MSM IMPACT POLICY

This document is our impact policy. It encompasses what impact means to us and how we manage and report impact.

A. WHO WE ARE

We invest in fast-growing European ventures, with global lock-step potential where impact and financial returns are mutually reinforcing. Our portfolio ventures are lockstep in nature, meaning that impact and revenues are mutually reinforcing. In other words, our ventures' revenues are driven by the impact that they create.

As managers of an impact fund, our carry remuneration is tied to the impact performance of our portfolio ventures.

B. OUR INVESTMENT THESIS

Our investment thesis is rooted in the belief that the best businesses of the future are those that profit from solving social and/or environmental challenges, diametrically opposed to those that profit from the existence of such challenges.

Some of the most prominent social and environmental challenges have not yet been solved by the market of the State and therefore must be innovative. These challenges hide some of the most sizeable opportunities of our times – the 17 United Nations Sustainable Development Goals (UN SDGs) can be estimated to cost the global economy more than 10 trillion USD.

This understanding connects the various tenets of our approach:

- Social and environmental challenges hide venture-scale market opportunities.
- Innovative solutions are early stage by nature, therefore benefitting from venture capital.
- Lockstep impact ventures link to the UN SDGs and benefit from improved employee quality, increased consumer engagement and reduced cost of capital.

C. OUR IMPACT BELIEFS

Our team shares a common set of beliefs that guide our reasoning and approach towards impact. These are beliefs and not facts, hence not necessarily shared by the industry. We believe that:

'Impact is not binary'. There are several gradients of impact and a variety of strategies to either (A) avoid negative impact, (B) benefit people and the planet and (C) contribute to new solutions. Just like in any other asset class, impact investment too has different strategies, and such a multi-layered approach should be embraced and celebrated. For us, it is an opportunity to invest in companies that sit across the impact spectrum and create an outcome where the whole is greater than the sum of its parts.

'Impact is made, not found'. Very rarely do we bump into a solution that is in full-readiness impact state. This is especially true given our early-stage approach. We back solutions that are innovative in nature. Their levels of impact readiness are far from being fully established. As impact investors, we work hard with our ventures to achieve the desired levels of impact readiness. Hence, we create impact with them, rather than finding it from the get-go.

'We have more questions than answers'. Our team recognizes the privilege and responsibility of our position. We are privileged to be part of an exciting transition stage worldwide, where more and more capital is allocated according to impact considerations. We have an added responsibility, because our actions will become precedents for what others in the market will adopt at scale in the future. As a result, we approach impact from an inquisitive and humble stance, ensuring that we do not miss out on important questions and opportunities to learn.

D. IMPACT MANAGEMENT

We are focused on impact management, rather than on impact measurement in isolation. Impact management is the ongoing practice of measuring our risk of negative impacts and our positive impacts, so that we can reduce the negative and increase the positive.

Managing impact goes beyond measurement by including processes that are deployed in a pre-defined periodicity. Managing impact entails being pro-active and forward looking, instead of a solely retrospective approach (e.g., measurement). Our Fund is aligned with the principles and guidelines of the Impact Management Project (IMP), through its impact management norms.

The IMP is a forum for building global consensus on how to measure, compare, and report ESG risks and positive impacts. The work of the IMP provides a lens to understand the impact performance of different ventures and investments. More than 3,000 organizations worldwide are part of the IMP's Practitioner Community.

E. OUR IMPACT PROCESS

The objectives of our impact process are two-fold: (i) screen and select investments and (ii) manage and report on our impact as investors. Our impact process consists of three stages, each linked to our investment process. As a result, impact and investment decisions are not only aligned but intrinsically correlated. This is the nature of lockstep.

The three stages of our impact process are: (1) define the impact case, (2) select impact goal(s), and (3) learn and report the impact.

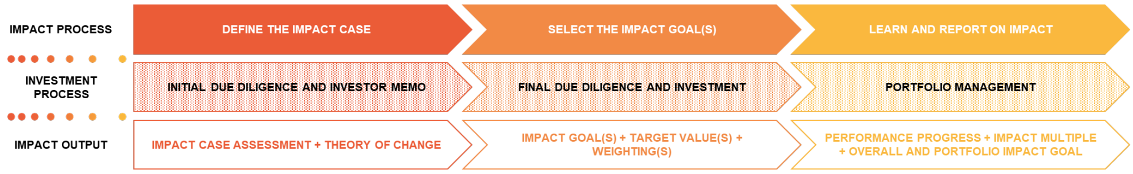

Image 1 – Our impact process (high-level).

E.1. DEFINE THE IMPACT CASE

Overview

Defining the impact case is fundamental in screening and selecting impact ventures. Integrated within the initial due diligence process is the creation of a hypothesis around the impact case, which is further explored and validated during the final due diligence process.

Before defining the impact case, it is important to define what impact means to us. Impact is a change in positive or negative outcome for people or the planet. To understand any impact, we assess five dimensions of performance: what, who, how much, contribution and risk.

Procedure

The five dimensions of impact encapsulate the impact case of our ventures:

'What' - tells us what outcomes the venture is contributing to and how important the outcomes are to stakeholders.

'Who' - tells us which stakeholders are experiencing the outcome and how underserved they were prior to the venture's effect.

'How much' - tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for.

'Contribution' - tells us whether a venture's effort resulted in outcomes that were likely better than what would have occurred otherwise.

'Risk' - tells us the likelihood that impact will be different than expected.

E.2. SELECT THE IMPACT METRIC(S)

Overview

We select up to three impact goals for each venture in which an investment is being made. Selecting (an) impact goal(s) helps us understand whether we have achieved the impact that has been defined for each venture.

At this stage, it is important to define key concepts at stake:

'Impact goal' - is an indicator which is selected to be a proxy and reflects the impact of the venture. E.g., jobs created or CO^2 emission savings.

'Target value' - is the quantitative milestone that is defined for each metric. E.g., 1000 jobs created, 500 tons of CO^2 emissions saved.

'Weighting' - refers to cases when more than one metric is selected. In those cases, each metric will have its own weighting for the impact case, reflected in a percentage. When more than one metric is selected, the sum of the weighting of all metrics should be equal to 100%.

Procedure

We promote an impact workshop for each venture with whom we partner. In this workshop, we co-select the impact goal(s) alongside the founding team. This ensures higher fidelity to the selected goals and an increased sense of ownership.

This workshop is delivered by our team but can also include external guests if needed for specific industry expertise. The workshop typically runs for two hours, and its structure varies according to the circumstances of each venture. We do this to ensure that this piece of work is tailored to ventures' needs.

When selecting impact goal(s), we consider the following principles:

'Reflect the root cause(s) of the problem' - An impact goal should assess the contribution towards the root cause of the problem instead of being linked to its consequences. A goal that addresses the causes of the problem is a proxy for a higher degree of change observed.

'Protect against perverse incentives' - A perverse incentive is an incentive to act in manner that goes against the desired outcome. Perverse incentives include parking (neglecting beneficiaries that are less likely to achieve outcomes) and cherry picking (selecting beneficiaries that are more likely to achieve outcomes).

'Ensure sustainment of the outcome' - An impact goal should avoid myopic effects and be able to capture a lasting effect that goes beyond the direct exposure of people and the planet to the venture's solution.

E.3. LEARN AND REPORT THE IMPACT

Overview

As impact investors, we have the mandate and responsibility to report on the impact that our investments are creating and be accountable for it. In addition, we are committed to using the impact data generated by our ventures to learn more about the effects of their solutions, iterate through regular feedback loops and inform operational and product changes.

At this stage, it is important to define key concepts at stake:

'Performance' - refers to the track record of each venture in underachieving, achieving or overachieving the target values for each goal.

'Impact multiple' - is the ratio between the target value defined at the time of investment and the performance at the time of evaluation.

‘Overall Impact Goal’ - refers to the weighted average of all impact goals of a specific venture.

‘Portfolio Impact Goal’ - refers to the weighting of the Overall Impact Goal of each venture with the capital invested in each venture.

Procedure

Our team is responsible for monitoring progress on the performance of the selected impact goal(s) for each venture. Monitoring takes place in the following occasions:

‘Board meetings’ - where we play an active role in business and impact discussions.

‘Investor updates’ - whereby performance on impact goals is included as part of the regular updates we receive from portfolio ventures. Reporting is locked into the legal documents of each of the portfolio ventures.

F. OUR IMPACT STRATEGY

The Impact Management Project framework helps us screen and select our investments as well as manage and report on their impact. Below is a description of how we approach each of the five dimensions of impact: what, who, how much, contribution and risk.

Image 2 – Our approach to the five impact dimensions (illustrative example)

Upon assessing the five dimensions, we have different classifications for each venture:

‘Does cause harm’ - we do not invest in ventures under this classification.

'May cause harm' - we do not invest in ventures under this classification.

'Acts to avoid harm (A)' - prevents or reduces significant effects on important negative outcomes for people and planet.

'Benefit Stakeholders (B)' - not only acts to avoid harm, but also generates various effects on positive outcomes for people and the planet.

'Contribute to solutions (C)' - not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.

From an investor's perspective, we know that the way in which we invest and work with ventures can influence their impact performance and foster the impact ecosystem. Thus, we consider a range of strategies, aligned with the IMP, which we might combine at times:

'Signal that impact matters' - we choose to invest only in impact lockstep ventures with the aim of signaling our impact thesis.

'Engage actively' - we use our expertise and networks to improve the impact performance of ventures. Our engagement includes various activities, namely the provision of a growth platform for our founders and connecting them to relevant corporates and pools of capital.

'Grow new or undersupplied markets' - we might anchor or participate in new or previously overlooked opportunities that offer an attractive impact and financial opportunity. We form unique views of risk and opportunity and seek to invest in solutions that have an asymmetric impact upside, i.e., if proven to be effective, they deliver systemic shifts and industry changes that outweigh the downside risk.

By combining the different impact classifications of our ventures (A, B or C) with our contribution through one or more strategies, we can map our impact as a fund through a portfolio approach across different impact classifications and strategies.

This ties back to our impact beliefs, namely the belief the impact is not binary and rather a spectrum. Whilst as a fund we do not have a specific strategy for solutions under a specific classification, we are able to map where our portfolio stands across those three classifications.

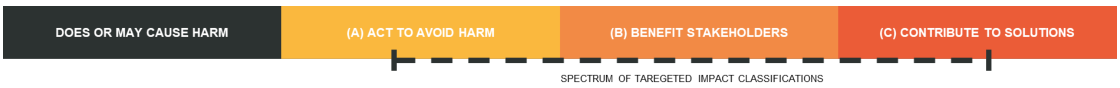

Image 3 – The spectrum of impact classifications that we target at MSM.