



impak

The independent impact rating agency™



POLICY ON CONFLICTS OF INTEREST

May 2022

Certified



Corporation™



THE GLOBAL GOALS
Objectifs mondiaux pour le
développement durable

**IMPACT
MANAGEMENT
PROJECT**



The present policy is disclosed in accordance with Point 1 of Section E of Annex I to Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies (the “CRA Regulation”) and should be read together with impak Finance’s List of actual and potential conflicts of interest available on impak Finance’s Website. This policy is to ensure that impak Finance complies with obligations under the CRA regulation relating to the prevention, identification, management and disclosure of conflicts of interest. Despite the fact that impak Finance is not a credit rating agency and therefore not subject to CRA rules and regulation, it has decided to adopt the highest regulatory standards of the sector on a best efforts basis in anticipation of expected future regulatory changes for extra-financial rating agencies. The present policy is applicable to impak Finance employees.



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1. Prevention of conflicts of interest

1.1 General requirements as to conflicts of interest

Provided that the information is known or should be known by impak, the obligations mentioned in the below points shall relate to impak employees.

1.1.1 Situations where it is prohibited to issue a rating

impak Finance shall not issue an impak rating / impak Score in any of the following circumstances.

- Situations concerning Rating Analysts:
 - o An impak Score Analyst, directly or indirectly, owns financial instruments of the rated entity or a related third party or has any other direct or indirect ownership interest in that entity or party, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance;
 - o An impak Score Analyst is a member of the administrative or supervisory board of the rated entity or a related third party; or
 - o An impak Score Analyst has had a recent employment, business or other relationship with the rated entity or a related third party which may cause a conflict of interest.
- Situations concerning impak Finance:
 - o impak Finance, directly or indirectly, owns financial instruments of the rated entity or a related third party or has any other direct or indirect ownership interest in that entity or party, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance;
 - o The impak Score is issued with respect to the rated entity or a related third party directly or indirectly linked to impak Finance by control;
 - o The impak Score is issued with respect to a rated entity or a related third party which holds, directly or indirectly, 25% or more of impak's capital or voting rights;
- Situations concerning impak' shareholders:
 - o A shareholder holding 25% or more of impak's capital or voting rights or a person otherwise in a position to exercise significant influence on impak's business activities, holds, directly or indirectly, 25% or more of either the capital or the voting rights of the rated entity or of a related third party, or of any other ownership interest in that rated entity or third party, excluding holdings in diversified collective investment schemes and managed funds such as pension funds or life insurance, which do not put them in a position to exercise significant influence on the business activities of the scheme;
 - o A shareholder holding 25% or more of impak's capital or the voting rights or a person otherwise being in a position to exercise significant influence on impak Finance business activities, is a member of the administrative or supervisory board of the rated entity or a related third party;

In addition, in accordance with the CRA Regulation, shareholders holding, directly or indirectly, at least 25 % of impak Finance's capital or voting rights or being otherwise in a position to exercise significant influence on impak Finance's business activities:

- shall, on a best efforts basis, refrain from, and disclose appropriately if this is the case:
 - a. holding 25 % or more of the capital of any other impact rating agency;
 - b. having the right or the power to exercise 25 % or more of the voting rights in any other impact rating agency;
 - c. having the right or the power to appoint or remove members of the administrative or supervisory board of any other impact rating agency;



- d. being a member of the administrative or supervisory board of any other impact rating agency;
- e. exercising or having the power to exercise control or a dominant influence over any other impact rating agency.

The prohibition referred to above does not apply to holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance, provided that the holdings in such schemes do not put the shareholder in a position to exercise significant influence on the business activities of those schemes. The prohibitions referred to in point (a) to (e) do not apply to investments in other impact rating agencies belonging to the same group of impact rating agencies.

1.1.2 Prohibitions regarding ancillary services

In order to avoid conflict of interest arising from the provision of ancillary services, impak Finance will not provide consultancy or advisory services to rated entities or related third party regarding their corporate or legal structure, assets, liabilities or activities. The list of accepted and prohibited ancillary services provided by impak Finance is available on impak's Website.

1.2 Process to ensure compliance with general conflicts of interest requirements

1.2.1 As regards to potential conflicts of interest with related third parties

impak Score Analysts and shareholders holding more than 25% of impak Finance's capital or voting rights shall regularly fill in a Conflict of Interest Statement that should also be updated immediately in case of relevant changes and in any case will be updated annually. Impak Compliance Office will ensure compliance with this policy. Finally, impak Finance and impak Score Analysts shall refrain from doing and communicating any preliminary or draft ratings: the communication with rated entity and related third party shall strictly follow the rules set out in the impak Rating Process.

1.2.2 As regards to potential conflicts of interest arising from rating the underlying portfolio of a rated entity

In case a client of impak (e.g. asset manager, financial institution, fund manager) is also an issuer and impak has received the mandate to rate the underlying investment portfolio of the client, impak will disclose the potential conflict of interest on its website and a separate impak Analyst performs the analysis. Data will be stored on separate drives and Impak Compliance Office will closely monitor the situation through regular internal audits. Finally, the review process shall also be reinforced.

1.2.3 As regards to potential conflicts of interest arising from ancillary services

In case an issuer has purchased permitted ancillary services prior to rating or should an issuer purchase permitted ancillary services from impak after the rating's publication, impak will ensure that the ancillary services are disclosed on its list of potential conflicts of interest and that a separate impak Analyst performs the analysis. Data will be stored on separate drives and Impak Compliance Office will closely monitor the situation through regular internal audits. Finally, the review process shall also be reinforced.

Prior to deciding whether to initiate the rating process of a rated entity, impak verifies whether the rated entity or related third party has received impak prohibited ancillary services, in which case, no rating shall be issued. Conversely, impak shall ensure that impak does not provide prohibited ancillary services to rated entities.



2. Identification and disclosure of actual or potential conflict of interest

impak shall carry out on a regular basis, an internal assessment identifying:

- any potential conflicts of interest with related third parties,
- any potential conflicts of interest arising from the carrying out of ancillary services,

On the basis of such internal assessment, impak shall establish and update on a regular basis an Inventory of Conflicts of Interest listing potential and actual conflict of interests. Such Inventory is available on the impak Website.



3. Rules on **impak Analysts**

3.1 Prohibition from carrying out certain actions relating to rated entities

impak Analysts, persons closely associated with them (e.g., spouse, or dependent) and entities managed by impak Analysts shall not buy or sell or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by any rated entity within their area of primary analytical responsibility other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance.

3.2 Prohibition from participating in the rating process on certain entities

impak Analysts shall not participate in or otherwise influence the determination of an impact rating/score of any particular rated entity if impak Analysts or persons closely associated with them:

- own financial instruments of the rated entity, other than holdings in diversified collective investment schemes;
- own financial instruments of any entity related to a rated entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;
- have had a recent employment, business or other relationship with the rated entity that may cause or may be generally perceived as causing a conflict of interest.

3.3 Transparency obligations

If impak Analysts become involved in a business or personal relationship with a rated entity (including, for example, a personal relationship with an employee of a rated entity), they shall disclose it to the impak Compliance Officer. More generally, impak Analysts shall inform the impak Compliance Officer of any situation that may create an actual or potential conflict of interest.

3.4 Obligations relating to confidential information

3.4.1 Confidential information obtained during the rating process

When rating /researching companies and forming an opinion, impak Finance does not sign any confidentiality agreement with rated entities. impak Finance does not collect, ask for, or use any information that would be identified by an issuer as information that is not to be disclosed to stakeholders, or that would be identified as being privileged, non-public, secret, confidential or sensitive. It is a position of principle that is firm and clear, and which must not be subject to exceptions. It has a triple purpose:

1. Prevent legal risks related to the access, possession, or dissemination of privileged information;
2. Respect the principle of equal treatment between the companies under review and avoid asymmetry of information when forming our opinions for clients;
3. Make the analysis comply with our methodology, which defines impact, social and environmental responsibility as a corporate commitment to be accountable to stakeholders through sincere, accurate, complete and accessible information.

3.4.2 Confidential information obtained from clients

Given impak Finance's primary activity and ancillary services, impak Finance is bound to handle confidential data that is not related to the rating process. Impak Finance is committed to strictly respecting the confidentiality of clients' data.



impak Employees shall take all reasonable measures to protect confidential information and records in possession of impak from fraud, theft or misuse. impak Employees are prohibited from:

- using or sharing confidential information for the purpose of trading financial instruments, or for any other purpose except the conduct of the impact rating activities;
- disclosing confidential information entrusted to impak with other Employees, impak Analysts or other persons where disclosure is not necessary in connection with impak's rating activities;
- using or disclosing confidential information received from a rated entity or related third party in violation of the terms of any applicable agreement or mutual understanding that impak Finance will keep the information confidential
- disclosing any confidential information about impact ratings, possible future impact ratings of impak, except to the rated entity or a related third party in the conditions laid down in the impak Rating Process.

Impak Finance ensures that its confidentiality and non-disclosure policies will not undermine the quality, independence and integrity of its ratings and research.

3.5 Training obligations

impak Analysts shall attend the mandatory compliance trainings organised regularly by the impak Compliance Officer and undergo the relevant examinations.

3.6 Prohibition of acceptance of money, gifts or favours

impak Analysts and persons closely associated with them, shall not solicit or accept money, gifts or favors from anyone with whom impak Finance does business. This shall apply to any tangible favor or gifts, other than business supplies (such as pens and note pads) or food and beverage of a value exceeding 50 Euros or 100 Canadian Dollars. In case of receiving an unsolicited gift or favour from a person or entity with which impak Finance does business, including a rated entity or related third party, impak Analysts shall report to the impak Compliance Officer who shall advise on the appropriate procedure to follow. In case of any doubts about this prohibition, impak Analysts shall refer to the impak Compliance Officer.

For research-related visits and field trips to rated entities, employees are required to seek approval beforehand from the Compliance Manager. The estimated value of company-paid trip expenses (including travel and lodging costs, food and entertainment, etc.) should not exceed 2,000 EUR or 3,000 CAD annually. The Compliance Manager maintains records on trips to rated entities to ensure compliance with this restriction.

Employees are permitted to entertain clients or prospects during the course of their ordinary business activities, provided this entertainment is not greater than 100 EUR or 150 CAD per person.

3.7 Prohibition from participating in impact rating fee negotiations

Under no circumstances, shall impak Analysts initiate or participate in negotiations regarding fees or payments with any rated entity, related third party or any person directly or indirectly linked to the rated entity by control.

3.8 Obligations upon terminating employment at impak Finance

Upon terminating their employment at impak Finance, impak Analysts shall carry out an exit interview with the impak Compliance Officer. After terminating their employment at impak Finance, impak Analysts shall not take up a key management position with a rated entity or a related third party within six months of the issuing of an impact rating and shall, in any event, inform impak Finance if they join a rated entity after.



4. Segregation of the rating / scoring process from fee discussions

Any potential fee discussions are handled exclusively by impak Business Development Team members and Analysts do not participate in any fee discussions nor have access to any fee-related information.



5. Independence of impak Analysts

5.1 General requirements

impak Finance ensures that:

- impak Analysts have the necessary resources and expertise to carry out their mission and meet the usual qualification requirements standards;
- impak Analysts have direct access to the CCO, CEO and the Board of Directors for whistleblowing;
- impak Analysts strictly comply with the impak Rating Process which is designed to ensure that impak Analysts carry out their rating activities in an objective and unbiased way;
- the performance evaluation and compensation of impak Analysts is not linked to the business performance of impak Finance and arranged so as to ensure the independence of their judgements, in accordance with the impak Analysts Recruitment and Evaluation Policy.
- impak Finance Employees, including the members of impak Finance Board of Directors, other than impak Analysts, do not participate in any capacity in the decision process with respect to impact ratings or seek to cause an Analyst to reach any particular conclusion on an impact rating or alter any conclusion arrived at by such Analyst.

5.2 Rotation of impak Analysts

impak Finance shall ensure, on a best effort basis, that analysts involved in impact rating activities related to the same rated entity or a related third party rotate on a regular basis. The Head of Impact shall enforce the rotation mechanism and impak Compliance Office shall monitor it.

5.3 Termination of impak Analysts' employment

Where an Analyst terminates his or her employment at impak Finance, impak Compliance Function shall remind the prohibition to join a rated entity within six months of the termination of his or her employment and of the obligation to inform impak Finance if he or she joins a rated entity thereafter. impak Compliance Officer shall monitor during the legal timeframe that Analysts comply with these obligations.

5.4 Compliance trainings

impak Compliance Office shall organise at regular time intervals compliance training to impak employees which shall cover in particular the rules set out in impak Finance's Internal Conflict of Interest Policy as well as specific trainings to impak Analysts.



6. Enforcement and monitoring of this policy

impak Finance CEO shall have the overall responsibility to enforce this policy and the specific responsibilities assigned to them in this policy. impak Compliance Office shall have the responsibility to ensure that the policy is enforced and applied by all relevant impak Employees for whom this policy applies. In addition, impak Compliance Office shall have the specific task of monitoring the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed.



7. Breach of this policy

Any impak Employee who violates this policy may be subject to discipline by impak Finance, up to and including termination of employment.



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