

IMPAKTEU Factsheet SFDR

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Scope and legal framework

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

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

Sustainable investment objectives: key information

1. No significant harm to the sustainable objective

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

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

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

2. Sustainable investment objectives

ImpaktEU aims to build a platform of responsible investors and financial intermediaries (FIs) contributing to reduce social inequalities in Europe, to include the most vulnerable, to boost jobs creation making economic growth more sustainable. ImpaktEU wants to shape a more inclusive society thus reducing poverty, unemployment and negative impact on the environment.

ImpaktEU aims to enhance financial inclusion and employment creation by investing in microfinance FIs and social enterprises through the provision of long-term funding, in accordance with the Investment Strategy.

To showcase ImpaktEU contribution to social cohesion and a more inclusive society we 5 key target objectives¹ have been established and will be regularly measured and reported on. These long-term objectives drive the investment strategy, encourage transparent reporting and will foster Impact Management & Measurement (IMM) implementation among ImpaktEU's investees.

OUTCOME 1

Fragile populations and excluded microentrepreneurs have improved their life conditions

1. Min 30.000 Jobs created/preserved
2. Min 20.000 Beneficiaries at the base of the pyramid (BoP)

OUTCOME 2

FIs have access to new resources to boost sustainable growth and strengthen their impact practices

3. 65% FIs adopting formalized IMM strategies (estimated 42 FIs on a total of about 64 invested FIs)
4. 15% FIs portfolio invested in labelled green portfolio (estimated portfolio 15M€)

OUTCOME 3

Social enterprises have proven their sustainability and demonstrated their mission towards society

5. 25% Fund size invested in sustainable social enterprises (estimated 1.500 SEs directly & indirectly supported)

3. Investment strategy

Investees

ImpaktEU invests in financial intermediaries and social enterprises with a viable business model and more particularly in:

- Non-bank financial intermediaries dedicated to microfinance like MFI, foundations, credit unions, etc;
- Small Non-bank financial intermediaries or investment vehicles dedicated to social entrepreneurship: funds, crowdfunding platforms, specialized investment companies;
- Ethical and cooperative banks in the frame of the development of an impact portfolio;
- Social enterprises with a strong contribution to impact or with a demonstrated potential to generate impact;

¹ The objectives refer to a 100M€ fund size. The foreseen investment portfolio is composed by 80% Financial Intermediaries (60% in Eastern, 40% in Western Europe) and 20% direct investments in Social Enterprises. In case the fund size will be lower/higher than 100M€ all estimations will be adapted pro-rata. The above 5 key impact objectives are set up based on proven indicators from independent impact studies using data coming from internal dataset

ImpaktEU investees shall comply with the following key investment criteria:

- excellence of the management already in place or to be hired;
- track-record of minimum 3 years demonstrated by audited financial accounts (except for greenfields: minimum 18 months including 12 audited);
- contribution to the UN SDGs and confirmed social and environmental impact;
- proven financial profitability, with a positive RoE or in the process of being break-even, except for greenfields or in the frame of a development plan that demonstrates the solid portfolio quality;
- shall not include in its business activities any illegal activities according to the applicable legislation in their country of establishment;
- shall not have a substantial focus on one or more Restricted Sectors (as defined in the Exclusion List annexed in [Impulse Sustainability & ESG Policy](#)).

Eligible Countries

The activities of ImpaktEU can be allocated geographically in all EU countries and countries having signed a Stabilization and Association Agreement or a Partnership Agreement with the European Union; as of today, the list is as follows:

- Member States of the European Union;
- Turkey (not included in ImpaktEU scope), Iceland, Albania, Republic of North Macedonia, Montenegro and Serbia, Kosovo, Norway, Switzerland, Moldova, Ukraine

The Promotors of ImpaktEU also included Bosnia & Herzegovina in the list of eligible countries.

It will be possible to enlarge the list of eligible countries only with the approval of the Board at a qualified majority of 75 % including the positive vote of the Director representing SFPI.

Diversification ratios

ImpaktEU will invest according to the following diversification ratios:

- maximum exposure per country of 25% of the Fund Size for EU member countries and 10% of the Fund Size for non-EU member countries
- for an equity investment maximum exposure of 49% of the capital of the concerned Investee.
- An exposure limit may only be waived by the Board of Directors in accordance with the relevant provisions of the Placement Memorandum.

Investment instruments

ImpaktEU investment instruments will include the following:

- senior loans;
- quasi-equity, i.e. subordinated loan, mezzanine debt, convertible loans, reverse convertible loans, hybrid capital instruments and any form of similar instruments;
- equity, means common shares, preferred shares, participative rights and any form of similar instruments; the portfolio invested into equity instruments shall correspond to max 20% of ImpaktEU total investments at the end of the Investment Period unless a specific guarantee

mechanism is put in place or first-loss shares can be issued, in such a case the limit can be adapted to max 40% of total investments at the end of the investment period;

ImpaktEU average investment should in principle be in a range of 1M EUR to 1,5M EUR.

4. Proportion of investments

Minimum sustainable investment with a social objective: 100%.

5. Monitoring of the sustainable investment objective

To track non-financial performance, progress and compliance with ImpaktEU sustainable investment objective all along the investment period we require to our investees to complete on yearly basis the ESG Smartsheet. Thanks to the data collected and verified every year we are able to identify the main weaknesses and to follow up over the accomplishment of the impact targets agreed. Moreover, we put in place actions to support the needs of the investees for reducing sustainability risks and to improve their capacities about IMM (Impact Measurement & Management). Also we do our best to influence responsible corporate behaviour through initiating conversations with the management, submitting and voting proxy resolutions, engage dialogue with shareholders and taking active Board seats. These actions are more current for equity investment deals but not limited to them. ImpaktEU will publish annually an Impact Report to disclose the consolidated ESG results. In line with SFDR we provide transparent and enhanced information in terms of environmental and social responsibility of our financial products, in particular through the provision quantitative data on ESG sustainability of our investments. Since integration and contribution to UN Sustainable Development Goals are at the heart of ImpaktEU mission the annual Impact Report tracks the evolution of non-financial performance of all investees taking in account UN SDGs framework.

6. Methodologies

The methodology used by ImpaktEU to measure non-financial performances is based on Inpulse ESG System built on the best global practices for inclusive finance to measure, analyse, follow-up and score economic, social and environmental impact. We apply the UN SDGs as the key language to show our involvement to global sustainable development: we measure and score the level of SDG achievement of our investees. We are aligned with the Universal Standards of the Social Performance (USSPM) Task Force, the Global Investing Network (GIIN-IRIS) guidelines and the Smart Campaign for client protection principles. We evaluate our environmental performance in line with the CERISE SPI4 Green Index and assess the effects of climate change on investees portfolios. Additionally, women empowerment is analysed more in-depth through the benchmarks used by 2xChallenge initiative. Good governance control is heavily inspired by the European Code of Good Conduct for Microcredit provision. We make sure that ImpaktEU investees are institutions that are not only financially sustainable, but also seek to alleviate socio-economic problems, while avoiding to harm their final beneficiaries.

7. Data sources and processing

Via the ESG System we collect investees information through the ESG Smartsheet, a matrix of quantitative and qualitative indicators over eight dimensions: 1. Mission, 2. Environmental Performance, 3. SPM Practices, 4. Products & Services, 5. Outreach, 6. Client Treatment, 7. Staff Treatment, 8. Governance. Data are verified to ensure quality and coherence and then are integrated to our MIS. The analysis and scoring of the data results in final outputs, which are used for both internal and external purposes. An ESG Scorecard is issued for every new investment to rate and

benchmark the non-financial performance of a potential investee over four key elements (SDGs, Environment, Gender and Governance). The main purpose of the scorecard is to help decision makers taking investment decisions aligned with the objectives of the fund. The indicators analysed will contribute to establish impact objectives to be included in the loan agreements with ImpaktEU investees. Finally, data collected through the ESG System will serve to publish annually an Impact Report.

8. Limitation to methodologies and data

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

9. Due diligence

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

Process

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

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

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

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

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

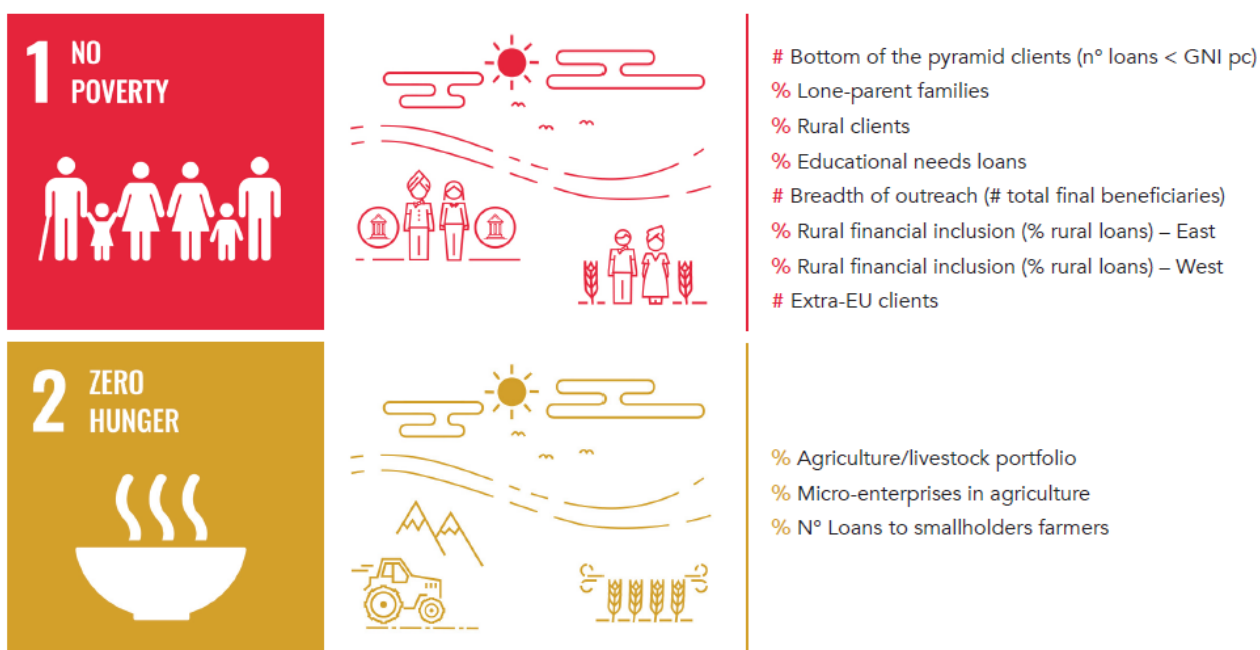
An ad hoc Ethical Committee consisting of up to 10 members representatives of the investors and independent expert(s) will be created to: i) give advice on any needed interpretation of the Impact strategy and related Investment Guidelines of ImpaktEU; ii) give advice on the impact definition and assessment methodologies; iii) be consulted on any adaptation or improvement to such definition and tool; iv) give an opinion on each investment proposal on their ESG performance and impact objectives.

10. Engagement policy

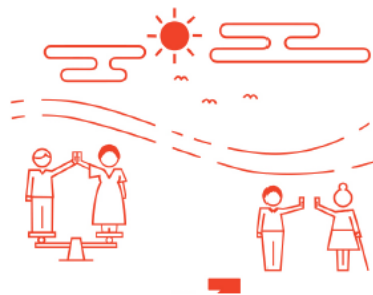
An engagement policy is under formalization and shall be finalized by 31/12/2022.

11. Attainment of the sustainable investment objective

To measure the achievement of objectives, a specific impact report will be produced annually based on a list (non-exhaustive) of related-UN SDGs indicators presented below:

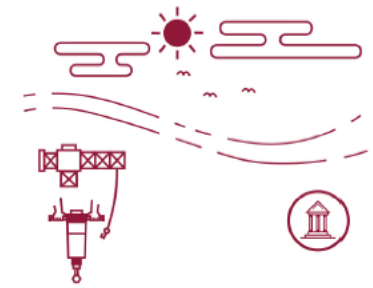


5 GENDER EQUALITY



- % Women in senior managerial positions (FIs)
- % Loans to women
- # Women clients
- % Loans to women for business development
- % Women in the workforce (FIs)
- # Business funded by women
- % Financial products for women
- # FIs offering additional benefits to women

8 DECENT WORK AND ECONOMIC GROWTH



- # Jobs maintained/created
- # New business created
- % Microenterprises financed
- % Income generating activities portfolio
- # Business transitions from informal to formal
- # Start up financed
- % Enterprises survival rate (after 3Y)
- % Cumulated annual growth rate (portfolio FIs)
- # FIs from Tier3 to 2/1
- % Staff satisfaction in MFIs and SEs (staff satisfaction rate)

10 REDUCED INEQUALITIES



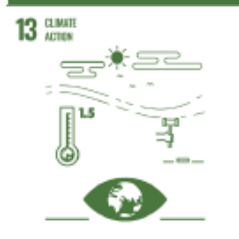
- # Unbanked / financially excluded clients
- # Youth financed
- # Refugee financed
- % of clients with low academic background (to be defined)
- % Smart Campaign investees
- % FIs offering non-financial services
- % Housing improvements portfolio
- # First time investors in SE/MFIs (non-listed assets)
- % Invested by DFIs (DFIs funding/total fund size)

7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- # Green loans
- % Investees with environmental exclusion list
- % Investees with environmental strategy
- % Monitoring internal ecological footprint
- # Energy efficiency loans
- # Renewable energy loans
- # Sustainable agriculture project (bio, ecological trans)
- # Greenhouse gas emission reduction (PCAF)

Integration of sustainability risks into the investment process

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

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

Statement on Principal Adverse Impact (PAI) on sustainability factors

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