

## SUSTAINABILITY-RELATED DISCLOSURES

### GENERATION IM SUSTAINABLE SOLUTIONS FUND IV (the "Fund")

The Fund consists of Generation IM Sustainable Solutions Fund IV, ILP (the "**Master Fund**"), Generation IM Sustainable Solutions Fund IV (A), ILP (the "**Feeder Fund A**"), and Generation IM Sustainable Solutions Fund IV (B), ILP (the "**Feeder Fund B**").

The Fund is a financial product that has sustainable investment as its objective. On this basis, for the purposes of 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 ("**SFDR**"), the alternative investment fund manager appointed to the Fund (the "**AIFM**"), in conjunction with Generation Investment Management LLP (the "**Investment Manager**"), has classified the Fund as a financial product which is subject to Article 9 of SFDR. Pursuant to Article 10 of SFDR, the AIFM is required to publish certain information on its website as set out in that Article.

The following information is provided in accordance with Article 10(1)(a) to (c) of SFDR.

#### **Investment Objective**

The Fund's investment objective is to pursue market-leading returns and global impact for sustainable solutions by investing in growth-stage businesses with well-established technology and commercial traction in three areas:

- Planetary health: net zero carbon solutions transforming mobility, food, energy, and enterprise;
- People health: enabling health outcomes and a lower-cost, accessible healthcare system; and
- Financial inclusion: solutions to support access to finance and an equitable future of work.

#### **Investment Strategy**

The Investment Manager will seek to fully integrate a sustainability analysis into its decision-making process, leveraging its heritage and long-term commitment to sustainability, its insights into how sustainable technologies are disrupting large incumbent industries, the strength of its network, and its strong sourcing capabilities.

It is intended that the Fund will typically act as an active minority investor, providing growth capital and market insight to help accelerate market adoption and expansion of businesses into large end markets that are linked to long-term sustainable growth trends. While the Fund will typically be a minority investor, it can take a controlling stake or otherwise exercise significant influence over the management of portfolio companies. In such cases, the Fund seeks to exercise such influence in the same way as if it were an active minority investor.

In line with its status under SFDR, all investments are intended to be sustainable investments and it is not expected that the Fund will make an investment that falls outside of that category. However, given that the Fund will usually have a minority stake, this cannot be guaranteed.

#### **Investment Process**

The investment process comprises Investment Identification, Company Analysis and Diligence, and Investment Approval. The investment process is targeted to the specific

circumstances of investing in private growth-stage companies, and is research-driven, collaborative, long-term oriented, and places significant focus on valuation discipline and projected risk-adjusted returns.

### Investment Identification

The Investment Manager's investment identification process is informed primarily by its research roadmaps that identify macro and sector trends, including material sustainability risks and opportunities that are relevant and material to particular sectors. Roadmaps outline long-term industry trends, the competitive environment, industry value-chains, and map out the major players within each sector. Roadmaps take into account a wide range of risk factors, including sustainability risks, and principal adverse impacts on sustainability factors.

As the Investment Manager does not proceed on the basis of an exclusion list process, it generally does not consider it appropriate to construct Roadmaps in industries and sectors it considers are inherently unsustainable, for example: fossil fuel, tobacco, armament production and gambling, but such Roadmaps are not excluded as possibilities as they may be useful in analysing the principal adverse impacts on sustainability factors such sectors cause that may then be addressed by potential investee companies that the Investment Manager would be interested in developing a deeper understanding of.

Roadmaps, along with other tools, help the team determine which companies are priority companies for further research.

### Company Analysis and Diligence

If a company is determined to be a priority company for further research, the Investment Manager's objective is to form an investment thesis on the basis of its estimation of the total addressable market of the sub-sector a company operates in, whether or not a company meets the System Positive Threshold based on its net contribution as a solutions business, and its BQ and MQ rating (defined below).

A key component to the process at the early stage is to ensure that a business is reviewed and determined to be System Positive, meaning that it is clearly driving the transition to a more sustainable future. To determine whether a company meets this threshold, the Investment Manager compiles information about the total effects of a business model on people and planet, including positive and negative, intended and unintended, effects. This framework considers both what a business model does as well as how a management team operates, and how a company provides a net contribution to a more sustainable economy. This enables it to focus its efforts on businesses providing true systemic solutions to material global challenges such as climate change, healthcare, income inequality and wellbeing.

Once a company meets the System Positive Threshold, then the material ESG factors that affect company performance are systematically reviewed as part of a Business Quality (BQ) and Management Quality (MQ) analysis, linking sustainability analysis to the most material drivers of better long-term business performance. These assessments cover a variety of factors including long-term orientation, culture and mission, alignment, human capital management, diversity and corporate governance.

If a company meets the System Positive Threshold, BQ and MQ framework, the Investment Manager will continue diligence, spending time with the target investment company through site visits, customer engagements, competitor review and in-person management interviews. In this stage of moving from identified opportunity to potential transaction, the Investment Manager works closely with advisers as needed to complete commercial, sustainability and legal diligence.

### Investment Approval

The Investment Manager's final investment approval stage involves its Investment Committee which will debate the risk/return profile of a potential investment alongside its relevance as a sustainable solutions company.

### **Responsible Ownership and Value Creation**

The Investment Team is an active partner to the companies it invests in. Prior to deal completion, the Investment Team and the company discuss priorities for growth, and where and how the Investment Team and Generation can add value. Once the initial investment is completed, the Investment Team seeks to maintain an ongoing engagement with the management team in a manner designed to accelerate growth and manage risk.

Generation seeks to support investee companies across three primary areas: guiding and executing on strategy; sourcing and managing talent at board and management levels; and establishing and nurturing commercial connections.

Across all of those areas, it draws on its capabilities and strengths in thematic research that integrates sustainability, Generation's convening power, its mission-aligned network, and relationships and expertise drawn from the public equities team. The Investment Team is supported by Generation's value-creation capability, including its senior adviser network, which consists of experts across the industries it covers. In many cases, Generation will take a board seat, to be filled by a member of the Investment Team or one of the advisers, as appropriate.

The Investment Manager intends to work with the portfolio companies to ensure consistent recording for the purpose of periodic reporting in accordance with Article 9 SFDR. On an annual basis, Generation provides assessment of critical ESG risks and opportunities through its engagement with each portfolio company and a bespoke framework based on best practice measurement and reporting tools (including those outlined by the Sustainability Accounting Standards Board ("SASB"), Impact Management Project ("IMP"), and other frameworks such as the World Economic Forum's common metrics). In many cases this will involve measurement of the impact of the company's core product or service impacts on the environmental or social outcome it contributes to as a sustainable solutions business, as defined at investment. A subset of the Investment Team called the "Portfolio Committee" monitors the performance of portfolio companies on an ongoing basis, including in respect of ESG matters, and tracks these sustainability KPIs alongside financial performance KPIs.

### **Consideration of Principal Adverse Impact Indicators**

The Investment Manager has regard to a variety of ways in which its investment decisions may adversely impact certain sustainability factors as applied to investee companies. Such considerations are an intrinsic part of the investment process and the key principal adverse impact indicators that the Investment Manager may take into account, subject to appropriate

data being available, are summarised in the table below. This list is not exhaustive and is subject to amendment by the Investment Manager from time to time having regard to the availability of adequate data to support its efforts in these areas as well as regulatory requirements applicable to the AIFM and the Investment Manager. This list is based on, but does not track exactly, the SFDR Regulatory Technical Standards (the "AIFM") and is subject to further review and update before 1 January 2023 now that the RTS are finalised. The Investment Manager will report on principal adverse impact indicators in relation to the Fund in accordance with Article 7(1) of the SFDR.

<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>	<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>	<b>OTHER CONSIDERATIONS</b>
Greenhouse Gas Emissions ("GHG")	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Investments in companies without carbon emission reduction initiatives
Carbon Footprint	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Water usage and recycling
GHG Intensity	Average unadjusted gender pay gap of investee companies	Sustainable land/agriculture practices or policies
Is Investee Company at risk of categorization as being part of fossil fuel sector.	Average ratio of female to male board members in investee companies	Do operations affect threatened species
Share of non-renewable energy consumption and production	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Do investee companies have policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption
Energy consumption intensity per high impact climate sector		Do investee companies have policies on the protection of whistle-blowers
Activities negatively affecting biodiversity-sensitive areas		

While reduction in carbon emissions is an important factor in considering the Fund's potential investments and, as a principal adverse impact indicator, is considered as part of the Fund's investment strategy implementation, reduction in carbon emissions is not the Investment Objective of the Fund for the purposes of Article 9(3) of the SFDR. Generation is of the view that successful implementation of the Fund's strategy should result in mitigation of carbon emissions relative to a strategy where such matters did not form part of the Investment Strategy, although there can be no guarantee this result will be achieved.

## **Evaluation Methodologies**

The Investment Manager cautions that while it will seek, amongst other elements, to analyse company impacts through its System Positive review, to identify ESG factors relevant to the evaluation of potential portfolio companies, and to monitor and report on the aforementioned Principal Adverse Impact Indicators (PAIs) as defined under SFDR, there remains a lack of relevant, comparable, reliable and publicly available data on companies in a number of areas. This represents an impediment to a comprehensive and accurate assessment of such ESG factors. The assessment of ESG factors is therefore dynamic and will change over time as the data sources develop. Even where data is available, its impact and/or interpretation may be disputed.

There are multiple aspects of this, but the following example is illustrative of these broader methodological limits. Data around carbon emissions and carbon footprint may not always be available and, in cases where it is, there remains extensive debate around its measurement. In a manufacturing process the carbon footprint could be measured as the emissions of the factory making the item or the carbon emissions across the entire supply chain into that factory and to the ultimate user of that product. More formally, carbon emission levels are categorised into three groups or 'Scopes' by the most widely used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain. There remain significant hurdles to accurately calculating such numbers.

The Investment Manager is encouraged that recent regulatory efforts to standardise the approach to this and similar data collation, will lead to improvements in the availability, scope and accuracy of ESG data. Nonetheless, these factors will remain a potential constraint on the methodology. Furthermore, such data relies on the efforts of third parties and interruptions or inaccuracies in that data supply will be beyond the Investment Manager's control.

## **SFDR Regulatory Technical Standards**

The Fund is a financial product that has sustainable investment as its objective and has been classified by its AIFM and the Investment Manager as a financial product which is subject to Article 9 of SFDR.

The European Commission has now, through the Commission Delegated Regulation of 6.4.2022, C(2022) 1931 final, supplementing SFDR, finalised regulatory technical standards specifying the details of the content and presentation of information on, inter alia, the content and presentation of the information in relation to sustainable investment objectives on websites, which standards come into force on 1 January 2023. As such the intention is that the content and presentation of the information contained in this disclosure in respect of the Fund will be updated by that date.

## **Periodic Reports**

Article 11 of SFDR requires that the Fund's financial statements include specific information, including in particular regarding the extent to which the environmental or social characteristics promoted by the Fund have been met. Article 10(1)(d) of SFDR in turn requires that such details be reproduced in the website disclosure. The first financial statements of the Fund will

be prepared for the period ended 31 December 2022 and will therefore not be available until the publication of those statements in 2023.