Article 10 (SFDR – Level II)

Website disclosure for article 9 funds

IPF Fund II SCA, SICAV-FIAR
&
IPF Fund III SCA, SICAV-FIAR

A) SUMMARY

IPF Fund III is centred around financing healthcare firms, particularly those at clinical and growing commercial-stages, by providing tailored structured debt solutions and, in certain scenarios, minority equity or equity-like investments. The primary objective is to realize social impact as defined under Article 9 of the SFDR by investing a predominant portion of capital in healthcare companies that exhibit a direct positive social impact. This impact is gauged based on criteria related to the enhancement in patients' lives and clinical outcomes, optimization of healthcare spending, and fostering the development of new treatments or diagnostic tools.

The sustainable investment objective of IPF Fund III is monitored meticulously through an annual ESG performance review of the Portfolio Companies, assessing their achievements against pre-set ESG targets. The Fund's methodologies for sustainable investments are initiated by screening potential investments against the Sustainable Investment objective during the selection phase. This methodology extends into the portfolio management and exit phase, where the ESG performance of Portfolio Companies is monitored annually. Agreements with Portfolio Companies may include drafting an ESG policy, assigning resources, and organizing meetings to discuss ESG progress. Data for ESG assessment is directly collected from the prospective companies through a structured ESG Questionnaire, updated annually. If data is unavailable during the investment due diligence process, Principal Adverse Impact (PAI) is estimated based on the latest data provided by the companies. However, data availability for ESG assessment presents a risk. Some companies do not measure certain indicators due to their negligible impact based on the nature of their activities.

In the due diligence and structuring phase, the fund identifies and assesses Sustainability Risk exposure and the potential Principal Adverse Impact of the target company. Key steps include having the target company complete an ESG questionnaire, understanding the management's approach to ESG matters, identifying opportunities to enhance the company's ESG value, and potentially agreeing on incentives with the target company for achieving ESG targets. Engagement is a core part of the fund's approach, with principles integrated to monitor and influence Portfolio Companies' strategy, performance, risk management, corporate governance structure, and ESG matters. Portfolio Companies are encouraged to include relevant governance and environmental risk factors in their long-term strategic business planning. The fund acts in the best interests of its investors, striving to promote better results, generate optimal returns, manage any conflicts of interest, and recommend equal voting rights for all shares. The engagement extends to maintaining a continual dialogue with Portfolio Companies, encompassing regular interactions and ad-hoc discussions on ESG-related aspects, to promote sustainable and responsible practices.

B) NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

In the process of identifying sustainable investments, a thorough screening of companies is conducted to ensure that they adhere to the "do not significantly harm" (DNSH) criteria concerning other social or environmental objectives. The DNSH assessment relies on Principal Adverse Impact (PAI) indicators to pinpoint and exclude companies that fail to meet the specified criteria.

The fund has identified the PAIs (stated in Table 1 of Annex I) linked to Social and Employee Matters as being the most relevant for its Portfolio Companies. Climate and Other Environment-Related Indicators are less relevant for the majority of Portfolio Companies, as they have essentially office activities. IPF Fund III will focus on Climate and Other Environment-Related Indicators only when companies manufacture products or have a production activity that may have significant negative impacts on gas emissions, biodiversity, water or waste.
The IPF Portfolio Management Committee (the "Committee") identifies the most significant PAI indicators based on the Funds' investment strategy and product sector exposures. The list of PAI indicators that the Committee takes into account is reviewed at least once a year and updated accordingly to reflect any change in the sustainability priority. In addition, the Committee identifies PAI indicators for all of its investment portfolios taking into account their probability of occurrence, their irremediability and their seriousness. The Committee measures, monitors and mitigates the PAI indicators for each Portfolio Company through exclusions and pre-investment due diligence. The following mitigation strategies have been implemented:

- Exclusion of companies exposed to controversial and/or illicit sectors and which do not respect the UNGC principles: PAI 7,8,9,10,11 and 14.
- Portfolio alignment: ensuring that the contemplated companies have good ESG practices: PAI 10,11,12,13 and 14.

C) SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The investment objective pursued by the financial product is to achieve social impact, as defined under Article 9 of the SFDR. Specifically, the fund's primary objective is to invest at least 80% of all invested capital in healthcare Portfolio Companies that can demonstrate a direct positive impact in this field. This impact is assessed based on the following criteria:

- Patients' Lives and/or Clinical Outcomes: IPF Fund III seeks to invest in healthcare companies that contribute to improvements in patients' lives and clinical outcomes through their products or services. This can lead to better patient outcomes and improved overall healthcare experiences.
- Healthcare Spending: Investments are directed towards companies that help optimize healthcare spending, thereby promoting efficiency and cost-effectiveness in the healthcare sector.
- Development of New Treatments/Diagnosis: The fund supports companies that focus on the development of new treatments or diagnostic tools targeting clinical unmet needs in healthcare.

The sustainable investments made by IPF Fund III directly contribute to the attainment of its social

investment objective. By investing in healthcare Portfolio Companies meeting the specified criteria, the fund facilitates positive social outcomes in the healthcare sector. At present, the Company has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

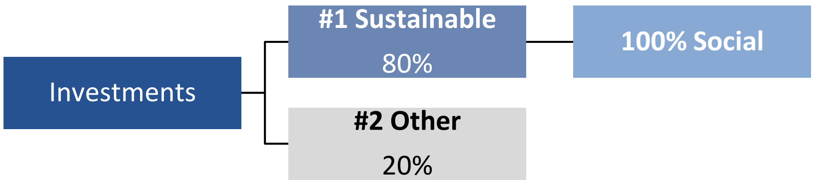
D) INVESTMENT STRATEGY

The focus of IPF Fund III is on financing clinical and growing commercial-stage healthcare Portfolio Companies with customized structured debt solutions based on predominantly senior secured amortizing debt and, in specific circumstances, in minority equity and equity-like investments of Portfolio Companies engaged in the broader healthcare segment, including animal health and elderly care.

In addition, the fund aims to enhance the return of the Company through exercising equity warrants granted in consideration of the Debt Investments and in specifically selected situations by taking (direct) minority equity stakes (excluding as a result of (i) shares issued following the exercise of those warrants, or (ii) shares resulting from a conversion) equal up to 10% of Total Commitments. Equity stakes resulting from equity warrants exercise shall be sold, on a best effort basis, within 3 months from the related exercise date and before the Term of the Company. Exercising equity warrants will be subject to a cap at any point in time of 10% of Total Commitments.

E) PROPORTION OF INVESTMENTS

IPF Fund III commits to 80% of sustainable investments.



F) MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

The sustainable investment objective of the fund is monitored through an annual review of the ESG performance of the Portfolio Company, assessing the achievements against the pre-set ESG targets. This monitoring process can involve scheduled meetings with Portfolio Companies, collecting internal data from them, and reviewing any public (sustainability) reporting available. The monitoring also includes post-investment engagements with management to discuss how ESG issues are being prioritized and managed, reviewing ESG reports, and discussing progress, plans, and objectives with the Portfolio Company's management teams. Furthermore, the Investment Memorandum for each new investment includes sustainability information, and an annual report to investors is generated, covering various aspects of the sustainability of the investments, assessment criteria, and the achievement of the

Sustainable Investment objective. Through these measures, the fund ensures a structured and ongoing monitoring of its sustainable investment objective.

G) METHODOLOGIES FOR SUSTAINABLE INVESTMENTS

The fund's methodologies for sustainable investments begin with screening potential investments against the Sustainable Investment objective during the selection phase. This extends into the portfolio management and exit phase where the fund monitors the ESG performance of the Portfolio Company annually, evaluating achievements against the preset ESG targets. Monitoring involves scheduled meetings with Portfolio Companies, collecting internal data, and reviewing public (sustainability) reporting. Measures such as drafting an ESG policy, assigning resources and responsibilities, and organizing meetings with the Portfolio Company to discuss progress on ESG topics may be agreed upon as part of the investment agreement.

H) DATA SOURCES AND PROCESSING

IPF collects data directly from contemplated companies through a structured questionnaire (the "ESG Questionnaire") as part of the investment due diligence process. Such ESG Questionnaire is updated at least once per year by each of the Portfolio Companies. If data is not available during the investment due diligence process, PAI will be estimated on the basis of the latest data communicated by the contemplated company.

I) LIMITATIONS TO METHODOLOGIES AND DATA

The ESG assessment may be exposed to the risk of availability of the data collected. Some Portfolio Companies do not measure climate and other environment-related indicators, as their activities (mainly office activity) have no significant impact on these indicators. As long as IPF does not consider that the climate and other environment-related indicators are significant on the contemplated company, it will not refrain from investing in this company.

J) DUE DILIGENCE

The fund performs due diligence by identifying and assessing the Sustainability Risk exposure and the potential Principal Adverse impact of the target company during the due diligence and structuring phase. Should any material exposure or impact be revealed, the fund investigates how these are managed by the target company, often delving into both legacy historical issues and future potential issues. Key steps in this process include:

1. Having the target company complete an ESG questionnaire issued by the fund to assess their

involvement on ESG matters and the related reporting processes in place.

2. Understanding the management's approach and sensitivity to ESG matters in general.
3. Identifying opportunities to enhance the company's ESG value, and considering potential incentives to encourage the target company to create an ESG value plan.
4. During this phase, the fund may agree with the target company on incentives that correspond to an interest margin ratchet on cash interest applied at the maturity of the loan, contingent on the achievement of ESG targets by the Portfolio Company for the duration of the loan. These ESG targets are collaboratively defined and agreed upon with the target company during the structuring phase.

K) ENGAGEMENT POLICIES

Engagement is an integral part of the fund’s approach. It has integrated the following principles in this regard:

- Principle 1: IPF monitors the Portfolio Companies’ strategy, financial and non-financial performance and risk, capital structure, Environmental, Social and Governance (ESG) matters, board composition, among other things. IPF strives to influence as much as possible Portfolio Companies and to promote a better corporate governance structure, risk management, performance or disclosure standards with respect to the range of these Portfolio Companies ESG related matters.
- Principle 2: It is expected that Portfolio Companies consider to include relevant governance and environmental risk factors (when applicable) in their long-term strategic business planning, as these can have a significant effect on the value of a company’s assets over time, and its ability to generate long term impact. The Portfolio Companies’ responsibility with respect to addressing ESG aspects is fundamental to them achieving sustainable and responsible practices.
- Principle 3: Corporate governance is about the division of roles and responsibilities between the shareholders, the board of directors and the executive management of companies. . IPF shall act in the best interest of the Funds’ Investors, mitigating any risks of conflict of interest. IPF shall ensure to always:
  - Have a key role in promoting IPF Funds´ progress towards better results;
  - Generate the best possible return in the Funds considering their investment policies and identified risks;
  - Prevent or manage any conflicts of interest arising from the exercise of voting rights;
  - Recommend equal voting rights for all shares.
- Principle 4: A fundamental aspect of IPF corporate governance is to entertain a constant dialogue with its Portfolio Companies. This is done on a multitude of levels, including regular interactions with the Portfolio Companies and ad hoc discussions on ESG related aspects.

L) ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

No specific index has been designated.