



# Hamilton Lane European Investors SCA SICAV-RAIF Impact II Parallel Sub-Fund – SFDR Fund Disclosure

Updated July 2021

## **Classification of the Impact II Parallel Sub-Fund (“Fund”) under Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”)**

The Fund has been classified as an Article 9 Fund.

### **Description of the sustainable investment objective of the Fund**

The Fund has sustainable investment as its objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

### **What is the sustainable investment objective of the Fund and how is such objective to be attained and what are sustainability indicators used to measure the attainment of the sustainable investment objective of the Fund**

The Fund’s objective is to achieve attractive risk-adjusted returns and generate a measurable social and environmental impact.

The Fund intends to make direct investments across two primary categories: Environmental Impact and Social Impact. Hamilton Lane believes that these impact areas are critical to the development and enhancement of societies globally and the world at large, and both have a significant need for investment capital. Furthermore, Hamilton Lane continues to see actionable investment opportunities in these impact focus areas as a result of innovation and increasing market interest from both investors and sponsors. Examples of some, but not all, of the areas of potential investment are outlined below:













#### *Environmental Impact:*

- Access to Energy
- Clean Technology & Renewable Energy
- Land Conservation & Recycling
- Air & Water Quality
- Infrastructure Efficiency
- Climate Change

*Social Impact:*

- Access to Quality & Improved Healthcare
- Education Technology and Resources
- Rehabilitation Services
- Technology in Underserved Regions
- Workforce Training & Development
- Affordable Low-Income Housing
- Sustainable Food & Farming

Hamilton Lane believes that one of the key components of impact investing is to generate precise, measurable and reportable impact metrics. Our market presence and influence typically affords us the ability to negotiate and require specific impact metrics reporting from underlying investments. In addition, we have nearly two decades of experience in tracking and reporting on various pre-determined impact metrics for our previous impact platform investments. Below is a representative set of impact metrics that the Fund will seek to track and report to investors.

 Low income/ underserved with access to healthcare	 Reduced medical expenses with access to preventative care	 Life expectancy increase	 Innovation in disease cure and epidemic control
 Quality jobs created	 Access to capital for underserved regions/ small businesses	 Access to affordable low-income housing	 CO2 emissions reduced
 Water cleaned	 Landfills saved	 Energy savings through renewable sources	 Access to quality education

*NOTE: This set of impact metrics is intended to represent a high-level overview of impact metrics that may be relevant to certain investments in certain industry sectors or sub-sectors, and is provided for general illustrative purposes only. Actual reporting will differ based on the facts and circumstances relevant to each specific investment, and there can be no assurance that all metrics included in the example above will be relevant to all or any investments. Hamilton Lane believes that impact metrics are a key aspect of the Fund and expects to negotiate and require reporting of specific impact metrics relevant to and in respect of each investment, but there can be no assurance that Hamilton Lane will be successful in receiving information or similar rights that would allow Hamilton Lane to track, measure and report any of the metrics included in the example above or any other similar or relevant metrics.*

**The manner in which sustainability risks are integrated into the investment decisions and the results of the assessment of the likely impacts of sustainability risks on the returns**

Our impact diligence is overseen by our Responsible Investment Committee (“RIC”), which focuses on five key areas of diligence including:

- Identifying the impact need or challenge, and the applicable investment’s solution to address them
- Ensuring intentionality and alignment of all stakeholders to the impact goals and the applicable investment’s ultimate success

- Determining appropriate impact metrics are tracked and managed to, and can be regularly reported
- Ensuring the value-add capital resources are directed towards or help drive the impact solution
- Evaluating the risk/return profile of the impact investment opportunity

Sustainability risks are taken into account in the investment processes and due diligence procedures. A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. The RIC's approval is required for each of the Fund's investments. The RIC takes into account the components of the Impact Assessment as outlined above specifically including the risk/return profile of the impact investment opportunity. The likely impacts of sustainability risks on Impact II Parallel Sub-Fund is Low or Negligible.

### **Does the Fund have the objective of a reduction in carbon emissions**

Carbon emission is a major factor in global warming, the Fund has as one of its objectives, in line with the Paris Agreement, a reduction in carbon emissions. This will be accomplished through proactive identification of investments aimed at clean energy transition and sustainable processes as a significant portion of the Fund's investments. With these investments, measuring carbon emission reduction will typically be one of several impact metrics tracked and reported to investors.

### **Does the Fund take into account principal adverse impacts on sustainability**

While Hamilton Lane considers potential material negative externalities during the due diligence process, we do not have the ability to actively track or report on all principal adverse impact ("PAI") indicators as laid out under the draft SFDR regulatory technical standards ("SFDR RTS") for the Fund. We typically procure a passive, minority position in a direct equity investment deal. As a strategic partner, we fully align ourselves with the sponsor of a transaction. Entering a deal under the same terms and conditions as the sponsor is typically a prerequisite for our participation and we allow the sponsor to represent our interest. In general, we are passive regarding the daily management of the companies.

While Hamilton Lane believe this makes us an attractive partner to general partners, as they are not generally looking for a firm to work directly with them in managing their investments, in some instances this limits our ability to collect PAI data from the underlying portfolio companies. To ensure the Fund's capital is meaningfully deployed in impact investments, we screen potential investments to ensure that they are aligned with our impact mission and that positive impact outcomes will continue beyond our ownership.

The Impact due diligence process overseen by the Responsible Investment Committee ensures positive impact by identifying the impact need and the applicable investment's solution, ensuring intentionality and alignment of all stakeholders to the impact goals and the applicable investment's ultimate success, determining appropriate impact metrics are tracked and can be regularly reported, ensuring the fund's capital is directed towards an impact solution and by evaluating the risk/return profile of the impact investment opportunity. Hamilton Lane receives contractual agreement on specific impact metrics that general partners must report on during Hamilton Lane's ownership, but typically would not be able to extend that contractual reporting to include the PAI indicators referred to in the SFDR RTS.