INDEPENDENT ASSURANCE REPORT
ON THE ALIGNMENT OF THE STATEMENTS INCLUDED IN ARCANO IMPACT PRIVATE EQUITY FUND DISCLOSURE STATEMENT WITH THE OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

To the Directors of Arcano Capital, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A.U. ("the Management Company"), asset management company of Arcano Impact Private Equity Fund

We have undertaken a limited assurance engagement over the Statements included in Arcano Impact Private Equity Fund ("the Fund") Disclosure Statement: Operating Principles for Impact Management (the "Disclosure Statement") as of May 2022 in order to conclude on the alignment of the impact management policies and procedures as summarized in such Disclosure Statement with the Operating Principles for Impact Management (the "Impact Principles").

Fund’s Management Company responsibilities

The Directors of the Fund’s Management Company are responsible for the preparation and presentation of the Disclosure Statement and for designing and implementing an impact management system that aligns with the Impact Principles. As a consequence, the Directors of the Fund’s Management Company are also responsible to define and implement the processes, roles and responsibilities necessary to align its organization with the Operating Principles for impact Management (the "Impact Principles") and the extent to which the Disclosure Statement is aligned with them.

Assurance provider’s independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our auditing firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirement, professional standards and applicable laws and regulations.

Assurance provider’s responsibility

Our responsibility is to express a conclusion on the alignment of the Statements included in the Disclosure Statement, with the Impact Principles, based on the procedures performed and the evidence we have obtained. We conducted our engagement in accordance with International Standards on Assurance Engagements – Assurance Engagements other than Audits or Reviews of Historical Information ("ISAE 3000 Revised") issued by International Auditing and Assurance Standards Board for limited assurance engagements. This standard requires that we plan and perform the review to obtain limited assurance as to whether a matter has come to our attention to cause us to believe the Statements included in the Fund Disclosure Statement are not aligned, in all material aspects, with Impact Principles. The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events might be identified in a reasonable assurance engagement.

The procedures performed are based on our professional judgement and included inquiries, primarily with Fund’s Management Company personnel responsible for the design and implementation of the organization’s alignment with

1 The Principles were developed by International Finance Corporation (IFC) in collaboration with leading financial institutions.
the Impact Principles as described in the Disclosure Statement, analysis of documentation and other procedures aimed to obtain evidence as appropriate.

In particular, we have performed the following procedures:

- We have obtained and analyzed the policies and procedures described in the Statement and verified that they address all the Impact Principles;
- We assessed the reliability and understandability of the policies and procedures in relation with the Impact Principles;
- We conducted interviews with the people in charge of defining, applying and enforcing the policies and procedures;
- We performed, on a sample basis, analysis of documentation and interviews with Arcano’s personnel, to test the application of policies and procedures;
- We examined the consistency and integrity of the information provided in the Statement in relation to the policies and procedures.

The scope of our procedures does not include however an assessment of the effectiveness of the Fund’s impact measurement approach nor the verification of the resulting impacts achieved.

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Statements included in the Fund Disclosure Statement are not aligned, in all material aspects, with Impact Principles.

Other Matter

Operating Principles for impact Management states the Principles may be implemented through different impact management systems and are designed to be fit for purpose for a wide range of institutions and funds. Also, a variety of tools, approaches, and measurement frameworks may be used to implement the Principles. The Principles do not prescribe which impacts should be targeted, or how impacts should be measured and reported. On this regard, Statements included in the Fund Disclosure Statement are not the only ones nor all those that could be aligned with Impact Principles.

Restriction on Distribution and Use

The Disclosure Statement is prepared in order to satisfy the requirements of the Operating Principles for Impact Management. As a result, the Disclosure Statement may not be suitable for another purpose. Accordingly, this independent assurance report may be published together with the Disclosure Statement and may not be distributed or furnished to third parties separately or used for any other purpose without the express consent in writing of Deloitte S.L.

Yours truly,
DELOITTE, S.L.

Alberto Torija
June 30, 2022
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ARCANO
Operating Principles for Impact Management

Arcano Impact Private Equity Fund

May 2022

Disclosure Statement

On April 12, 2019, the International Finance Corporation, together with a core group of external stakeholders, launched the Operating Principles for Impact Management. By managing investments for impact, this effort aims to establish a market standard for impact investing.

Arcano is proud to be a signatory to the Operating Principles for Impact Management. The following Disclosure Statement hereby affirms that Arcano Impact Private Equity Fund ("AIPEF" or the "Fund") is managed in accordance with the Operating Principles for Impact Management (the "Impact Principles"). As of the publication of this statement, the total commitments raised by the Fund, managed in alignment with the Impact Principles, stand at EUR 269 million\(^{(1)}\). The Fund continues its fundraising process with a target fund size of EUR 300 million\(^{(2)}\).

José Luis Del Rio
Managing Partner, CEO Arcano Asset Management
May 2022

\(^{(1)}\) c.285 million USD – 1€/1.06$ exchange rate as of May 25, 2022
\(^{(2)}\) c.310 million USD – 1€/1.06$ exchange rate as of May 25, 2022
Introduction

Arcano Partners (the “Firm”) is a leading independent financial advisory and alternative asset management group founded in 2003 with offices in Madrid, Barcelona, Valencia, New York and Los Angeles. The Firm currently employs a fully committed team of over 200 professionals across three business areas: investment banking, alternative asset management and wealth management.

The asset management division was established in 2006, with the launch of the private equity strategy. Since inception, Arcano has managed and advised over €7.6 billion of assets across different alternative asset classes, including private equity, venture capital, credit, sustainable infrastructure and real estate. Each division has a dedicated team of professionals, which in total include 80 employees.

Summary of Operating Principles for Impact Management

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Independent Verification

9 Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment
**Principle 1**

*Define strategic impact objectives(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.

Arcano became a pioneer in Spain with regards to responsible investment more than eleven years ago, when it became the first independent alternative asset manager to adhere to the United Nations Principles for Responsible Investment ("UNPRI"). Today, Arcano is proud to have obtained the highest rating, A+, on the latest UNPRI assessment report, across all investment strategies. During this time, Arcano has enhanced its responsible investment policy, defining the necessary tools to incorporate a systematic analysis of social, environmental and governance ("ESG") aspects into its investment decision-making process. Additionally, Arcano has also strengthened its ESG team, adding dedicated professionals as a result of the Firm commitment to responsible investing.

In April 2020, Arcano launched **Arcano Impact Private Equity Fund** ("AIPEF" or the "Fund"), which aims to invest in impact private equity funds with a social and/or environmental focus.

Arcano has defined four impact verticals to primarily support: energy transition, health and wellbeing, agri-food and agribusiness and education & equality, which in turn are aligned with the following Sustainable Development Goals: 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13.

Arcano believes its success generating a positive impact alongside an attractive financial return will depend on selecting the best quality impact private equity managers, which combine an attractive impact strategy with the operational capabilities needed to build profitable impact companies.

Given the relevant changes the world is currently undergoing, led by structural trends, in some cases accelerated by the COVID-19 pandemic, an increasing number of attractive investment opportunities are arising related to solving some of the world’s most pressing issues. Through its strategy, AIPEF can directly contribute to generate a positive social and environmental impact, while also generating attractive returns for investors.

**ENERGY TRANSITION**
- Adopt urgent measures to fight against the effects of climate change

**HEALTH & WELLBEING**
- Promote the well-being of all people at all ages, in order to build a prosperous society

**FOOD & AGROINDUSTRY**
- Ensure global food security and support the sustainable management of land, water and natural resources to meet the needs of present and future generations

**QUALITY EDUCATION**
- Ensure quality education and reduce gender inequalities

**Arcano**
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.

Arcano seeks to positively impact society and the planet by investing in the best private equity impact managers in Europe and North America. To this end, AIPEF has translated its investment strategy into a theory of change by linking clear impact objectives and KPI indicators in each element of this theory of change. This will allow the Fund to better understand the effectiveness of its investments in terms of impact and to facilitate the measurement of the impact generated.

As well as being measured, Arcano believes that impact is part of a process that has to be managed and reported. Through the legal documentation, Arcano makes sure the managers implement frameworks for managing and measuring impact of the underlying investments and to report annual ESG and impact related information at the portfolio company level.

Management

Arcano systematically monitors the underlying companies’ theories of change in order to understand how managers and companies develop their social or environmental goals. Although interaction with managers is continuous, this monitoring process is made at least on a quarterly basis.

Arcano is currently working on the alignment of staff incentives with impact achievement, studying the best way to implement it.

Measurement

Arcano measures the percentage of achievement of the impact goal on an annual basis against a previously established baseline. This impact measurement is made based on the information reported by the managers and international measurement standards.

Reporting

Arcano reports impact data at the underlying company and fund levels on an annual basis.

To implement the investment strategy, Arcano has established a dedicated team, which has received training on systemic change, impact management and measurement, and different thematic courses to understand social realities such as climate change implications on the future of investments, equality, health and wellbeing, among other matters.

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**AIPEF’s Theory of Change**

1. **Inputs**
   - Resources: human, financial, and material inputs.
   - Activities: strategies, processes, and investments.

2. **Activities**
   - Impact: the activities lead to a change in the environment.
   - Strategies: strategies to achieve the desired impact.

3. **Outputs**
   - Results: the outputs lead to measurable changes in the desired impact.
   - Evaluation: continuous evaluation of the impact generated.

4. **Outcomes**
   - Impact: the outcomes lead to measurable changes in the desired impact.
   - Sustainability: ensuring the outcomes are sustainable.

5. **Impacts**
   - Arcano contributes to sustainable development by aligning the mission at an impact level, focusing on the relevance of the social and environmental results generated.

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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.

A. Establish the Manager’s contribution at AIPEF’s level to the achievement of impact

Concerning the integration of impact targets in the investment process, Arcano has established a governance structure that relies on the Investment Committee to supervise the investments’ impact targets. Arcano has also established an impact team, which is responsible for measuring the impact generated by the underlying companies and notifying the Investment Committee of all impact-related issues.

Additionally, at the Firm level, Arcano has professionals within the team with experience in impact measurement and management. Furthermore, the Head of ESG and CSR at Arcano has more than ten years of experience working with social development programs and in the management, measurement, and performance, of impact evaluations for different multilateral organizations, corporations, and NGOs. Furthermore, she was originally part of the Private Equity investment team at Arcano several years ago, and as a result, has significant knowledge of the alternative asset management industry.

As the Fund is invested, Arcano will consider incorporating additional resources to monitor, consolidate and report impact variables over the investments’ life, if deemed necessary.

With regards to AIPEF’s generation of impact, Arcano believes that rigorously measuring its contribution is still a complex and costly task, as it requires a complete isolation of AIPEF’s contribution, the underlying funds’ contribution as well as additional external factors (government policies, other fund managers contributions to the company, etc.). In this regard, Arcano will be attributed part of the impact generated only when improvements are identified at the underlying companies’ level. However, given AIPEF’s indirect investment in the company, it is aware that this method will not be exact; it will rather serve as a proxy. For AIPEF, additionality or contribution will therefore be measured as follows: the difference between AIPEF’s total value of the underlying company (value arising from the investments made) and AIPEF’s total capital invested (capital allocated to impact investments).
B | Establish the Manager’s contribution at Fund Investments level to the achievement of impact

Arcano ensures that managers are fully involved in the management and measurement of the company’s impact. To this purpose, Arcano reviews that:

(i) The manager has systematic procedures to select and analyze how the companies in which they invest implement their mission, purpose and/or social and impact objectives. More specifically:

✓ If the manager verifies the impact achieved by an independent third party

(ii) The governance of the fund in terms of impact

✓ If impact targets are systematically monitored by the Investment Committee

✓ If the manager links the carried interest to the achievement of impact targets

✓ If the manager plans to safeguard the impact achieved on exit

(iii) The management team’s experience in terms of impact, i.e. whether it has internally or externally qualified and experienced staff to manage and measure impact

✓ If the manager effectively establishes impact objectives and associated ex-ante metrics in the potential investment, minimum thresholds of what they consider an impact outcome as well as whether they will be able to monitor these metrics ex-post

✓ If the manager identifies the target audience, who will experience the impact outcomes

✓ If the manager can determine their contribution (might even be done through a proxy)

✓ If the manager has a risk management system in place to recognize positive and negative impacts
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, align with industry standards and follow best practice.

Arcano uses the theory of change as a fundamental tool to understand how funds and portfolio companies implement their social and/or environmental objectives throughout the investment life cycle. Furthermore, to quantify and verify the fulfillment of this impact in portfolio companies, Arcano takes as a reference the five dimensions of impact established in the Impact Management Project (IMP) as a reference to understanding and measuring impact in a company. In addition, from the moment the investment is completed, Arcano requests that the manager provides at least one impact indicator per company. Indicators are based on a baseline that the manager must establish at the time of investment, on the business plan and the best operations envisaged.

Arcano tries to use indicators linked to IRIS+ (to seek a certain standardization and to simplify data aggregation and subsequent reporting preparation) Arcano also links the underlying company’s purpose with the Sustainable Development Goals’ goals (SDGs).
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, 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.

Arcano is committed to assess, monitor and improve, to the extent possible, the commitment and management of ESG criteria on the investments it invests in. To this end, Arcano has developed an in-house ESG methodology based on the best practices established by some of the most recognized standards in the responsible investment industry, such as UNPRI or GRESB. The ESG analysis is considered throughout the entire investment and monitoring process.

Due Diligence
Arcano has defined a well-structured ESG evaluation process. It uses a comprehensive and broad approach to identify ESG risks and opportunities, providing a rating for each of the underlying managers, which allows them to be classified according to a scale or benchmark. The objective of the evaluation is: (i) to understand what the managers’ ESG commitment is; (ii) verify how effectively ESG considerations are integrated throughout the entire investment process; (iii) assess the ESG monitoring processes that the manager has put in place; and (iv) assess the manager’s degree of transparency in communicating ESG information to its investors.

This evaluation is led by the investment team, in parallel to the investment due diligence, following a tailored ESG questionnaire for each manager. The questionnaires’ answers will be processed and analyzed via conference calls/meetings with the managers and verified through different external sources specific for each evaluation criterion.

Monitoring
Arcano monitors its investments, throughout its life, through continuous communication with the managers. If a severe ESG incident is detected in any of the portfolio companies, Arcano will contact the manager immediately to properly understand the causes of the event.

Reporting
Arcano oversees the ESG aspects of portfolio companies through an alert system provided by third parties.

Arcano encourages managers to disclose two types of indicators: (i) specific and material to each of the portfolio companies according to the sector they operate in; and (ii) common indicators to all industries and sectors.

ESG FUND ANALYSIS FRAMEWORK
Manager’s commitment to responsible investing

Understanding the GP commitment to ESG through tangible actions
Commitment to ESG initiatives / RI Governance Structure / Dedicated resources to ESG training / RI white papers published

Screening: Understanding how the GPs integrate the ESG analysis into the screening process
Implementation of Negative Screening / "Best-in-class" / Implementation of an active ESG screening with an "end-in-mind"

Investing: Understanding how each GP analyzes ESG risks and opportunities in the potential investments during due diligence
Identification and valuation of material ESG risks in investment decisions / Integrating ESG-related considerations into transaction documentation / IC supervision of material ESG risks and opportunities in potential investments / Integration of ESG aspects into investment

Monitoring: Understanding if a Manager is an active owner through activities revisiting ESG guidelines and targets
Assignment of professionals to monitor ESG progress / KPIs and Performance Evaluation to a portfolio company/asset / Plan of Actions and monitoring systems implemented / Troubleshooting measures to ESG-related problems / Evaluation of ESG-related competencies of the portfolio company’s management team / Value creation as a result of ESG initiative / Safeguarding ESG improvements after the manager’s holding period of the company/asset

Reporting: Understanding if a Manager’s level of transparency
Reporting and communication of ESG-related information to LPs / Reporting and communication of ESG-related information to UFR
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.

Once the investment has been completed, AIPEF's investment team will be responsible for gathering information on the impact generated by the underlying companies and will try to consolidate, to the extent possible, impact information by vertical or impact theme in order to measure the impact generated at the Fund level. For this task, the team will rely on three different frameworks: the IMP, IRIS+ and the SDGs. At Arcano, we believe that the combination of these three frameworks allows the team to elaborate an accurate impact profile of the fund's underlying companies.

Additionally, when analyzing companies with the five dimensions of the IMP, the investment team identifies the different risk factors of an investment. These risk factors will be monitored, and if any negative impact arises, the Arcano team will assess this with the manager. Arcano will conduct a thorough pre-investment impact due diligence of the manager using in-house developed tools (IMPACT Dashboard), which will be reviewed annually on every portfolio manager in order to monitor their impact performance evolution relative to initial rating and will take measures if it doesn't meet the minimum requirements.

Principle 7  
Conducts 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.

As a fund of funds, Arcano does not have direct access to the management of the underlying companies nor their exit processes. However, to preserve the total impact generated through the investment's life, Arcano will consider the manager's capacity to safeguard the impact of the companies at exit as an essential point during the impact due diligence performed prior to investment.

The manager's experience on exits and exit plans for potential portfolio companies are addressed during the due diligence process in order to confirm that the manager assesses potential exit options, from both an impact and a commercial perspective.
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.

In order to manage AIPEF’s impact, the team monitors underlying companies to ensure they establish baselines and impact targets. The team will also monitor if they’re complying with the established activities and long-term results (defined in their respective theories of change). Arcano reviews and follows the development of this impact and compares it against the baseline defined at the time of the investment. The development and achievement of the company’s social and/or environmental objectives is also reported to investors. Additionally, Arcano will maintain an active dialogue with the underlying managers and will assess any issue that relates to portfolio companies’ not meeting their objectives.

Arcano is continuously implementing improvements by incorporating best practices to better manage, measure and report on the impact generated. As a fund of funds, AIPEF will have exposure to many different impact measurement methodologies and will seek to influence the underlying funds to incorporate best market practices. Arcano also collaborates with several institutions, impact managers, and other key players in the ecosystem to share lessons learned in aims of improving impact measurement.

Principle 9
Publicly disclose alignment with the 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 Principles and, at regular intervals, arrange for an 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.

Arcano commits to providing and publicly disclosing a disclosure statement of its impact management system with the Impact Principles annually. Arcano will engage an external organization to conduct independent verification of AIPEF’s compliance with the Operating Principles for Impact Management.

The independent verification will be provided before the end of 2022.