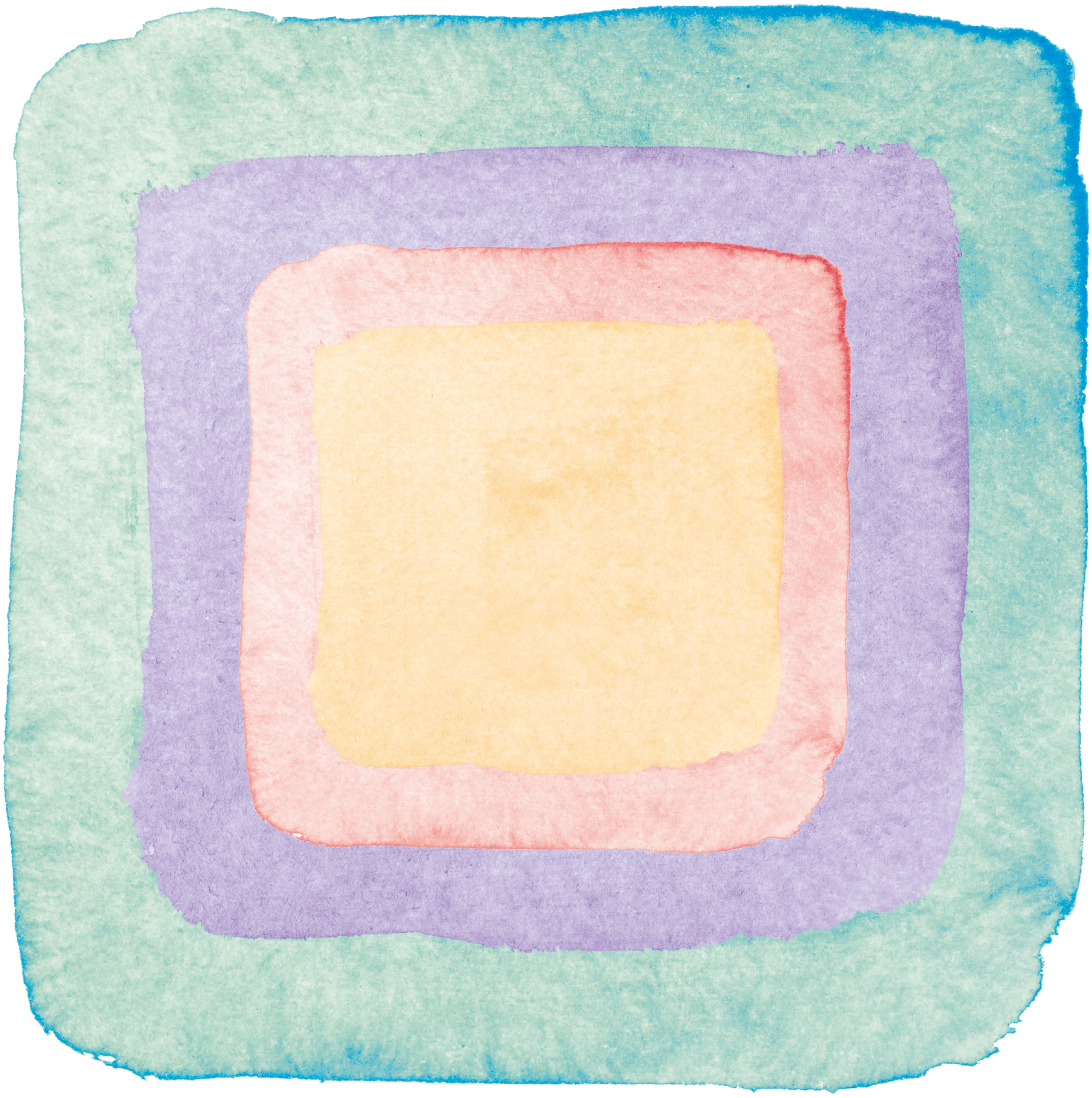
Inpulse



IMPACT REPORT 2022

MEASURING & MANAGING IMPACT: THE ESG SYSTEM

AN ADVANCED SYSTEM TO FULLY INTEGRATE IMPACT IN OUR ACTIVITIES

Throughout 2022, we continued to improve our ESG System to assess, monitor and report on non-financial performance. It has been a significant challenge, requiring a constant evolution in methods to ensure coherence with the field and usability for the different users (clients, front office, investment committee). Our system is based on the best global practices for inclusive finance to measure, analyze, follow-up and score economic, social and environmental impact. We apply the UN SDGs as the key language to show our involvement to global sustainable development**: we measure and score the level of SDG achievement of our investees**. We are aligned with the Universal Standards of the Social Performance (USSPM) Task Force, the Global Investing Network (GIIN-IRIS) guidelines and the Smart Campaign for client protection principles. We evaluate our environmental performance in line with the CERISE SPI4 Green Index and assess the effects of climate change on investees portfolios. Additionally, women empowerment is analyzed more in-depth through the benchmarks used by 2xChallenge initiative. Good governance control is heavily inspired by the European Code of Good Conduct for Microcredit provision. Most of our funds have been granted the Finansol label attributed to ethical savings products based on a double standard of transparency and solidarity.
We make sure that the investees of all of our funds are partner institutions that are not only financially sustainable, but also seek to alleviate socio-economic problems, while avoiding harm to their final clients. The impact approach has been elaborated in our Sustainability & ESG Policy and translated into practice through our ESG System to assess, select, monitor and report on all our investments. **In line with the SFDR Directive, we provide transparent and enhanced information in terms of environmental and social responsibility** of our financial products, in particular through the provision quantitative data on non-financial sustainability of our investments. Impact Reports are published annually to disclose the non-financial results of our funds under management, which are all products targeting sustainable investments (Article 9).

PROCESS AND FUNCTIONING OF THE ESG SYSTEM

The system collects client information through the **ESG Smartsheet**, a matrix of quantitative and qualitative indicators across eight dimensions: 1. Mission, 2. Environmental Performance, 3. SPM Practices, 4. Products & Services, 5. Outreach, 6. Client Treatment, 7. Staff Treatment, 8. Governance. Data are verified to ensure quality and coherence and are then integrated into our MIS. The analysis and scoring of the data results in final outputs, which are used for both internal and external purposes. An **ESG Scorecard** is issued for every new investment to rate and benchmark the non-financial performance of a potential investee on four elements (SDGs, Environment, Gender, and Governance). The main purpose of the scorecard is to help decision makers take investment decisions that are aligned with the mission of our funds. The analyzed indicators contribute to establishing the impact objectives included in the loan agreements with investees. Finally, data collected through the ESG System serves to produce Impact Reporting that publicly discloses positive societal changes brought by Inpulse managed funds via our Theory of Change. **The analysis presented in the next chapters of this Impact Report refers to indicators available thanks to data collected from CoopEst, CoopMed and Helenos in 2022.**

GENDER IMPACT ANALYSIS

Integrating a woman-centered strategy has been an important dimension at Inpulse and the managed funds level. Inpulse has been working on providing tools and a methodology for collecting gender disaggregated data to our advised funds. We continually evaluate the impact of our investments on gender equality practices at all stages, from due diligence to annual monitoring.
Through a set of indicators reported by our managed fund's investees, and in line with the **2XChallenge**, we can measure our contribution to close the gender gap through gender-smart investments and track the progresses over the long run. For the third consecutive year, we analyzed and benchmarked the data according to the **criteria established by the 2XChallenge: Entrepreneurship, Leadership, Employment, and Consumption**.
Considering that Inpulse's impact performance is the direct reflection of its clients' performances, we strive to also look at the general trend over the years. At the same time, it is also informative to reflect on the evolution of specific funds. In 2022, we observe the following main points:

- For some Inpulse supported funds (namely CoopMed and CoopEst), the number of clients was reduced in 2022 due to the limitations set forth in their investment activities. Therefore, gender-related data also stem from a smaller number of clients.
- Helenos is reaching out to new types of beneficiaries, i.e. social enterprises and MSMEs. It is interesting to notice that in those institutions the portion of woman owned businesses are less important or more difficult to track (as often end clients are companies) than in typical microfinance, which may somehow underline the importance of gender equality promotion in all sectors.

2XCHALLENGE

The 2XChallenge is an initiative launched by the DFIs of the G7 countries to direct capital towards women and increase access to finance for women-owned, women-led and women-supporting enterprises in developing countries and emerging markets.
The 2X Challenge calls DFIs to join together to collectively mobilize $3 billion in commitments that provide women access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access.
The 2XChallenge has established five evaluation criteria to track impact and set thresholds to benchmark the achievements of actions to contrast gender gap.

WOMEN ENTREPRENEURSHIP

Thanks to the data provided by our investees, Inpulse has contributed to finance 102,277 business loans to women in 2022. **45% of our client's business loans were disbursed to women**; this rate is lower than last year (58%) and below the 2X challenge level.
As indicated above, this can be explained by several internal factors but also reflects **the average performance in the finance sector where gender inequalities** are still strong. According to the SISTA x Boston Consulting Group barometer on inequalities in women's access to finance, women-founded start-ups account for only 5% of all start-ups funded in France **and have a 30% lower chance of being financed** by mainstream investors than their male-founded counterparts.[1] According to an International Finance Corporation (IFC) study in Romania, one of Inpulse's main target countries, only 33% of women-owned businesses have a loan or line of credit compared to 48% of male-owned businesses.

GENDER ANALYSIS - INPULSE

OUR INDICATOR

- **Businesses founded** (or maintained) by women (%). — **45%**

2XCHALLENGE INITIATIVE

CRITERION	THRESHOLD
Women ownership or business founded by a woman	51%

WOMEN LEADERSHIP

Women's leadership in the financial services sector remains very low. In 2020, female representation in the sector was 20% on executive committees and 23% on boards.[2]
Based on indicators related to women's participation in managerial positions, we measured the women's leadership dimension among our investees. Of the 295 senior managers in our partner institutions, 149 were women, **representing 51% of women in senior management positions** (vs. 47% in 2021). This result exceeds the threshold set by 2Xchallenge and shows improvement compared to previous round of data collection. Comparatively, according to the 2019 Deloitte study, the proportion of women in leadership roles worldwide was only 21.9% (and is only projected to reach 31% by 2030[3]).
In terms of gender equality at the **governance level, the glass ceiling is still prevalent**: of the 141 board members, only 48 are women **(representing 28% female participation at the BoD level)** very close to the 2Xcnallenge threshold of 30%.

GENDER ANALYSIS - INPULSE

OUR INDICATORS

- Women in **senior management** positions (%) — **51%**
- Women on the **Board of Directors** (%) — **28%**

2XCHALLENGE INITIATIVE

CRITERIA	THRESHOLD
Women in senior leadership	30%
Women on the Board or Investment Committee	30%

WOMEN IN THE WORKFORCE

Regarding women in the labor force, our investees reported a total of 3,206 employees in 2021. 1,854 were women, **representing 58% of the workforce**. Additionally, 52% of the loan officers working for our partner institutions were women. These **results exceed the 40% benchmark established by the 2XChallenge** for the financial services sector and are in line with 2021 results.

GENDER ANALYSIS - INPULSE

OUR INDICATORS

Women in the **staff** (%)	58%
Women as **loan officers** (%)	52%
Investees with policies including gender **non-discrimination in the workplace** (%)	85%
Investees offering **additional benefits** to improve women's condition of employment (%)	44%

2XCHALLENGE INITIATIVE

CRITERIA	THRESHOLD
Women in the workforce	40%
Existence of policy/ program to advance women's employment conditions	In place

85% of our investees have policies or contractual agreements that include gender non-discrimination and prevention of gender-based violence in the workplace. In addition, **44% offer additional benefits to improve women's employment conditions**, emphasizing that many Inpulse investees have already achieved improved conditions for women beyond the legal regulations of each country.

FINANCIAL SERVICES TO WOMEN

In 2022, **37% of our investees offered financial products specifically tailored for women** and a vast majority **(89%) had drafted a client gender equality policy**. Additionally, while only 7% of our fund investees without specific financial products in 2021 for women intended to develop them, the figure has now reached 22% in 2022: the financial services to women market is increasingly seen as a market opportunity by financial intermediaries and this is promising!

GENDER ANALYSIS - INPULSE

OUR INDICATORS

Investees with **specific financial products** for women (%)	37%
Investees with a **client gender equality policy** (%)	89%
Women clients (%)	51%
Unbanked women clients who gained access to financial products (%)	10%

2XCHALLENGE INITIATIVE

CRITERIA	THRESHOLD
Products/services specifically or disproportionately benefits women	At least one product/ service specifically addressed to women
Customers who are female	Women must comprise the majority of customers

Of the **291,227 loans disbursed in 2022 by our clients and financed via Inpulse managed funds, 50% went to women**. Wanting to go beyond this traditional indicator, we asked our investees to provide metrics on the number of financial services to women who had not previously had access to credit.
The data shows that of the **66,303 loans to unbanked clients, 43% were disbursed to women**.

ENVIRONMENTAL PERFORMANCE ANALYSIS

Impact and sustainable financing are part of our DNA. For Inpulse, this implies that we monitor social and environmental performance indicators with the same rigor as financial indicators. In this chapter, we analyze the results of the environmental performance of our microfinance clients during 2022.[4]

The tool used for this evaluation is our **ESG system, where we have an environmental dimension composed of five standards and 17 quantitative and qualitative indicators**. Four of these standards are aligned with the Green Index 2.0[5] and the fifth standard, developed in-house,[6] corresponds to our investees' perception of the effects of climate change on their final beneficiaries and portfolio. To evaluate the quality of our results, we compare them with the Green Index 2.0 scores[7] produced by Cerise-SPI4 in 2022.

We believe that improving environmental performance can help our investees to strengthen their financial and social management. Monitoring or being aware of the environmental dynamics related to final beneficiaries will protect our investees from risks in the medium and long term, for example, from defaults on credit payments. It could also help them develop new green products based on the new needs of the sector, for example, loans for sustainable agriculture or investment in renewable energy equipment for homes.

However, it is important to consider that our investees are mostly small financial institutions for which the investment (human resources or money) in environmental management represents a significant additional effort that must be widely recognized. Many of these institutions struggle, within the context of pandemics, wars, and conflicts, to close large social gaps such as gender inequality, the lack of financing for small farmers, or even the financial inclusion of migrants and refugees. High priorities that represent urgent social needs. Therefore, it is logical that for some of these investees it is still a difficult task to consider environmental management in their strategic orientation, or the allocation of human resources for the monitoring and evolution of these indicators.

Microfinance clients, especially small farmers, are often in the first line of climate change, their lives and livelihoods are vulnerable to environmental impacts.[8] In this context, it is undeniable that microfinance institutions are key actors to promote adaptation products and services to climate

THE E-MFP GREEN INDEX & SPI4

The Green Index is a tool developed and implemented by the e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF AG) since 2014. The Green Index assesses green inclusive performance of finance sector. The European Microfinance Platform (e-MFP) is the leading network of European organizations and individuals active in the microfinance/financial inclusion sector in developing countries. SPI4 is one of the most widely used social assessment tools. An Excel questionnaire helps financial services providers evaluate their level of implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles. The SPI4 social audit tool enables institutions to assess their performance against the six major dimensions of social performance management defined by the SPTF. The SPI4 tool also includes a module which enables MFIs which use the tool to assess their environmental performance. This module contains the four dimensions of the Green Index, which has been developed with the Environment Action Group of the European Microfinance Platform. SPI4 has been developed by CERISE and its partners since 2001, with constant feedback from SPI users using an iterative and collaborative approach. CERISE is an organization "dedicated to responsible and ethical finance, willing to find solutions for mission-driven organizations."

change. As well as relevant is the role of stakeholders in monitoring tasks, analyzing environmental indicators as well as accompanying the construction of new environmental products is also key to improving practices of each institution. The purpose of the analysis which follows is primarily to allow us to reflect on how to better contribute to sustainable financing, as well as to the adaptability and environmental resilience of our clients.

STANDARD 1: STRATEGY, DIRECTION, AND COMMUNICATION OF ENVIRONMENTAL MANAGEMENT

Inpulse registered a score of 52% for this standard, which represents a good environmental performance of our investees compared to the Green Index 2.0 benchmark. 59% of our investees have established environmental objectives and/or indicators in a formal environmental policy. However, the use of these objectives to give strategic direction to the institution continues with a downward trend in the last two years. Currently achieved for 41% of the investees (in 2020 was 60%), this indicator is important so that the environmental objectives are not merely established within the institutions, but also helps their orientation. This trend denotes that the strategic orientation in some institutions has been directed primarily towards the reinforcement of social objectives. In some cases, due to recovery from the COVID-19 pandemic, or to address the side effects of the war in Ukraine and other geopolitical conflicts, situations that clearly merited this focus on social strategies.
On the other hand, during 2022, a positive trend was identified in the assignment of people to manage environmental performance, reported by 52% of the investees. Likewise, the communication of environmental performance was higher than in previous years within our investees, reported by 57% of investees, where the internal publication was identified as the most used form.

GREEN ANALYSIS - INPULSE

OUR INDICATORS

- The investees have **environmental goals, targets and/or indicators** to provide strategic direction
- The investees **appoint a specific person to manage environmental issues**
- The investees **report on its environmental performance** and practices

52%

GREEN INDEX – SPI4

STANDARD

The institution defines, manages and monitors its environmental strategy

39%

AVG SCORE

STANDARD 2: INTERNAL ENVIRONMENTAL RISK MANAGEMENT

52% of our investees reported implementing actions to reduce and monitor their internal environmental risks. Nearly 44% of our investees have developed specific green initiatives for reducing their ecological footprint (for most, these are not formalized environmental policies or procedures). These actions are mainly focused on the efficient use of paper, electricity, water, and fuel in the offices. To achieve these objectives, some investees established good practices to reduce employee displacement and increased the digitalization of financial processes.
For our investees located in North Africa, the activities regarding recycling, reusing and efficient use of resources (such as electricity and water) are more clearly present. For our investees in the digital lending sector, larger investees or those located in Eastern Europe, the monitoring and reduction of their carbon emissions became a relevant issue in 2022.

GREEN ANALYSIS - INPULSE

OUR INDICATORS

- The investees implement **actions to reduce their internal environmental impact**
- The investees implement **actions to monitor their internal environmental impact**

52%

GREEN INDEX – SPI4

STANDARD

The institution implements actions to reduce its internal ecological footprint

42%

AVG SCORE

STANDARD 3: EXTERNAL ENVIRONMENTAL RISK MANAGEMENT

30% of Inpulse investees manage their external environmental risks. This standard represents a large challenge for microfinance institutions. For instance, it considers the evaluation of external environmental impacts generated by the activities of their clients, which was only carried out (through different strategies and tools) by 26% of our investees. This type of analysis requires a lot of resources and a strong institutional environmental commitment that includes the training of employees to understand the environmental factors and negative environmental effects generated by different financed activities (e.g., agriculture, livestock, etc.)

70% of Inpulse investees have an explicit policy or exclusionary list to avoid the financing of activities with potentially negative environmental effects. However, only 9% provided training to their employees on how to assess environmental risk and 19% provided non-financial services to their clients to raise awareness about environmental impacts/risks.

To increase coherence between environmental exclusion policies/lists (an indicator for which very good results were obtained), it is necessary to strengthen support in MFIs through technical assistance by training their staff and clients on environmental risks. This is an opportunity for the different actors in the microfinance sector to contribute significantly to the positive management of external environmental impacts.

GREEN ANALYSIS - INPULSE

OUR INDICATORS

- The investees **evaluate the external environmental risks** and **provide training to employees**
- The investees have an **explicit policy or exclusionary list to avoid environmental adverse effects**
- The investees **provide non-financial services to raise clients' awareness on environmental impact/risks**

30%

GREEN INDEX – SPI4

STANDARD

The institution manages its external environmental risks

30%

AVG SCORE

STANDARD 4: GREEN FINANCIAL AND NON-FINANCIAL PRODUCTS

A total of **6,908 green loans were disbursed with a total portfolio allocation of 9%.** In 2022, more investees offered green financial products. However, fewer loans were distributed (notably towards renewable energy) and the outstanding portfolio dedicated to these loans were also slightly reduced. Our investees were oriented towards financially better-known sectors such as existing businesses and conventional agriculture. Loans to green housing (223) and green products (271) were reduced by half, while loans to finance renewable energy, energy efficiency and adaptation/mitigation to climate change (a total of 2,191) also experienced a downward trend. However, there was an increase in environmental loans to clean transport (328) and water management (294). The average green loan size disbursed was EUR 19,451.

Investees that offered agricultural/climate microinsurance products doubled during 2022 (reaching almost 8%), and the initiatives to develop new green financial products remained stable (44%). In contrast, the offer of non-financial services to raise clients' awareness on environmental-friendly practices, green businesses or sustainable practices decreased to 19%.

GREEN ANALYSIS - INPULSE

OUR INDICATORS

- The investees offer **specific loan products to finance renewable energy & energy efficiency, sustainable agriculture, green loans**
- The investees offer green financial and non-financial **products to promote sustainable practices**

21%

GREEN INDEX – SPI4

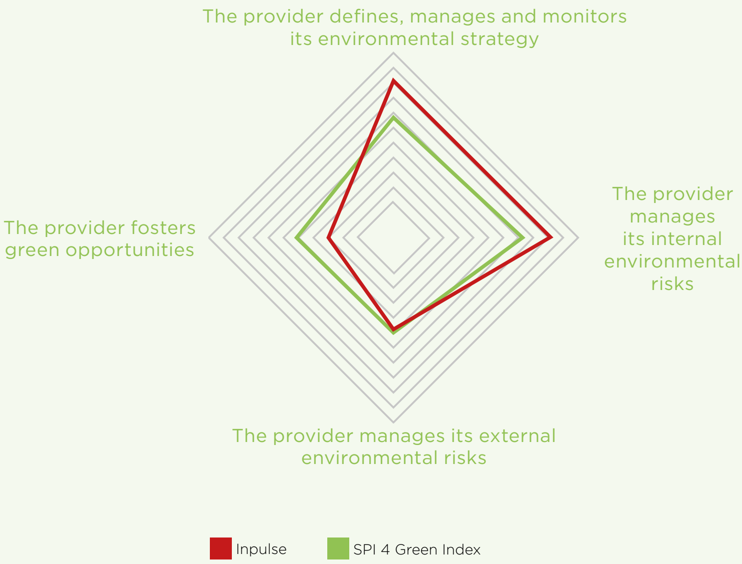
STANDARD

The institution fosters green opportunities

32%

AVG SCORE

INPULSE'S ENVIRONMENTAL PERFORMANCE COMPARED TO SPI4-CERISE GREEN INDEX

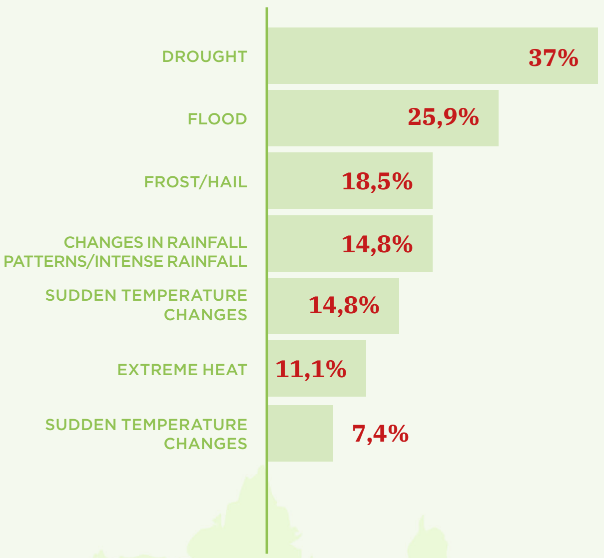


Inpulse investees have an aggregated score of 39 compared to 36 for the SPI4-Cersise Benchmark.
The investees had very good performance defining, managing, and monitoring their environmental strategy and managing their internal environmental risks. These standards also had a positive trend compared to 2021. The Inpulse result related to the external management of environmental risks is the same as the Benchmark. However, regarding the provision of green financial and non-financial products, our result is lower. This is because our investees have a strong social mission. In the face of the urgent social needs that the recovery from the COVID-19 crisis and the effects of the war in Ukraine and other geopolitical conflicts presented in 2022, the investment towards green financial products was slightly reduced and investees focused more on financial products aimed at the economic recovery of the final beneficiaries.

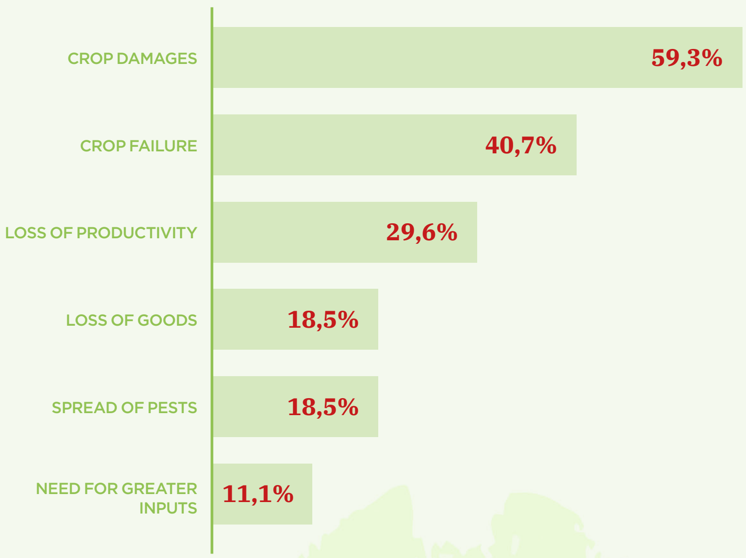
STANDARD 5: PERCEPTION OF OUR INVESTEES ABOUT THE EFFECTS OF CLIMATE CHANGE

The perception of climate change by our investees has been measured through three criteria. **The first criteria was the investees' perception of the negative effects of climate change.** The institutions indicated more presence of droughts (37%), floods (26%) and extreme heat (11%) between their clients and activities. For the **second criteria, related to the perceived damage to final beneficiaries' activities due to climate factors**, some investees pointed to crop damage (59%), crop failure (41%) and loss of productivity (30%) as the main damage. Consequently, for **the third criterion, which sought to determine the impact of these effects on the portfolio of our investees**, the perception is that the products most affected are those oriented towards agriculture/livestock and businesses.
It is worth noting that for almost all these indicators, the perception in 2022 was more positive compared to the two previous years.

PERCEIVED NEGATIVE EFFECTS OF CLIMATE CHANGE



MAIN DAMAGES PERCEIVED ON CLIENTS ACTIVITIES



SDGs IMPACT ANALYSIS

Like the previous sections, the Sustainable Development Goals (SDG) impact analysis presented below covers the CoopEst, CoopMed and Helenos funds. The data collected refers to activities carried out in 2022 and the analysis was built on the extensive feedback received by our investees. The results show that **Inpulse contributes to the generation of positive social impact for seven SDGs.**

SDG 1: NO POVERTY

More than four years of progress against poverty has been erased by COVID-19. In addition, rising inflation and the impacts of the war in Ukraine further derailed the progress (according to the IMF the war in Ukraine may contribute to concerning divergence between developing, emerging and advanced economies).[9] **The number of people living in extreme poverty increased by 16% in 2022** compared to before the pandemic.[10] As seen above, it is in particular the case in the MENA region. Inpulse contributes to SDG 1 by increasing financial inclusion, which is a crucial enabler to reduce extreme poverty and foster shared prosperity.[11] To capture this outcome, we assess the financial inclusion of traditionally underserved groups as well as people without prior access to credit. In 2022, **87% of the investments made by our investees addressed the Bottom of the Pyramid (BoP)**, meaning clients with loan amounts below the GNI per capita of each respective country. Furthermore, **49% of our clients are woman and 57% of the total clients are located in rural areas**.

1 NO POVERTY

272,130
ACTIVE CLIENTS

87%
BOP (LOANS<GNI P.C.)

49%
WOMEN CLIENTS

57%
RURAL CLIENTS

In addition, **23% of the total active loans (6% of the total outstanding portfolio) of Inpulse's investees in 2022 targeted the financial inclusion of unbanked people**, which corresponds to 66,816 credits. **These results support Inpulse's strategy of concentrating on the most vulnerable and defenseless** final beneficiaries. Many of these beneficiaries are located in countries with very difficult **socio-economic contexts such as Lebanon and Palestine or Poland – which has received the second most refugees from Ukraine**.[12] This further reflects the urgency of supporting local institutions and contributing to social integration in the coming years.

SDG 2: NO HUNGER

According to a study from the World Food Programme and the Food & Agriculture Organization of the United Nations, **up to 205 million people are expected to face acute food insecurity and to be in need of urgent assistance**.[13] This is the highest number recorded in the seven-year history of their research. Furthermore, research indicates that **one in three people lack regular access to adequate food**.[14] This problem is especially acute in the Middle East and North Africa (MENA) region, representing 6% of the global population, however it accounts for 54 million (12%) of the undernourished people.[15] In the European context, the war in Ukraine poses an additional threat to food insecurity, with the potential to provoke a surge in levels of hunger and malnutrition, especially among the poorest and most vulnerable.[16] According to the FAO projections, the number of undernourished people in 2022 and 2023 could increase by 7.6 to 13.1 million, in addition to the 720 to 811 million people who already experience chronic hunger in 2020. The countries most at risk include Jordan, Yemen, Palestine and Lebanon since they import a lot of essential goods, with a large portion coming from Russia and Ukraine.

In 2022, Inpulse contributed to food security by supporting local rural activities and the financial inclusion of underserved rural populations, such as smallholder farmers and agricultural microenterprises. **58% of the loans disbursed by our investees addressed the rural sector** and 21% of the outstanding portfolio was dedicated to the development of agricultural and livestock activities. In terms of total agriculture loans, **42% were granted to micro-enterprises** in agriculture (by total agriculture loans). In addition, a total of 7,172 loans were addressed to smallholders.

2 ZERO HUNGER

58% RURAL LOANS

21% AGRICULTURE/ LIVESTOCK PORTFOLIO

42% AGRICULTURAL PORTFOLIO TO MICRO-ENTERPRISES

7,172 LOANS TO SMALLHOLDERS

SDG 5: GENDER EQUALITY

Increasing women's participation in the labor market has a strong, positive impact on the economy, notably in the context of a shrinking workforce and skills shortages.[17] However, the world is not on schedule to achieve gender equality by 2030. This challenge is more apparent for woman seeking secure employment and earning a living in less developed regions.[18] Moreover, according to the World Bank, the **MENA region has one of the lowest rates of female labor force participation** with an average of 19%, compared to a global average of 46%.[19]

Inpulse's final investees supported gender equality by granting 145,940 loans to women in 2022, representing 53% of the loan portfolio. Among our investees, **women staff accounted for 58% of the workforce**. Furthermore, 51% of the highest levels of corporate leadership were held by women, which is a significant result considering the worldwide average of 28%.[20] In addition, nearly one-third of our investees set women empowerment as the core of their social mission, 85% of them applied gender non-discrimination policies and prevention of gender-based violence in the workplace and 37% offered additional benefits to improve work-life balance. Some of these benefits included flexible works hours, additional leave days to mothers or single parents with children up to three years old and handicapped persons, additional daily breaks for breastfeeding employees and ensuring full salary payment to all female employees on maternity leave (despite the national government of the investees stipulates only a portion of the salary).

Despite the different international crisis, the indicators on the contribution to gender equality remained quite positive. A further upward trend is observed on some metrics, especially women in the workforce and in senior management positions, which are already at higher levels compared to pre-pandemic conditions. However, it is also evident that the crisis has affected women's entrepreneurship and leadership opportunities. For example, we identified that business loans to women (45%) and the number of women on the Board of Directors (28%) had a less positive trend compared to the previous year. Female empowerment remains high on our management's agenda.

53% LOANS TO WOMEN

45% LOANS FOR BUSINESS DEVELOPMENT TO WOMAN

51% WOMEN IN SENIOR MANAGEMENT POSITIONS

58% WOMEN IN THE WORKFORCE

5 GENDER EQUALITY

SDG 8: DECENT WORK AND ECONOMIC GROWTH

According to the World Bank, the projected growth rate will fall in Europe and Central Asia (excluding Russia and Ukraine) from 4.7% in 2022 to 2.4% in 2023. It reflects the persistent inflation, the impact of tighter conditions and the subdued external demand.[21] In the MENA regions, economic growth is expected to fall to 3% in 2023 coming from 5.8% in 2022.[22]
To accelerate the road to recovery and development, Inpulse **contributes to SDG 8 by strengthening the capacity of domestic financial institutions to encourage the offering of technical assistance and the supply of loans for the creation of jobs and businesses**. In 2022, our investees supported the creation and maintenance of 176,585 jobs and 55,332 new businesses. 33% of the outstanding portfolio was allocated to new and existing businesses. In addition, 53% of the businesses financed were micro-enterprises and 54% of the portfolio was dedicated towards income generating activities such as business and agriculture.
74% of our investees surveyed the satisfaction of their employees, obtaining a "Very satisfied" staff in 56% of these. 93% provided training to their employees on various topics, such as essential business functions, respect for customer rights, and environmental risks. The average rate of staff turnover has been around 15%, a little lower compared to previous years.

8 DECENT WORK AND ECONOMIC GROWTH

176,585
JOBS CREATED/ MAINTAINED

55,332
NEW BUSINESS CREATED

53%
MICRO-ENTERPRISES FINANCED

54%
INCOME GENERATING ACTIVITIES PORTFOLIO

The **pursuit of decent and inclusive jobs** is also evident when looking at our investees' internal policies and staff treatment. Most of our investees (70%) used an employee survey to assure and improve labor rights and provided training to their employees (86%) on diverse topics varying from essential business functions to ethic education. **Employee satisfaction rates were very high**, whereas the average staff turnover rate has settled around 16%, a positive result when benchmarked to MixMarket data (24% in 2019).

SDG 10: REDUCED INEQUALITIES

In 2021, the **total number of refugees worldwide increased to its highest level ever recorded** and even more people are being displaced from their homes as a result of the war in Ukraine.[23] The UN Refugee Agency **estimates that 117.2 million people will be forcibly displaced or stateless in 2023**.[24]
An unprecedented flow of refugees entered the CEE region. For instance, Poland took in about 100,000 refugees during the course of the preceding 30 years before taking in almost two million in the first three weeks of the conflict. This was made possible by a massive outpouring of public support for the refugees, including hundreds of thousands of Poles who offered their homes to Ukrainian refugees.[25]
In 2022, Inpulse contributed to financial inclusion and the reduction of inequities via our investees. **25% of the loans were distributed to vulnerable groups**, such as youth, immigrants, refugees, smallholder farmers and people with physical or intellectual disabilities. In total, 66,303 loans were disbursed to previously unbanked individuals, 46,770 loans were granted to young (people under the age of 35), 5,414 to immigrants and/or ethnic minorities and 3,022 refugees were financed. These are remarkable results that surely contributed to the creation of a cohesive and resilient society.

10 REDUCED INEQUALITIES

3,022
REFUGEES FINANCED

46,770
YOUTH (<35) FINANCED

5,414
MINORITIES FINANCED

66,303
UNBANKED CLIENTS

10 REDUCED INEQUALITIES

Regarding the internal good practices, the highest level of consideration was given to the fair and respectful treatment of clients, with **100% of our investees having established policies and strategies for client protection and transparency of credit products**. The average complaint ratio in 2022 is 0.36%, whereby 93% of our investees have adequate systems to collect and resolve client complaints. This results in 97% resolved complaints. Furthermore, 56% committed to the "Client Protection Principles" (The Smart Campaign). Moreover, **74% of our investees offered non-financial services** (e.g. business development services, financial literacy), and non-financial products (e.g. micro-insurance). Lastly, 52% of our investees apply 'SPI4', which is a tool for financial service providers to measure their social performance.

Cerise SPI4

52%
INVESTEES APPLYING SPI4

0.36%
CLIENT COMPLAINTS RATIO

79%
CLIENT RETENTION RATE

74%
INVESTEES OFFERING NON-FINANCIAL SERVICES

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION
SDG 13: CLIMATE ACTION

The risk of a triple global catastrophe of climate change, biodiversity loss and pollution are caused by unsustainable patterns of production and consumption. Human well-being is threatened by these problems and the associated environmental deterioration. The Earth's finite capacity won't be able to support the livelihoods of current and future generations if we continue on the current development track. A sustainable future depends on changing our interaction with the natural world. Governments and citizens should take advantage of the chance to work together in order to increase resource efficiency, lessen waste and pollution, and create a new circular economy.[26] An example is the MENA region where the existing water scarcity will be substantially exacerbated by climate change, with terrible socio-economic consequences. The countries that are included in the top 10 of facing high water stress are Israel, Lebanon, Jordan and Libya.[27]
Inpulse investees contributed to SDG 12 and SDG 13 by supporting the development of green financial products and monitoring the environmental performance of its investees. In total, **6,908 green loans were disbursed and 44% of our investees carried out actions to develop green financial products**. Furthermore, 70% have established an environmental exclusion list to avoid the financing of activities with potentially adverse environmental effects. 52% implemented actions to monitor and/or reduce their internal environmental risk (ecological footprint). Lastly, 41% of our investees used environmental performance data to provide strategic direction to the institution.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

6,908
GREEN LOANS

70%
INVESTEES WITH ENVIRONMENTAL EXCLUSION LIST

59%
INVESTEES WITH ENVIRONMENTAL STRATEGY

52%
INVESTEES MONITORING INTERNAL ECOLOGICAL FOOTPRINT

GOVERNANCE ANALYSIS

In line with the development of the ESG System, Inpulse conducted an **in-depth evaluation of the governance performance** of its investees in 2022. The evaluation considered 24 indicators (quantitative and qualitative) across four key dimensions: 1. Business Planning, 2. Board Effectiveness & Independence, 3. Management, HR & Operational Manuals, and 4. External Accountability. The survey has been conducted again in 2022.
Regarding the Business Planning dimension, we are really satisfied by the achievement of our investees: 100% of them have strategic documents, which are regularly reviewed in 92% of cases (a significant progress compared to 2020 (81%) and 2022 (85%). However, **89% of our investees included social goals and targets in their bylaws and business plans, which represents a deterioration compared to 2021 (96%).**
Regarding the Board Effectiveness & Independence, 100% of our investees have a formal board of directors. However, we still would like to see more women representation beyond the current figure of 29%, which shows a clear decrease of the rate observed in 2021 (36%). 100% of board members are independent from the management and **96% of our investees have established an audit or internal control committee**, independent of the management.
Regarding Human Resources & Operations, we appreciate that 74% of our investees have a succession plan. Most of them take care of their employees: **100% of staff have been trained** during the reporting period, 85% of investees included gender non-discrimination clauses in their HR policies and contracts and the prevention of gender-based violence in the workplace. 74% of Inpulse's investees evaluated employee satisfaction over 75%, which shows a slight improvement compared to 2021 and stays at a high level.
Regarding client treatment, 81.5% of our investees assess client satisfaction and 89% of them consider client feedback to improve their products and processes. Although these figures shows a slight decrease from 2020 but an improvement compared to 2021, this can be explained by the COVID-19 conditions.
Regarding transparency and accountability **96% of our investees are audited by an external auditor on an annual basis**. Moreover, internal audits consider social performance and are carried out by 89% of our investees, declining compared to 2021; 81% also report on their social performance and practices.

74%
INVESTEES HAVE A SUCCESSION PLAN FOR EXECUTIVE MANAGEMENT

89%
INVESTEES TAKE IN ACCOUNT CLIENT FEEDBACKS FOR ADAPTING PRODUCTS AND SERVICES

51%
WOMEN HOLDING SENIOR MANAGERIAL POSITIONS

COOPERATIVE BANKS: SUPPORTING LOCAL DEVELOPMENT

SUBORDINATED LOANS HELP POLISH COOPERATIVE BANKS TO GROW

From the beginning of its operations, CoopEst recognized the importance of the cooperative financial sector. During the investment period, it granted a total of 35 loans in the cumulative amount of EUR 23.4M to 22 cooperative banks and two associating banks in Poland. Helenos follows the CoopEst path: since 2021 it has disbursed subordinated loans in the amount of EUR 1.3M to two Polish cooperative banks.

The activity of cooperative banks in Poland is subject to the same regulation as that of commercial banks. They are obliged to meet the requirements laid down in the EU regulations, such as capital adequacy and liquidity, and to follow guidelines of the Central Bank, including **data protection, complaints procedures, transparency and consumer protection**.

As of December 2022, the cooperative banking sector in Poland comprised 496 cooperative banks and two associating banks which support technological and product development as well as guarantee the liquidity and solvency of their members via **institutional protection schemes (IPS)**. Both protections schemes cover 98% of the member institutions. The sector counts nearly 900,000 members and provides employment to 28,000 people.

In 2022, the Polish cooperative bank sector achieved very good financial results. The consolidated TCR ratio increased year-on-year from 18.6% to 19.2% and the Tier 1 ratio increased from 18% to 18.7%. All the cooperative banks met the minimum capital requirements.

Cooperative banks remain **committed to the development of local communities in which they are rooted.** They finance local NGOs and social enterprises, support local initiatives linked to education, sport, culture, especially directed at children and youth, with the purpose to activate and integrate the inhabitants.

The bank staff follows on their clients' needs in everyday contacts and the management strives to adjust the offer of financial products and services to the changing needs,. One example is the **introduction of digital solutions, such as digital communication channels, e-banking with a digital wallet, currency exchange, possibility to sign documents with the account ID, and mobile applications**.

Improving institutional capacity, the cooperative banks introduce IT solutions enhancing security, protection against cyberattacks or fraud in electronic banking, as well as optimising back-office systems. Along with the IT development, they put strong focus on staff training, both related to modern tools and regulation.

A large client segment is farmers. Cooperative banks offer them regular credits or credits with subsidized interest rates in case of negative climate effects on. Banks offer also agricultural insurance which may cover farmers' civil responsibility, machines, buildings, animals and crops. To support pro-environmental activities, cooperative banks have introduced products such as: i) the **EKO loan for the purchase of photovoltaic installations and heat pumps**; ii) the "Clean Air" loan – for improving house insulation and modernizing heating systems.

Women make up most of the staff and **frequently occupy management positions (66% in 2022 and 2021)**.

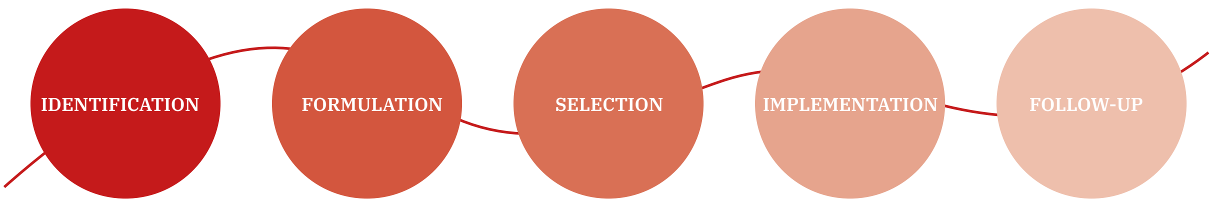
2 ZERO HUNGER	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES
RURAL BORROWERS **45%**	WOMEN IN SENIOR MANAGEMENT POSITION **66%**	PORTFOLIO FOR INCOME GENERATING ACTIVITIES **64%**	LOANS TO YOUTH **6%**
AGRICULTURAL LOANS **25%**	WOMEN ON THE BOARD OF DIRECTORS **42%**		

TECHNICAL ASSISTANCE: IMPACT IN ACTION

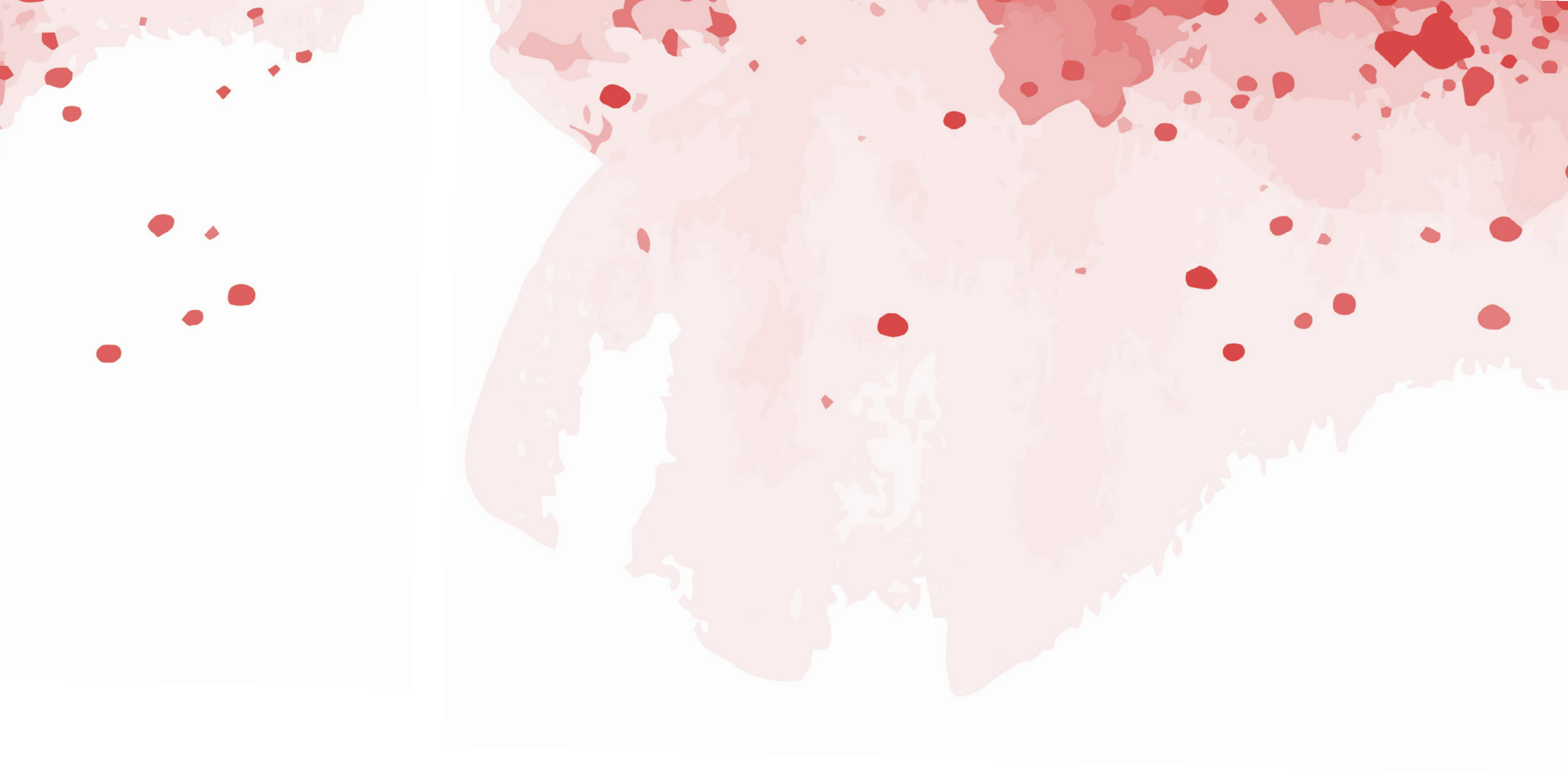
TWIN PILLAR INTEGRATED VISION

With the support of the Agence Française de Développement and the European Investment Bank/ Luxembourg Government, CoopMed implemented a Technical Assistance Facility to support its investees in the MENA region. **Since 2017, CoopMed provides investees with advisory services and capacity building to strengthen their long-term competencies and deepen their outreach**. Combined with financing, this twin pillar integrated approach aims at enhancing investees' sustainability. Since 2022, a Technical Assistance Facility is also available for Helenos investees to sharpen their impact strategies and to collect meaningful data. In this regard, the main goal of **Helenos TAF is providing technical expertise for setting up/reinforcing IMM (Impact Measurement & Management) systems, thus enabling investees to improve their methodologies to achieve greater impact**. The envisioned projects will help to develop monitoring grids, key performance indicators (KPIs), and dashboards to assess impact and to guide strategic development. If relevant, the TA can also support client beneficiaries in their certifications process (B Corp, Smart Campaign, etc.). In 2022, Inpulse dedicated 7% of his management fees to subsidize Helenos TAF which, for the moment, exists and operates thanks to our strong commitment.

HAND-IN-HAND THROUGHOUT THE ENTIRE PROCESS



The Technical Assistance's team provides support to the investees throughout the different steps of the process. Once a partner has expressed needs for an intervention, the scope of the mission is jointly defined. **For each new project, the TA team defines clear objectives, activities and financial engagements with investees before contracting the implementation experts**. The experts are carefully selected in agreement with our beneficiaries, and in accordance with the procurement procedures approved by EIB and AFD. Such an approach guarantees that each mission is adapted to our client's needs and fully meets their expectations. Throughout the implementation phase, the team ensures follow-up to adapt the guidelines, meet additional needs or help with any contingencies that may occur. **Reactivity and adaptability are the key characteristics guiding our TA facilities**. Moreover, to ensure maximum engagement from the beneficiaries, the technical assistance actions must be co-financed by investees up to 20% of the estimated budget.



2022: ADAPTING OUR SUPPORT IN COMPLICATED TIMES

Despite the deceleration of CoopMed investment activity, Technical Assistance has been maintained to continue supporting our investees who were facing the post COVID-19 crisis and a period of high inflation. MFIs remained focused in their priorities: post-crisis recovery, digitalization, assets and liability management in a context of high currency volatility. The TA support provided by CoopMed in 2022 resulted in five actions carried out with existing partner MFIs on internal control, reinforcement of finance department and financial projections. As part of the second grant awarded by EIB, three actions to strengthen the fundraising capabilities and long-term liquidity management skills of two CoopMed investees were implemented. These actions were very timely in the context of global currency instability. The first project implemented in 2022 by Helenos TAF was to enhance impact measurement and management capacity of a Danish institution. The activities focused on building competences and understanding the value of implementing an IMM system that is well integrated with operations. Based on the Theory of Change methodology, a series of impact objectives were identified and are expected to be integrated in the long-term business strategy.

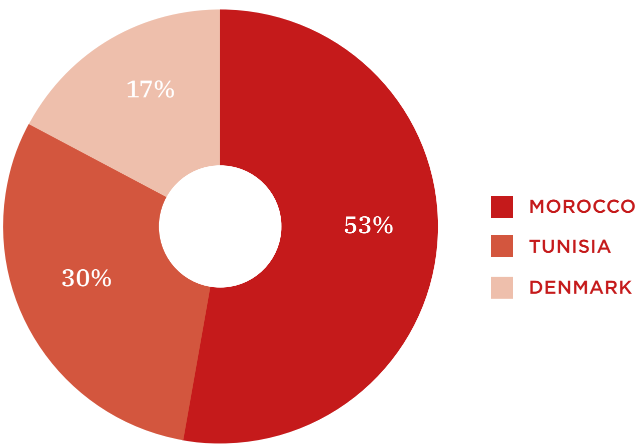
6
TA PROJECTS

4
INVESTEES SUPPORTED

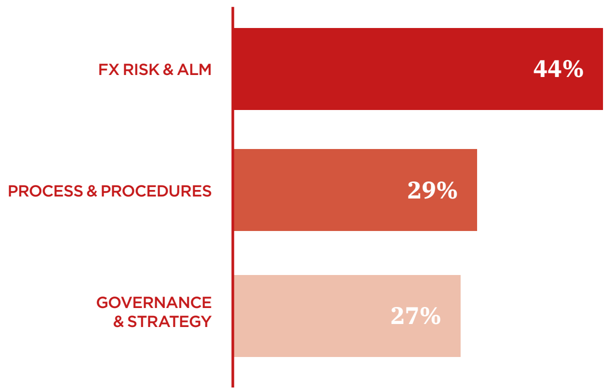
3
COUNTRIES

EUR
12,400
AVERAGE BUDGET

TECHNICAL ASSISTANCE BY COUNTRY



TECHNICAL ASSISTANCE BY THEME



FOCUS ON NEW FUND

FEFISOL 2

Built on the success of Fefisol I and the field experience of the two promoters (SIDI and Alterfin), **the FEFISOL 2 fund is dedicated to targeting vulnerable populations, mainly in rural areas of African**, via debt financing.
The Fund closed during May 2022 and investment operations started immediately, with a first investment finalized in August 2022. Despite the challenging financial and geopolitical context during recent months, 10 investments were made for a total portfolio of EUR 6.7 M. FEFISOL2 provides debt instruments (senior and subordinated) to both microfinance institutions and smallholders farmers organizations in Africa.

Inpulse serves the role of AIFM and Fund Manager for FEFISOL 2, covering the risk control, compliance duties, reporting to all stakeholders (including to regulatory authorities) and decision making via the dedicated Investment Committee set up for this fund. Inpulse relies on SIDI and Alterfin, who are both investors and advisors to the fund, to deploy the portfolio activities and ESG assessment of the fund's own clients. SIDI and Alterfin are long term investing experts in the region and manage all aspects of the relationship with smaller institutions who have a core expertise in the financing of agricultural production.

ASSETS UNDER MANAGEMENT
22.5M
EUR

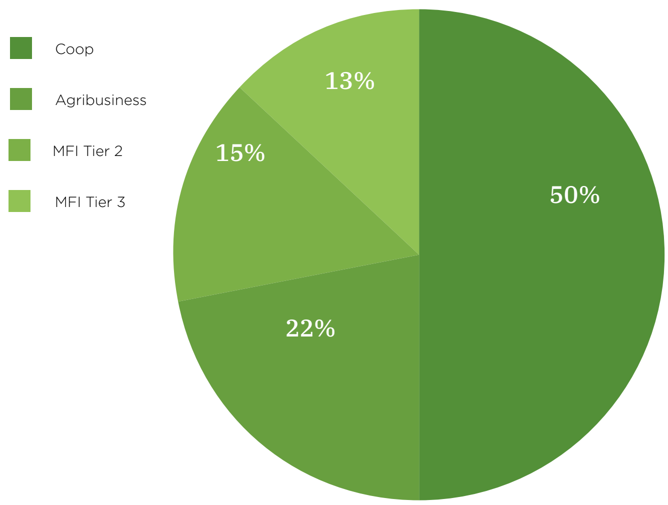
OUTSTANDING PORTFOLIO
6.7M
EUR

LOANS OUTSTANDING
10

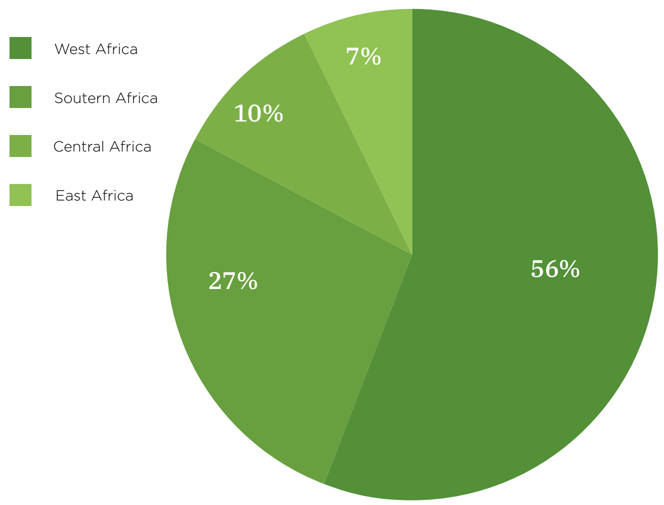
TARGET COUNTRIES
6

AVG LOAN PER INVESTEE
638K
EUR

PORTFOLIO PER SECTOR



PORTFOLIO BY GEOGRAPHICAL TARGET



CLIENT STORY FROM THE FIELD

TROPIC COFFEE: AN AGRICULTURAL ENTITY IN RWANDA

Tropic Coffee is a Rwandan SME working with a network of 3,114 smallholder coffee farmers. The company sources coffee from cooperatives and individual farmers, pulps it from their two washing stations located in various locations and transports it for hulling from third party providers. The hulling is done from a dry mill near Kigali after which coffee is exported as green coffee to buyers globally.

The volume of certified farmers has increased, and this will lead to a spike in the volume of UTZ certified coffee going forward. Tropic Coffee sold more than 1M USD of coffee in 2022. FEFISOL II provided Tropic Coffee a short term 300,000 USD credit line to finance the purchase of coffee cherries from small holder producers. Alterfin, FEFISOL2 advisor, is financing Tropic Coffee for the fourth coffee season.

HEKIMA: AN MFI IN DRC (DEMOCRATIC REPUBLIC OF THE CONGO)

Hekima ("wisdom" in Swahili) has been operating in Kivu as a microcredit institution since 2007 and has been authorized to collect savings since 2017. Despite the situation of insecurity that has persisted in the region for nearly 25 years, the MFI has pursued the development of credit and savings services, primarily targeting women traders in the region's urban areas. Hekima is a well-regarded MFI in the community due to its resilience in a difficult security, economic and legal context, its focus on women (who account for nearly 80% of Hekima's customer base), and its attention to social performance (monitoring tools, customer surveys, etc.).

By August 2022, HEKIMA had a credit portfolio of 5.7M EUR, with more than 10,000 active borrowers in Goma and Bukavu, mostly with individual and group loan methodologies. HEKIMA also developed a "community bank" loan that averages 200 USD for clients with no guarantees and little capacity, i.e. nearly 80% of its borrowers.

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4. The analyzed sample corresponds to a total of 27 clients, from the CoopMed, CoopEst, and Helenos funds.
5. “The Green Index 2.0, An innovative tool to assess environmental performance in the microfinance sector” (2016) European Microfinance Platform.
6. This standard is aligned with the Green Index 3.0, but since it began to be implemented in 2022, and there are no scores for its application yet, our analysis is based on version 2.0.
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