



Disclosure Statement

Operating Principles for Impact Management

FEBRUARY 2024



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Vinci Partners Investimentos Ltda. (the “Signatory” or “Vinci”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”) and announces its second year as a member of the Impact Principles, as well as the second year of the Private Equity Fund Vinci Impact and Return IV (the “Fund” or “VIR IV”), managed by Vinci GGN Gestão de Recursos Ltda. (the “Manager” or “Management Team”) a Vinci subsidiary, in accordance with the Impact Principles – Vinci’s first impact-focused strategy.

The Signatory’s activities encompass five business segments in the Brazilian market: Private Markets (Private Equity; Infrastructure; Real Estate, and Credit); Liquid Strategies (Stocks and Multimarket); Investment Products and Solutions; Special Situations, and Financial Advisory Services.

This Disclosure Statement applies to the following assets or business lines (the “Assets Under Management”):

- Vinci Impacto e Retorno IV – FIP Multiestratégia¹, and
- Vinci Impacto e Retorno IV Master P – FIP Multiestratégia

The Fund concluded the year of 2023 with 5 investments in Brazil (excluding Pro Infusion, the first exit concluded in late 2022), in line with its strategy of investing in pre-defined priority sectors (healthcare, business services, and specialized retail) through minority stakes in Brazilian Small and Medium-Sized Enterprises – SMEs. The strategy aims to partner with experienced entrepreneurs that will continue to lead the business and seeks to provide its investors with good risk adjusted market returns, while generating positive impact to stakeholders and the communities in which it operates.

The value of Assets Under Management in alignment with the Impact Principles is US\$ 83 million as of December 31, 2023.

Jose Pano
Partner and Head of Impact & Return Strategy
Vinci Partners Investimentos Ltda.

February 29, 2024

¹ Considering all feeder funds in the structure

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Disclaimer

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network (“the GIIN”) or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees, or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, “Affiliate” shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

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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.

- VIR IV's impact strategy has the objective to invest in companies that allow scalable, measurable, and positive contribution on environmental, and social conditions in Brazil. This implies investing in SMEs with positive impact embedded in its core business and have limited access to capital and strategic know-how. The Fund focuses on building its portfolio through certain sectors as outlined bellow:
 - Healthcare – Contributing to a healthier life and promoting well-being;
 - Specialized Retail - Promoting decent work for vulnerable/disadvantaged people and improving the access to quality products;
 - Business Services: Improving the access to basic services or increasing the quality, productivity and efficiency of services with clear positive social and or environmental impact (e.g., safety, sanitation, environmental services);
- These sectors are aligned with the following SDGs:
 - SDG 3: Good Health and Well-Being
 - SDG 5: Gender Equality
 - SDG 8: Decent Work and Growth;
 - SDG 9: Industry, Innovation, and Infrastructure
 - SDG 6: Clean Water and Sanitation.

Specifically on this front, the Fund's objective is to support portfolio companies through the incorporation of clear impact drivers and an impact management system into their business strategy.

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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 Fund's impact management system is developed based on its Impact Framework: a view that combines the Impact Framework's impact policy, the Fund's sector-focused impact strategy themes, and a set of tools to serve as guidelines for its: (i) investment process, (ii) monitoring, (iii) reporting and (iv) exiting processes. These tools were created in conjunction with the Fund's impact advisor, an ERM company. As a result, Vinci believes that its Impact Framework is serving as a robust method, designed to guarantee with precision and accountability that new investments are suitable to the Fund's impact objectives. It is important to highlight that, in 2021, the Fund was awarded the ESG Private Equity Fund of the Year, on a global basis, by Environment Finance.
- The impact metrics are mostly based on the Impact Reporting and Investment Standards – IRIS+ ("IRIS+") indicators and are also linked to the SDG objectives. Additionally, ESG metrics are specifically selected according to the materiality of ESG issues to each analyzed company. In that regard, either the Manager or the investees, contract specialized consulting companies to support data collection whenever necessary.
- After the investment, the Manager measures, and monitors ESG and impact metrics as well as the relevant key performance indicators through the proprietary tools.
- The first to be utilized is the **Eligibility and Prioritization Tool**, which is implemented during the screening phase of the investment process. Through this procedure, the management Team can evaluate both the impact thesis suitability and the risk/return profile according to the Fund's criteria for every new potential investee. In summary, this tool is applied to define if a new investment is aligned with the Fund's impact strategy, confirming that the potential investment is not within the Fund's Exclusion List. The Exclusion List lists the sectors in which the Fund is prohibited to invest due to effective or possible negative impacts through the companies' activities (e.g. hazardous materials logistics, production and trade of weapons and munitions and mining activities).

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- The second tool the Fund's Management Team uses is the **Vinci Impact Index ("VII")**, with the purpose of defining the potential investees' impact performance at entry and calculating its expected impact performance through Vinci's holding period, seeking to: (i) support investment decision and defining guidelines for the inclusion of impact related clauses in investment contracts before signing and closing phases; (ii) realistically measure, compare and monitor portfolio companies' impact performance on a continuous basis; and (iii) report portfolio companies' overall impact alongside financial performance in a more LP-friendly approach.
- Then, the **Impact & ESG Plan**, developed both by the Manager and portfolio companies' executives early in the investment process, defines targets to be achieved and indicators to measure the progress of impact generation. This Impact & ESG Plan is monthly monitored by the Impact Committee and the Board of Directors Meeting, while also counting with an appointed individual directly responsible for the plan, ensuring that it is being implemented. With the maturity of the companies in managing the Impact issues, in 2023 the management team observed the ESG responsible executives with greater control and autonomy over the Impact Committees agendas.
- Additionally, the Management Team carries out internal analysis in a monthly call that has the objective to share and discuss concerns and risks associated to Impact & ESG topics. In this meeting the team might also redefine strategies for topics that are not going as planned, share ideas, and exchange lessons learned.
- Moreover, Vinci provides a high-level report with specific metrics and the evolution of the VII for each of VIR IV's portfolio investments, conducts annual reviews of the portfolio and portfolio companies by comparing the current and expected impact, and use the results to improve operational and strategic investment decisions.
- Regarding incentive systems, Vinci is currently working on it and considering aligning staff incentive systems to achievement of impact, as well as financial performance.

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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.

- The VIR IV's Management Team has an important role in contributing to portfolio companies' achievement of financial and impact performance. The strategy involves active governance, specific investment contract clauses, constant monitoring and reporting as well as requiring the investees to appoint an employee directly responsible for the topic.
- In addition, portfolio companies' Impact & ESG plans are monthly monitored in the Impact Committee and Board of Directors Meeting. Depending on how the company is progressing within its Impact & ESG plan, and if there are discrepancies between the expected and current impact, the Management Team actively engages with the company suggesting specific meetings to discuss potential causes and remediations.
- Vinci does not have a formally defined policy for financial channels that covers all the companies in the portfolio, but in some cases the Fund do incur specific financial contributions linked to the implementation of portfolio companies' impact plan.
- Finally, the Management Team also has an internal meeting once a month, to share and discuss the main topics, concerns, or risks on the Impact & ESG matters. This meeting is useful to redefine strategies for topics that are not going as expected, share ideas that can be proposed to some companies, and to create a forum focused on exchanging lessons learned among the Management Team.

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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.

- VIR IV's Management Team uses the VII, with the purpose of defining the potential investees' impact performance at entry and calculating their expected impact performance through Vinci's holding period, seeking to: (i) support investment decision and defining guidelines for the inclusion of impact related clauses in investment contracts before signing and closing phases; (ii) realistically measure, compare and monitor portfolio companies' impact performance on a continuous basis; and (iii) report portfolio companies' overall impact alongside financial performance in a more LP-friendly approach.
- The baseline VII score refers to the impact generated by the company before VIR IV's investment. Sequentially, the expected VII score focuses on estimating the Impact generated after the Fund's holding period in the company, using the information collected from the due diligences and the team's projections.
- VII is based on the largely accepted and applied set of five dimensions from Impact Management Project's Framework ("IMP"). The five IMP dimensions (what, who, how much, contribution and risk) are applicable to define and classify impact both under quantitative and qualitative terms.

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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.

- The Manager, together with specialized consultants, conducts the Impact & ESG Due Diligence ("IEDD") to (i) ensure intentionality, (ii) identify potential E&S risks and provide a risk categorization adapted from the IFC Performance Standards; (iii) validate the Eligibility and Prioritization Tool and the VII analysis made by the Management Team, and (iv) develop the systems, controls, and metrics for the conduction of the investment.
- Every portfolio company must commit to ESG legislation and norms as well as the applicable requirements of the Fund regarding ESG and positive impact, thus abiding to the Impact Action Plan developed by the Management Team and the company founders/executives.
- In case the impact metrics of an investment indicates that it is not going to achieve its intended impact, the Management Team actively engages with the company to diagnose causes and implement action plans to improve its impact performance.

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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 Impact 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.

- As part of the impact reporting process, after the Fund's entry in each portfolio company, the Management Team measures and monitors both ESG and impact metrics and the relevant KPIs defined during the due diligence and negotiation stage, updating the investment's VII regularly. As such, the Manager releases to its LPs an Annual Impact Report covering such indicators on an individual and consolidated basis. The 1st Annual Impact Report was published in April 2022 considering the impact plans and indicators measured during 2021, and the Management Team is currently working on the Annual Impact Report for 2023, which is to be published in April 2024.

Link to VIR IV Annual Impact Report 2022:

https://www.vincipartners.com/img/Relatorio_Impacto%202022_Vinci_Impacto_Retorno_IV.pdf

- Additionally, the Fund's team has quarterly updates with investors, covering specific indicators and impact projects in course.
- The impact metrics are mostly based on the IRIS indicators and are linked to the SDG objectives. The team and the companies contract specialized consulting companies to support data collection.
- The Manager also identifies eventual challenges and/or constraints related to the implementation of the Action Plans. In case of construction or decommissioning activities, the Management Team requires the company to prepare a plan based on the World Bank Environmental, Health and Safety (EHS) Guidelines for Construction and Decommissioning.
- In case the impact metrics of an investment indicates that it is not going to achieve its intended impact, the Management Team actively engages with the company to diagnose causes and implement action plans to improve its impact performance.

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- As a result, Vinci quarterly reports to LPs specific metrics and the evolution of the VII for each of VIR IV's portfolio investments, conducts annual reviews of the portfolio and portfolio companies by comparing the current and expected impact, and uses the results to improve operational and strategic decisions.

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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.

- Throughout divestment processes, the Management Team considers the effects on impact sustainability and prioritize, alongside its financial goals, transactions where impact maintenance is secured or less harmed. In practical terms, the Manager considers buyers that share VIR's impact principles or that have clear ESG values on its guidelines.

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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.

- The Fund reviews the Impact & ESG plan performance monthly in portfolio companies' Board Meetings and Impact Committee, comparing actual versus expected achievement of specific goals, as well as the evolution of the impact & ESG indicators and projects. If any portfolio company is not performing as expected the Management Team and the ESG executive will create an action plan to cover the gaps and build processes to prevent those to occur again, and will monitor those in following committees.
- The Management Team also has an internal meeting once a month, to share and discuss the main topics, concerns, or risks on the Impact and ESG matters. This meeting is useful to redefine strategies for topics that are not going as expected and create a forum focused on exchanging lessons learned between the Management Team.
- The Impact & ESG indicators track record is updated and registered through the Annual Impact Report the Fund publishes to its LPs. The report is also an opportunity to review the impact performance of the portfolio on a consolidated basis and identify opportunities for improvement.
- After each exit, the Manager 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. In this context, after the conclusion of the first exit of the Fund in late 2022 (a company called Pro Infusion, within the healthcare sector), the deal team carried out its 1st case study in 2023.
- Finally, in line with the commitment to better decision-making and increasingly strategic visions, the Management Team has annual trainings with external specialist to update concepts, good practices, and share benchmarks about Impact and ESG Management. In 2023, the team hired the ESG team by KPMG Brazil for 2-day training.

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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.

- Vinci became a signatory of the Impact Principles in 2021 and reaffirms its commitment to publish the disclosure statement on an annual basis, endorsing the alignment of the impact management systems put in place for VIR IV's portfolio companies with the Impact Principles for Impact Management official requirements.
- VIR IV is committed to transparency and the importance of the statement. As such, an independent third-party verification on the Fund's impact management systems and its alignment with the Principles will be provided by NINT. The third-party verification will be carried out by a different team within NINT than the one that carries out advisory services to the Fund, to meet the independence requirement. The conclusion of the verification reports will also be publicly disclosed on an annual basis, and the next independent verification will be completed by March 31, 2024.
- The 2022 third-party verification was conducted by NINT and its conclusions were published in May 2023.



RIO DE JANEIRO - BRASIL

55 21 2159 6000
Av. Bartolomeu Mitre, 336 - Leblon
22431-002 Rio de Janeiro RJ

SÃO PAULO - BRASIL

55 11 3572 3700
Av. Brigadeiro Faria Lima, 2.277
14º andar - Jardim Paulistano
01452-000 São Paulo SP

RECIFE - BRASIL

55 81 3204 6811
Av. República do Líbano, 251
Sala 301 - Torre A - Pina
51110-160 Recife PE

NOVA YORK - EUA

1 646 559 8000
780 Third Avenue, 25th Floor
New York, NY 10017