Independent Verification

Alignment with the Operating Principles for Impact Management

March-21-2022

Vinci Partners - Vinci Impact and Return Fund (VIR IV)
**Scope and Opinion**

As a signatory of the Operating Principles for Impact Management (‘Impact Principles’), Vinci Partners Investimentos Ltda. (‘the Investor’ or ‘Vinci’) is committed to disclosing the alignment of its Impact Management System with the Impact Principles. The Impact Principles standardize best practices for Investors and institutions to manage impact investments.

The Investor engaged SITAWI to undertake the assessment. This Disclosure Statement applies to the whole portfolio (Vinci Impacto e Retorno IV – FIP Multiestratégia and Vinci Impacto e Retorno IV Master P – FIP Multiestratégia) that accounts for BRL 171.25 million in assets under management as of February 2022.

SITAWI used its proprietary assessment method, based on the Operating Principles for Impact Management, to conduct the assessment and form its opinion.

The information used to develop this Verification Statement came from various sources, including information and documents provided by the Investor (some of them confidential), desk research, as well as other elements acquired via interviews with the Investor’s staff. This process was carried out between February and March 2022.

SITAWI had access to all requested documents and key-staff, thus being able to provide an opinion with a reasonable level of assurance regarding completeness, precision, and reliability.

**Final opinion:** SITAWI states that Vinci Impact and Return IV’s Impact Management System is highly aligned with the Impact Principles.

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Rio de Janeiro, Brazil | March 21, 2022.
Overall assessment

**Investor:** Vinci Partners Investimentos Ltda.

**Fund** Vinci Impact and Return IV

**Country:** Brazil

**Committed AUM**: BRL 171.25 MM

**Overall Alignment** High

**Main strengths**

✓ High alignment with most of the Principles (7 out of 9) and moderate alignment with other 2 Principles (OPIM 2 and 7).
✓ Well-defined strategic impact objectives that are consistent with its investment strategy
✓ Internally-developed, robust and systematic ESG and Impact framework is used to assess potential impact of invested companies
✓ Robust engagement practices used to guarantee impact achievement by invested companies
✓ Expected impact estimated and compared to baseline and actual impact to improve monitoring practices and impact achievement
✓ Impact achievements and Principles alignment are publicly disclosed and independently verified

**Improvement opportunities**

⚠ The investment management team shall have incentives (non-financial or financial) related to the achievement of impact
⚠ Exit strategy and decision-making shall be more affected by sustained impact considerations

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1 The AUM considers all the investments made by the Fund until the 4th quarter of 2021 according to VINCI VIR IV’s investors presentation

**INDEPENDENT VERIFICATION - VINCI IMPACT AND RETURN FUND (VIR IV)**
## Alignment to the Principles

This section provides a summary of the alignment assessment for each Principle:

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<tr>
<th>Principle 1: Define strategic impact objective(s), consistent with the investment strategy.</th>
<th>Level of alignment: High</th>
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<tbody>
<tr>
<td>Vinci Impact &amp; Return Fund ('VIR IV' or 'fund') is a private equity fund managed by Vinci that aims to promote positive social and/or environmental impact ('S&amp;E') as well as create financial return to its limited partners ('LPs'). The impact-oriented strategy is focused on minority stakes in small and medium enterprises (SMEs) with limited access to capital and know-how and within priority sectors with a robust impact thesis. The fund aims to contribute to the Sustainable Development Goals (SDGs) 1 ('No Poverty'), 8 ('Decent Work and economic growth'), 9 ('Industry, Innovation and Infrastructure') and 10 ('Reduced Inequalities'). According to the particularity of each investee, the Fund also seeks to contribute to other SDGs. The priority sectors for the fund's investing are (i) healthcare, (ii) education, (iii), specialized retail - food; (iv) specialized retail - non-food retailers; (v) I.T &amp; Value Added Services and (vi) health nutrition. These sectors represent potential positive outcomes and relevant investment needs in Brazil. During the investment period, Vinci seeks to improve the investees impact by supporting them to develop its products, services or modus operandi to generate impact along with business opportunities.</td>
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<th>Principle 2: Manage strategic impact on a portfolio basis.</th>
<th>Level of alignment: Medium</th>
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<td>Vinci measures and monitors the impact metrics and relevant key performance indicators, defined during the investment process. These metrics are aggregated into a portfolio view for high-level analysis and reporting. There are annual reviews of the portfolio in which each investment is compared to the expected and actual impact. The results are used to improve operational and strategic investment decisions. In addition, Vinci promotes training related to impact measurement and management as non-financial incentives for the deal team and other staff directly related to the fund (e.g legal staff). The financial incentives follow the company processes but are not related to the VIR IV's impact metrics. Some example of the indicators measured by Vinci VIR IV Fund are (i) the number of jobs created since its investment for the whole VIR IV portfolio and (ii) the percentage (%) of women employed in each company. Other metrics are related specifically to each investee, for example, (i) number of health care treatments (both in the public and private sectors); (ii) number of participants in health prevention programs (at the end of each quarter); (iii) number of lives served by health insurance, and other indicators which are defined according to the sector of the investee and its impact Action Plan.</td>
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<th>Principle 3: Establish the Manager’s contribution to the achievement of impact.</th>
<th>Level of alignment: High</th>
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<td>The deal team works together with the entrepreneur to build an Impact Thesis of the investment. At the signing phase, Vinci submits and agrees with the entrepreneurs on the 100-day Action Plan, Value Creation Plan and the Five-Year Action Plan to address ESG risks and achieve positive impact. In addition, Vinci provides semiannual and annual reports to investors and external stakeholders. The reports contain an overview on the investments impact and ESG performance. Currently, Vinci does not have a defined policy to provide resources for impact achievement. In some cases, Vinci address some specific budget for projects related to the Action Plans of some investees. Thus, the contribution of the Fund for impact achievement is made mostly through non-financial channels.</td>
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<th>Principle 4: Assess the expected impact of each investment, based on a systematic approach.</th>
<th>Level of alignment: High</th>
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To define if a new investment is aligned with the Fund’s impact strategy, Vinci applies the first tool of its Impact Framework, the Eligibility and Prioritization Tool.

After this initial screening, Vinci calculates the Vinci Impact Index (‘VII’) in order to define the reference point for impact on a screened company and to calculate the expected impact on each one of them. VII follows the Impact Management Project Framework (IMP Framework) assessment, which has five dimensions (What, Who, How Much, Contribution and Risk). The baseline VII score refers to the impact generated by the company before VIR IV’s investment. The deal team also calculates an expected VII base on the projected impact for the next years after the investment. The baseline and expected results will influence investments to new and existing portfolio investments. Vinci VIR IV does not invest in companies with a low baseline VII score.

It is worth mentioning that Vinci measures and monitors, at least semiannually, the impact metrics and relevant key performance indicators, defined during the investment process, and update the investment’s VII for each portfolio company. The metrics are mostly based in the IRIS+ indicators and are connected to the key SDGs that each company intends to contribute.

**Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment**

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<th>Level of alignment:</th>
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Vinci conducts an Environmental and social (E&S) risk categorization for all fund’s investments. It considers two variables: (i) the company’s core business and (ii) a combination of contextual aspects regarding company’s location and critical issues to its operations. The results of this E&S risk categorization are used as inputs for the Impact & ESG Due Diligence (IEDD).

This due diligence process is carried out following the IFC Performance Standards for all investments, regardless of its ESG risk level, together with specialized consultants. It aims to ensure the impact intentionality but also identify potential ESG risks and value creation opportunities in the businesses. As a result, it enables the deal team to support the companies in the developing of systems, controls, and metrics regarding the positive and negative potential impacts.

Environmental and social (E&S) risk categorization system As result, the Impact & ESG Due Diligence is a tool to assess the positive impact, the ESG risks, and to foster value creation in the business. At the investment signing phase, Vinci submits and agrees with the entrepreneurs on an Action Plan to address Impact and ESG risks.

It is worth mentioning that every portfolio company must commit to ESG legislation and norms and the applicable requirements of the Fund on ESG and positive impact, as well as abide to the Action Plan.

The investee shall report the metrics and progress on the Action Plan to the General Partner on a semiannual basis. Additionally, any deviation shall be communicated to and agreed with the General Partner. In case the impact metrics of an investment indicates that it is not going to achieve its intended impact, Vinci will actively engage with the company to diagnose causes and implement action plans to improve its impact performance.

**Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.**

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<th>Level of alignment:</th>
<th>High</th>
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After each investment, Vinci measures and monitors both ESG and impact metrics and relevant key performance indicators, defined during the investment process. Vinci updates the investment’s Vinci Impact Index (VII) for each portfolio company on an annual basis.

The impact metrics are mostly based on the IRIS+ indicators and are connected to the SDG objectives. In case the impact metrics of an investment indicates that it is not going to achieve its intended impact, Vinci will actively engage with the company to diagnose causes and implement action plans to improve its impact performance. During the first year of the Fund (2021), Vinci monitored some indicators in common for the portfolio companies (e.g. percentage of women employed and number of jobs created since VIR IV’s investments), and also specific indicators for each investee according to the Action Plan defined. Financial indicators were also monitored and quarterly reported along with impact indicators to investors.

From 2022 on, Vinci will release an annual Impact Report which will cover the impact indicators established in the Action Plans of each investee. In addition, Vinci will conduct a quarterly update with investors, reporting specific indicators and impact projects.
Principle 7: Conduct exits considering the effect on sustained impact.

*Level of alignment: Medium*

Vinci informed that in the exiting processes, it will consider, beyond the financial return, buyers that share the same impact principles of the VIR IV Fund or buyers that have clear ESG values. Buyers that maintain the positive impacts will be preferable but the priority in the disinvestment process is the financial return.

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

*Level of alignment: High*

Vinci is committed to continuous improvement. It aggregates specific metrics and the Vinci Impact Index (VII) of the different investments into a portfolio view for high-level analysis and reporting. Vinci also conducts annual reviews of the portfolio and of each investment comparing the expected and actual impact. The results of these reviews will be used to improve operational and strategic investment decisions. The first annual review of the portfolio is expected to be finished by April 2022.

After each exit, Vinci will develop impact case studies, reviewing positive aspects of the impact performance as well as lessons learned. The team intends to use the cases for strategy enhancement and for improving management processes on unrealized investments.

Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

*Level of alignment: High*

In line with Impact Principles’ requirements, Vinci will publicly disclose its annual Impact Report to investors and external stakeholders along with its Disclosure Statement. The Impact Report will contain analysis across all the investments including the Vinci Impact Index (VII) performance per investment and of the total portfolio.

Additionally, a third party will provide an independent verification of the Fund's impact management systems' alignment with the Principles. The conclusions of the 2021 analysis will be publicly disclosed, as part of Vinci's commitment to the OPIM.
Method

About the verification requirements

The Operating Principles for Impact Management state that: “Signatory must provide regular independent verification of the alignment of its impact management systems with the Principles. The verification may also highlight aspects of the systems and processes where alignment may be enhanced. Independent verification may be conducted in different ways, for example, as part of a financial audit or through a portfolio/Investor performance evaluation.

The verification may be performed by an external third party or by an internal unit of the Signatory. If the verification is performed by an internal unit, the Signatory must provide a description of the verification process and how it is separate from the operational units.

The frequency of the verification report may vary, depending upon the type of organization. If it is not performance on an annual basis in conjunction with the annual disclosure report, then the Signatory must disclose the frequency of the independent verification and the underlying rationale.

If the first verification report is not available when the first disclosure statement is submitted, then the Signatory must provide the date that it will be provided, how frequently it will be provided, and the name and qualifications of the independent verifier.”

Verification assessment procedures

SITAWI's assessment is based on a proprietary methodology, aligned to the Operating Principles for Impact. SITAWI also considers Impact Management Project (IMP) and IRIS+ as relevant references. The assessment consists of the following stages:

1) Application of SITAWI's methodology for the verification of the Investor’s performance level for each of the nine Operating Principles. The methodology developed divides each Operating Principle into two or more Components and assesses the level of alignment of the Fund’s impact management practices, tools, policies and responsibilities to each of these Components. Our opinion is based on desk research of publicly available information, interviews with staff and assessment of internal documents.

2) Alignment can be:
   a. **Low**, when there are no practices in place that correspond to the demands of each Component;
   b. **Medium**, when there are tacit practices in place that correspond to the requirements of a Component OR when the formal practices partially meet the requirements; and
   c. **High**, when there are formal practices in place that meet the Component requirements.

3) The average of the Components level of alignment make up each Principle’s level of alignment. The final result is the average of the nine Principle’s level alignment that represents the level of alignment of the Investor to the OPIM.

Declaration of responsibility
SITAWI is not a shareholder, client, supplier or subsidiary of the Investor or from its affiliates, being therefore able to provide an independent opinion regarding its alignment with the Impact Principles.

**DISCLAIMER**

SITAWI acts as ESG & impact advisor to Vinci and also provides due diligence advisory services. To mitigate the potential conflict of interest and ensure objectivity and impartiality, the professionals responsible for this Verification Statement were not involved in the advisory projects. Thus, SITAWI declares not having any conflicts of interest and also to being able to provide an independent opinion regarding the impact management of Vinci Impact & Return IV Fund (“VIR IV” or “Fund”).

The assessment contained in this Verification Statement is based on a series of documents, part of which are confidential, provided by the Investor. We cannot attest to their completeness, accuracy or even veracity. Therefore, SITAWI is not responsible for the use of the information contained in this opinion. This assessment focuses on the impact management integrity and does not include the verification of the resulting impacts achieved.

**THIS IS NOT A RECOMMENDATION:** We reinforce that the analysis and opinion in this report shall not be taken as an investment recommendation or a proxy for liquidity or returns.

**About SITAWI**

SITAWI Finance for Good is a Latin American-based organization whose mission is to mobilize capital for positive environmental and social impact. We develop financial solutions for social impact and advise the financial sector on how to incorporate environmental and social issues into strategy, risk management, investment decisions. We are one of the 5 best ESG research houses for investors according to Extel Independent Research in Responsible Investment - IRRI 2019.