our impact.

As part of our commitment to SDG 17 Partnerships for the Goals, we disseminate our acquired knowledge to help strengthen the role of nature-based companies in contributing to global solutions. Lessons from our first decade of impact investing was published in our book *Portfolio for the Planet: Lessons from 10 Years of Impact Investing*. Our second book, *Impact Investing for a Sustainable Planet: Insights from EcoEnterprises Fund* was published in 2023, sharing the valuable lessons and impactful stories we've collected in our second decade of investing in nature-based solutions. The Manager's team also participates in industry events and working groups to share lessons learned and gain from peer experience. Finally, we publish an annual public impact report on our website, sharing our investment strategy and approach and highlighting the achievements of our portfolio.





PRINCIPLE 9: Publicly disclose alignment with the Impact 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 Impact 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 Statement, which will be updated annually, confirms EcoEnterprises Fund's alignment with the Impact Principles. In accordance with the requirement that signatories submit to an independent verification, we have conducted the first external verification in spring 2023.

The independent of the alignment of EcoEnterprises Fund's impact management system with the Impact Principles was conducted by SAGANA GmbH (Sagana), established at Roosweidstrasse 7A, 8832 Wollerau, Switzerland. Sagana consulting collaborates with development organizations, foundations and investors to maximize the transformational effect of their resources. They draw on their insight and expertise combined with their deep understanding of local markets to co-create specialized solutions and programs that empower their clients to make a positive impact on human and planetary health. The Sagana team is experienced in impact measurement, reporting and monitoring.

Going forward, verifications will be conducted periodically, no later than at three-year intervals. This disclosure statement, as well as the results of the independent verification are made publicly available on both our website and the website of the Impact Principles.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www.ecoenterprisesfund.com
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