

Sustainability & ESG Policy

Date	Version	Purpose	Status
23/11/2018	1.1	Reviewed by staff and AFD Compliant with EIB rules	Good for implementation
09/07/2021	1.2	Reviewed by Impact Team	

Table des matières

Introduction	3
Scope and Legal Framework.....	3
Guiding Principles	3
Internal ESG Framework.....	4
Operational implementation.....	5
Closing remarks	8
Annexes	9

Introduction

The core objective of Inpulse Investment Manager (Inpulse in hereafter) is to promote sustainable investments throughout our fund management duties applying an ESG approach which integrates social, environmental and governance dimensions. Integration and contribution to UN Sustainable Development Goals are at the heart of Inpulse mission. Our goal is to provide investors with strategies to reconcile the search for financial return with a positive impact on society and the environment where the funds we manage are invested in.

Through its Funds, Inpulse aims to foster economic development via the provision of long-term funding to responsible Financial Institutions. Priority is given to investments in microfinance institutions, banks and institutions with mutual or cooperative status and/or background.

Inpulse commitment for social and financial inclusion addresses projects and institutions with a strong social and environmental impact in their region and country, in particular for the benefit of the most vulnerable populations.

Inpulse believes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mission and in compliance with market regulations. In this respect, the primary principles that guide Inpulse with its clients are embedded in the “2030 UN Agenda for Sustainable Development”.

Scope and Legal Framework

This Sustainability and ESG Policy (Policy in hereafter) is addressed to all stakeholders investing into the products provided by Inpulse and its Funds.

Inpulse further seeks to advance a greener and more inclusive economy and to respect the transparency 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).

Guiding Principles

When providing investment advice and portfolio management, Inpulse considers the exclusion of certain activities while implicitly taking sustainability aspects into account. ESG/sustainability risk is defined as environmental, social and governance outcome, which if it occurs may potentially have a negative impact on the assets/investments. As impact investor we continuously assess how different sustainability outcomes may negatively affect our investments. By continuously tracking the ESG/sustainability risks, we monitor their possible negative impact on our investors, our investees, on final beneficiaries and their environment. The complete integration of the sustainability approach in the investment process aims to minimize our exposure to this kind of risks. As detailed in this

Policy, our ESG management incorporates a combination of ESG principles, screening strategies, as well as scoring tool, all of which serve as a fundamental driver for “decision-takers”. Thanks to day-by-day improvements, we are methodically building our own Theory of Change that will benefit, at different levels, our final clients, investees and investors.

<i>ESG dimension</i>	<i>Example of monitored indicator</i>	<i>Example of negative event</i>	<i>Example of sustainability risk connected</i>
<i>Environment</i>	The investee has exclusionary list to avoid the financing of activities with potential environmental adverse effects	One final client discharge toxic sewage in the river of his village and intoxicates residents	<u>Reputational risk</u> : negative media attention highlighting indirect responsibilities by the investee
	The investee integrates environmental goals in the strategic documents	The investee does not collect/monitor/disclose environmental data/progress	<u>Strategic risk</u> . Investors lose interest and stop refinancing the investee
<i>Social</i>	The investee has internal tool to calculate borrowing capacity and apply client protection principles	25% of final clients reveal to be over-indebted and have multiples loans outstanding	<u>Financial risk</u> . Write off and PAR rates climb up and put in danger sustainability of the investee
	The investee has internal policy/code of conduct to prevent gender-based violence	A sexual harassment episode provokes a labor strike which shut down the operations	<u>Operational risk</u> . all operations and daily tasks are suspended for indefinite time
<i>Governance</i>	The investee has a succession plan for executive management	Senior Management resigns massively for strong contrasts with BoD and succession plan is not available	<u>Operational risk</u> : all operations and daily tasks are suspended for indefinite time
	The investee by external qualified auditor on yearly basis	The quality of audit is poor and not completely transparent	<u>Liquidity risk</u> : investors are afraid about fraud risks and withdraw their funds

Internal ESG Framework

METHODOLOGY

Inpulse ESG Management is based on an internal ESG System (“the System”) to analyse, monitor and report on non-financial performance. The system collects investees’ information through the ESG Smartsheet, a matrix of quantitative and qualitative indicators. Data are then 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 score and benchmark the ESG performances of a potential investee. The purpose of the scorecard is to help decision makers take informed investment decisions aligned with the mission of the Funds we support. The indicators analysed contribute to establish impact objectives to be included in the loan agreements with investees. Finally, data collected through the ESG System serve to produce Impact Reporting that publicly discloses the societal changes brought by Inpulse actions.

BEST PRACTICES

Our System is based on the best global practices for inclusive finance to measure and follow-up on economic, social and environmental impact. We apply the UN SDGs as the key language to show our contribution to global sustainable development: we are able to measure the level of SDG achievement of our investees. Inpulse pleads for the use of best practices to minimize any adverse social and environmental effects and to close the gender gap through the empowerment of women in the conduct of its operations. Our System is 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 in depth through the benchmarks used by 2xChallenge initiative. Good governance control is inspired by the European Code of Good Conduct for Microcredit provision.

Operational implementation

The search for sustainability is applied all across our investment process, from ex-ante integration of sustainable development objectives within the investment criteria of all our funds, and ex-post reporting on environmental and social impact. We make sure that all our investees are institutions that are not only financially sustainable, but also that seek to alleviate socio-economic problems, while applying the “do no harm” principle to their final clients and to the environment the operate in

At the operational level this Sustainability & ESG Policy is fully integrated into our ESG Management System and is applied throughout all the phases of the investments thanks to 4 main steps:

1. Assessment
2. Selection
3. Monitoring and Support
4. Reporting

ASSESSMENT

As recalled above, Inpulse is committed to the fundamental principle that it must avoid doing harm through its investments. To exclude institutions engaged in activities, practices or countries with high ESG risks we verify that the potential investee doesn't breach our exclusion list as well as local and international policies. For doing so the front office (either from Investment or Impact teams) collect relevant information through desk reviews, due diligences and exchanges with various stakeholders with an in-depth knowledge of the context/investee.

Negative screening (exclusionary criteria)

This means excluding investments in investees which do not comply with certain environmental and social criteria, or which have activities in certain controversial business areas/sectors. The application of exclusionary criteria is mandatory to all investments made by Inpulse and represents an initial screening on the universe of potential activities that could go against CoopMed values and pose significant reputational risk. The exclusion list used by Inpulse (Annex 1) relies on the exclusion list provided by the European Investment Bank and must be part of any investment contract.

Local and international requirements

Inpulse requires all its clients to comply with applicable present and future local laws and regulatory requirements, including conventions of the International Labour Organization and the international environmental agreements. Inpulse clients will ensure at any moment their compliance with applicable normative framework within the entire duration of the investments.

Inpulse can invest in existing FIs that do not presently meet all the above-mentioned principles but can demonstrate its capacity to come back to a positive profile and/or to improve environmental and social sustainable practices.

AML-CFT screening

Inpulse implements a careful screening of each new potential investees to be sure they comply with all AML-CFT essential requirements. For doing so we have access to the database of Factiva Dow Jones to screen the key stakeholders (shareholders, board members, senior managers, UBOs, etc) involved in the management and ownership of the company we wish to invest in.

SELECTION

During due diligences, all potential investees are required to complete an ESG Smartsheet trough 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.

Positive screening

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 whether there are further controls (i.e. existence of valid documents, justified practices, etc.) to be explored during the field mission by the Investment Team. This verification consists thus in a positive screening process.

ESG Scoring

Once the ESG data are approved, an evaluation is issued by the Impact Team to rate and benchmark the ESG sustainability of every potential investee. The ESG Scorecard, an internally developed rating tool is 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.

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 based on 4 main categories. 1) SDGs; 2) Environment; 3) Gender; 4) Governance. A dashboard brings forward, in the form of 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.

The Impact Team elaborates the ESG Scorecard 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. Thus allows decision makers to:

- 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.

MONITORING & SUPPORT

To track ESG performance, progress and compliance 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, to improve ESG risks which may appear during the monitoring phase we implement mitigation measures:

- Technical Assistance: we put in place actions to support the needs of the investees for reducing sustainability risks and to improve the competences about ESG/Impact management;
- Shareholder Activism: 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.

REPORTING

Since 2016 an Impact Report is published annually to disclose the consolidated ESG results of the funds supported by Inpulse. In line with 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 ESG sustainability of our investments.

Moreover, for each of the investment Fund we support, Impact Reports are individually consolidated on yearly basis. This information is reported to the bondholders and shareholders of each Funds and disclosed publicly.

Since integration and contribution to UN Sustainable Development Goals are at the heart of Inpulse mission the annual Impact Reports track the evolution of non-financial performance of all investees taking in account UN SDGs framework. Our analysis, detailed below for 2020 operations, is axed over 7 SDGs which are the most significantly impacted by our investments.



Closing remarks

We understand this Policy as a first step towards a more exhaustive version. Hence, Inpulse engages to periodically review and update this policy, also depending on the circumstances and based on what has been learned from its implementation. The main concern is to ensure that this Policy evolves proportionately with the progressions of international regulations and best practices.

All of this Policy should be approved by Board of Directors.

Annexes

Annex 1. Exclusion list

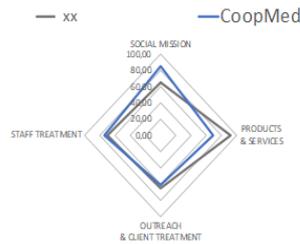
TYPE OF ACTIVITIES	TYPICAL EXAMPLES	COMMENTS/CLARIFICATIONS
1) AMMUNITION AND WEAPONS, MILITARY/POLICE EQUIPMENT OR INFRASTRUCTURE		INCLUDES EXPLOSIVES AND SPORTING WEAPONS
2) PROJECTS WHICH RESULT IN LIMITING PEOPLE'S INDIVIDUAL RIGHTS AND FREEDOM, OR VIOLATION OF HUMAN RIGHTS		THE EIB STATEMENT OF ENVIRONMENTAL AND SOCIAL PRINCIPLES AND STANDARDS, IN PARTICULAR: 6; 46; AND 47
3) PROJECTS UNACCEPTABLE IN ENVIRONMENTAL AND SOCIAL TERMS	PROJECTS IN PROTECTED AREAS, CRITICAL HABITATS AND HERITAGE SITES, WITHOUT ADEQUATE COMPENSATION/MITIGATION	THE EIB STATEMENT OF ENVIRONMENTAL AND SOCIAL PRINCIPLES AND STANDARDS, IN PARTICULAR: 58; 71; AND 72
4) ETHICALLY OR MORALLY CONTROVERSIAL PROJECTS	SEX TRADE AND RELATED INFRASTRUCTURE, SERVICES AND MEDIA; ANIMAL TESTING*); GAMBLING AND RELATED EQUIPMENT, HOTELS WITH IN-HOUSE CASINOS; TOBACCO (PRODUCTION, MANUFACTURING, PROCESSING, AND DISTRIBUTION)	*) EXISTING EIB PRACTICE; ACTIVITIES INVOLVING LIVE ANIMALS FOR EXPERIMENTAL AND SCIENTIFIC PURPOSES ARE ELIGIBLE INsofar AS IN COMPLIANCE WITH THE "COUNCIL OF EUROPE'S CONVENTION FOR THE PROTECTION OF VERTEBRATE ANIMALS USED FOR EXPERIMENTAL AND OTHER SCIENTIFIC PURPOSES" (STRASBOURG, 18.3.86), EU DIRECTIVES (I.A. COUNCIL DIRECTIVE 86/609/EEC)
5) ACTIVITIES PROHIBITED BY NATIONAL LEGISLATION (ONLY WHERE SUCH LEGISLATION EXISTS)	GENETICALLY MODIFIED ORGANISMS (GMO); ABORTION CLINICS; NUCLEAR ENERGY; ETC.	APPLICABLE NATIONAL LAW

Annex 2. ESG Scorecard

The ESG Scorecard final dashboard consists of:

- A small summary table resuming the s (0 to 100) of the 4 main categories;
- A spider web graph to visualize overall client performance compared with the overall benchmark of active borrowers in the portfolio;
- A final overall score;
- Overlapped histograms, allowing to visualize all the sub-dimensions scores;
- Highlights/Comments, for each subcategory, a small space is dedicated to the comments in order to highlight/explain specific elements.

1. SOCIAL MISSION	65
2. PRODUCTS & SERVICES	93
3. OUTREACH & CLIENT TREATMENT	65
4. STAFF TREATMENT	70



SPA FINAL SCORE
73 /100

SOCIAL MISSION



HIGHLIGHTS/COMMENTS
xx applies SPM best practices in a basic way. The MFI has joined the Smart Campaign and self-evaluates its social performance through the SPI4 tool.

PRODUCTS AND SERVICES



HIGHLIGHTS/COMMENTS
The offer is limited to 3 financial products depending on the size of the company. xx also provides non-financial services to customers (585 beneficiaries in 2017) in terms of financial education and business development.

OUTREACH & CLIENT TREATMENT



HIGHLIGHTS/COMMENTS
xx excels at the treatment of customers: a non-discrimination policy for customers is in place; satisfaction surveys are conducted at least twice a year; a system to collect/settle complaints is in place (two telephone numbers are provided to clients, one for information requests and one for complaints).

STAFF TREATMENT



HIGHLIGHTS/COMMENTS
The turnover rate was significantly reduced compared to 2016 (14%). In 2017, only two people of 870 employees left the institution.

