SUPPLEMENT II TO THE PROSPECTUS OF FMO PRIVUM IMPACT FUND

This document constitutes supplement II (the "**Supplement II**") to the prospectus of FMO Privium Impact Fund dated May 2020 (as supplemented by the supplement thereto dated 30 September 2020) (the "**Prospectus**").

This Supplement II contains updated information relating to the Prospectus and shall be implemented in the updated version of the Prospectus. Until this information is implemented, this Supplement should be read in conjunction with the Prospectus. Defined terms have the same meaning as ascribed to them in the Prospectus. Any Prospectus information not supplemented herein or in previous supplements should be regarded as unchanged.

1. The section entitled "2. Definitions" in the Prospectus is amended by the addition of the following definitions:

"Article 8 fund": means funds as defined under Article 8(1) of Regulation (EU) 2019/2088

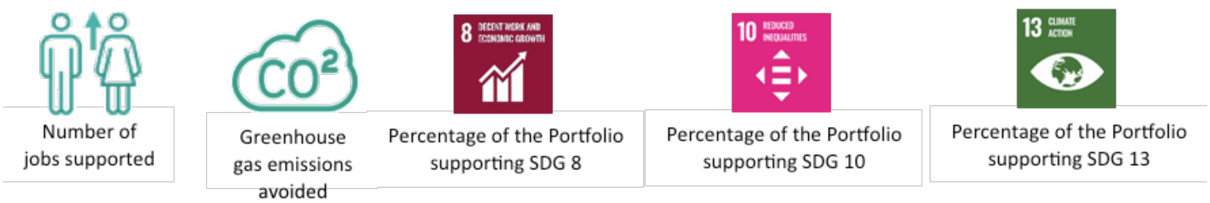
"Article 9 fund": means funds as defined under Article 9(1), (2) and (3) of Regulation (EU) 2019/2088

"SASB": means the Sustainability Accounting Standards Board, an independent non-profit organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors.

"SFDR": means 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, as amended from time to time.

2. In section entitled "3.2.2 Impact objectives" the first and second paragraph are replaced by the following:

Impact achieved by the fund is measured according to the impact methodology as adopted by FMO and reported through impact indicators on portfolio level and sector specific indicators. These are aligned with the UN Sustainable Development Goals (SDGs).



For climate action (**SDG 13**), FMO's ambition is to have an investment portfolio which is aligned with the 1.5◌ pathway of the Paris agreement to limit global warming. The Fund therefore targets investments that reduce greenhouse gas emissions, increase resource efficiency, preserve and grow natural capital, and support climate adaptation.

SDG 10 is about promoting social and economic inclusion of all, which is supported by investing in the world's poorest countries and inclusive business. Reducing inequality also strives for gender equality as women are often underserved in low-income countries.

The central goal of **SDG 8** is increased economic growth and decent work for all. By investing in underserved markets, job creation, improved labor standards and economic prosperity are promoted. Jobs allow people to develop themselves and lift their families out of poverty.

The **number of jobs supported** indicator comprises two components: 1) The number of employees (FTEs) working at the company; 2) Indirect jobs created – this is based on an estimate based on the outcome of FMO's Joint Impact Model .

The **greenhouses gas emissions avoided** indicator is calculated as the investment's anticipated CO_2 emissions compared against the most likely alternative in the country. The required data is taken from independently verified documentation and is calculated as tons of CO_2 equivalents per year.

3. The section entitled "3. The investment Opportunity" is amended by addition of the following:

3.6 Sustainability

The Fund has sustainable investment as its objective. In the context of the Sustainable Finance Disclosure Regulation (SFDR), the Fund is therefore classified as an Article 9 Fund. Additional SFDR related disclosure regarding Article 9 can be found in this Prospectus. Below, the details on how Fund Manager considers the effects of material sustainability risks on the value of the Fund's investments in compliance with Article 6 of the SFDR can be found.

Sustainability risks are categorized into Environmental, Social or Governance (ESG) issues and may pose a material risk to the value of an investment.

Some examples of environmental risks are:

- Increased taxation on environmentally damaging activities
- Damage to production facilities due to global warming induced flooding
- Fines for mishandling of hazardous waste

Some examples of social sustainability risks are:

- Negative publicity and loss of contracts after poor handling of digital client data or security.
- Closer scrutiny of labor rights in the supply chain
- Dishonest marketing practices or product safety

Some examples of governance risks are:

- increasing scrutiny on livable wages and earnings dispersion within a company
- ethics bribery and corruption
- anti-competitive behaviour

<u>Policy on the integration of sustainability risks into investment decisions</u>

Not all sustainability risks may have a material negative effect on the value of an investment. Also, the relevancy of each sustainability risk may differ based on the economic sector the investment is active in. Therefore, the Fund applies the Materiality Map of the Sustainability Accounting Standards Board (SASB) to determine which sustainability risks are material to consider in the investment decision making process.

SASB has identified more than 25 sustainability risks divided across the E, S, and G topics. Dependent on the economic sector the investment is active in, these risks are marked either 1) not material, 2) not likely material, 3) likely material. For a risk to be classified as likely material, SASB has found that for over 50% of the companies active in that sector, the risk has a significant impact on the financial position or operational activities.

In each investment decision the relevant material sustainability risks are investigated using the following focus points:

- Policy and practices: Investigating if relevant sustainability risks to the investment are well covered by policies informs if all risks are sufficiently in scope and in control. If so, then the value of the investment may be less sensitive to the relevant sustainability risk than its peers.

- Incidents: If the sector or the investment experienced significant incidents regarding the relevant sustainability risk recently, this may inform the understanding of both the frequency of it occurring, as well as the investments readiness and quality of response. Better preparedness and a strong response mean the value of the investment may be less sensitive to the relevant sustainability risk than its peers.

This analysis will provide a low, average or high estimated sensitivity of the value of the investment to material sustainability risks and informs the investment decision making process. A high sensitivity does not automatically disqualify an investment from inclusion in the Fund, but this information will be included in the decision-making process.

Considering the sector focus of the Fund, the following sustainability risks are presumed to be likely material for the investments made by the Fund in the economic sector Financial Institutions, Energy, Agribusiness and Telecom as defined by SASB:

Commercial banks & Consumer Finance	Renewable Resources & Alternative Energy	Agricultural Products	Telecommunication Services
Data Privacy	Energy Management	GHG emissions	Energy Management
Data security	Water & Wastewater Management	Energy Management	Data Privacy
Access & Affordability	Product Design & Lifecycle management	Water & Wastewater Management	Data Security
Selling Practices & product Labeling	Materials Sourcing & Efficiency	Product quality & safety	Materials Sourcing & Efficiency
Product Design & Lifecycle management		Employee health & safety	Competitive behavior
Business ethics		Supply chain management	Systemic risk management
Systemic risk management		Materials Sourcing & Efficiency	

<u>Monitoring of sustainability risks in the Fund</u>

On a monthly basis, the sustainability risk analysis for the investments of the Fund are reviewed and updated if and when applicable. Here, material changes to the individual sustainability risks of an investment are not expected to occur often. The most likely reason for this would be a significant change in the economic activity of the investment causing it to be moved to a different economic sector. A spin-out or acquisition of significant size relative to the market value of the investment could prompt this change. An update of the estimated sensitivity of the value of the investment to a sustainability risk might be triggered by a change in the policies and practices of the investment, or by a significant incident regarding the sustainability risk.

The material sustainability risk exposures and the concentration of high sensitivity investments in the Fund are part of the risk management policy of the Fund Manager and are monitored on a monthly basis.

Principal Adverse Impacts

The Funds investments may have a principal adverse impact on sustainability factors as defined in Regulation (EU) 2019/2088. Therefore, the Fund will consider these and start reporting on the principal adverse impacts and any actions taken to mitigate them per 2023 in its annual report. The relevant indicators will be outlined in the prospectus. The Fund aims to report on all mandatory principal adverse impacts as outlined in the Regulation. However, the completeness of the Funds reporting will depend in part on the reporting of its underlying investments. In it's reporting, the Fund will indicate any missing or incomplete indicators and its efforts to towards full compliance with the SFDR.

4. The section entitled "3.5.2 FMO investment process" is replaced by the following:

3.5.2 Sustainable Investment Process

FMO applies an integrated process of project sourcing, financial analysis, ESG analysis, alignment with impact targets, minimum criteria, governance controls and engagement.

Process

1. **Borrower selection:** Each new project needs to contribute to at least one of the three key SDGs FMO focusses on. The project and/or business is filtered through FMO's country screening, exclusion list and the viability of the project and/or the business is investigated. The financing is than checked for its ' additionality', meaning that FMO can provide resources and share best practices that are critical for sustainable development and otherwise would not have been available to the company or project.

2. **Clearance in principle:** Here the initial assessment of risks and opportunities is completed. This step includes an initial Environmental and Social review to flag any serious risks or significant harm to stakeholders or the surrounding environment. These standards are based a.o. on the IFC Performance Standards and ILO labor standards. This includes freedom from forced and child labor, freedom from discrimination at work, freedom of association and the right to collective bargaining. Furthermore, a Know-Your-Customer assessment is completed to ensure that the borrower complies with anti-money laundering, anti-corruption and anti-terrorist financing regulations. During this step of the investment process the governance structure is also assessed.

3. Due Diligence: FMO performs an on-site visit, including visits to key stakeholders. ESG improvements are discussed with the borrower and a more detailed human rights risk assessment is conducted as informed by the results from step 2. This includes on-the-ground research and consultation with local civil society.

4. **Decision, disclosure and disbursement:** After investment approval, FMO discloses proposed investments for 30 days prior to contracting. This gives stakeholders the opportunity to share their concerns and feedback. ESG requirements and conditions are included in the loan documentation to ensure that they are legally binding. Disbursement can than take place upon achievement of the conditions.
5. **Monitoring:** Throughout the lifetime of the investment, FMO monitors performance and progress and works with borrowers to ensure implementation of ESG requirements.

5. The section entitled “4.2 Risks Relating to the Fund” is amended by addition of the following:

Sustainability risk

Sustainability risk in the context of the Fund is defined as the risk of a decrease in the value of an investment of the Fund due to an environmental, social or governance (ESG) related event. Such an event may have a direct negative impact on the financials of the investment or a longer-term impact on the operations or earnings capacity of the investment. The Fund has identified multiple sustainability risks which may impact the value of its investments to a varying degree.

6. The section entitled “10.2.4 Other Information” is amended by addition of the following:

The sustainability risk integration disclosure of the Fund Manager and the principal adverse impacts disclosure of the Fund Manager are published on the Website of the Fund Manager.

Amsterdam, March 2021

Privium Fund Management B.V.	Stichting Juridisch Eigendom FMO Privium Impact Fund
Fund Manager	Legal Owner