GLOBAL GENDER-SMART FUND S.A., SICAV-SIF

Updated as of January 2024

Sustainability-related disclosures

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a) Summary

Global Gender-Smart Fund S.A., SICAV-SIF (**GGSF** or the **Fund**) aims to strengthen the provision of gender-smart and responsible financial services to underserved women, women-owned or women-led businesses in developing markets (the **Sustainable Investment Objective**).

In line with its Sustainable Investment Objective, the Fund aims to achieve the following outcomes:

- Enhanced gender-smart responsible finance awareness and conduct among Partner Financial Institutions (**PFIs**) funded by the Fund towards their clients;
- Improved gender balance at PFIs' senior levels and improved working conditions for women at PFIs;
- Reduced gender gap in access to finance;
- Increased outreach to underserved women, women-owned or women-led businesses through adequate financing.

The Fund qualifies as an article 9 under the Regulation (EU) 2019/2088 of the European Parliament and or the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the **Sustainable Finance Disclosure Regulation** or **SFDR**). Thus, the Fund's investments actively contribute to the Sustainable Investment Objective and the United Nations Sustainable Development Goals 1 "No poverty", 5 "Gender Equality", 8 "Decent Work and Economic Growth", 10 "Reduced Inequalities" and 17 "Partnership for the goals" while they do not significantly harm any environmental or social objectives and align with good governance practices.

The Fund ensures that its investments do not cause significant harm to any environmental or social objectives by screening potential investments at due diligence stage and monitoring existing investments against relevant indicators related to principal adverse impacts on sustainability factors (**PAIs**).

The Fund's investment guidelines shape the investment strategy by setting out excluded activities and the geographic focus of investments. Prior to investment, PFIs are subject to detailed analysis of their impact as it pertains to the Sustainable Investment Objective of the Fund, as well as their adherence to the Fund's impact criteria. A gender assessment will also be carried out to evaluate gender-related gaps and internal and external factors relating to gender in the PFIs' operations and activities.

All sustainable investments of the Fund are made with a social objective and represent a minimum of 70% of the total assets of the Fund. The Fund provides financing to PFIs through private debt instruments, and such PFIs provide loans to underlying women clients who manage low-income households, are salaried employees, are microentrepreneurs, or own or lead a micro, small or medium enterprise in developing markets.

Attainment of the Sustainable Investment Objective is monitored through pre-defined Key Performance Indicators (**KPIs**) aligned with the outcomes targeted by the Fund (e.g. number of PFIs with a gender-smart strategy, share of women senior management at PFIs), and 16 PAIs indicators. These KPIs and PAIs indicators will be collected and reported to stakeholders on an annual basis.

As a global fund, GGSF has engaged three Portfolio Managers (**PMs**) to identify, appraise, structure, and negotiate investments in PFIs, and to perform ongoing monitoring of the portfolio. The PMs will collect relevant data directly from PFIs, however if no, incomplete or low-quality data is available, GGSF will develop or acquire relevant proxies to ensure complete reporting for its stakeholders.

Considering the Fund's target countries and specificities of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the Sustainable Investment Objective.

b) No significant harm to the sustainable investment objective

GGSF seeks to ensure that its investments do not do any significant harm to the Sustainable Investment Objective (as defined in section c) below) and seeks to reach its Sustainable Investment Objective by screening prospective Partner Financial Institutions (**PFIs**), and monitoring existing PFIs, against the environmental, social and governance (**ESG**), impact, and gender eligibility criteria of the Fund.

The Fund does not knowingly invest in any PFI which is expected, or is determined, to do significant harm to the Sustainable Investment Objective. The Fund will seek to actively engage PFIs to put in place and monitor the implementation of an environmental and social management system that can adequately meet the Fund's ESG requirements.

Integration of adverse impacts on sustainability factors

By screening potential investments and monitoring existing investments against the identified indicators related to principal adverse impacts on sustainability factors (**PAIs**), the Fund aims to ensure that its investments do not cause any significant harm to any environmental or social objectives, and seek to reach the impact objectives of the Fund. Those PAIs indicators shall be identified, assessed, and when appropriate mitigated.

The Alternative Investment Fund Manager of the Fund (the **AIFM**) engages with the Portfolio Managers of the Fund to identify the potential adverse impacts of proposed investments, recommend mitigation measures, and perform follow-up monitoring.

Given that some PFIs may struggle to capture certain PAIs indicators, the AIFM may purchase a data proxy from an external data provider to help bridge any gaps in PAI reporting. The regulatory and industry standardization around the methodologies and tools used to perform PAIs assessment is evolving, and the AIFM through the Portfolio Managers will continue to make its best efforts to accurately assess PAIs related to the Fund's investments.

Alignment with minimum safeguards

As of due diligence, ESG risk identification and scoring are embedded in the respective tools used by the Portfolio Managers and the AIFM requests the Portfolio Managers to classify their proposed PFIs following IFC risk categorization for Financial Institutions.

The Fund investments' compliance with the Minimum Safeguards, as reflected in the Fund's Investment Guidelines, is assessed at due diligence stage, and monitored subsequently. This ensures alignment with the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The OECD Guidelines for Multinational Enterprises are not directly applicable due to the nature of the investee companies of the Fund (domestic microfinance and small- and medium-sized enterprise (SME) finance institutions in developing markets). However, the Fund applies other due diligence principles reflecting the transversal standards of the OECD guidelines (such as human rights, employment, environment, combating bribery, consumer interests) through the Fund's client protection and responsible finance principles and the Fund's exclusion list, in line with international standards set out by development finance institutions.

c) Sustainable investment objective of the financial product

The sustainable investment objective of the Fund is to strengthen the provision of gender-smart and responsible financial services to underserved women, women-owned or women-led businesses in developing markets (the **Sustainable Investment Objective**).

The Fund aims at achieving the following outcomes:

- Enhanced gender-smart responsible finance awareness and conduct among PFIs funded by the Fund towards their clients;
- Improved gender balance at PFIs' senior levels and improved working conditions for women at PFIs;
- Reduced gender gap in access to finance;
- Increased outreach to underserved women, women-owned or women-led businesses through adequate financing.

To work towards these outcomes, the Fund is active in developing markets across the globe with a focus on IDA and IDA-eligible countries (as listed in https://ida.worldbank.org/about/borrowing-countries and updated from time to time) as determined from time to time by the board of directors of the Fund (**Target Countries**), for the ultimate benefit of underserved women, women-owned or women-led businesses (**Target Clients**). This approach will include countries with lower levels of gender parity.

The Fund qualifies as an article 9 under the Regulation (EU) 2019/2088 of the European Parliament and or the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the **Sustainable Finance Disclosure Regulation** or **SFDR**).

d) Investment strategy

The Fund targets PFIs which serve or intend to serve clients, including underserved women, who manage low-income households, are salaried employees, are microentrepreneurs, or own or lead a micro, small or medium enterprise (MSME) in Target Countries. The Fund's investments actively contribute to the Sustainable Investment Objective and the United Nations Sustainable Development Goals 1 "No poverty", 5 "Gender Equality", 8 "Decent Work and Economic Growth", 10 "Reduced Inequalities" and 17 "Partnership for the goals". Investments in PFIs represent the portion of the portfolio of the Fund contributing to the financing of PFIs through debt instruments including, but not limited to, senior unsecured loans, secured loans, subordinated loans, bonds, or notes. The Fund focuses mainly on the provision of senior unsecured loans with maturities typically ranging from two to five years. The Fund will extend subordinated loans with maturities typically ranging from five to seven years according to the Investment Guidelines of the Fund. Maturities of up to ten years will be considered on an exceptional basis, for example in jurisdictions where regulators require longer maturities than seven years.

The Fund's Investment Guidelines shape the investment strategy by setting out excluded activities and the geographic focus of investments. Prior to investment, PFIs will be subject to detailed analysis of their impact as it pertains to the sustainable objectives of the Fund, as well as their adherence to the

Fund's impact & ESG management System (**IMS**). A gender assessment will also be carried out to evaluate internal and external factors relating to gender in the PFIs' operations and activities. This analysis will be carried out both remotely and during the mandatory due diligence. Where necessary, action plans around gender and/or environmental and social risks may be compiled and integrated into transaction documentation.

ESG and impact datapoints will be collected through widely adopted social performance assessment tools (such as SPI5/ALINUS aligned with the Universal Standards for Social Performance Management, or the 60 Decibels Microfinance Index). In parallel, the AIFM and/or the Fund may consider hiring external service providers to (i) facilitate the implementation and (ii) assess the social performance of the investments in PFIs and (iii) benchmark the portfolio against other relevant benchmarks when available.

The Fund also applies for relevant recognized labels (e.g. LuxFLAG Microfinance Label) and takes part in international initiatives that aim to ensure transparency across the impact finance industry (e.g. Operating Principles for Impact Management).

Assessment of good governance practices

The Fund requires a set of criteria to be met by eligible PFIs (as further detailed in the Investment Guidelines of the Fund) to ensure that they follow good governance practices, such as:

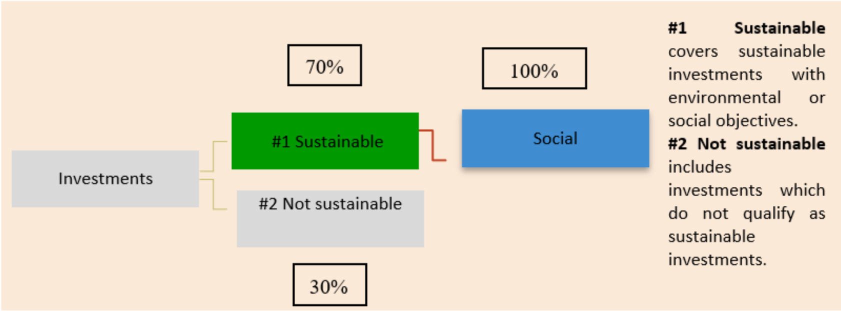
- compliance with national laws, including those related to environmental and social performance, health and safety work environment, and microfinance regulations where applicable,
- presence of adequate policies and procedures regarding lending to micro, small and medium-sized enterprises to adhere to the principles of responsible finance and prevent over-indebtedness, and
- adherence to principles of good corporate governance structures, integrity standards and frameworks that ensure responsible ownership.

e) Proportion of investments

The investments of the Fund consist of the following investments: (i) mainly investments in PFIs representing the portion of the portfolio of the Fund contributing to the financing of PFIs through debt instruments, and (ii) liquid assets.

Sustainable Investments (within the meaning of the SFDR) should represent a minimum of 70% of the total assets of the Fund with a minimum percentage of 0% Taxonomy-aligned investments (the Fund does not have an environmental objective). The actual percentage of Sustainable Investments will depend on technical, political, and economic aspects of the target PFIs' business and environment. All Sustainable Investments have a social objective, and they are composed of loans provided to PFIs which provide financing to underlying clients in Target Countries.

The remaining share of assets not invested in Sustainable Investments, that will represent a maximum of 30% of the total assets of the Fund, is composed of (i) liquid assets which represent the portion of the non-invested cash that is temporarily placed or deposited in line with the Fund's policies with financial institutions, investment companies, investment funds and instruments which are approved by the board of directors of the Fund in coordination with the AIFM, and (ii) derivatives used for currency risk hedging purposes to allow effective de-risking of the Fund's PFIs and their borrowers.



f) Monitoring of sustainable investment objective

To assess the extent to which the Sustainable Investment Objective is being achieved, the Fund will use widely used tools in the gender-lens investing space to provide additional data, including relevant gender-related indicators. Among the metrics used, the Fund has identified the following key performance indicators (**KPIs**) for the purpose of regulatory reporting under the SFDR:

Outcome	***Key Performance Indicator***	***Unit***
PFI level		
Improved gender balance at PFIs' senior levels & improved working conditions for women at PFIs	Improvement of PFIs' responsible conduct	Δ %
	Number of PFIs with a gender-smart strategy	#
	Share of women on the Board at PFIs	%
	Share of women senior management at PFIs	%
Target Clients Level		
Reduced gender gap in access to finance	Share of women, women-owned and women-led final borrowers	%
Increased outreach to underserved women, women-owned or women-led businesses through adequate financing	Number of women, women-owned and women-led final borrowers	#

Additional key performance indicators at PFI and Target Client level may be measured, monitored, and reported, as defined in the IMS. Part of the Fund's annual reporting will be composed of an annual impact monitoring report consolidating ESG, impact and gender performance of the Fund's investments, incorporating data and information including but not limited to PAIs indicators and KPIs.

g) Methodologies

The Portfolio Managers will assess each potential PFI using their internal methodology and/or proprietary rating methodology. In parallel, they will collaborate with external entities such as CERISE+SPTF to collect and report data and indicators on client protection appropriately.

The Fund will measure the attainment of the Sustainable Investment Objective through a set of pre-defined indicators (see section f) above) in alignment with the United Nations Sustainable

Development Goals (UN SDGs). These metrics are monitored and reported on an annual basis to the Fund's stakeholders through an annual impact reporting template.

Final categorization and assessment of ESG risk is performed by the Portfolio Managers in line with IFC Performance Standard 1. The Fund has also incorporated a gender-based violence framework based on a gender smart assessment questionnaire (performed during the due diligence stage) to identify, assess, monitor, and report gender-based violence risk.

The Portfolio Managers will also perform the Client Protection assessment at due diligence stage on the basis of ALINUS methodology. SPI5/ALINUS will be used for annual impact reporting purposes as well.

h) Data sources and processing

Data sources

Data (including KPIs and PAIs indicators) is directly derived from investees. In the case where no, incomplete or low-quality data is available due to the emerging country of investment, GGSF will develop or acquire relevant proxies to ensure complete reporting for its stakeholders. These will be clearly reported as PAI proxies.

Data quality

The Fund strives to ensure that data is as accurate as possible. The Portfolio Managers will work with the PFIs to ensure its quality. They reserve the right to conduct, at their discretion, directly or through third parties, on-site visits based on Portfolio Managers' assessment of risk, ESG performance or to follow-up relevant environmental and/or social-related incidents.

The Portfolio Managers ensure quality and timely retrieval of annual reporting data (KPIs and PAIs indicators). If certain indicators cannot be monitored at the onset of the investment, in particular sex-disaggregated data on borrowers, this should form part of an action plan to be implemented by the relevant PFIs with a defined timeline.

If the potential investment does not report on any of the PAIs indicators and no tailored proxies are developed or acquired by the Fund, the due diligence process will not move forward, and the potential deal will be discarded from the selection process.

Data processing

The KPIs and PAIs indicators are monitored and reported on an annual basis to the Fund's stakeholders through an annual impact reporting template.

In particular, the Portfolio Managers will collect data across investments on an annual basis which will be aggregated at portfolio level using a weighting that reflects different allocations from quarter to quarter.

Additionally, this data is aggregated to maintain and update the Fund's annual impact report.

Data proportion

KPIs and PAIs indicators are mostly based on actual data retrieved from investees. The expected data coverage for KPIs is 80-100%, while 70-100% for PAIs indicators. The Fund will work with investees to maximise over time the proportion of portfolio companies with sufficiently reliable data to track positive and negative impacts.

i) Limitations to methodologies and data

Limitations to methodologies and data are mostly linked to the emerging country of investment and the unavailability of data, in particular sex-disaggregated data on borrowers.

Given that some mandatory PAIs indicators might be more difficult to capture from the PFIs, the Portfolio Managers will ensure that appropriate proxies are identified when relevant data is not available and will replace the proxies with measured data when possible.

By temporarily using proxies and engaging with investees in filling the data gap, the Portfolio Managers ensure that limitations to methodologies and data do not affect the attainment of the Fund's Sustainable Investment Objective.

j) Due diligence

The Portfolio Managers are required to perform mandatory due diligence (**DD**) on prospective PFIs as per the IMS of the Fund.

During the DD stage, the Portfolio Managers will screen each PFI against IFC Performance Standards (**IFC PS**), in particular IFC PS 1 and IFC PS 2, prior to any disbursement. Final categorization and assessment of ESG risk is performed in line with IFC PS 1.

The aim of the DD is also to identify gender-related gaps and target gender-related priorities at PFI-level (either internally or externally for Target Clients) that will be later integrated into a tailor-made gender action plan to be implemented during the lifetime of the funding.

This gender action plan may also include the provision of technical assistance through the technical assistance facility established alongside the Fund and conditioned on targeting gender-related aspects.

The following steps will be followed and verified during the DD stage:

- Compliance with the Fund's Exclusion List in line with Financial Intermediaries (**FI**) Exclusion List by KfW Group and IFC (as further outlined in the Fund's Investment Guidelines).
- Alignment with the UN SDGs.
- Verification of serious Environmental and Social incidents in the past.
- Assessment of PFIs' gender-related gaps.
- Discussion with PFI's management team about the E&S management and measurement aspects.

Moreover, prospective investees will be assessed at DD stage on:

- Minimum Safeguards
- Good Governance Practices
- Materiality of ESG and gender Risks
- Principal Adverse Impact indicators

These aspects will form the basis for the design of an ESG and gender action plan, that will address substantial gaps with regards to the prospective PFI's ESG management framework, including a specific section addressing substantial gaps in the prospective PFI's gender strategy and performance. Such action plan is subject to validation by the Impact Officer of the AIFM as part of the AIFM non-objection of the relevant investment.

A detailed representation of the Fund's investment process is provided in the IMS available upon request.

k) Engagement policies

The Fund actively engages with its PFIs to ensure that they have minimum standards in place, assesses the ability of the PFIs to comply with the Fund's and the AIFM's ESG requirements, takes corrective actions to the extent applicable, and puts in place or monitors the implementation of the ESG and impact framework of the Fund in accordance with agreed schedules. The social performance of the Fund's investments in PFIs is periodically evaluated based on evolving social performance standards.

PFIs are required, in their respective agreements with the Fund, to make ESG representations towards the Fund, meet the Fund's and the AIFM's ESG requirements at the level of such PFI, provide a copy of their environmental and social management system (**ESMS**), commensurate with the PFI's risk profile, and to notify the Portfolio Managers of any amendments to their ESMS. Expected requirements on the depth of the investee's ESMS depends on the assigned risk category as per KfW Sustainability Guidelines and IFC Performance Standards for the private sector.

Portfolio Managers are required to monitor and provide timely reporting/escalation regarding external ESG factors with respect to any PFIs, or their underlying clients, that could reasonably materially impact the PFI's compliance with the Fund's requirements and the PFI's profitability and risk profile. The loan covenants between the Fund and the PFIs notably require PFIs to implement corrective measures in case underlying client activities are inconsistent or in breach of the Fund's ESG requirements.

In the event that a PFI fails to engage its underlying client(s) to take corrective measures, the PFI is required to take commercially reasonable steps to exit from such underlying client(s)' activities. Ultimately, a breach of the Fund's loan covenants may be deemed to be an event of default, giving rise to the Fund's recourse to call the loan due and accelerate repayment of principal and interests, as well as penalty interest as the case may be in accordance with the relevant agreement with such investee.

In parallel to its investment activities, the Fund has established a technical assistance facility to support PFIs in the development of their gender-smart strategies and products & services for Target Clients.

l) Attainment of the sustainable investment objective

Overall, the Fund will contribute SDG 1 "No poverty", 5 "Gender Equality", 8 "Decent Work and Economic Growth", 10 "Reduced Inequalities" and 17 "Partnership for the goals" while its investments do not significantly harm any environmental or social objectives and align with good governance practices.

No specific index has been designated as reference benchmark to monitor performance of the Sustainable Investment Objective as no index is currently in line with the Fund's investment strategy. Nonetheless, the Fund will monitor and report on the progress of its portfolio by providing stakeholders with an indication of the performance of its KPIs against its baseline. All KPIs are aligned to the UN SDGs.