INSTITUT DE LA FINANCE DURABLE
PARIS EUROPLACE

TASKFORCE ON IMPACT FINANCE

INVESTOR IMPACT CHARTER

January 2024

INTRODUCTION

The purpose of this Impact Charter is to promote the development of ambitious and transparent impact finance and to harmonise practices. The aim is to define a common framework for all asset classes for existing funds or new funds that wish to be designated as "impact-driven funds"[1] in order to:

— affirm the commitment of the signatory to compliance with the principles of this Charter;

— ensure a transparent and proven impact approach.

This Charter is aligned with the principles and objectives of the definition of impact finance established on 29 September 2021 by the Taskforce on Impact Finance, whose work was coordinated by the Paris Sustainable Finance Institute (*Institut de la Finance Durable* – IFD, previously Finance for Tomorrow):

> *"Impact finance is an investment or financing strategy that aims to accelerate the just and sustainable transformation of the real economy, by providing evidence of its beneficial effects.*
>
> *It uses three key principles of the approach, intentionality, additionality and impact measurement, to demonstrate:*
>
> *1. The long-term joint search for environmental and social performance and financial profitability, while controlling the occurrence of negative externalities;*
>
> *2. The adoption of a clear and transparent methodology describing the causal mechanisms through which the strategy contributes to pre-defined environmental and social objectives, the relevant investment or financing period, as well as the measurement methods, according to the so-called change theory framework;*
>
> *3. The achievement of these environmental and social objectives within reference frameworks, in particular the Sustainable Development Goals, implemented at international, national and local levels."*

The Charter's commitments relate to both the evaluation of the intensity of the impact and the impact trajectory, with a view to continuous improvement. An operational tool called the "Fund Impact Potential Evaluation Grid" is made available to the signatories of the Charter to qualify their "impact" financing strategy.

The concept of impact is consistent with a dual materiality approach as defined by the European Commission: i.e. taking into account, firstly, the risks that may affect the value of the company and, secondly, the positive or negative social and/or environmental impacts of the company's activity on its stakeholders.

1 Subject to compliance with any conditions defined by the regulator for categorisation as an "impact-driven" fund

PRINCIPLES

The signatory undertakes to apply the fund impact potential evaluation grid[2] and to comply with the following principles for all funds indicated in the section "Scope of Application of the Charter":

Intentionality

Principle 1 Apply intentionality to the entire investment portfolio with a line-by-line demonstration of respect for intentionality in the portfolio's investments.

Principle 2 Realise this intentionality through the ex-ante formalisation of one or more social and/or environmental positive impact objectives, specifying the targeted beneficiaries (e.g. consumer, employee, citizen or environment, biodiversity).

Principle 3 Specify the level of action of the impact objective by indicating whether it concerns the products and services offered by the companies invested and/or the conduct of their operations for each line of the portfolio.

Principle 4 Incorporate a process for taking into account and limiting negative material externalities beyond the formalised positive impact objective.

Additionality

Principle 5 Describe the fund's additionality approach, in particular the levers/tools chosen to improve or strengthen the impact of the underlyings.

Principle 6 Concretely illustrate the fund's additionality efforts and levers, at a minimum by explaining the resources it deploys to maximise the desired positive impact and minimise material negative externalities and, gradually, as methods develop and data become available, through the outcomes.

Measurement

Principle 7 Measure the impact on the total scope of investments made and be transparent, where applicable, regarding the coverage rate and the reasons why the measurement does not cover all investments.

Principe 8 Transparently equip themselves with the necessary measurement tools to report on the positive impact, in accordance with the principle of double materiality.

Principe 9 Report annually, using the medium considered most relevant, on the resources mobilised and the outcomes obtained to maximise the impact, in accordance with this Charter, and conduct an independent review of the evaluation of the funds in accordance with the grid and/or guarantee transparency in the analysis conducted.

---

2 See methods for applying the evaluation grid below

Alignment of interests

Principe 10 In the event that a financial incentive or variable remuneration exists, also align the financial incentive or remuneration process for the performance of managers with the impact objectives defined in the funds covered by the scope of this charter.

SCOPE OF APPLICATION OF THE CHARTER

The management company La Financière de l'Echiquier

undertakes to apply the principles of the Impact Charter to the following funds:

x Echiquier Positive Impact Europe
x Echiquier Impact et Solidaire
x Echiquier Climate & Biodiversity Impact Europe
x Echiquier Health Impact for All

CLASSIFICATION OF THE FUND ACCORDING TO THE EUROPEAN SFDR[3]

All funds to which this Charter applies are in principle intended to be classified as "Article 9"[4] within the meaning of the "SFDR" regulation[5]: if this is not possible or if the strategy is not suited to the requirements of Article 9, the signatory must explain this.

APPLICATION OF THE FUND IMPACT POTENTIAL EVALUATION GRID

A grid to evaluate a fund's potential impact was developed by the Taskforce on Impact Finance coordinated by the IFD. This grid makes it possible to evaluate a fund's eligibility to be defined as an impact-driven fund.

The Grid and its Explanatory Note are available online on the IFD website.

Each fund to which this Charter applies must evaluate its impact potential through this grid and ensure that all qualifying conditions for an impact-driven fund are met:

— **Answer the qualifying questions of the grid with the required score;**

— **And obtain an overall minimum fund score.**[6]

If a significant change in the evaluation grid is reported by the IFD, the fund undertakes to update its evaluation within the year following the publication of these changes.

If a fund does not achieve the required score on the qualifying questions, it cannot be covered by this Charter and therefore cannot declare itself an impact-driven fund as per the definition and the tools developed as part of the Taskforce on Impact Finance's work coordinated by the IFD.

In the specific case of new funds or funds being created (less than two years old), the fund undertakes to use the evaluation grid to guide its impact approach with the aim of answering the qualifying questions with the required score and achieving the minimum required score two years after its creation.

3 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, known as the SFDR (Sustainable Financial Disclosures Regulation)

4 Financial product with the objective of sustainable investment

5 The practical application of this classification, however, remains subject to interpretation by the European Commission and the competent authorities.

6 The required threshold is indicated in the latest version of the evaluation grid.

COMMITMENT RENEWAL CLAUSE

The management company will re-evaluate the funds[7] and sign this Charter again at least every three years. The scope of funds covered by this Charter may be updated on an ongoing basis.

By signing this Charter, the management company undertakes to apply all the terms thereof and to report annually on its impact approach and on the application of these principles.

SIGNATURE	DATE
Signature numérique de Coline Pavot Date : 2024.09.18 14:49:33 +02'00'	18/09/2024

7 Except in the case of a significant change in the grid indicated above, the evaluation will be updated in the year following the publication of these changes.

APPENDIX

This appendix supplements the Impact Charter in order to define the terms used but also to propose tools enabling the signatories to implement the Principles.

Definition of double materiality

Double materiality is defined using two different approaches to the consideration of non-financial information: an “outside-in” approach and an “inside-out” approach. The “outside-in” view covers simple materiality, also known as financial materiality. This involves taking into account information about the positive and negative impacts of the environment (economic, social, natural) on the value of the company. This perspective covers both opportunities (positive impacts on the accounting entity) and risks (negative impacts).

According to the “inside-out” view, information on the company’s negative and positive impacts on the environment (economic, social, natural) is also considered significant. In this case, we refer to socio-environmental materiality, or “impact materiality” (EFRAG, 2021).

Double materiality corresponds to the combination of these two types of materiality.

“Article 9” SFDR classification requirement

An “Article 9” fund corresponds to a “financial product whose objective is sustainable investment”[8]. An impact-driven fund also has a sustainability objective.

To date, the definition of sustainable investment presented above that any investment in an Article 9 fund does not refer to the elements that make up the definition of an impact investment and in particular its three dimensions (Intentionality, Additionality and Measurement).

In the event that a fund covered by this Charter is not classified as “Article 9”, the management company must explain this. This may be related to European regulatory interpretations or the investment strategy. For example, this may be the case for a fund that chooses to invest in companies in sectors considered to have significant negative environmental or social impacts but whose companies are transitioning and whose objective would be to support this transformation.

---

8 “Sustainable investment” is defined as an investment in an economic activity that contributes to an environmental objective, measured for example by means of key resource efficiency indicators for the use of energy, renewable energy, raw materials, water and land, in the production of waste and greenhouse gas emissions or effects on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to the fight against inequality or which promotes social cohesion, social integration and labour relations, or investment in human capital or economically or socially disadvantaged communities, provided that such investments do not cause significant harm to any of these objectives and that the companies in which the investments are made apply good governance practices, in particular, with regard to sound management structures, staff relations, remuneration of competent staff and compliance with tax obligations.

Tools related to the principles

PRINCIPLE 1:

— To demonstrate compliance with line-by-line intentionality on the portfolio's investments, each fund may endeavour to verify that there is no distortion of intentionality as a whole through the use of other types of financial products, such as derivatives.

— If a 90/10 fund wishes to sign the Charter, it must apply an impact approach to both segments 90 and 10, which may differ between the two segments. In other words, the grid must also apply to part 90.

— For funds of funds, they must only invest in impact-driven funds that have signed the Charter or an equivalent. For example, in the case of funds that foreign funds invest in, they must at least be signatories to the World Bank's Operating Principles for Impact Management (OPIM) or another equivalent "impact charter".

PRINCIPLES 5 AND 6:

Given that demonstrating additionality by proof is still a very complex subject, a best efforts obligation is therefore acceptable at this stage, while setting the long-term objective of a performance obligation.

PRINCIPLE 6:

Individual or collective commitment can be used as an additional tool. The commitment policy of the fund in question can therefore be based on the approach of a coalition, which must be specified. In any individual or collective engagement approach, it is important to specify a time horizon on key commitments compared to the fund's search for impact.

PRINCIPLE 9:

The fund documentation should use the expected terms for the demonstration of impact.

As regards the independent review of the evaluation of funds according to the grid, this review may be carried out internally by an independent team or as part of a verification by an external third party[9]. If this independent review cannot be carried out externally, the management company must make the evaluation grid public to ensure transparency on the outcomes obtained by explaining the ratings.

9 It is possible to combine with other approaches such as the Operating Principles for Impact Management (OPIM) of the World Bank. For example, like certain players that have set up external audits based on the principles of OPIMs, it is possible to plan for the extension of the audit to the principles of the Investor Impact Charter, while remaining vigilant about the differences in requirements levels on the three impact pillars. The review by an independent third-party body (ITB) may also be pooled as part of another verification process carried out on behalf of the management company, according to a process to be agreed with the ITB.

PRINCIPLE 10:

Principle 10 requires the minimum qualifying score to question 32 of the fund impact potential evaluation grid: this question 32 of the fund impact potential evaluation grid is one of 12 qualifying questions with a minimum requirement level.

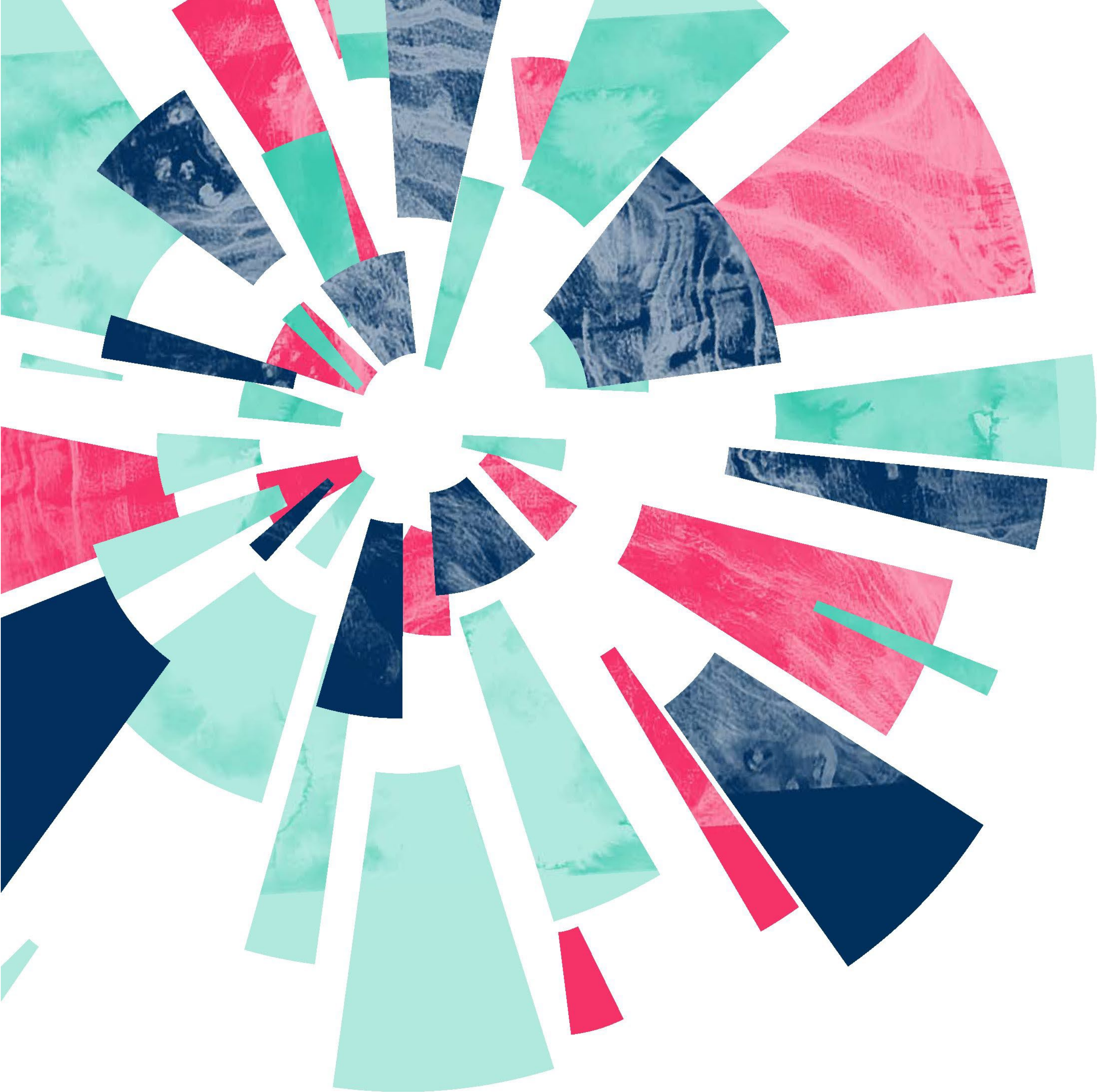
Principle 10 applies globally to the portfolio. Nevertheless, significant imbalances must be reported transparently on the details of the lines making up the portfolio.

FOR MORE INFORMATION

SUSTAINABLE FINANCE INSTITUTE

CONTACTS

impact@ifd-paris.com



INSTITUT DE LA FINANCE DURABLE
PARIS EUROPLACE

TASKFORCE ON IMPACT FINANCE

INVESTOR IMPACT CHARTER

January 2024