Sustainability-related disclosures for Regulation (EU) 2019/2088

Website disclosure for Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)

Glossary

"Minimum Safeguards" requested by the Sustainable Finance Disclosure Regulation refer to principles highlighted in:

- the International Labor Organization (ILO) to promote fair treatment, equal opportunity for workers and decent work conditions,
- the International Bill of Human Right (UN),
- the Guiding Principles on Business and Human Rights (UN), and
- when applicable, the OECD Guidelines for Multinational Enterprises.

"Sustainable Finance Disclosure Regulation" or "SFDR" means the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector.

"Sustainability Risks" are defined as environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. This definition is aligned with the Sustainable Finance Disclosure Regulation.

"Sustainable Investments" means investments in an economic activity that contributes to an environmental or social objective within the meaning of Article 2(17) of the SFDR, provided that such investments do not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

"Principal Adverse Impacts indicators" ("**PAIs**") are the mandatory principal adverse impact indicators outlined in Table 1/Annex I of the Commission Delegated Regulation (EU) 2022/1288, as may be amended from time to time ("**CDR**"), and the two additional principal adverse impact indicators selected as optional indicators dedicated for the sub-fund GRAMEEN CREDIT AGRICOLE FUND – FIR. For the purpose of the do no significant harm test pursuant to Art.2, Number 17 of SFDR, all these indicators are referred to collectively as PAIs.

(a) Summary

The Grameen Credit Agricole Fund (the "**GCA Fund**") and its sole sub-Fund, the FIR[1] (hereafter referred as the "**sub-Fund**") were initiated by the Grameen Credit Agricole Foundation, also Investment Advisor of the GCA Fund (the "**Investment Advisor**" or the "**Foundation**"). Innpact Fund Management S.A. is the alternative investment fund manager of the sub-Fund (the "**AIFM**"). The GCA Fund qualifies as an alternative investment fund in accordance with the Law of 12 July 2013 on alternative investment fund managers.

The sub-Fund has sustainable investment as its objective within the meaning of Article 9 of the SFDR. Its sustainable investment objective is to contribute to the fight against poverty in developing countries by providing access to adapted financial services to communities in rural areas (the "**Sustainable Investment Objective**"), thereby contributing to the United Nations Sustainable Development Goals

[1] FIR stands for *Finance Inclusive en milieu Rural* in French, which translates as Rural and Inclusive Finance in English.

("**SDGs**") 1, 2, 5 and 8. To attain this objective, the sub-Fund offers financial instruments to partner microfinance institutions ("**MFIs**"), which are selected according to their social goals, and caters in priority to rural MFIs whose core mission is to combat poverty and promote the financial inclusion of the poorest, mostly women, through a range of suitable and accessible microfinance services.

The sub-Fund aims at having a minimum of 80% of its total assets qualifying as Sustainable Investments with a social objective. It does not have an environmental objective and its investments are not assessed for alignment with the EU Taxonomy. The Sustainable Investment Objective is integrated throughout the investment process of the sub-Fund, as reflected in its binding ESG eligibility criteria, due diligence and monitoring systems. These ensure that the Sustainable Investments do no significant harm to any environmental or social objective, take into account the principal adverse impacts on sustainability factors and comply with Minimum Safeguards, and are adapted to the ESG risk profile of the potential investee. In addition, the sub-Fund is actively engaging with partner MFIs to encourage the adoption of better management practices on environmental, social and governance issues when risks are identified. No index has been designated as a reference benchmark for the purpose of attaining the Sustainable Investment Objective.

(b) No significant harm to the sustainable investment objective

The sub-Fund ensures that its Sustainable Investments do no significant harm to any environmental or social sustainable investment objective throughout its investment process, by taking into account sustainability factors in the initial screening of counterparties, in the due diligence process, in the loan documentation and through an adapted on-going monitoring of investees. All steps of the investment process ensure compliance with Minimum Safeguards while the reporting and monitoring steps include PAIs.

In addition, all potential investments are screened against the sub-Fund's exclusion list and an ESG risk matrix defining relevant due diligence and mitigating measures. This step also serves to ensure that investees implement good governance practices and commit to the Client Protection Pathway. The ESG rating approach, eligibility criteria and processes are detailed in the ESG policy of the sub-Fund (available upon request).

The investment committee of the GCA Fund (the "**IC**") is informed of Sustainability Risks related to any proposed investment and of its compliance with ESG eligibility criteria. Sustainability Risks cover factors including environmental, social and employee matters (including respect for human rights) as well as anti-corruption and anti-bribery matters.

i) Integration of adverse impacts on sustainability factors

The sub-Fund considers principal adverse impacts on sustainability factors. The AIFM and the Investment Advisor are progressively implementing a consistent approach to collect data on the 14 mandatory PAIs and the two selected optional indicators. All PAIs are reported with data at the investee level and not at the end-client level. When the investee is able to report the required data, the sub-Fund reports data provided by the investee and verified by the Investment Advisor. When this is not the case, the sub-Fund reports ratios provided by a specialized provider able to generate relevant proxies based on the characteristics of the investee's loan portfolio.

Mandatory indicators of Table 1/Annex I of CDR 2022/1288

#	PAIs	Level	Source	Comment

1	GHG emissions	Investee	Work with data providers	
2	Carbon Footprint	Investee	Work with data providers	
3	GHG intensity of investee companies	Investee	Work with data providers	
4	Exposure to companies in fossil fuel sector	Investee	Reported by investee	Negligible risk
5	Renewable energy % consumption, production	Investee	Proxy based on national data	
6	Energy Consumption per high impact climate sector	Investee	Work with data providers	Negligible risk
7	Activities near biodiversity sensitive areas	Investee	Plan to work with data providers	Negligible risk
8	Emissions to water	Investee	Plan to work with data providers	Negligible risk
9	Hazardous waste	Investee	Plan to work with data providers	Negligible risk
10	Violations to UNGC principles and OECD Guidelines	Investee	Reported by investee	
11	Monitor compliance with UN Global Compact	Investee	Reported by investee	
12	Unadjusted Gender Pay Gap	Investee	Reported by investee	
13	Board gender diversity	Investee	Reported by investee	
14	Exposure to controversial weapons	Investee	Reported by investee	Excluded from financing

Additional indicators selected in Tables 2 & 3 /Annex I of CDR 2022/1288

#	PAIs	Level	Source	Comment
1	Share of investments in investee companies without sustainable land/agriculture practices or policies	Investee	Reported by investee	
2	Lack of grievance/ complaints handling mechanism related to employee matters	Investee	Reported by investee	

The AIFM works in close collaboration with the Investment Advisor, the Grameen Credit Agricole Foundation, on this process. The aim is to analyse PAIs throughout the investment process and determine if relevant a remediation plan on negatively assessed PAIs. Based on this assessment, the AIFM does not knowingly approve any investment which is expected, or is determined, to do significant harm to any environmental or social objective as detailed in Article 2(17) of the SFDR.

The AIFM engages with the Investment Advisor to capture relevant PAIs data on the investees on a periodic basis, depending on the investees' capacity to report and the availability of proxies where needed.

The Investment Advisor is part of a group of peers within the financial inclusion industry who has been tasked to define the most consistent way to report on the mandatory PAIs listed in Table 1 of Annex I of the CDR, adapted to the specificities and risks of the financial inclusion industry. This group collectively decided to:

- define relevant methodologies to guide investees to report on indicators (e.g. economic sector categorization) and Sustainability Risks;
- gather benchmarks on relevant indicators, when available in the industry;
- align standard disclosures in the industry;
- engage with (a) proxy provider(s) able to provide proxies on relevant indicators; and
- agree on a common reporting framework available within the SPI5-ALINUS tool.

ii) Alignment with Minimum Safeguards

Each new investment is evaluated with dedicated questionnaires (including the SPI5-ALINUS tool and the AML-FT questionnaire) administrated during due diligence and that include specific questions on the processes implemented at the investee level with respect to Minimum Safeguards. The Investment Advisor ensures that Sustainable Investments comply with Minimum Safeguards related to human rights such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights including the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO) and the International Bill of Human Rights. Although OECD Guidelines for Multinational Enterprises may not always be applicable to the sub-Fund's investees since the latter are not multinational enterprises, the underlying principles are assessed as part of the due diligence questionnaire.

In addition, each new investee is screened on relevant online softwares and search engines to ensure that it is not involved in bribery or corruption or in violations of human rights, labour rights or consumer rights. The results are presented in the investment proposal submitted to the IC. The aim is that Minimum Safeguards are analysed throughout the investment process and based on this analysis, the AIFM does not knowingly approve any investment which is expected, or is determined, not to respect the Minimum Safeguards.

The contractual documentation between the GCA Fund, on behalf of the sub-Fund, and each Sustainable Investment also ensures that the investee undertakes to (i) remain compliant with Minimum Safeguards, (ii) comply with the sub-Fund's exclusion list during the life of the loan and (iii) report to the sub-Fund in case of compliance breach. Specific reporting through the SPI5-ALINUS tool is completed during the life of the loan and verified by the Investment Advisor which also ensures that Sustainable Investments remain aligned with Minimum Safeguards. In case of breach with Minimum Safeguards, the Investment Advisor engages with the investee to design a remediation plan as agreed upon in the contractual documentation.

(c) Sustainable investment objective of the financial product

The sub-Fund has sustainable investment as its objective within the meaning of Article 9 of the SFDR. The Sustainable Investment Objective of the sub-Fund is to contribute to the fight against poverty in developing countries by providing access to adapted financial services to communities in rural areas. The sub-Fund's investments therefore contribute to one or several of the following SDGs:

1. **SDG 1**: *Helping to fight poverty*: The sub-Fund helps fight poverty by financing and supporting organizations that facilitate access to financial and essential services for vulnerable segments of the population: rural populations and micro-entrepreneurs.
2. **SDG 2**: *Strengthening food security in rural areas*: The sub-Fund contributes to food security by financing food-producing agriculture in rural areas.

3. **SDG 5**: *Supporting the empowerment of women through entrepreneurship and financial inclusion*: The sub-Fund finances and supports microfinance institutions that promote financial inclusion and the empowerment of women through entrepreneurship.
4. **SDG 8**: *Promoting sustained economic growth and decent work*: The sub-Fund seeks to promote economic development that creates quality jobs by financing small and medium-sized businesses.

The Sustainable Investments of the sub-Fund have a social objective. The sub-Fund does not have an environmental objective and does not commit to make sustainable investments with an environmental objective, whether or not aligned with the EU Taxonomy. The sub-Fund does not invest in fossil gas and/or nuclear energy related activities.

(d) Investment strategy

Investment strategy used to attain the Sustainable Investment Objective

The sub-Fund aims at offering financial instruments to partner MFIs, which are selected according to their social goals. These should be in line with the Sustainable Investment Objective of the sub-Fund. The sub-Fund caters in priority to rural MFIs whose core mission is to combat poverty and promote the financial inclusion of the poorest, mostly women, through a range of suitable and accessible microfinance services.

The sub-Fund works in Sub-Saharan Africa, Asia, Middle East and North Africa, Eastern Europe and Central Asia. Its countries of operations are developing countries with relatively high levels of poverty and financial exclusion. The sub-Fund offers mostly unsecured senior loans in local currency, with a loan tenor typically ranging from three to four years and a pricing reflecting the level of risk-taking and the general market conditions.

The investment process involves four stages, each one considering the sub-Fund's impact and Sustainable Investment Objective through an analysis of key characteristics of the investee and related sustainability factors:

(i) Initial presentation of investment opportunities to the IC, aiming at confirming the due diligence, conditioning the deal or discarding proposals that would not be in line with the sub-Fund's sustainability requirements and Sustainable Investment Objective.
(ii) Due diligence performed by the Investment Advisor to gather, check and analyse the information presented in the initial presentation. If the Investment Advisor has recently performed a due diligence on the investee (either for the sub-Fund or for another mandate), the initial presentation to the IC and due diligence steps are considered to be complete.
(iii) Investment proposal submitted to the IC for approval, including all relevant information for the IC to decide whether the investment is aligned with the sub-Fund's Sustainable Investment Objective.
(iv) Implementation of contractual documentation, including covenants, undertakings and warranties to ensure that the investment complies with the sub-Fund's Sustainable Investment Objective and sustainability factors.

Post-investment, the Investment Advisor performs an on-desk on-going monitoring to ensure that the investment remains in line with the sub-Fund's Sustainable Investment Objective and sustainability requirements.

Binding elements of the investment strategy

The binding elements of the investment strategy used to select the investments to attain the Sustainable Investment Objective are:

- **ESG eligibility criteria**: these are assessed for the initial presentation of the investment opportunity and its due diligence, as well as for the final presentation of the investment proposal to the IC. They include environmental performance criteria, social performance criteria as well as good governance criteria, assessed in alignment with reputable international frameworks such as BII Corporate Governance standards for financial institutions. If the investment opportunity does not meet the ESG eligibility criteria related to the pursuit of a social objective, the minimum standards for corporate governance or the Minimum Safeguards, does not comply with the sub-Fund's exclusion list or is listed on a sanction list, as determined by the Investment Advisor, the investment opportunity will not be presented to the IC. If it is compliant with these ESG criteria but falls short on others, conditions precedent or subsequent to the financing are defined.
- **Sustainability Risks**: the Sustainability Risks of each investment opportunity are assessed through an ESG rating of the country and sector of the potential investee as well as the potential investee itself, followed by a detailed analysis of the investee's governance and risk management system, social and environmental risks and performance, anti-money laundering (AML) and countering the financing of terrorism (CFT) framework. The analysis results in the definition of the ESG risk category of the investee. If an investment is categorized as high risk in terms of environmental, social or governance risks, the IC may either reject the investment opportunity or take measures to decrease this risk to an acceptable level, such as requesting from the investee a dedicated action plan.
- **Minimum Safeguards**: compliance with Minimum Safeguards is reflected in the ESG eligibility criteria on social performance and good governance. In the case where the Minimum Safeguards or the alternative safeguard cannot be complied with by the investee, the sub-Fund will not finance the prospective investee.
- **Objectives of the investment policy**: the sub-Fund commits (i) to invest only in MFIs actively pursuing a social objective (related to SDG 1, 2, 5 or 8), (ii) to invest more than 80% of its total net assets in rural MFIs (i.e. institutions which have mainly over 50% of their distribution points in rural areas) and (iii) that the final beneficiaries are mostly women.
- **Loan contracts** with investees include undertakings and warranties to further ensure that each investee is and remains compliant with the sub-Fund's Sustainable Investment Objective, notably in terms of ESG reporting requirements, information obligations, obligations to comply with laws, regulation and international sanctions, ban on financing a list of excluded activities, AML-CFT measures as well as social and environmental safeguards.

Policy to assess good governance practices of investee companies

To ensure that all investees follow good governance practices as defined in Article 2(17) of the SFDR, each investee is assessed against an amended version of the British International Investment ("**BII**") corporate governance standards defined for all financial institutions, as adapted to microfinance by the Grameen Credit Agricole Foundation. In addition, each investee has to comply with the BII's minimum elements of corporate governance, also adapted to microfinance by the Grameen Credit Agricole Foundation.

(e) Proportion of investments

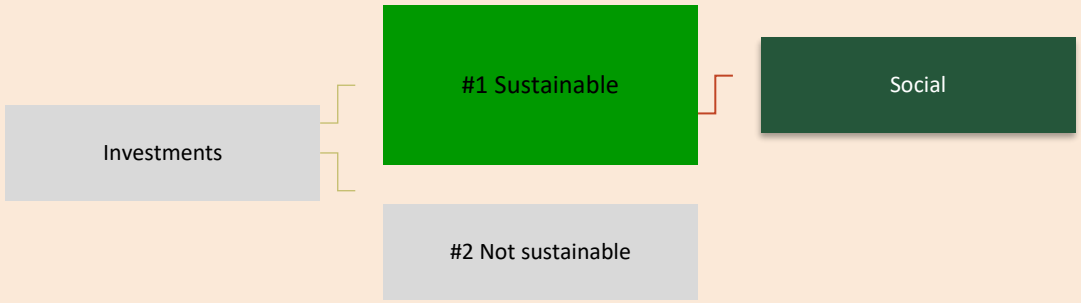
The sub-Fund aims at having a minimum of 80% of its total assets qualifying as Sustainable Investments with a social objective ("**#1 Sustainable**"). The remaining portion of total assets which do not qualify as Sustainable Investments ("**#2 Not sustainable**") is composed of liquid instruments (maximum 30%). All Sustainable Investments of the sub-Fund are direct exposures to investee entities, although it may happen occasionally that the financing is provided to a holding company that would then affect it to one or several of its MFI affiliates.

The investments included under "#2 Not sustainable" are liquid instruments or amounts provided as a collateral to The Currency Exchange Fund N.V. ("**TCX**") in case of margin calls for currency hedging. These may represent up to 30% of the total assets of the sub-Fund held as cash. For the purpose of its liquidity management, the sub-Fund may invest its treasury in short-term cash investments, term deposits, money market instruments or other liquid instruments. These investments are made on an ancillary basis and are not considered as the main objective of the sub-Fund.

The sub-Fund does not have an environmental objective. Its investments are therefore not assessed for alignment with the EU Taxonomy, and the sub-Fund does not commit to a minimum share of investments in transitional and enabling activities. The sub-Fund does not invest in fossil gas and/or nuclear energy related activities.

The sub-Fund shall generally not invest in derivative instruments. It contracts only cross-currency interest rate swap agreements designed to manage the currency and interest-rate risk associated with the investments it makes and its borrowings. As a responsible lender, the sub-Fund strives to provide funding in local currency so as not to expose its investees and end-clients to currency or interest-rate risk; to that end, the sub-Fund hedges the foreign exchange risk on local currency loans through TCX or Crédit Agricole Corporate and Investment Bank at the inception of the transaction.

As described in section b) (ii) above, compliance with Minimum Safeguards is assessed for each new investment at pre-investment stage and the contractual documentation between the GCA Fund, on behalf of the sub-Fund, and each Sustainable Investment also ensures that the investee undertakes to (i) remain compliant with Minimum Safeguards, (ii) comply with the sub-Fund's exclusion list during the life of the loan and (iii) report to the sub-Fund in case of compliance breach. Compliance with Minimum Safeguards is ensured during the life of the investment through specific reporting and verifications undertaken by the Investment Advisor.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

(f) Monitoring of sustainable investment objective

The sub-Fund's investment process includes the monitoring of impact and sustainability factors in order to ensure the alignment of each investment with the Sustainable Investment Objective of the sub-Fund and the ongoing compliance of each investment with the ESG eligibility criteria of the sub-Fund. This monitoring process includes a quarterly review of sustainability indicators, a review of publicly available data and an annual analysis of the environmental and social performance of the partner MFI. In addition, the sub-Fund collects and discloses annually the mandatory PAIs of Table 1 and the additional indicators selected in Tables 2 and 3 of Annex I of the CDR, as specified in section b) (i) above.

All data reported by the partner MFIs to the sub-Fund is checked for consistency by the Investment Advisor. Where an investee no longer meets the sub-Fund's sustainability requirements or Minimum Safeguards, the Investment Advisor engages with the investee to design a remediation plan as agreed upon in the contractual documentation. The sustainability indicators used to measure the attainment of the Sustainable Investment Objective are described in section g) below; the full list of sustainability indicators used during the monitoring process and their characteristics (including frequency, source and related SDGs) is available in the sub-Fund's ESG policy.

(g) Methodologies

The sub-Fund has developed a Theory of Change which is the basis for the methodologies used to measure the attainment of the Sustainable Investment Objective of the sub-Fund. The Theory of Change of the sub-Fund consists in an impact model derived from the impact model of the Foundation, its initiator, given their common goal to help reduce inequality and poverty through financial inclusion. The Foundation defined this impact model in 2019 through objectives and related key performance indicators available on its website (https://www.gca-foundation.org/en/impact-report). Given the sub-Fund's objective to contribute to the fight against poverty (as detailed in section c) above), the Investment Advisor systematically assesses each potential partner MFI against the Foundation's impact model and related key performance indicators, during due diligence and monitoring phases. The key performance indicators are linked to the SDGs (also listed in section c) as detailed in the ESG policy of the sub-Fund.

The sub-Fund has defined sustainability indicators to measure the attainment of its Sustainable Investment Objective, organized in three categories:

- Indicators that reflect the Grameen Credit Agricole Foundation's **impact model** covering for each investee the country profile, the investee profile, the outreach of the investee (including the proportion of women and of rural clients), its social and environmental performance, its approach to gender (including the proportion of women in staff, management and board of directors), the diversity of its financial product offering and its measurement of outcomes (especially on the perception by final clients of their capacity to resist to shocks and improve their living conditions).
- Indicators related to **ESG risks**, captured through the SPI5-ALINUS scores, the commitment of the investee to the Client Protection Pathway and through the investee's governance score as per the BII risk categorization framework – formerly known as Commonwealth Development Corporation ("**CDC**") standard.
- Indicators related to the **Principal Adverse Impacts**, through the 14 mandatory PAIs referenced in Table 1 of Annex I of the CDR and the two additional indicators chosen within Tables 2 and 3 of Annex I of the CDR.

The sub-Fund also monitors and reports its impact and its ability to meet its Sustainable Investment Objective through the collection of traditional indicators and key metrics widely used in the industry such as the SPI5-ALINUS tool measuring the social and environmental performance of investees. The detailed list of indicators is available in the sub-Fund's ESG policy, available upon request.

(h) Data sources and processing

The sub-Fund sources its data from information provided by the investee companies crosschecked with results of the due diligence performed by the Investment Advisor and complemented with publically available data as well as data generated by specialized providers. To ensure that the sub-Fund meets its Sustainable Investment Objective and eligibility requirements, data is collected and analyzed first during the due diligence stage prior to disbursement and second during the monitoring phase of investments after disbursement.

The due diligence on impact and sustainability factors relies on the following sources:

(i) Interviews with staff, management and governance bodies representatives within the partner MFI and with other relevant stakeholders in the country of investment.
(ii) Field visits at the head office and in branches of partner MFIs, for all new partner MFIs and when needed in case of loan renewal for existing partner MFIs.
(iii) Documentary evidence related to policies and practices of partner MFIs.
(iv) Publicly available information (such as news reports, industry data and country ratings).

The monitoring of impact and sustainability factors relies on the following sources:

(i) Information disclosed by partner MFIs via quarterly reporting.
(ii) Information disclosed by partner MFIs via annual reporting (including environmental and social reporting).
(iii) PAIs provided by specialized data providers generating PAIs proxies based on the investee's portfolio information.
(iv) Information disclosed by partner MFIs upon request of the sub-Fund.
(v) Publicly available information (such as news reports, industry data and country ratings).

The Foundation has also started commissioning impact surveys on a sample of MFIs within its own loan portfolio with tools such as the 60 decibel Microfinance Index; if such tools become market standards and affordable, the sub-Fund will consider using them in a more consistent manner to monitor its performance at a later stage.

Data and information quality is ensured through the triangulation of the sources listed above. The quality of the information and internal control systems of each partner MFI is also taken into account. Conclusions on environmental and social matters are formalized into a dedicated due diligence questionnaire, with answers duly justified when relevant and conclusions shared with the IC of the Fund. In this process, data estimates are therefore limited.

The reporting on PAIs may include some estimates (proxies) for some indicators, which are explained in the related periodic disclosures.

(i) Limitations to methodologies and data

As the sub-Fund invests only in non-listed companies in emerging markets, external data providers able to deliver data to measure the attainment of the sub-Fund's Sustainable Investment Objective have not yet developed methodologies to report on all PAIs. The data collection used to measure the attainment of the Sustainable Investment Objective of the sub-Fund is thus based on reported numbers by partner MFIs, which have not been externally verified. The combination of self-reported data and the lack of external verification can lead to some uncertainties in data output for measuring the attainment of the sub-Fund's Sustainable Investment Objective.

The sub-Fund acknowledges the general limitations in the methodologies and data sources it is currently using, which are the same limitations across the microfinance sector. To address such uncertainties and limitations, the Investment Advisor carefully checks the consistency of the data reported to the sub-Fund and is participating to industry initiatives coordinated by the Social Performance Task Force to develop the most consistent way to report on the mandatory PAIs. The sub-Fund will progressively improve its methodologies to ensure that it is comparable with the state-of-the-art in the industry.

These limitations do not affect the attainment of the Sustainable Investment Objective, as the binding elements of the investment strategy described in section d) are applied to each investment and the eligibility of each investee is assessed through the Investment Advisor's own due diligence (including interviews, field visits and documentary evidence), independently from the availability of third-party data.

(j) Due diligence

During due diligence, the Investment Advisor assesses each potential partner MFI in order to give its opinion in the investment proposal on the partner MFI's:

(i) Alignment with the sub-Fund's Sustainable Investment Objective;
(ii) Impact through an analysis of its social objectives, track record and impact risks;
(iii) ESG risks and related mitigants;
(iv) Principal Adverse Impacts thanks to a detailed analysis of its compliance with Minimum Safeguards and a reporting on the PAIs.

The results are mapped using an ESG risk categorization framework in line with the BII Risk Categorization Framework and Corporate Governance Standards. This ensures that the IC becomes aware of any potential Sustainability Risk, as well as of the mitigation actions defined to minimize the negative impacts on the Fund. If an investment is categorized as high risk in terms of environmental, social or governance risks, the Fund may reject the investment opportunity or take measures to decrease this risk to an acceptable level.

The process includes an assessment and review of the responses provided by each Partner MFI, controls at the Investment Advisor level on the quality of the due diligence and two successive reviews of the investment proposal by the IC of the sub-Fund. The IC first reviews the opportunity before due diligence and then reviews the final investment proposal after due diligence.

(k) Engagement policies

The sub-Fund is actively engaging with partner MFIs to encourage the adoption of better management practices on environmental, social and governance issues when risks are identified. Even if a potential investee company is not involved in any excluded activities, it still may not fully meet the sub-Fund's eligibility criteria. In such cases, an action plan is defined and included in the relevant transaction documentation; it therefore becomes mandatory for the investee company to put in place actions to address gaps in a timely manner. Progress on the action plan is checked via monitoring reports. This approach allows the sub-Fund to track how its investments improve investee companies' ESG performance from appraisal to project close.

Throughout the investment process, the sub-Fund is attentive to sustainability-related controversies and how the partner MFIs respond to them. If a controversy reflects insufficient management practices by a partner MFI, the sub-Fund will request time bound action plans to fill identified gaps. If the partner MFI is in breach of its obligations defined under the contractual documentation, the failure will be treated as an event of default of the loan agreement.

(l) Attainment of the sustainable investment objective

No index has been designated as a reference benchmark for the purpose of attaining the Sustainable Investment Objective of the sub-Fund, as no EU-approved index which aligns to the sub-Fund's investment strategy is currently available in the market. The attainment of the Sustainable Investment Objective is ensured through the binding elements of the investment strategy described in section d) above and measured through the sustainability indicators described in section g) above. In addition, the sub-Fund monitors and reports its impact and its ability to meet its Sustainable Investment Objective through the collection of traditional indicators and key metrics widely used in the industry such as the SPI5-ALINUS tool (measuring the social and environmental performance of investees), which helps benchmark the performance of the sub-Fund against its peers.

The sub-Fund does not have a specific environmental objective and therefore does not have a reduction in carbon emissions as its objective. Investments are therefore not assessed for alignment with the EU Environmental Taxonomy or related environmental benchmarks. The sub-Fund however takes measures to ensure no significant harm is caused in this regard.