



# HELENOS Factsheet SFDR

Date	Version	Purpose	Status
08/07/2022	1	Drafted by Risk and Impact Team	To be approved
19/07/2022	1.1	Reviewed by Risk Team	Good for implementation

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## Scope and legal framework

This Factsheet is addressed to all stakeholders and potential investors wanting to know more about the characteristics making of Helenos an impact fund with a sustainable investment objective (Art. 9) as intended by the Regulation (EU) 2019/2088. Helenos further seeks to advance a greener and more inclusive economy and to respect the transparency, disclosure and accountability requirements in accordance with the legal regulations recalled below:

- Applicable legal provisions referred by the Directive 2011/61/EU Directive concerning the Alternative Investment Fund Managers;
- Applicable legal provisions referred by the Regulation 2020/852/EU of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation 2019/2088/EU involving the Sustainable Finance Disclosure Regulation (SFDR).

## Sustainable investment objectives: key information

### No significant harm to the sustainable objective

As regards PAI indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters required under SFDR, even if Helenos does not attain the threshold of 500 employees, we will engage (for 2022) to assess, collect and report over (5) mandatory and (2) additional social indicators in compliance with regulatory deadlines and within the limits of the availability of data among our investees. Where applicable (to investees) Helenos engages to measure the following indicators: % violations of UN Global Compact/OECD Guidelines for Multinationals; % investees without policies to comply with UN Global Compact/OECD Guidelines for Multinationals; Avg % adjusted gender pay gap; Avg % male/female to BoD; % investees involved in manufacturing/selling of controversial weapons; % investees without human rights policy; % investees lacking grievance/complaints mechanism. The measurement of the new indicators will require the integration in the ESG Smartsheet used for data collection as well as their calculation by our investees.

Moreover, Helenos enforces the DNSH (“Do No Significant Harm”) principle through promoting the implementation of internal policies of good conduct among its investees to mitigate any possible negative impact over six sustainable environmental objectives while respecting basic human rights and labour standards. In this way Helenos will push forward “sustainable economic activities” paradigm as defined by the Article 2 of SFDR.

A Controversy Note may be issued referred to either an existing accident or a situation that an investee may face because of allegations of misleading behavior among parties (employees, communities, environment, shareholders, the company in the broad sense), bad practices related to several ESG indicators. The Controversy Note is also a warning measure of the reputational and operational risks to which companies are exposed when they directly or indirectly contravene the principles of the United Nations Global Compact in the field of human rights, international labor standards, environment and fight against corruption. The application of the DNSH makes sense here. Helenos uses Factiva Dow Jones to assess the Controversy Note. If a very serious controversy happens after the investment approval, Helenos tries to solve the problem through dialogue but this can lead to heavy financial penalties for the investee.

## Sustainable investment objectives

Helenos aims to enhance financial inclusion and employment creation by investing in greenfield, early stage or developing investees targeting micro-entrepreneurs, small and medium enterprises and social enterprises such as, for instance, microfinance institutions and financial technology companies, through the provision of long-term funding, in accordance with the Investment Strategy. Priority is given to Investments in microfinance institutions, banks and institutions with mutual or cooperative status and/or background. In pursuing its development goal, Helenos will observe principles of sustainability and profitability, and compliance with market conditions and regulations.

Helenos pursues the following sustainable objectives: to promote social inclusion; to strengthen microcredit's structuring role in the economy; to boost the micro-entrepreneurial sector; to develop the social entrepreneurship ecosystem and contribute to local and/or regional development in Europe; to support and foster the sustainable development and socially responsible initiatives; to enhance financial inclusion and employment creation.

## Investment strategy

### Investees

Helenos invests in financial intermediaries (i.e. microfinance institutions, cooperative bank, non-bank financial institution, crowdfunding platform, etc.) with the following principal characteristics:

- Start-up, small and emerging institutions (MFIs, FIs);
- Viable business model;
- Tier 3 and Tier 2;
- Banks and NBFIs with a clear focus on social enterprises;

Helenos investees shall comply with the following key eligibility criteria:

- shall not include in its business activities any illegal activities according to the applicable legislation in their country of establishment;
- shall not have a substantial focus on one or more Restricted Sectors (as defined in the Exclusion List annexed in [Inpulse Sustainability & ESG Policy](#));
- maximum 15% of the Fund Size will be invested in Investees which have reported a negative income in at least one of the past three years.

### Eligible Countries

- Member States of the European Union;
- Turkey, Iceland, Albania, Republic of North Macedonia, Montenegro, Serbia;
- Kosovo, Norway, Switzerland, Moldova.

With the prior approval of the Advisory Committee, it may be included an additional country in the list of eligible countries during the term of the Fund.

### Diversification ratios

As from the end of the investment period, Helenos shall also comply with the following diversification ratios:

- The aggregate nominal amount invested in investees established in one eligible country shall not exceed 25 % of Fund size;
- The aggregate nominal amount invested in investees established in Kosovo, Norway, Switzerland and Moldova shall not exceed 15% of fund size; and
- Investment in any investee will be capped to 10% of the fund size;
- Any equity investment in any investee may not exceed 10% of the fund size;
- Any equity Investment in any investee will be capped to 49% of the capital of the concerned investee at the time of the investment;
- Senior loans and quasi-equity investments will be capped to 50% of the fund size.

### Investment instruments

Helenos investment instruments will include the following:

- equity (corresponding to at least 50% of the fund's total Investments at the end of the investment period);
- quasi-equity, i.e. subordinated loans, convertible loans, reverse convertible loans, hybrid capital instruments and any form of similar instruments;
- senior loans.

### Proportion of investments

Minimum sustainable investment with a social objective: 100%.

### Monitoring of the sustainable investment objective

To track non-financial performance, progress and compliance with Helenos sustainable investment objective all along the investment period we require to our investees to complete on yearly basis the ESG Smartsheet. Thanks to the data collected and verified every year we are able to identify the main weaknesses and to follow up over the accomplishment of the impact targets agreed. Moreover, we put in place actions to support the needs of the investees for reducing sustainability risks and to improve the competences about IMM (Impact Measurement & Management). Also we do our best to influence responsible corporate behaviour through initiating conversations with the management, submitting and voting proxy resolutions, engage dialogue with shareholders and taking active Board seats. These actions are more current for equity investment deals but not limited to them.

Since 2019 Helenos publishes annually an Impact Report to disclose the consolidated ESG results. In line with SFDR 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 ESG sustainability of our investments. Since integration and contribution to UN Sustainable Development Goals are at the heart of Helenos mission the annual Impact Report track the evolution of non-financial performance of all investees taking in account UN SDGs framework.

### Methodologies

The methodology used by Helenos to measure non-financial performances is based on Inpulse ESG System built 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 analysed 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. We make sure that Helenos investees are institutions that are not only financially sustainable, but also seek to alleviate socio-economic problems, while avoiding to harm their final beneficiaries.

### Data sources and processing

Via the ESG System we collect investees information through the ESG Smartsheet, a matrix of quantitative and qualitative indicators over 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 then are integrated to 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 over four key elements (SDGs, Environment, Gender and Governance). The main purpose of the scorecard is to help decision makers taking investment decisions aligned with the objectives of the fund. The indicators analysed will contribute to establish impact objectives to be included in the loan agreements with Helenos investees. Finally, data collected through the ESG System will serve to publish annually an Impact Report.

### Limitation to methodologies and data

The availability/quality of data can be quite dependent on the practices of the different investees. A perfect homogeneity is guaranteed for all microfinance investees who are all in the same business (77% of the consolidated portfolio in 2021), but when the type of client changes (for example, if it is considered a crowdfunding platform or a cooperative bank or a social enterprise), the availability of certain data can be drastically reduced. In any case the proportion of data that are estimated does not exceed 5%.

### Due diligence

During due diligences, all potential investees are required to complete an ESG Smartsheet through which we collect the most relevant indicators to score the ESG sustainability of the company. The data are then scored to produce an ESG Scorecard which will be used to select/reject the potential investment. The Investment Committee of Inpulse Investment Manager engages to not invest in companies with low ESG scores and/or ESG controversy in place.

### Process

The Front Office (either from Investment and Impact teams) collects information through the ESG Smartsheet, a matrix made by quantitative and qualitative indicators. During the due diligence process every new potential investee has to fill in the questionnaire which is composed by 83 indicators spread over eight dimensions: 1. Mission, 2. Environmental Performance, 3. SPM Practices, 4. Products & Services, 5. Outreach, 6. Client Treatment, 7. Staff Treatment, 8. Governance.

The information received by the investee are verified to ensure quality and coherence of the data. The ESG Smartsheet is checked by the Impact Team who indicates to Front Office whether there are further controls (i.e. existence of valid documents, justified practices, etc.). Once the ESG data are approved, an evaluation is issued by the Impact Team to rate and benchmark the sustainability of every potential investee: the ESG Scorecard. It is an internally developed rating tool used to:

- test the consistency of the investee operations with its stated social mission;
- compare the results with benchmarks provided by the existing portfolios of the Funds supported by Inpulse.
- select/reject new deals based on ESG risks;
- to set up impact targets for the entire duration of the investments and reflected as social “soft” covenants in the legal contracts subscribed with the investee.

The main purpose of the ESG Scorecard is to provide an immediate overview of the ESG sustainability of a potential investee by visually highlighting strengths and weaknesses on a multidimensional dashboard bringing forward (through graphs and diagrams) the results obtained after data processing with automatic formulas. The scoring method is based on a system of weights which results in a final score between 0 and 100 for each of the four categories considered.

In parallel to the ESG Scorecard, the Impact Team elaborates an ESG Opinion which is integrated in any new Investment Note prepared by the Investment Team for every new potential deal to be approved by the Investment Committee. The purpose of both ESG Scorecard and ESG Opinion is to help the Credit Committee to take informed investment decisions aligned with Helenos mission. Moreover, the indicators analysed contribute to establish impact objectives to be included in the loan agreements with investees.

### Engagement policy

An engagement policy is under formalization and shall be finalized by 01/09/2002.

### Attainment of the sustainable investment objective

N.A.

## Integration of sustainability risks into the investment process

Sustainability risk management must cover equity and loans operations in companies in which Helenos can invest. Helenos investment policy consists of defining its investment universe by integrating ESG criteria and on integrating ESG analysis systematically alongside financial analysis when making investment choices. The search for sustainability is applied all across the investment process, from ex-ante integration of sustainable development objectives within the investment criteria specific to Helenos, and ex-post reporting on environmental and social impact. Helenos targets investees that are not only financially sustainable, but also that seek alleviating socio-economic problems while applying the “do no harm” principle (to their final clients and to the environment they operate in). At the operational level, ESG criteria are fully integrated throughout all the phases of the investment process thanks to 4 main steps: 1) Assessment; 2) Selection; 3) Monitoring and Control; 4) Reporting.

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For more in-depth information on the integration of sustainability risks into investment process please refer to Inpulse Sustainability & ESG Policy.

## **Statement on Principal Adverse Impact (PAI) on sustainability factors**

Being an impact-driven investment fund, Helenos acknowledges the responsibility of climate change risks and other principal adverse impacts through the investment decisions and ESG tools used for selecting, monitoring and reporting. Although Helenos does not have more than 500 employees (threshold for the mandatory application of article 4 of the SFDR Regulation), we methodically take into account and measures the negative impacts of its investment decisions on sustainability factors relevant for target clients. For more information on compliance with article 7 of EU Regulation 2019/2088 on SFDR please refer to Inpulse Sustainability & ESG Policy.