

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: **ImpaktEU**

Legal entity identifier: **700.505.789**

Sustainable investment objective

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective: ___%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: 100%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

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.

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Sustainability indicators measure how the sustainable objectives of this financial product are attained.

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 objectives 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

- Min 30.000 Jobs created/preserved
- 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

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

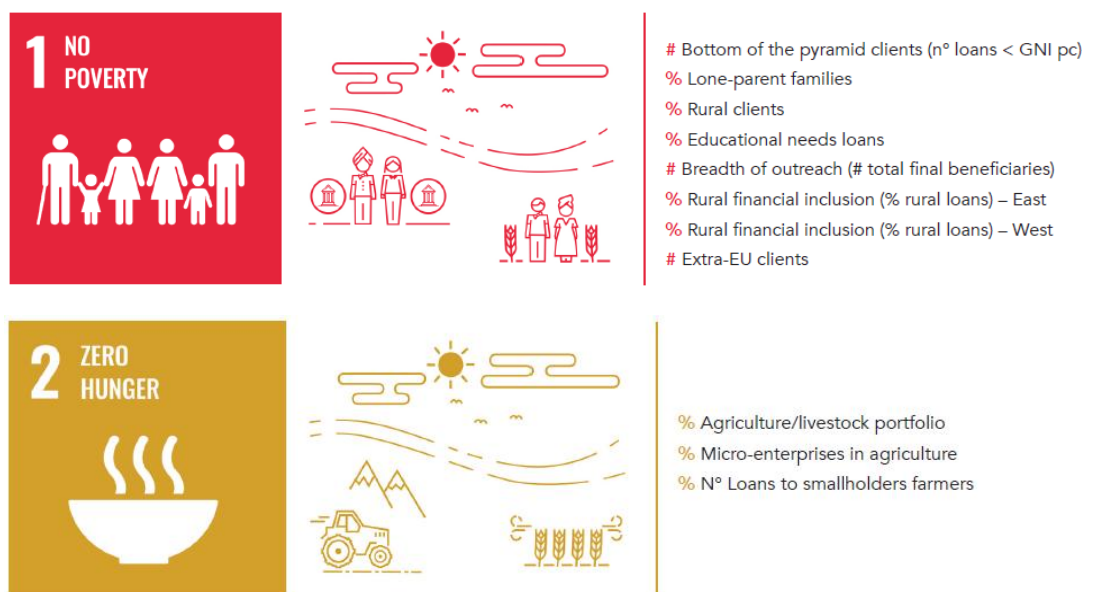
OUTCOME 3

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

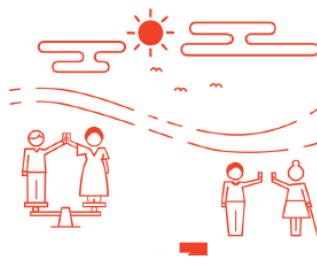
- 25% Fund size invested in sustainable social enterprises (estimated 1.500 SEs directly & indirectly supported)
- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

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", a matrix of quantitative and qualitative indicators (see explanation below). To measure the achievement of objectives, a specific impact report is produced annually based on a list (non-exhaustive) of related-UN SDGs indicators presented below. The methodology used by ImpaktEU to measure non-financial performances is based on Inpulse ESG System

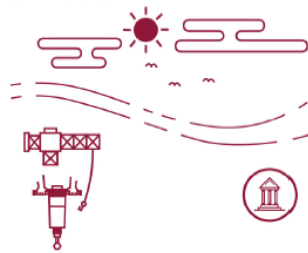
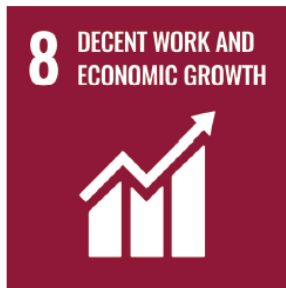
built on the best global practices for inclusive finance to measure, analyze, follow-up and score economic, social and environmental impact. We apply the UN SDGs as the key language to show our involvement to global sustainable development: we measure and score the level of SDG achievement of our investees. We are aligned with the Universal Standards of the Social Performance (USSPM) Task Force, the Global Investing Network (GIIN-IRIS) guidelines and the Smart Campaign for client protection principles. We evaluate our environmental performance in line with the CERISE SPI4 Green Index and assess the effects of climate change on investees portfolios. Additionally, women empowerment is analysed more in-depth through the benchmarks used by 2xChallenge initiative. Good governance control is heavily inspired by the European Code of Good Conduct for Microcredit provision. We make sure that 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. Via the ESG System we collect investees information through the ESG Smartsheet, a matrix of quantitative and qualitative indicators over 9 dimensions: 1. Mission, 2. Environmental Performance, 3. SPM Practices, 4. Products & Services, 5. Outreach, 6. Client Treatment, 7. Staff Treatment, 8. Governance, 9. PAI-SFDR. 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 external (reporting) and internal purposes (due diligence). As regards, the investment process an “ESG Scorecard” is issued for every new potential deal to rate and benchmark the non-financial performance of a potential investee over four key elements. The main purpose of the ESG scorecard is to help decision makers taking investment decisions aligned with the objectives of ImpaktEU. Moreover, the indicators analysed will contribute to establish impact objectives to be included in the loan agreements with ImpaktEU investees.



Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



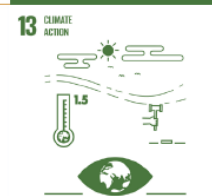
- % Women in senior managerial positions (FIs)
- % Loans to women
- # Women clients
- % Loans to women for business development
- % Women in the workforce (FIs)
- # Business funded by women
- % Financial products for women
- # FIs offering additional benefits to women



- # 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)



- # 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)



- # 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)

- **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?** (How have the indicators for adverse impacts on sustainability factors been taken into account? How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?)

As regards PAI indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters required under SFDR, ImpakteEU has engaged 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. These indicators have been integrated into the “ESG Smartsheet” used for data collection from 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 behavior among parties (employees, communities, environment, shareholders, the company in the broad sense), bad practices related to several ESG indicators. The Controversy Note is also a warning measure of the reputational and operational risks to which companies are exposed when they directly or indirectly contravene the principles of the United Nations Global Compact in the field of human rights, international labor standards, environment and fight against corruption. The application of the DNSH makes sense here. ImpaktEU uses Factiva Dow Jones to assess 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 heavy financial penalties for the investee.



Does this financial product consider principal adverse impacts 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. ImpaktEU methodically takes into account potential negative impacts of investment decisions on sustainability factors relevant for target clients. Sustainability risk management covers equity and loans operations in 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 (www.inpulse.coop/wordpress/wp-content/uploads/2016/12/220629-Sustainability-ESG-Policy.pdf).



What investment strategy does this financial product follow?

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

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;

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:

[include note only for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

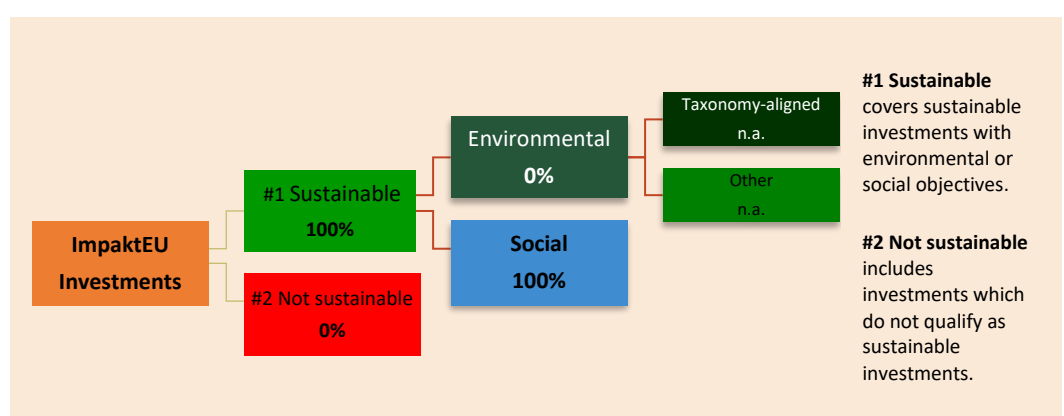
- senior loans;
- quasi-equity, i.e. subordinated loan, mezzanine debt, convertible loans, reverse convertible loans, hybrid capital instruments and any form of similar instruments;
- equity, means common shares, preferred shares, participative rights and any form of similar instruments; the portfolio 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.

● **What is the policy to assess good governance practices of the investee companies?**

Governance practices of ImpaktEU investees are assessed thanks to the indicators collected through the ESG Smartsheet (explained above) which gathers around 30 indicators, qualitative and quantitative. Every potential investee must fill in the ESG Smartsheet for reporting (yearly) or during due diligence phase. In fact “Governance” is one of the 4 main dimensions (together with Environment, Social and Gender) assessed through the ESG Scorecard whose objective is to score potential investees ESG performance. The Governance dimension of the ESG Scorecard is axed over 4 subdimensions: i) Business Planning; ii) Board effectiveness & Independence; iii) Management, HR & Operational manuals; iv) External Accountability.

What is the asset allocation and the minimum share of sustainable investments?



● **How does the use of derivatives attain the sustainable investment objective?**

Not applicable.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Not applicable.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of sustainable investments with a social objective?

100%



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Not applicable.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

[include note for financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.



[include note for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website: www.inpulse.coop

