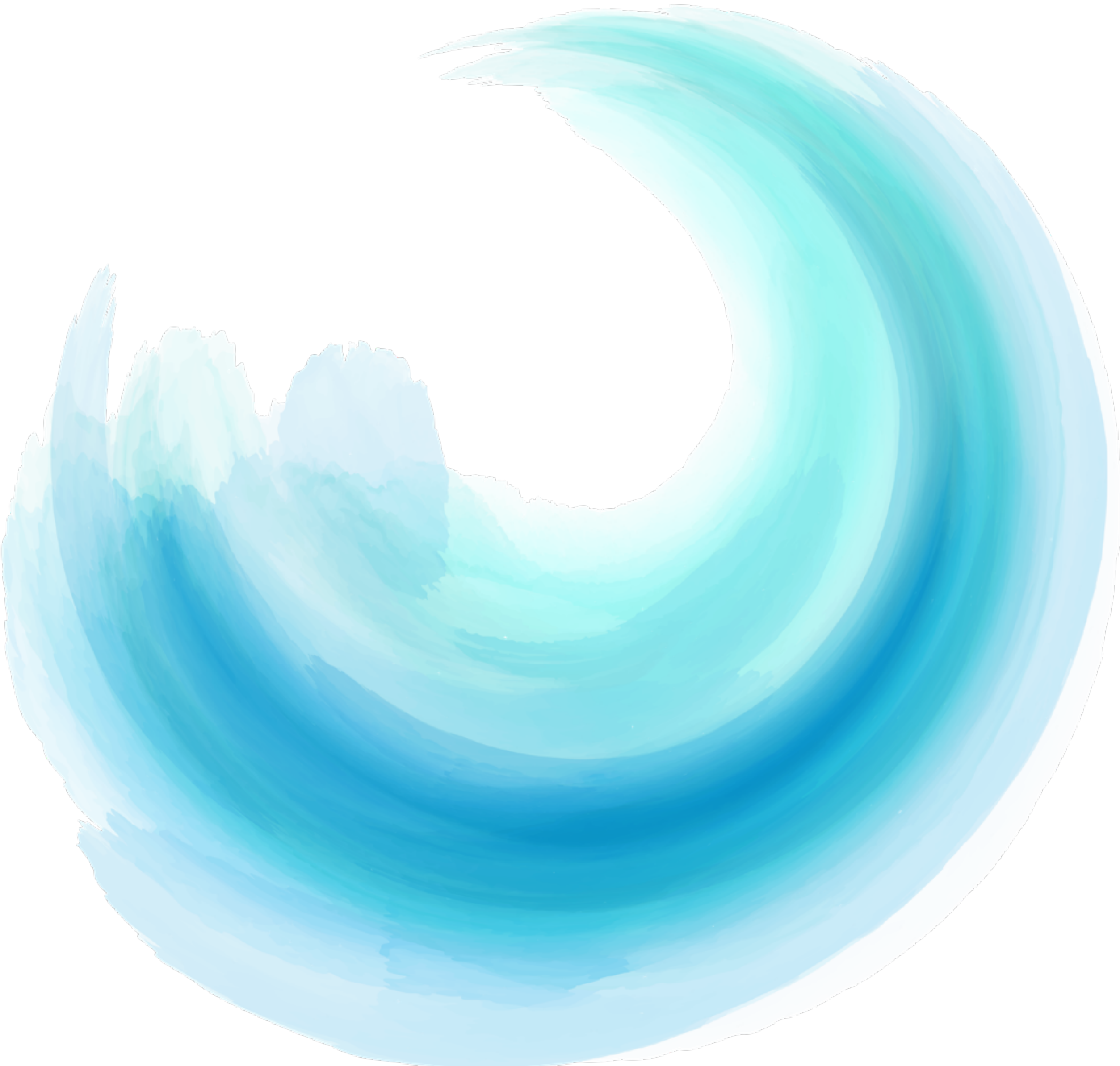


ACTIVITY REPORT 2021

TABLE OF CONTENTS

ACTIVITY REPORT 2021

IMPACT REPORT 2021

WORDS FROM MANAGEMENT

INPULSE AT A CROSSROAD OF ITS DEVELOPMENT

With the planned termination in 2023/2024 of CoopEst activities, our historic fund, it is of the upmost importance for Inpulse to keep supporting our local partners. But also to grow, at a larger scale, our capacity to help our investees delivering more and better impact.

The first major step in that perspective was, in June 2021, the entering of the French SIDI (Solidarité Internationale pour le Développement et l'Investissement) into Inpulse shareholding. SIDI, being the first French private impact investor dedicated to developing countries, will contribute to Inpulse development with its expertise, reputation and knowledge of additional territories. SIDI and Crédit Coopératif, our two main shareholders, reinforced the Board of Directors with high professional profiles and secured the institutional frame for future Inpulse growth.

Inpulse Board of Directors validated a development strategy based on the progressive replacement of the historic funds (CoopEst, CoopMed) and the development of new funds either fully managed by Inpulse (ImpaktEU, GreenEU) or with Inpulse acting more specifically as the AIFM of the fund where portfolio development and coordination is carried out by external partners (FEFISOL 2).

From this dual perspective, the year 2021 was also extremely important.

Indeed we closed the year with the signing of the FEFISOL 2 AIFM agreement. This is particularly exemplative of Inpulse strategy to enlarge its activities and experience to new regions of the world. While our core expertise is clearly on the European continent (EU, Balkans, candidate countries) and MENA, FEFISOL 2 fund opens Inpulse to the whole African continent, benefitting of the deep knowledge of both SIDI and Alterfin acting as advisers of the fund.

Parallel to FEFISOL 2, we continued our efforts to structure the ImpaktEU fund and the GreenEU fund (see page 11). And pursued in delivering tailor technical assistance support to our CoopMed partners which proved to be key for their development, especially after 2 years of heavy Covid constraints.

Furthermore, in 2021, we improved very intensively our impact assessment capacities and impact measurement tools. Especially we developed a Theory of Change for ImpaktEU and GreenEU and created the frame for truly impact funds, delivering on key social, environmental and societal objectives.

Being an impact driven investor means also applying to ourselves our ESG approach and tools. This will materialize in 2022 with the B-Corp certification process of Inpulse.

We must learn from this period of multiple and successive crisis. Nothing is granted forever, and we shall aim to improve continuously while keeping the dedication – shall we dare to say "the passion" – alive!

With this Activity & Impact Report, we aim to share this passion and the significant outcomes for 2021. Let me thank all people, staff, shareholders, partners and investors, who support Inpulse in this permanent endeavour!

Bruno Dunkel
General Manager

INPULSE AT A GLANCE

WHO WE ARE

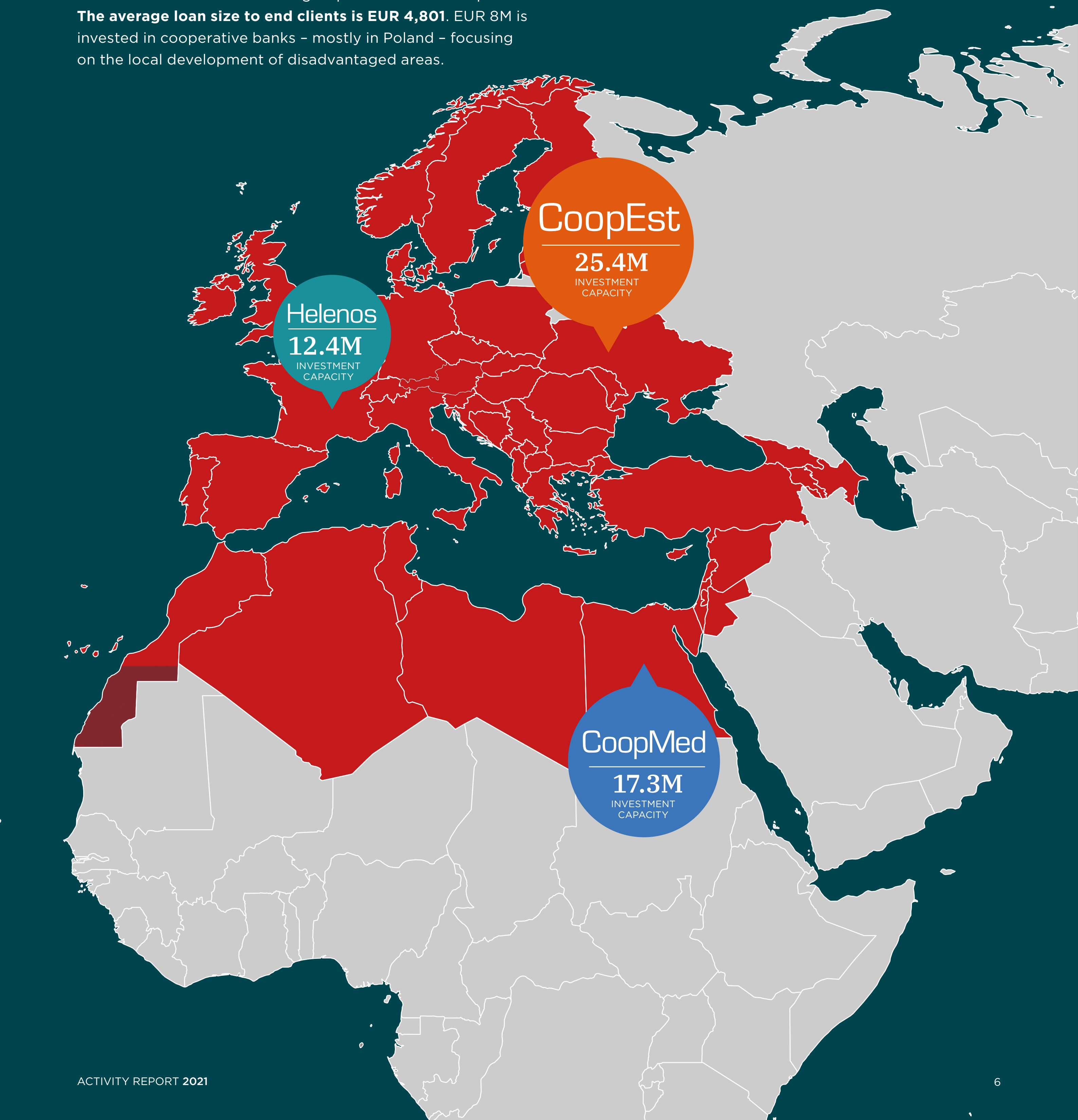
Inpulse is a Brussels-based investment manager with **distinctive know-how in social investments and microfinance**. From a core expertise in cooperative equity financing, we developed strong skills to support alternative investment funds that provide **long-term financing to socially-driven financial intermediaries**. The primary goal of our investments is to empower excluded, low-income beneficiaries and to promote positive changes in their lives. The UN SDGs provide the main framework to develop our mission. By **tracking specific social and environmental indicators**, we are able to show how we contribute to the SDGs and monitor the evolution of our impact targets. Inpulse also maintains strong connections with leading microfinance and social economy networks and engages in multiple partnerships to ensure a sound understanding of the markets where we operate.

AMBITION & MISSION

Inpulse aims to be a leader in long-term inclusive finance that empowers vulnerable groups. Inpulse strives to **foster cooperative values, boost local economies and encourage social inclusion through entrepreneurship**. To achieve these goals, the Inpulse team commits to the following: **tailoring and engineering fair financial and non-financial services** to serve inclusive financial intermediaries; developing investment vehicles that share the same ambition; leveraging resources addressed to responsible economic initiatives; and, **operating as an impact-driven organization** that tracks the social and environmental impact of every investment in an effort to help public and private investors generate better outreach at the microlevel.

INVESTMENT & PORTFOLIO

As of the end of 2021, Inpulse funds have invested in 40 partner institutions across 18 countries for a total outstanding amount of EUR 40.6M. **We actively support three MIVs: CoopEst, CoopMed and Helenos**. 65% of the portfolio boosts small and medium-sized MFIs that are strongly involved in the financial inclusion of excluded groups and micro-enterprises. **The average loan size to end clients is EUR 4,801**. EUR 8M is invested in cooperative banks – mostly in Poland – focusing on the local development of disadvantaged areas.



2021 KEY FIGURES

ASSETS UNDER MANAGEMENT
55.1M EUR

OUTSTANDING PORTFOLIO
40.6M EUR

TARGET COUNTRIES
18

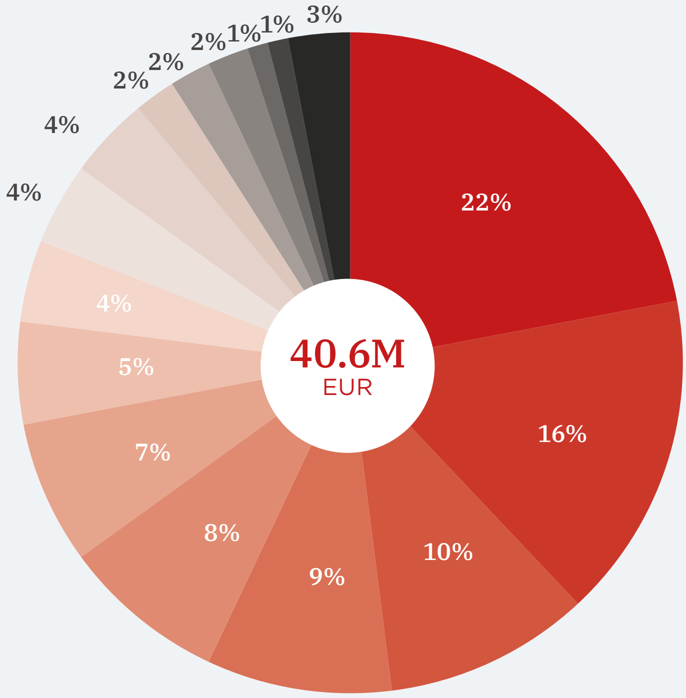
FRAGILE STATES
3

LOANS OUTSTANDING
72

AVG LOAN PER INVESTEE
564K EUR

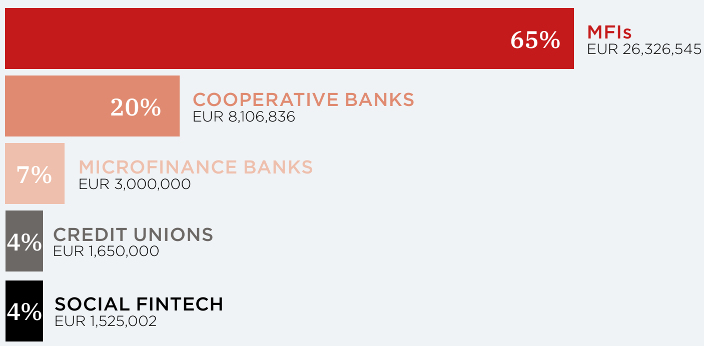
ACTIVE LOANS TO FINAL CLIENTS
260,624

PORTFOLIO BY COUNTRY

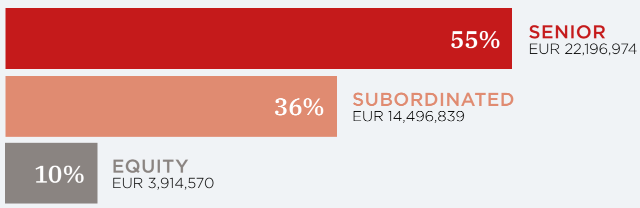


Poland EUR 9,075,427	Serbia EUR 3,000,000	North Macedonia EUR 1,000,000	Jordan EUR 332,300
Romania EUR 6,339,838	Morocco EUR 2,000,000	Tunisia EUR 1,000,000	Montenegro EUR 300,000
Kosovo EUR 4,000,000	Lithuania EUR 1,700,000	Moldova EUR 950,000	Bulgaria EUR 150,000
Bosnia&Herz EUR 3,800,000	Denmark EUR 1,499,727	Albania EUR 500,000	
Lebanon EUR 3,050,104	Palestine* EUR 1,465,981	Spain EUR 445,004	

PORTFOLIO BY INSTITUTION



PORTFOLIO BY INSTRUMENT



*This designation does not entail any recognition of Palestine as a state and is without prejudice to positions on the recognition of Palestine as a state.

PEOPLE

Inpulse has a dedicated team of multilingual and multi-skilled professionals committed to bring positive change in the life of financially-excluded people. We are based in three countries (Belgium, France and Poland) with eleven staff in Brussels, one in Paris and three in Warsaw. The management and investment teams have **extensive experience in due dilligence, impact measurement, risk and AML/FT management and portfolio monitoring in the social economy**, microfinance and the informal sectors. The geographical scope or our staff experience covers the entirety of the European Union, neighboring countries, Africa, MENA and Latin America.

BRUNO DUNKEL
Managing Director

LAURENCE MAY
Risk and Compliance Manager

NICOLAS BLONDEAU
Manager

MICHAL RADZIWILL
Manager

IZABELA NOREK
Investment Manager

MONIKA CZERWINSKA
Investment Officer

JUSTINE PALERMO
Investment Manager

STAFF MEMBERS
15

WOMEN STAFF
54%

NATIONALITIES
9

YEARS OF EXPERIENCE
277

SPOKEN LANGUAGES
9

OFFICE LOCATIONS
2

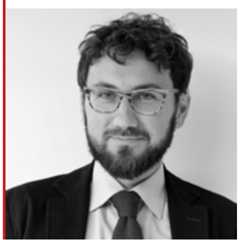
ZAHRA KIMDJEE
Senior Investment Adviser

CLEMENT ANDRÉ
Investment Analyst

ANA PRADO
Internal Control and Compliance Officer

MATTEO RAGNO
Risk and Compliance

IMAD HAIDAR
Investment Analyst



FRANCESCO GRIECO
SPM & Communication Manager

KARINA NAVARRO
Project Coordinator & ESG Analyst

VALÉRIE VALENTE
Administration and Support

INVESTORS

SOCIAL ECONOMY INVESTORS & BANKS

DEVELOPMENT FINANCE INSTITUTIONS (DFIS)

IMPACT & RESPONSIBLE INVESTORS

MUTUAL INSURANCE COMPANIES

1993

Soficatra becomes the first ever European Investment company dedicated to the development of the Social Economy sector within the EU. Inpulse is acting as technical support of Soficatra investment activities

2006

Launch of **CoopEst** debt Fund targeting Central and Eastern Europe. Inpulse provides administration support and gains its first experience in the microfinance sector

2009

The **European Investment Fund** (EIF) enters CoopEst shareholding

2013

Inpulse becomes a subsidiary of the French **Credit Coopératif**, member of BPCE Group, 2nd banking group in France

2015

Launch of **CoopMed** debt Fund dedicated to MENA region – the European Investment Bank is one of the initial investors

2018

Launch of **Helenos** equity Fund addressing the entire EU and accession countries, with the support of the European Commission and the European Investment Fund

2019

Agence Française de Développement (AFD) becomes CoopMed investor. Inpulse supports AFD in the assessment process of a dedicated program for women social entrepreneurship in the MENA region

2020

March 2020, Inpulse receives the **full license as manager of alternative investment funds** by the Belgian Financial Services and Market Authority (FSMA)

2021

Incorporation of **FEFISOL 2 Fund** and contractualization with Inpulse as AIFM. FEFISOL 2 is the successor fund of FEFISOL 1 promoted by SIDI and Alterfin. The fund is dedicated to financing African rural microfinance institutions and agricultural entities sourcing from small-holder farmers in Africa

NEXT GENERATION FUNDS

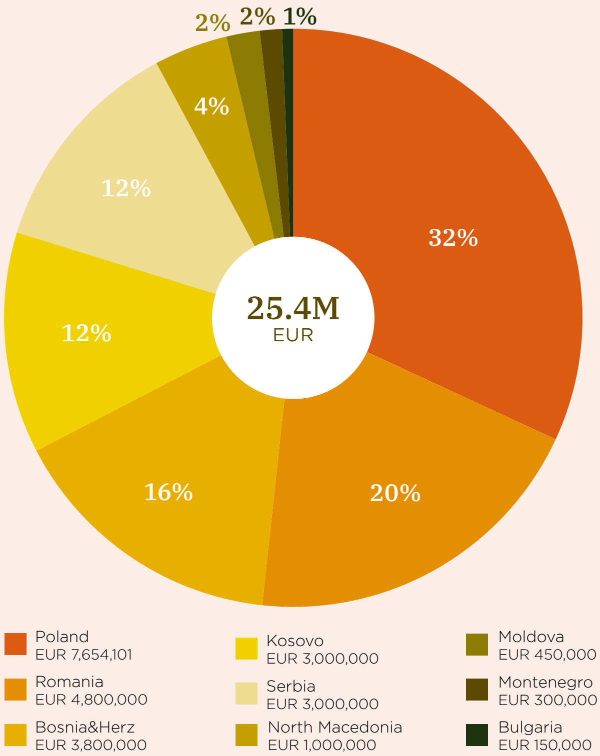
The new generation of funds will strengthen Inpulse dedication to people-centered funds channeling financial and non-financial solutions for micro- and social-entrepreneurs who face difficulties in accessing finance and support. Micro- and social business address key challenges for the future of our societies: employment, gender balance, green development.

In partnership with Funds For Good, Inpulse is finalizing the structuring of the **ImpaktEU fund** that is meant to be the successor fund of CoopEst and take over the Helenos investment activities once its investment period has come to an end. ImpaktEU will cover the entire EU and candidate countries and will focus on two main targets: microfinance and social enterprises, either indirectly via MFIs, ethical/cooperative banks and financial intermediaries dedicated to social entrepreneurs or directly (for a limited portfolio) into emblematic social enterprises. The Fund already received in early 2021 the decisive support of the Belgian SFPI (holding of the Belgian government) with a EUR 10M shares subscription. The intention is to launch the Fund by the Autumn 2022.

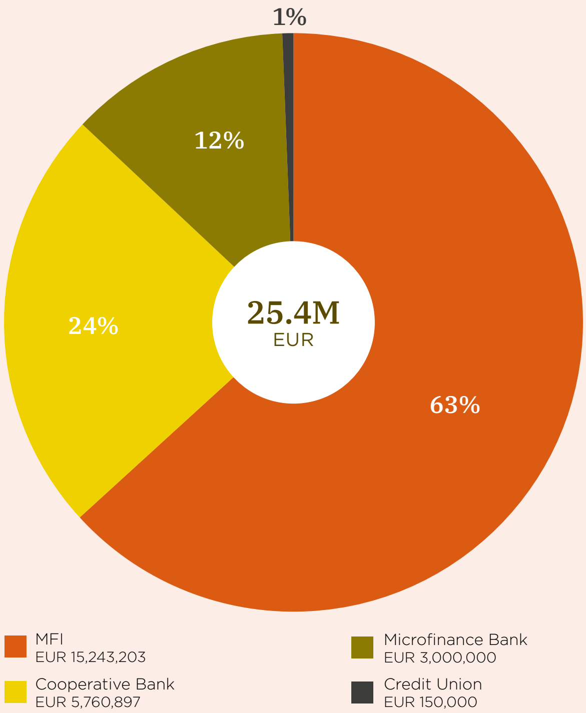
In parallel Inpulse is also structuring GreenEU fund which will focus on renewable energy and energy efficiency projects in Europe demonstrating a strong social impact. This project aims to be launched in 2023. For both funds, the on-going improvements in the in-house social and impact assessment tools will serve the purpose to align Funds performances to impact expectations of investors and in a larger way to serve the purpose of a real Theory of Change that both funds have adopted. This is a multi-stakeholders approach that aims to achieve big measurable impact on social, green and governance/gender level.

CoopEst

PORTFOLIO PER COUNTRY



PORTFOLIO PER SECTOR



The mission of CoopEst is to foster the development of a socially rooted financial sector in Central and Eastern Europe (CEE). To support financial inclusion and the development of income generating activities, CoopEst provides subordinated and senior debt to eligible financial intermediaries, enabling them to leverage further funding and to expand their outreach.

INVESTMENT CAPACITY
25.4M
EUR

OUTSTANDING PORTFOLIO
24.2M
EUR

COUNTRIES
9

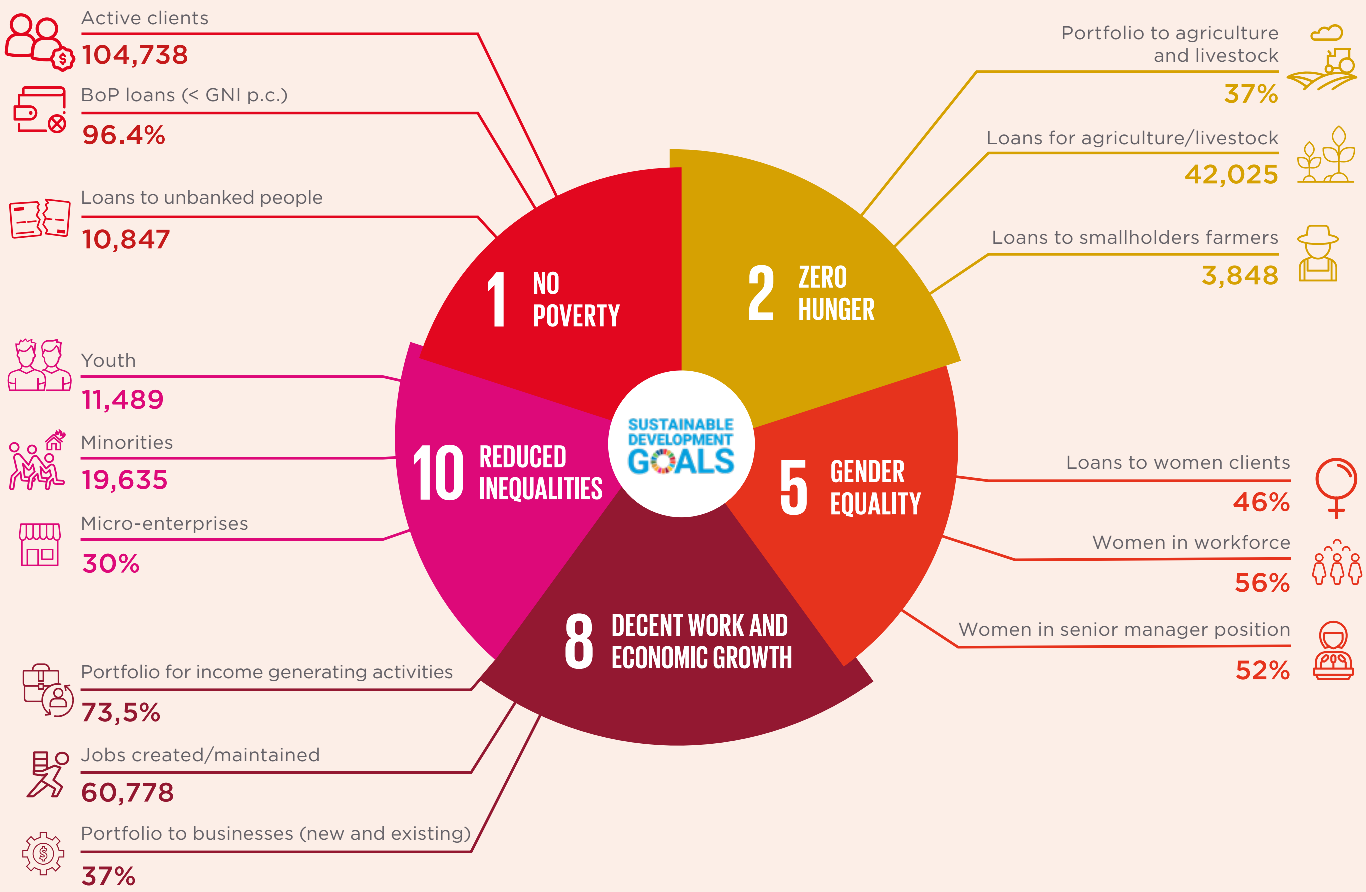
INVESTEES
21

LOANS OUTSTANDING
42

AVERAGE LOAN PER INVESTEE
576K
EUR

AVERAGE LOAN PER END CLIENT
2,059
EUR

IMPACT OUTCOMES & SDGS



HIGHLIGHTS 2021

The COVID-19 pandemic continued to have an impact throughout 2021. However, the economic recovery slowly started and **CoopEst clients, both MFIs and cooperative banks, showed strong resilience in dealing with the crisis**. The profitability of our clients was not significantly impacted, and although portfolio sizes stagnated, their quality was only slightly affected.
CoopEst is close to the end of its life cycle, with the contractual maturity of all the bonds in December 2023 and the likely liquidation of the company before June 2024. Therefore, the investment activity was reduced to extensions of loans to existing clients. During the year, two early repayments were received: one from an MFI in Bulgaria and one from a Polish cooperative bank. The only doubtful client – a Polish MFI – continued monthly repayments as scheduled. The CoopEst **portfolio quality remains very good**.

PORTFOLIO FOCUS: SMART CREDIT, MOLDOVA

In September 2021, the last investment decision was taken by the CoopEst Board. It extended the maturity of two loans to Smart Credit – EUR 300,000 in total – to the second half of 2023. **Smart Credit is a medium-size Moldovan MFI based in Ungheni, a town of ca 35,000 inhabitants**, located close to the border with Romania. In 2016, when the first loan to Smart Credit was granted, CoopEst was the second international investor (after Kiva) and the loan portfolio was around EUR 1.3 M. After five years, also thanks to the support of CoopEst, the MFI works with other international MIVs and the loan portfolio has been multiplied by 4.5, reaching EUR 6 M. The MFI is now active in most of the country (with 11 branch offices) and continues to serve the poor, while also maintaining very good portfolio quality.
Since its foundation, Smart Credit has **provided financial support to micro and small entrepreneurs** as well as to low-income households. The institution focuses on the economically active poor who are excluded from the banking system: most of the outstanding loans in 2021 were below the Moldovan GNI per capita (ca EUR 4,000). Loans are provided **primarily in rural areas** (nearly 70% of the portfolio) to support income-generating activities and family needs (45% of the outstanding portfolio is dedicated to housing improvements - including energy efficiency).
Since the outbreak of the war in Ukraine, Smart Credit continues to serve its clientele. Its portfolio has been growing by 15% in the first half of 2022 and the portfolio quality remains strong.

CoopMed

Launched in 2015, CoopMed supports the creation of employment and economic activities promoted by the local civil society. CoopMed promotes innovative social entrepreneurship initiatives in the MENA region. The fund offers subordinated and senior loans to MFIs, local banks and mutual companies. CoopMed applies a strong social performance policy with the support of a dedicated technical assistance facility.

INVESTMENT CAPACITY
17.3M EUR

OUTSTANDING PORTFOLIO
7.8M EUR

COUNTRIES
5

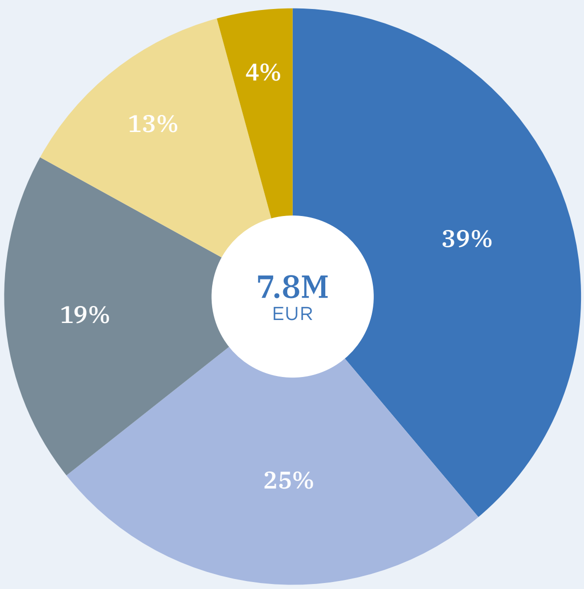
INVESTEES
9

LOANS OUTSTANDING
15

AVERAGE LOAN PER INVESTEE
523K EUR

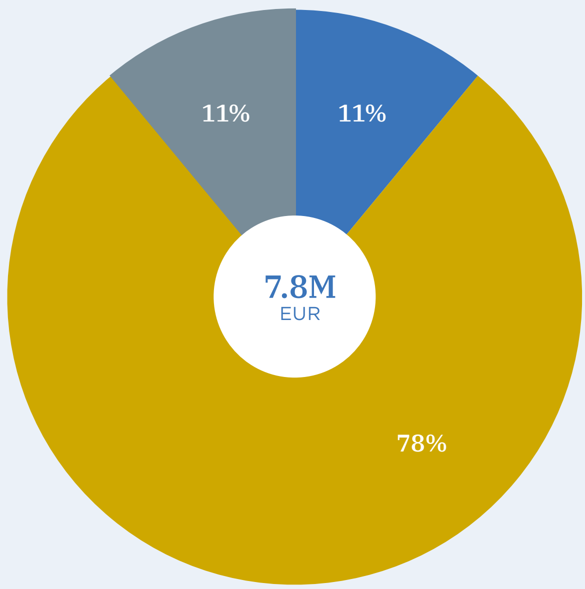
AVERAGE LOAN PER END CLIENT
1,101 EUR

PORTFOLIO PER COUNTRY



Lebanon EUR 3,050,104
Palestine EUR 1,465,981
Jordan EUR 332,300
Morocco EUR 2,000,000
Tunisia EUR 1,000,000

PORTFOLIO PER TIER



Tier 1
Tier 2
Tier 3

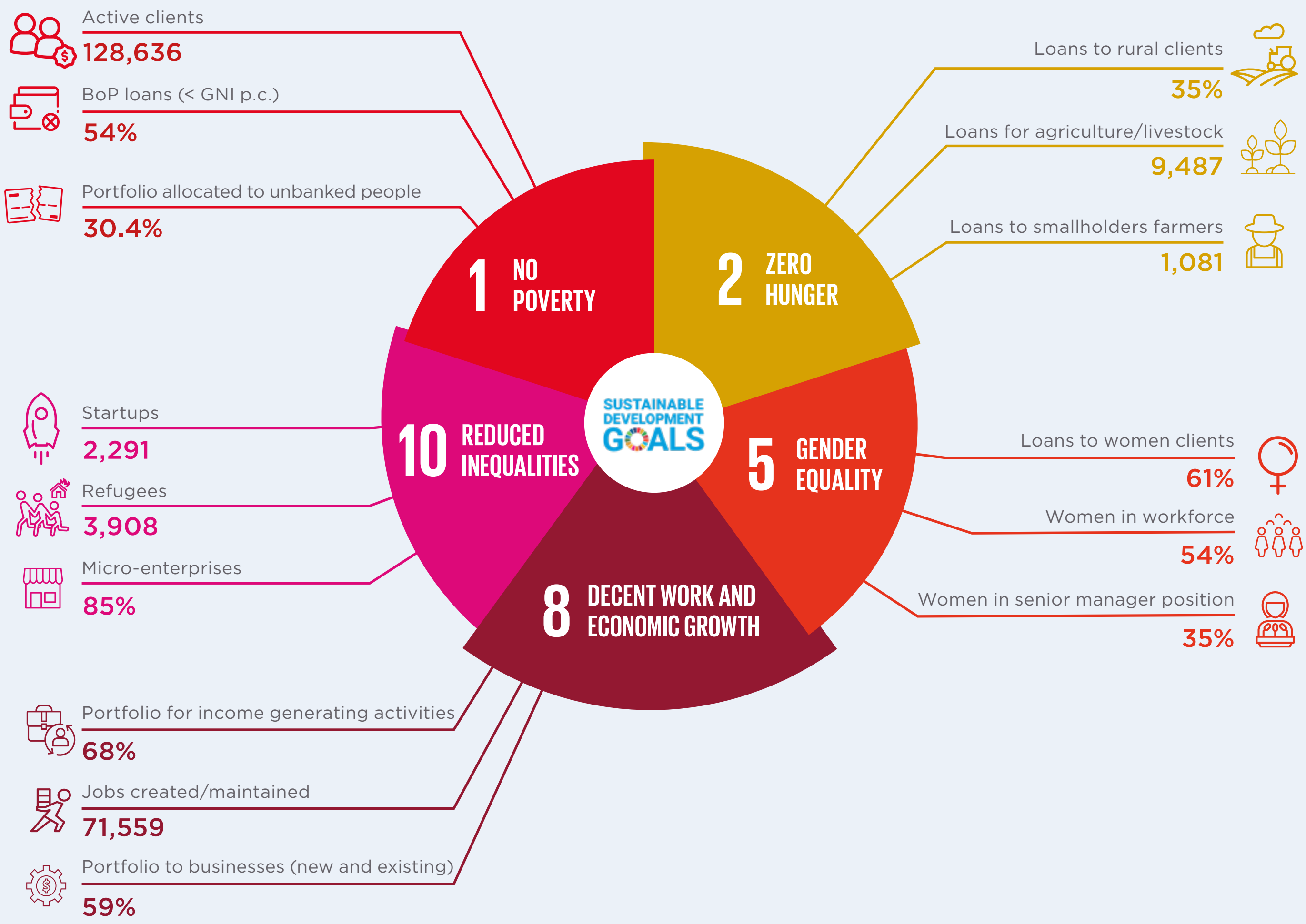
HIGHLIGHTS 2021

In 2021, CoopMed activities mainly focused on **portfolio monitoring and maintaining our support to existing partners**, both via technical assistance missions and renewal of existing lines. Our clients and operations continued to be strongly impacted by the COVID-19 crisis and the unprecedent Lebanese recession. Even if the context differs somewhat between countries, the MENA region has been deeply impacted by the recent crisis. Lebanon's economy encountered a devastating crisis, with the Lebanese pound losing about 90% of its value and more than three-quarters of the population falling into poverty. During the multiple pandemic waves, poverty increased in the region and threatened to push at least an additional 3 million people into extreme poverty. It is key to highlight that the **MENA region is the only region that has realized a significant increase in extreme poverty in the world**. Therefore, the need for a dedicated instrument to support financial inclusion and job creation in the region is even more crucial. **In 2021, CoopMed observed the key role that sustainable finance can play in situations of deep crisis and the importance that patient and responsible impact investors can have on local development**.
In parallel, CoopMed shareholders are working to find solutions to revive the development activities of CoopMed.

PORTFOLIO FOCUS: ATTADAMOUNE, MOROCCO

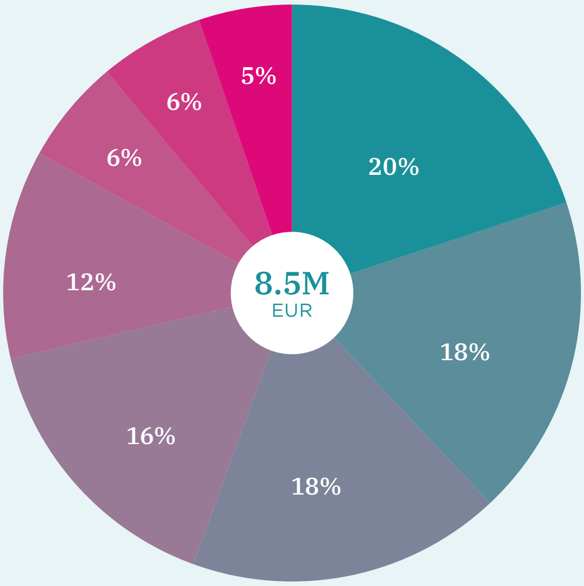
Attadamoune Micro-Finance is a Moroccan MFI focused on financing micro-entrepreneurs. Created in 1994, the MFI started operations in the northern central region of Morocco, a rural area, with a focus on women and microentrepreneurs. Today the MFI covers the entire country with 49 branches and 221 employees, serving more than 11,700 clients.
The MFI has been a CoopMed partner since 2018. In February 2020, a EUR 500k subordinated loan was granted by CoopMed to strengthen the MFI's equity base and improve its financial ratios. This subordinated loan was perceived as a positive sign by other lenders, both internationally and locally, and allowed Attadamoune to raise funds and overcome liquidity tensions caused by the crisis.
Founded and led by a woman, Attadamoune has a portfolio of 63% women, making them one of CoopMed's gender champions. With 50% women on staff, including the Board of Directors, Attadamoune actively promotes gender equality both inside its institution and among its clients.

IMPACT OUTCOMES & SDGS



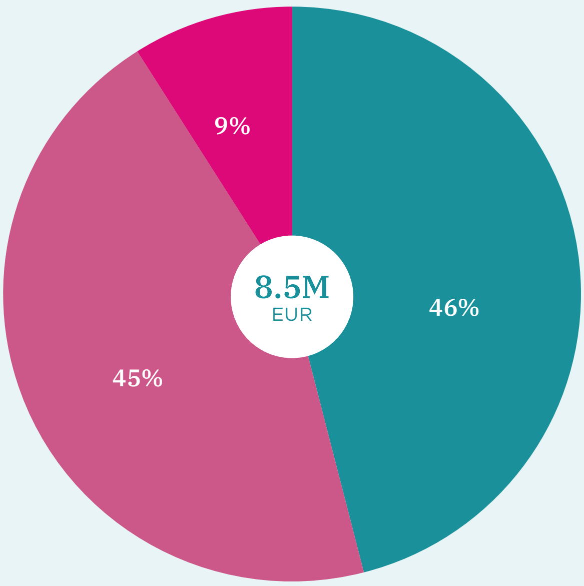
Helenos

PORTFOLIO PER COUNTRY



Lithuania EUR 1,700,000
Romania EUR 1,539,838
Denmark EUR 1,499,727
Poland EUR 1,346,208
Kosovo EUR 1,000,000
Albania EUR 500,000
Moldova EUR 500,000
Spain EUR 445,004

PORTFOLIO PER TYPE OF LOAN



Equity EUR 3,914,570
Subordinated EUR 3,846,208
Senior EUR 770,000

Helenos was launched as a successor fund of CoopEst to strengthen the solvency of socially responsible financial intermediaries across Europe. Accordingly, Helenos invests mostly through equity and subordinated debt.

European Commission

INVESTMENT CAPACITY
12.4M
EUR

OUTSTANDING PORTFOLIO
8.5M
EUR

COUNTRIES
8

INVESTEES
13

LOANS OUTSTANDING
15

AVERAGE LOAN PER INVESTEE
569K
EUR

AVERAGE LOAN PER END CLIENT
11,243
EUR

IMPACT OUTCOMES & SDGS

HIGHLIGHTS 2021

Amidst the persistence of the COVID-19 crisis, Helenos has demonstrated the fundamental role it plays in the European social financial sector. Demand from social finance intermediaries has been strong over the last year. Micro and social entrepreneurs adapted to the new market conditions and continued to request additional funding. Helenos clients grew their loan portfolio by 38% on average (compared to 30% in 2020), while maintaining PAR30 at 4.7% (vs. 4.9% in 2020).

In this context, Helenos received strong demands and realized eight investments in seven institutions in five countries. Helenos made three equity investments: (1) a crowdfunding platform in Spain, (2) a crowdfunding software as a service company in Denmark, and (3) a digital lending institution in Lithuania. Three subordinated loans have been extended to cooperative banks in Poland and two senior loans were made to a group lending MFI in Spain and a traditional MFI in Moldova.

In early 2022, the war in Ukraine brought additional uncertainty to European economies. Helenos' investees have demonstrated an impressive resilience so far. Close monitoring of our partners is key. Based on our deep knowledge of the region, special care is taken in selecting our new partners.

The capacity to adapt to the new digital world, innovate, lead with sound governance, and embrace a strong social mission have been key criteria for Helenos, which are even more important today than before the crisis.

PORTFOLIO FOCUS: TREBALL SOLIDARI, SPAIN

Treball Solidari is a Spanish NGO that has been operating for more than 20 years. Initially active only in South America, the deep recession between 2009 and 2013 motivated Treball Solidari to launch a microfinance program in Spain. The program targets the re-employment and support of immigrant women who have recently arrived in Spain. Through the traditional methodology of village banking, Treball Solidari not only provides loans to help women to start a business, but also provides individual support to their clients.

Through its three programs (Confia, Combina and International Cooperation), Treball Solidari reached more than 8,000 women in 2021, either through microcredit, trainings or the coordination of development projects in Latin America (Guatemala, Bolivia, El Salvador) and Africa (Burkina Faso).

Helenos disbursed a loan of EUR 120,000 to support Treball Solidari in its development.

By promoting Impact Measurement and Management among our investees we want to trigger systemic changes into our society.

Inpulse

IMPACT
REPORT
2021

MEASURING & MANAGING IMPACT: OUR ESG SYSTEM

AN ADVANCED SYSTEM TO FULLY INTEGRATE IMPACT IN OUR ACTIVITIES

Throughout 2021, 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 institutions that are not only financially sustainable, but also seek to alleviate socio-economic problems, while avoiding to harm 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 financial products targeting sustainable investments (Art. 9 Regulation EU 2019/2088).

PROCESS AND FUNCTIONING OF THE ESG SYSTEM

The system collects client 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 mission of our funds. The indicators analyzed will contribute to establish impact objectives to be included in the loan agreements with investees. Finally, data collected through the ESG System will serve to produce **Impact Reporting that publicly discloses positive societal changes brought by Inpulse managed funds** via our Theory of Change.

GENDER IMPACT ANALYSIS

Despite increased awareness since the World Conference on Women of the Beijing Declaration in 1995[1] and the progress made over the last years, women worldwide still face substantial inequalities. At the current rate, the gender gap would take around a hundred years to close. **Gender equality is not only a human development issue, but also a great opportunity for wealth creation**.

From an economic perspective, these inequalities hinder women's access to employment, career progression, income-generating activities, and access to finance. According to McKinsey Global Institute, reaching parity between men and women **would increase the global GDP by at least $12 trillion by 2025**.[2] More and more women are becoming highly educated, entering the workforce, and starting businesses – in many countries at greater rates than men. These characteristics make them an **extremely attractive opportunity for the private sector** and especially financial intermediaries. Yet women globally are still significantly unserved and underserved by the financial services industry. **The potential of the women's market remains largely untapped**.

Integrating a woman-centered strategy has been an important groundwork at Inpulse and the fund level. Inpulse has been working on improving our sex-disaggregated data collection and we continually evaluate our impact on gender equalities at all stages, from due diligence to annual monitoring. Through a set of indicators reported by our investees, and in line with the **2XChallenge**, we are able to measure our contribution to close the gender gap through our investments and track the progress over the long run. For 2021, we analyzed and benchmarked the data collected throughout **criteria established by the 2XChallenge: Entrepreneurship, Leadership, Employment, and Consumption** and were able to put them in perspective compared to results from the previous year.

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, a total of 175,877 business loans[3] were made in 2021, of which 102,277 were granted to women. **58% of our client's business loans were disbursed to women** (vs. 57% last year). This figure is even more impressive considering that woman receive less access to finance than men for their businesses: according to the first 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.[4]

GENDER ANALYSIS - INPULSE

OUR INDICATOR

- **Businesses founded** (or maintained) by women (%). **58%**

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 2019, the proportion of women in leadership roles was 21.9% and is only projected to reach 31% by 2030.[5] Few women reach leadership positions in financial services companies across the world. In 2020, female representation in the sector was 20% on executive committees and 23% on boards.[6] The evolution is encouraging compared to the past decade but **progress is still needed to reach equal accessibility** and positive outcomes for women.
Accounting for indicators related to women's participation in managerial positions, we measured the women's leadership dimension among our investees. **Of the 338 senior managers in our portfolio institutions, 159 were women**, representing 47% of women in senior management positions (vs. 44% in 2020). This result exceeds the threshold set by 2XChallenge for the financial services sector. Furthermore, of the 139 members on the board of directors among our investees, 50 were women. This represents **36% female participation on the BoD** – vs. 28% in 2020, showing both an improvement of gender equity but also the increased importance of this criteria in Inpulse investee selection.

GENDER ANALYSIS - INPULSE

OUR INDICATORS

- Women in **senior management** positions (%) **47%**
- Women on the **Board of Directors** (%) **36%**

2XCHALLENGE INITIATIVE

CRITERIA	THRESHOLD
Women in senior leadership	25%
Women on the Board or Investment Committee	30%

WOMEN IN THE WORKFORCE

Regarding women in the labor force, our investees reported a total of 3,398 employees in 2021, of which 1,864 were women, **representing 55% of the workforce**. Additionally, 50% 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 2020 results.

GENDER ANALYSIS - INPULSE

OUR INDICATORS

Women in the **staff** (%)	55%
Women as **loan officers** (%)	50%
Investees with policies including gender **non-discrimination in the workplace** (%)	85%
Investees offering **additional benefits** to improve women's condition of employment (%)	41%

2XCHALLENGE INITIATIVE

CRITERIA	THRESHOLD
Women in the workforce	40%
Existence of policy/ program to advance women condition in the workforce	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, **41% offer additional benefits to improve women's condition of employment**, stressing that many Inpulse investees have already achieved improved conditions for women beyond the legal regulations of each country.

FINANCIAL SERVICES TO WOMEN

In 2021, **41% of our investees offered financial products specifically tailored for women** (vs. 36% in 2020) and **84% had a written client gender equality policy**.

GENDER ANALYSIS - INPULSE

OUR INDICATORS

Investees with **specific financial products** for women (%)	41%
Investees with a **client gender equality policy** (%)	82%
Women clients (%)	51%
Unbanked women clients who gained access to financial products (%)	9%

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 **319,622 loans disbursed in 2021, 51% 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 collected shows that **of the 61,282 loans to unbanked clients, almost 50% were disbursed to women** (29,333). In comparison to last year, the portfolio allocated to the unbanked has slightly decreased. This trend was already present in 2020, showing a more prudent and risk-adverse behavior of our investees regarding clients with no account and banking history. The increased use of digital tools by our investees to serve their clients, accelerated by the several lock downs imposed in 2020 and 2021, could also explain this tendency.

ENVIRONMENTAL PERFORMANCE ANALYSIS

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."

Over the last three years, Inpulse has taken the commitment to monitor and evaluate the management and environmental impact of our investees seriously. This effort allows Inpulse to make better decisions with respect to sustainable investment. **Improving environmental performance can also help our investees strengthen their financial and social management**. However, evaluating environmental performance is not an easy task. It implies great challenges and a paradigm shift towards a more holistic vision, one where environmental and social criteria are evaluated and integrated into the decision-making process and weighted similar to financial indicators. We have noticed that our clients who advance in this vision face difficulties related to the documentation, monitoring and measuring of environmental performance data.

Under these considerations of commitment and challenges, **our ESG system includes an environmental dimension composed of 5 standards and 17 quantitative and qualitative indicators**. Four of these standards are aligned with the Green Index 2.0[7] and the fifth standard, developed in-house,[8] corresponds to our investees' perception of the effects of climate change on their clients and portfolio.

The environmental performance results of 2021 show that the COVID-19 crisis has presented great challenges not only related to their financial and social activities, the core business of our investees, but also in their environmental initiatives. Although the environmental management continues to be positive in general terms, it is also true that progression of certain indicators has slowed compared to the previous year. The establishment of environmental targets and goals and their use in the strategic direction as well as the communication of environmental performance were the most affected standards. Considering that the COVID-19 pandemic took an important role in the strategic direction and communication activities of our investees, these results make sense. This was clearly evidenced in the analysis of the pandemic carried out by Inpulse, ADA and Grameen Crédit Agricole Foundation during 2020 and 2021 and in our consolidated report, *"The impact of the crisis on microfinance institutions: Analyses and perspectives"*.[9] In contrast, **in 2021, our investees improved the promotion of green products** to their clients. The indicators associated with this standard show that our investments helped increase the financing of products oriented towards climate change mitigation and adaptation. Additionally, the increase in the average amount of disbursed green loans and the interest in developing new green financial products were relevant amongst our portfolio companies.

The consolidated environmental performance results of our investees during 2021 are detailed below. To evaluate the quality of these results, we compare them with the Green Index 2.0 scores[10] produced by SPI4 in March 2022 with external and international environmental references for the financial sector.

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

Inpulse registered a score of 48% for this standard, which represents a good environmental performance of our investees compared to the Green Index 2.0 benchmark. 63% of our investees have established environmental objectives and/or indicators in a formal environmental policy. However, in 2021, the use of these objectives to give strategic direction was reduced – only 48% of investees – which is about the same as 2020. This result can be attributed to the strategic priority of facing and exiting the COVID-19 pandemic. The same trend was identified in the communication of environmental performance, where the result was lower relative to the previous two years. However, assigning a person to manage environmental performance has increased, reaching 44%. This indicates that **commitment to environmental management is still present despite the effects of the COVID-19 crisis**.

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

48%

GREEN INDEX – SPI4

STANDARD

The institution defines, manages and monitors its environmental strategy

39%

AVG SCORE

STANDARD 2: INTERNAL ENVIRONMENTAL RISK MANAGEMENT

37% of our investees reported implementing actions to reduce and monitor their internal environmental risks. These actions are mainly focused on reducing the consumption of paper, electricity, water and fuel in offices; almost 40% of our investees have developed specific green initiatives. For some, digitization of projects and processes has been a strategy to reduce paper consumption.[11] Going further, one of our investees is implementing a digital eco-system (consisting of a digital transformation of their marketing process and CRM platform, upgraded core banking management system, data analytics tool and an on-line loan application platform), which will reduce its ecological footprint (by replacing hardcopies with digital documents, reducing paper consumption and waste, and by reducing unnecessary travel for employees and clients through online applications, thus reducing fuel consumption, air pollution, etc.).[12]

Other promising initiatives from our investees include: the establishment of sustainable consumption indicators,[13] the application of policies and environmental and social management system,[14] the monitoring of GRI[15] standards, PCAF[16] reporting and the adoption of a plan to reduce the carbon footprint of the institution.[17]

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**

37%

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 score positively on this standard, which represents a good environmental performance compared to the Green Index 2.0 benchmark. **63% of our investees reported having an explicit policy or exclusionary list to avoid the financing of activities with potentially negative environmental effects**. In these lists, in addition to the traditional restrictions established by local laws and international agreements and credit control policies, some of our investees integrate their alignment with the IFC Social and Environmental List[18] and the SDGs Agenda 2030.[19] The evaluation of external environmental risks for 2021 was the same as 2020 (26%). Nevertheless, the training of employees on how to evaluate the environmental impacts of their clients had a positive trend, increasing significantly by 50% compared to 2020. The provision of non-financial services to increase clients' environmental awareness also increased, being implemented by 21% of our investees.

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 **7,238 green loans were disbursed with a total portfolio allocation of 11%**. By 2021, due to the pandemic, microfinance clients directed their investments towards more financially stable clients and sectors. Likewise, there was a greater designation of consumption credits (an increase of more than 50% with respect to 2020).

These dynamics reduced the number of loans and the size of the green product portfolio. At the product level, credits to green housing (414) and sustainable agriculture (3,292) had a downward trend, with results similar to 2020. However, there was an increase in environmental loans to clean transport (261) and green products (690). Additionally, more credits were made to finance renewable energy, energy efficiency and others in relation to the adaptation and mitigation of climate change (a total of 2,481). The average green loan size disbursed reached EUR 19,537. The offer of agricultural/climatic microinsurance products decreased to 2019 levels. In contrast, the offer of non-financial services to increase environmental awareness (21%), as well as the development of green financial products (44%) increased.

GREEN ANALYSIS - INPULSE

OUR INDICATORS

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

16%

GREEN INDEX – SPI4

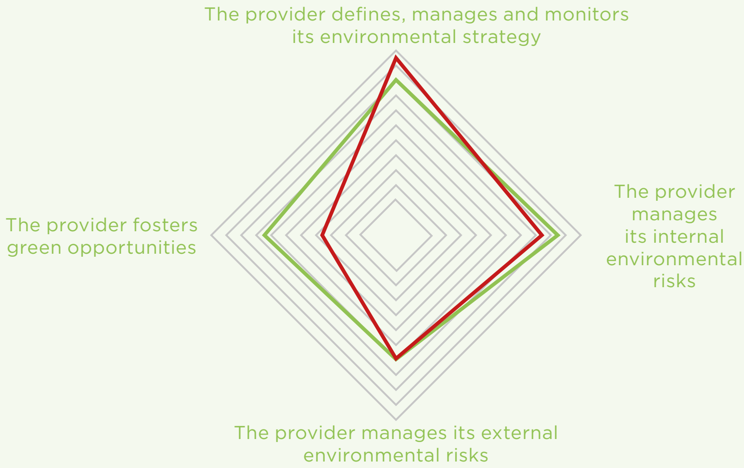
STANDARD

The institution fosters green opportunities

32%

AVG SCORE

INPULSE'S ENVIRONMENTAL PERFORMANCE COMPARED TO SPI4 GREEN INDEX SCORES



Inpulse

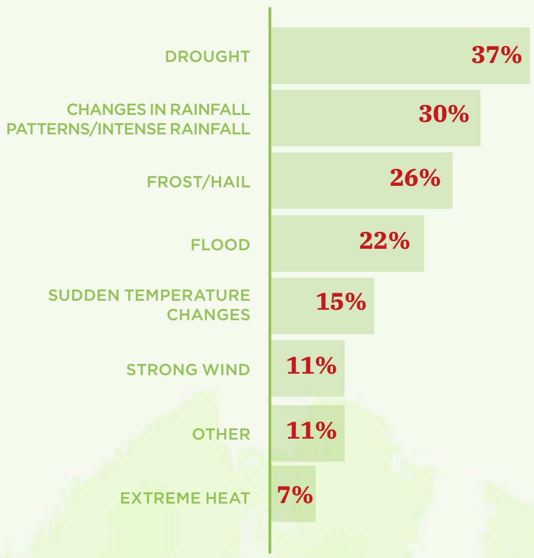
SPI 4 Green Index (N = 121)

Comparing our results with the Green Index score produced by SPI4 in March 2022, our investees define, manage and monitor their environmental strategy in a very positive way, exceeding the average score for this standard. Results regarding the management of external and internal environmental impacts are relatively similar. However, regarding the last standard, our result is lower than the Green Index benchmark, which is understandable for at least two reasons. First, our clients have a mission that is more oriented towards social aspects. Second, as detailed in the previous section, the COVID-19 crisis has affected the allocation of investments in green loans. In general, Inpulse investees have an aggregated score of 33 compared to 36 for the SPI4 Benchmark.

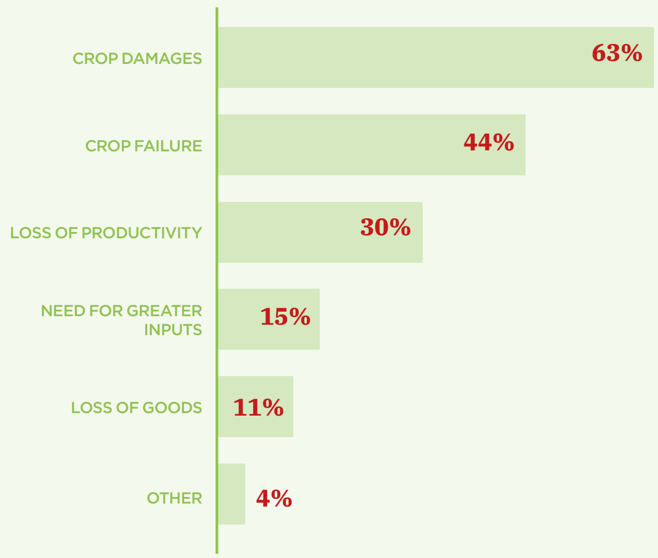
STANDARD 5: PERCEPTION OF OUR INVESTEES ABOUT THE EFFECTS OF CLIMATE CHANGE

The perception of climate change by our investees has been measured through three main criteria. **The first criteria is their perception of the negative effects of climate change**. The institutions indicated a greater presence of droughts (37%), frosts (26%) and changes in rain patterns (22%). It is worth noting that for almost all these indicators, the perception in 2021 was more positive compared to the two previous years. **The second criteria relates to the perceived damage to final beneficiaries' activities due to climate factors**. Some investees pointed to the damage of crops as the main damage (63%), followed by loss of crops (44%), as well as the loss of productivity (30%) and the greater need for inputs of their clients (15%). **The third criterion sought to determine the impact of these effects on the portfolio of our investees**. In this regard, according to the perception of the investees, the financial products most affected by climate effects are agriculture and livestock, as well as business.

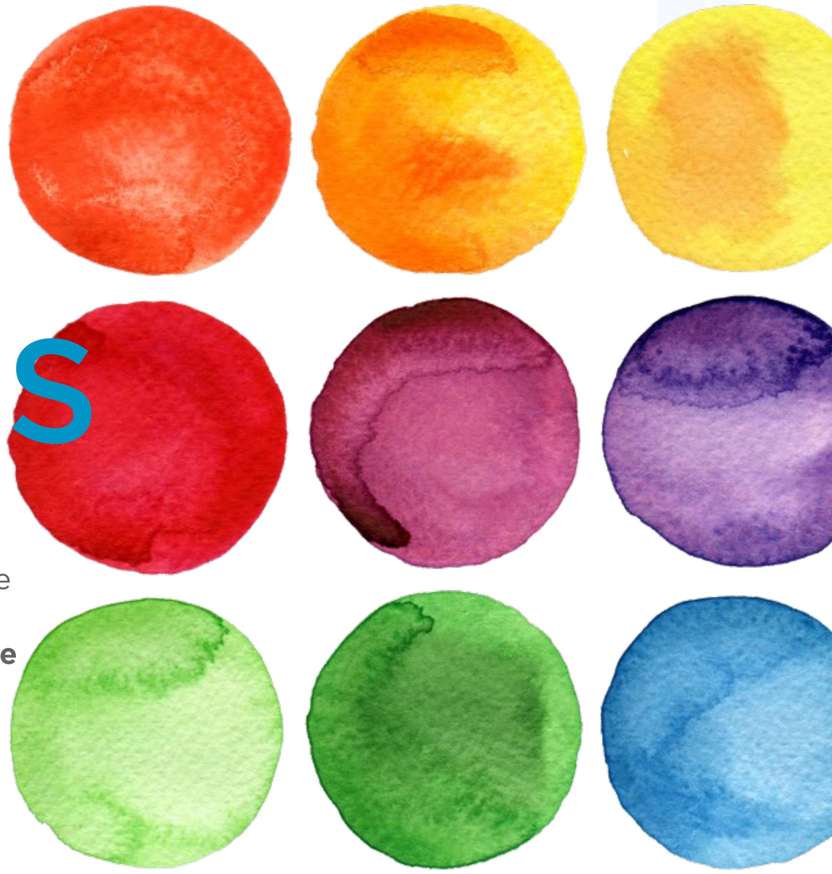
PERCEIVED NEGATIVE EFFECTS OF CLIMATE CHANGES



MAIN DAMAGES PERCEIVED ON CLIENT ACTIVITIES



SDGs IMPACT ANALYSIS



The Sustainable Development Goals (SDG) impact analysis covers our CoopEst, CoopMed and Helenos funds. The results are built on the extensive feedback received by our investees. The findings show that **Inpulse contributes to the generation of positive social impact for seven SDGs**.

SDG 1: NO POVERTY

During 2021, COVID-19 continued to grip countries and dominate lives around the world, resulting in restrictions on movement and everyday activities. The crisis induced an increase of 0.9% of extreme poverty income inequality among low-skilled workers, low-income households and informal workers.[20]

Inpulse contributes to SDG1 by increasing equitable access to financial services and strengthening the quality of products. On average, the effective interest rate (EIR) is around 18%, which is line with the average bank loan rate in EU member states and below the rate of most MENA countries.[21]

Our active engagement in reducing poverty ensures the provision of income support to poor households and the economic recovery post-crisis. In 2021, **43% of the portfolios of our investees channeled expenditure to daily needs, healthcare, education and conventional housing**, namely end clients with loans dedicated to guaranteeing the well-being of the households.

1 NO POVERTY

299,601	73%	49%	53%
ACTIVE CLIENTS	BOP (LOANS<GNI P.C.)	WOMEN CLIENTS	RURAL CLIENTS

In 2021, the outstanding portfolios of Inpulse's investees included 19% of unbanked people, corresponding to 61,282 credits. Although the financial market involves a complex set of actors, these outcomes show how our investees committed to bridging the gap of financial exclusion. Additionally, **53% of total active clients were located in rural areas and 73% of loans were below the GNI per capita**. This is a great achievement as low- and middle-income people are disproportionately bearing the socio-economic impacts of the COVID-19 crisis. It also affirms Inpulse's strategy of focusing on the most vulnerable people. In this light, the invasion of Ukraine reflects the urgency of supporting local institutions and contributing to social integration in the coming years.

SDG 2: NO HUNGER

Recent studies indicate that 193 milion people face acute food insecurity globally.[22] People experiencing moderate food insecurity are typically unable to eat a healthy, balanced diet on a regular basis because of income or other resource constraints. **Two-thirds of extremely poor employed workers worldwide are agricultural workers**.[23]
In 2021, Inpulse contributed to food security by supporting local rural activities, such as smallholder farmers and agricultural microenterprises. **Over half of the loans disbursed by our investees addressed the rural sector** and 21% of the outstanding portfolio was dedicated to the development and improvement of agricultural and livestock activities – 3,292 loans to sustainable agriculture/livestock and 7,187 to small farmers. Some of our investees also aim to reduce soil degradation and to increase the productivity of the land.[24]

2 ZERO HUNGER

53%
RURAL LOANS

21%
AGRICULTURE/ LIVESTOCK PORTFOLIO

43%
MICRO-ENTERPRISES IN AGRICULTURE

7,187
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. It also empowers women to shape their own lives, play a role in public life and be economically independent.[25] The difference between the employment rate of women and men in the EU is 11.6%, whereas only 69.7% of women are in job contracts reflecting an unequal sharing of social care.
Inpulse is committed to promoting the financial inclusion, business development and empowerment of women through our investees. In 2021, **50% of the loans granted by our investees went to women**, representing 41% of the total outstanding portfolio. Dedicated group lending products also served female clients who could borrow without the need of a guarantor. **Among our investees, women accounted for 55% of the workforce**, and 47% of highest levels of corporate leadership were held by women. These findings are positive considering that the gender gap in financial services is persistently large, a gap of 28.9% in 2021.[26]
Nearly one-third of our partners set women empowerment as the core of their social mission. Our partners apply gender non-discrimination policies and offer additional benefits to improve work-life balance, such as the right to a full salary in maternity leaves and flexible hours.

Despite the COVID-19 crisis, our indicators on the contribution to gender equality remained quite positive. It is evident that the crisis has affected women clients. However, our institutions are actively committed to improving gender equality in the workplace. The topic remained high on management's agenda and an upward trend is also observed at all levels for an inclusive leadership.

5 GENDER EQUALITY

50%
LOANS TO WOMEN

58%
LOANS TO WOMEN FOR BUSINESS DEVELOPMENT

47%
WOMEN IN SENIOR MANAGEMENT POSITIONS

55%
WOMEN IN THE WORKFORCE

SDG 8: DECENT WORK AND ECONOMIC GROWTH

Due to the COVID-19 crisis, International Labor Organization reports families living below the international poverty line increased for the first time since 2000.[27] In 2021, unemployment is projected to remain above pre-pandemic levels until at least 2023. Moreover, the conflict in Ukraine raises new challenges as it has inflicted a major shock on commodity markets, disrupting global patterns of trade, production and consumption in ways that are likely to keep prices at high levels in the coming years.[28]
To respond to the effects of COVID-19 crisis and to be prepared for the next crisis, but mainly to accelerate the road to recovery and development, Inpulse **sustains 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 this way, through our investments, we support the creation/maintenance of 170,575 jobs and 43,714 businesses. Of the total credits, 39% were to support new business projects and the portfolio allocated to support new and existing businesses was 27% of the total amount disbursed. **179,491 micro-enterprises were financed**. 48% of the portfolio was dedicated towards businesses and agriculture and 33% went to home improvements (mostly coming from cooperative banks).

8 DECENT WORK AND ECONOMIC GROWTH

170,575
JOBS CREATED/ MAINTAINED

43,714
NEW BUSINESS CREATED

179,491
MICRO-ENTERPRISES FINANCED

48%
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

By mid-2021, the number of people who were forced to flee their countries due to war, conflict, persecution and events seriously disturbing public order had grown to 24.5 million. **For every 100,000 people, 311 are refugees outside their country of origin**. The number is expected to grow in the near future due to the crisis in Ukraine. As of 12 April 2022, around 4.7 million refugees crossed borders into neighboring countries. The pandemic resulted in a growing number of young people who were neither gaining professional experience through a job nor developing their skills through participation in an educational program. This is likely to have a lasting impact, making it harder for them to transition into the labor market in the coming years.[29]
In 2021, Inpulse's financial and technical support to our investees contributed to financial inclusion and the reduction of inequities through **the provision of financial services to young people, women and minorities**. 31% of loans were distributed to vulnerable groups, such as youth, immigrants, refugees, smallholder farmers and people with physical or intellectual disabilities. The number of youth financed was 64,450, including almost 4,000 refugees. In addition, our investees identified that they support 61,282 individuals that were previously unbanked. These are remarkable results that surely contributed to the creation of a cohesive and resilient society.

10 REDUCED INEQUALITIES

2,739
START-UPS FINANCED

64,450
YOUTH (<35) FINANCED

3,909
REFUGEES FINANCED

61,282
UNBANKED CLIENTS

10 REDUCED INEQUALITIES

Fair and respectful treatment of clients was taken into account at the highest level. **96% of our investees have established policies and strategies for client protection**, transparency of credit conditions in line with the regulatory framework, and 89% have established an appropriate system to resolve client complaints. Likewise, 63% have committed to the "Client Protection Principles" (The Smart Campaign).[30] A **client satisfaction survey indicates portfolio companies provide excellent levels of service**, driven by positive resolved complaints of around 93%.
Moreover, 76% of **our investees offered non-financial services** (e.g., business development services, financial literacy), and non-financial products (e.g., micro-insurance). Some of our clients also offer "free-of-charge" savings (78,492 clients).[31]

63% SMART CAMPAIGN INVESTEES

0.36% CLIENT COMPLAINTS RATIO

62% CLIENT RETENTION RATE

76% INVESTEES OFFERING NON-FINANCIAL SERVICES

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

The Paris Agreement sets ambitious targets to curb greenhouse gas emissions. It also commits countries to strengthen adaptation (prevention, protection and response measures), which urgently needs to be scaled up. Adaptation includes implementing plans that should protect human health from the impacts of climate change.[32] Direct impacts have been observed in relation to air pollution, droughts, floods and extreme temperature.
In 2021, Inpulse sets aside our investees in supporting the development of green financial products and ensuring the compliance with exclusionary list to avoid harming the environment. **63% of our investees have set environmental goals, targets and indicators, which are included in a formal environmental policy or operational plan**. These intentions are reflected by the appointment of a specific person/committee to manage environmental performance in almost half of our investees. 37% implemented actions to monitor and/or reduce their internal environmental risk (ecological footprint). **66% of institutions reported that they suffer directly from the effects of climate change in the agricultural repayment loans**. In this light, some investees already offer specific credits for energy efficiency, soil improvement, green products and sustainable housing, whereas others are working to either set up or evaluate the potential of new products and services that address climate issues.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

7,238 GREEN LOANS

63% INVESTEES WITH ENVIRONMENTAL EXCLUSION LIST

63% INVESTEES WITH ENVIRONMENTAL STRATEGY

37% INVESTEES MONITORING INTERNAL ECOLOGICAL FOOTPRINT

GOVERNANCE ANALYSIS

In line with the development of the ESG System, Inpulse conducted an **in-depth evaluation of governance performance** of its investees in 2020. 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 2021.

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 85% of the cases (a slight progress compared to 2020 (81%)). Moreover, **96% of our investees included social goals and targets in their bylaws and business plans**.

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 36%, even if it is a clear improvement of the rate observed in 2020 (28%). The majority 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 70% of our investees have a succession plan. Most of them take care of their employees: **86% 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. 76% of Inpulse's investees evaluated employee satisfaction over 75/100, which shows a decrease compared to 2020 but stays at a high level.

Regarding client treatment, 70% of our investees assess client satisfaction and 89% of them consider client feedback to improve their products and processes. Although these figures are a slight decrease from 2020, this can be explained by the COVID-19 conditions.

Regarding transparency and accountability **100% of our investees are audited by an external auditor on an annual basis**. Moreover, internal audits consider social performance and are carried out by 100% of our investees; 81% also report on their social performance and practices.

70%

INVESTEES WITH A SUCCESSION PLAN FOR EXECUTIVE MANAGEMENT

89%

INVESTEES TAKING INTO ACCOUNT CLIENT FEEDBACKS FOR ADAPTING PRODUCTS AND SERVICES

44%

WOMEN HOLDING SENIOR MANAGERIAL POSITIONS

COOPERATIVE BANKS: SUPPORTING LOCAL DEVELOPMENT

SUBORDINATED LOANS FROM COOPEST AND HELENOS HELP POLISH COOPERATIVE BANKS GROW

Since 2008, **CoopEst has developed a strong case for financing cooperative banks**, granting a total of 35 loans to 22 cooperative banks and 2 associating banks in Poland. In 2021, Helenos followed the path set by CoopEst, providing subordinated debt to 2 institutions. The cooperative banking sector in Poland numbers over 500 banks with more than 30,000 employees, nearly 1 million members and about 2.5 million customers.

The activity of cooperative banks in Poland is licensed and subject to rigorous regulations for the whole banking system. They are obliged to meet the capital requirements laid down in the EU regulations and follow the guidelines of the Central Bank, including **data protection, complaints procedures, transparency and consumer protection**. Most of the cooperative banks in Poland are affiliated with one of 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)**.

Committed to the development of local communities, cooperative banks balance social and economic objectives, providing adequate financial services and supporting initiatives (such as education, sport, culture, especially directed at children and youth) to the benefit of local towns and villages. According to research conducted for the Banking Institute, the motivation to remain a shareholder of the cooperative bank has been strongly linked to the **bank activities supporting the local area, a sense of shared responsibility** for the bank and possibility to influence its development, general **satisfaction with products and services**.

While cooperative banks do not necessarily perform formal client satisfaction surveys, they **closely monitor the needs of their clients** and strive to provide the best possible financial products to meet those needs. The developments include the use of modern technologies: **electronic banking, mobile application, contactless cards, mobile payments**.

To support pro-environmental activities, our clients have introduced products such as the **EKO loan for the purchase of photovoltaic installations and heat pumps**, or energy efficiency solutions, and the “clean air” loan.

Cooperative banks also undertake initiatives aimed at the reduction of document printing, digitalization of documentation and communication with customers.

Women make up most of the staff and **frequently occupy management positions** (**66% in 2021** vs. 50% in 2019).

66%
WOMEN IN SENIOR MANAGEMENT POSITION

50%
WOMEN ON THE BOARD OF DIRECTORS

69%
PORTFOLIO FOR INCOME GENERATING ACTIVITIES

55%
RURAL LOANS

75%
INVESTEES DEVELOPING GREEN PRODUCTS

TECHNICAL ASSISTANCE: IMPACT IN ACTION

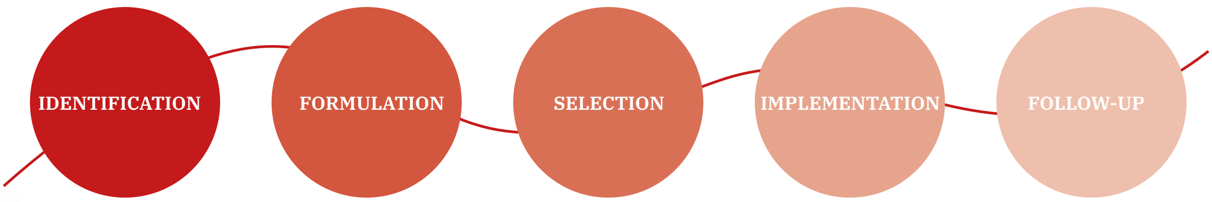
TWIN PILLAR INTEGRATED VISION

Thanks to the support of the Agence Française de Développement and the European Investment Bank/ Luxembourg Government, in 2017 CoopMed started a technical assistance facility to support its investees in the MENA region. **We provide investees with advisory services and capacity building to strengthen their long-term competencies** to match the duration of our investments. We call this our twin pillar integrated approach.

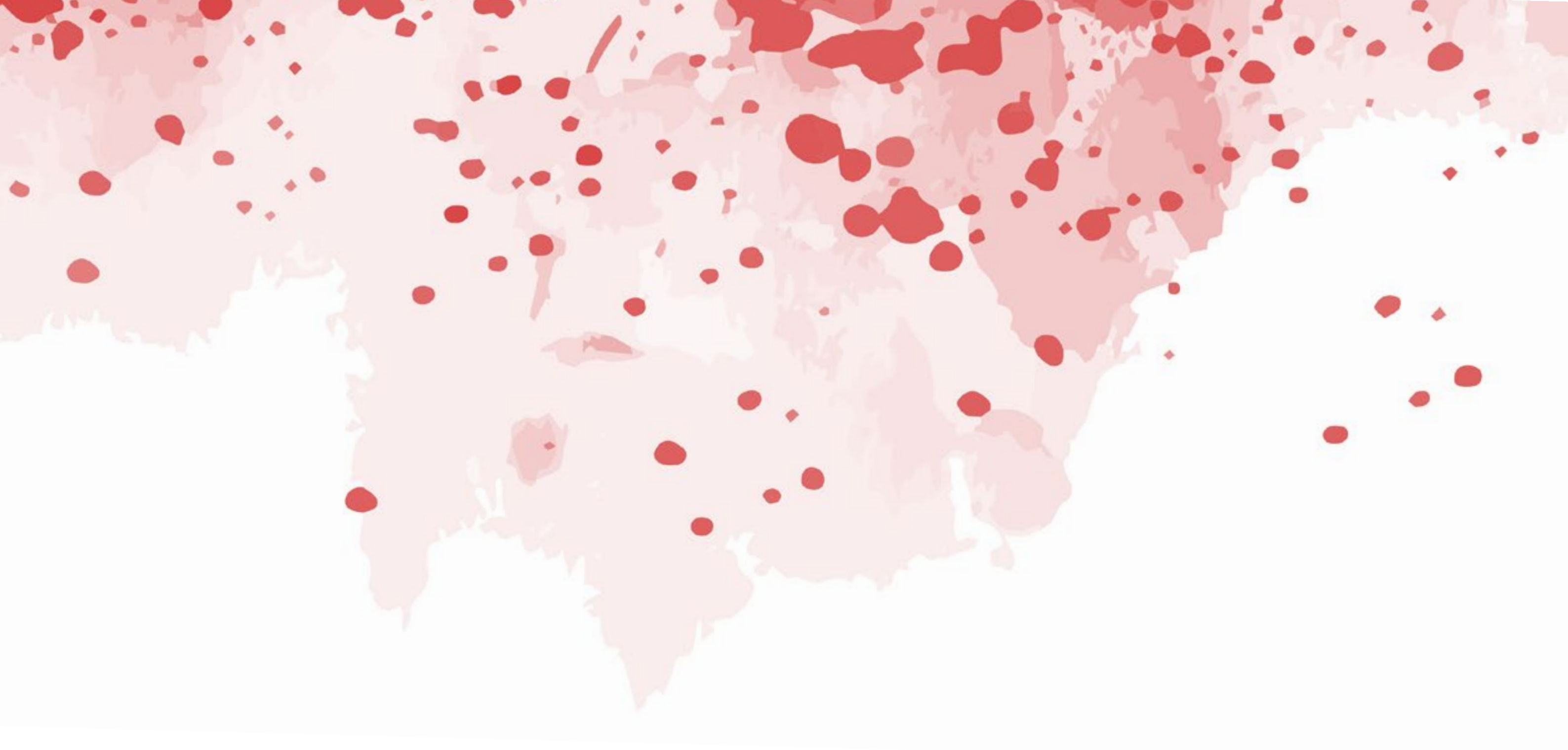
A PARTNERSHIP-BASED APPROACH

Technical assistance must be co-financed by the beneficiary, who may be required to contribute up to 20% of the estimated budget. To implement the projects, external consultants are selected in close collaboration with the beneficiary and through **transparent procedures compliant with by EIB and AFD procurement**. Such an approach guarantees that each mission is adapted to our client's needs and fully meets their expectations.

HAND-IN-HAND THROUGHOUT THE ENTIRE PROCESS



The support we provide to our investees is spread throughout the different steps of the process to find valuable experts for the technical assistance. Once a partner has expressed needs for an intervention, we jointly define the scope of the mission. For each new project, **CoopMed defines clear objectives, activities and financial engagements with investees before contracting** the implementation experts. We always choose experts our beneficiary would feel confident with, but always in accordance with the procurement procedures approved by EIB and AFD. Through the implementation phase, we remain available to adapt the guidelines to meet additional needs or help with any contingencies that may occur. Reactivity and adaptability are the key characteristics guiding our TA facility.



2021: KEEPING SUPPORT IN THE MIDDLE OF THE PANDEMIC

2021 was characterized by a decline in TA actions compared to previous years, also due to the deceleration of CoopMed investment activity. Moreover, COVID-19 forced MFIs to prioritize recovery and strategic management. The TA support provided by CoopMed in 2021 resulted in four actions carried out with existing partner MFIs on digitalization and operational procedures reinforcement. Moreover, in 2021, the EIB renewed its trust in CoopMed TA by awarding us a second grant. The main objective of this new TA facility is to strengthen the fundraising capabilities and long-term liquidity management skills of CoopMed investees in the context of the systemic crisis caused by the pandemic.

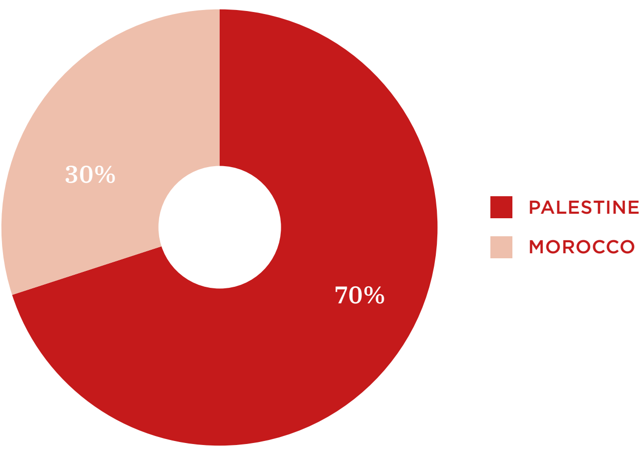
4
TA PROJECTS

4
INVESTEES SUPPORTED

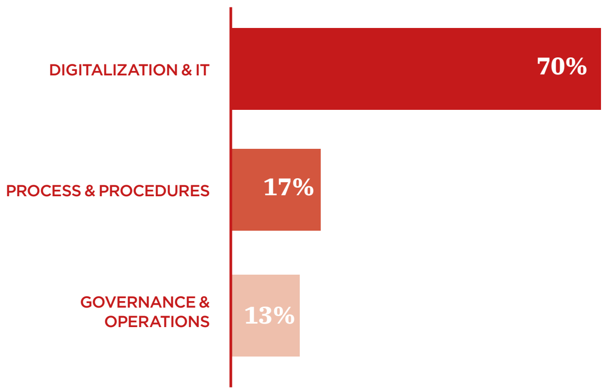
2
COUNTRIES

EUR
19,500
AVERAGE BUDGET

TECHNICAL ASSISTANCE BY COUNTRY



TECHNICAL ASSISTANCE BY THEME



CASE STUDY

DIGITAL TRANSFORMATION TO IMPROVE CUSTOMER MANAGEMENT

ACAD
PALESTINE – TIER 2

3,179 EUR
AVERAGE LOAN PER END CLIENT

3,015
ACTIVE CLIENTS

AN INTERVIEW WITH SAMIR BARGHOUTHI

ACAD CEO

Recently ACAD finalized its integration of credit scoring and credit rating in the MIS. What are the expected impacts on credit risk/portfolio quality?

Credit rating provides a better screening tool that indicates the borrower's capability to make loan repayments on time, which is summarized by a credit score. ACAD has been working to construct these tools during 2021 and early 2022, integrating them into the MIS and implementing them as a digitalized system.

By working with GoGlobal (a consultant company for risk management & IFRS solutions), which provides these tools, a credit rating and scoring model for each product offered by ACAD was developed via Random Forecast (the model with the highest accuracy in comparison to logistic regression and XB Boost).

By implementing these tools, the quality of the loan portfolio is expected to improve. The credit scoring and rating system will help ACAD to determine the creditworthiness of clients by relying on their credit history and information from the loan application to accurately predict borrower behavior and his/her capability and willingness to make payments on time. This more accurate assessment of credit/default risk improves the portfolio quality.

Why do you consider digitalization as an important part of ACAD strategy for the future?

Digitalization is an important part of ACAD's strategy since this project will improve the MFI's efficiency, which will reflect positively on the services provided. In this regard, time-consuming paperwork will decrease. Follow up of the portfolio will be strengthened, e.g., sending clients payment reminders.

In general, reaching new clients will become easier and quicker and will support ACAD in improving its credit services, which will be tailored following online surveys. Basically, we expect much **better customer management**.

In terms of information security, the digitalization project provides better security solutions for our database, including a secured backup.

Currently, the digitalization project focuses on the following: 1) Digital Record Keeping – building a digital data library (digitalized archive system) of all clients with a credit analysis and outstanding due; 2) Digitalized Customer Management System; and, 3) Credit Scoring and Rating System integrated with the MIS.

More generally, what kind of challenges do you think the microfinance sector will face in regard to digitalization and the development of the fintech sector?

The microfinance sector faces many challenges moving towards digitalization and the fintech sector. In addition to the fact that **moving toward digitalization is costly in the short term**, MFIs target marginalized and low-income generating individuals/households with little awareness of fintech and with limited resources. Therefore, digitalization will result in the need to encourage targeted clients to embrace this trend by building awareness and trust. **The application of new emerging technology comes along with the task of training human capital (including staff and clients) to utilize and acclimate to this technology**.

Another limitation/challenge is the general framework of the legal and regulatory environment in Palestine. This environment needs to be developed to allow growth in the fintech sector.

Would operating cost reduction due to digitalization have an impact on credit services pricing?

Theoretically yes, there will be an impact on the pricing. The efficiency will definitely improve and loans processing will be shorter. However, this will only be evident after implementing the digitalization and carrying out an assessment of its impact. Moreover, there will be a yearly recalculation of prices.

To what extent is ACAD staff involved in the process of digital transformation?

All ACAD staff will be involved, but on different levels. The transition to digitalization includes several training programs. The focus now is on the senior staff and department heads. This will be followed by a focus on branch managers and field officers.

To what extent are ACAD's services going to be digitalized? How are you planning to adapt to clients without smartphones or a good internet connection? Will ACAD provide some kind of digital education training for clients?

ACAD's goal is to completely digitalize all aspects of operations, as long as the infrastructure in ACAD and Palestine in general allows for it. We are in process of implementing online loan processing, accepting online applications, and online loan approval. For now, we are moving towards digitalization step-by-step while considering technological and regulatory limitations. In terms of raising awareness for clients, the following channels will be used: 1) Distribution of brochures and flyers; 2) Guiding videos on the website and social media accounts; 3) Face-to-face assistance in branches; and, 4) Over-the-phone assistance.

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