

Supporting Alternative Finance for Entrepreneurs (SAFE) Fund SCSp SICAV-RAIF  
SUSTAINABILITY-RELATED DISCLOSURES

Sustainable Finance Disclosure Regulation (EU) 2019/2088

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## a) Summary (English)

Supporting Alternative Finance for Entrepreneurs (SAFE) Fund SCSp SICAV-RAIF (the “Fund”) is being established to provide guarantees to eligible alternative finance institutions to thereby increase the amount of financing that they can extend to the micro, small and medium scale enterprises (“MSME”) sector in MENA and Eastern Europe. The Fund will offer debt guarantees to a diverse range of alternative finance providers, including FinTechs. The Fund aims to enable MSMEs seeking debt capital to scale innovative business models, enhance their access to sustainable debt financing, and promote greater financial inclusion.

The Fund is designed to tackle specific challenges faced by MSMEs in its target market by leveraging its robust capital base and shareholder support to enhance MSMEs’ access to sustainable financing solutions. To fulfil its mission, the F

und will place a strong emphasis on the environmental and social impacts of the transactions it guarantees.

The Fund qualifies as an article 8 under 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 (the **Sustainable Finance Disclosure Regulation** or **SFDR**).

The financial product does not have a sustainable investment objective. While it promotes Environmental and Social characteristics the Fund will not make any sustainable investments.

No index has been designated for the financial product as a reference benchmark for sustainability.

## b) No sustainable investment objective

This financial product promotes environmental or social characteristics , but does not have as its objective sustainable investment/

### *Alignment with minimum safeguards*

Recognizing its responsibility to respect human rights, the Fund’s due diligence assesses its potential investments against minimum safeguards. The Fund’s due diligence assesses its potential investments against the International Bill of Human Rights and the declaration of on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO) as well as the OECD Guidelines for Multinational Enterprises (when applicable).

The Fund monitors investees’ compliance with the Minimum Safeguards on an ongoing basis and has an escalation process in place in case any breaches and/or incidents arise.

## c) Environmental or social characteristics of the financial product

The products will promote the following :

- Environmental characteristics: including climate change mitigation and resource efficiency through investments in businesses committed to reducing their carbon footprint and adopting sustainable practices.
- Social characteristics: such as financial inclusion, improved access to credit for underserved communities, and adherence to labour rights and human rights principles with particular focus on gender aspects.

## d) Investment strategy

### *Overview of the Fund investment strategy used to attain the sustainable investment objective*

The Fund does not make any sustainable investments, but it promotes E/S characteristics. The Fund is designed to tackle specific challenges faced by MSMEs in its target market by leveraging its robust capital base and shareholder support to enhance MSMEs' access to sustainable financing solutions. To fulfil its mission, the Fund will place a strong emphasis on the environmental and social impacts of the transactions it guarantees.

To promote the environmental and social characteristics and achieve its mission, the Fund follows a structured selection process by (i) applying an exclusion list, (ii) working with origination partners, (iii) selecting eligible intermediaries and (iv) supporting a variety of debt instruments. In that respect, the Fund follows its guarantee policy, that is made available to investors as Annex I of the limited partnership agreement of the Fund (the "**Guarantee Policy**") and set out below. More details on the strategy are set out in the Guarantee Policy.

- (i) Exclusion list

The Fund will avoid providing guarantees in the following circumstances:

- 1) Activities that negatively impact certain socio-cultural groups: the Fund will not guarantee transactions where the MSME borrowers exclude activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples. The indigenous peoples refer to certain socio-cultural groups present in or that use a project area who may be considered as "tribes" (hill tribes, schedules tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities"
- 2) Transactions where the primary business activities of the borrower are in prohibited sectors:
  - a. gambling;
  - b. casinos and equivalent enterprises;
  - c. media communications of an adult or political nature;
  - d. military production or sales;
  - e. alcoholic beverages;
  - f. tobacco and related products;
  - g. production or trade in radioactive materials;
  - h. production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
  - i. pornography and/or prostitution;
  - j. racist and/or anti-democratic media;
  - k. cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;
  - l. destruction of high conservation value areas ;
  - m. production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as hazardous pharmaceuticals, pesticides/herbicides or chemicals, ozone depleting substances, ozone depletion potential (ODP) refrigerants, PCB's, wildlife, or products regulated under CITES, or unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length;
  - n. fossil fuels including, coal prospection, exploration, mining or processing, oil exploration or production, standalone fossil gas exploration and/or production , transport and related infrastructure primarily used for coal for power generation, crude oil pipelines, oil

refineries, construction of new or refurbishment of any existing coal-fired power plant (including dual), construction of new or refurbishment of any existing HFO-only or diesel-only power plant producing energy for the public grid and leading to an increase of absolute CO2 emissions , any business with planned expansion of captive coal used for power and/or heat generation .

3) Transactions where a Multilateral Development Bank will be the beneficiary of SAFE's guarantee.

(ii) Origination partners

To select and identify suitable guarantee opportunities the Fund will work with origination partners who respond to the qualities and capacities set out in the Guarantee Policy.

(iii) Eligible intermediaries

The table below provides a non-exhaustive list of Eligible Intermediaries:

Eligible Intermediary	Description
<b>Alternative Finance Providers</b>	<p>The Eligible Intermediaries will be responsible for the interaction with the final beneficiaries in accordance with KfW compliance, environmental and social standards. The Eligible Intermediaries include:</p> <ol style="list-style-type: none"> <li>(1) Crowdfunding platforms</li> <li>(2) Microfinance institutions</li> <li>(3) Non-bank financial institutions</li> <li>(4) Guarantors</li> <li>(5) (Invoice) factoring companies</li> <li>(6) Leasing companies</li> <li>(7) Fintechs and Insurtechs</li> <li>(8) Insurance companies</li> <li>(9) Angel networks</li> <li>(10) Venture capital funds or companies</li> <li>(11) Private equity funds or companies</li> <li>(12) Mobile network operators</li> <li>(13) Cooperatives</li> <li>(14) Corporates</li> <li>(15) Asset finance providers</li> <li>(16) Commercial mortgage providers</li> <li>(17) Supplier and buyer credit solutions</li> </ol> <p>Whilst in certain cases traditional local financial institutions might be best suited to serve the MSMEs, the fund may provide guarantees to tier 1 commercial banks within its Target Countries on a limited and exceptional basis, and subject to the express approval of the limited partners advisory committee (“LPAC”).</p>

### Assessment of good governance practices

The Fund evaluates Target Partner Alternative Finance Providers' corporate governance through the IFC Corporate Governance Development framework during the due diligence stage, which sets the overall corporate governance risk of the investee, including but not limited to:

- the Commitment to Corporate Governance
- Structure and Functioning of the Board of Directors
- Control Environment and Processes
- Transparency and Disclosure
- Shareholder Rights
- Data Security and Information
- Business Integrity including anti-corruption, anti-money laundering and anti-bribery
- Remuneration of staff
- Tax compliance.

Such assessment includes a questionnaire, an interview, and a matrix that is indispensable to the investment process. A standard corporate governance assessment is designed to first identify the corporate governance risk profile of the investee, to define the team involved and to monitor identified gaps (if any).

### e) Proportion of investments

The fund intends after the ramp up period as defined in the Limited Partnership Agreement (LPA) that at least 87.5% of the investments made by the Fund are aligned with environmental and social characteristics. The remaining 12.5% of investments are classified under "Other" as they relate to the Fund's cash position.

The investment advisor may also implement hedging techniques designed to protect the Fund against material fluctuations in the exchange rate between the currency of the Fund and the currency in which the guarantees are made. Not sustainable investments do not follow any environmental or social safeguards.

### f) Monitoring of environmental or social characteristics

Social and environmental characteristics promoted by the Article 8 financial product are met by monitoring and reporting the following Key Performance Indicators. Relevant KPIs are detailed below.

For all of the guarantees provided by the Fund, the Fund will track each of the following sustainability indicators on an annual basis. These indicators aim to continuously monitor the attainment of the environmental and social characteristics promoted by the Fund. By providing guarantees to eligible finance institutions this will increase financing to eligible micro, small and medium scale enterprises, to scale innovative business models that both advance social and environmental aspects.

	Indicator	Unit	SDG Target
	<b>Impact</b>		
1a	Number of jobs created or secured (in FTEs) <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	FTEs	1,2,8

1b	Number of jobs created or secured for women (in FTEs) <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	FTEs	5
2a	Number of enterprises that have been supported in improving competitiveness <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	MSMEs supported	1,2,8
2b	Number of enterprises fulfilling the 2X criteria that have been supported in improving competitiveness <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	MSMEs supported	5
3	Amount of reduced or avoided greenhouse gas emissions [in tonnes of CO <sub>2</sub> equivalent/year] <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	tonnes of CO <sub>2</sub> equivalent/year	13
4	Annual savings in electrical energy demand or consumption [MWhel/year] or thermal energy demand or consumption [MWhth/year] <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	MWhel/year MWhth/year	13
<b>Output</b>			
1.1	Volume of SME financing enabled [in EUR]	EUR	1,2,8
1.2	Volume of MSME financing enabled to enterprises fulfilling the 2X criteria [in EUR]	EUR	5
1.3	Number of supported MSMEs <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	MSMEs supported	8
1.4	Number of supported MSMEs fulfilling the 2X criteria <i>[at the end beneficiary level; indirectly enabled through the guarantees]</i>	MSMEs supported	5
2	Number of partner institutions	Number of partner institutions	17

Additional deal-specific indicators may also be monitored and reported on.

## g) Methodologies

Sector-specific ESG risks will be identified through but not limited publicly available tools.

Retrieved data is internally controlled and aggregated by the Investment Advisor and subsequently double-checked by the Impact Officer before its distribution to stakeholders through the annual impact report.

## h) Data sources and processing

### *Data sources:*

Data is directly derived from eligible intermediaries. When no KPI data is available, or if data is incomplete or of low-quality, especially due to the early stage of certain investees, tailored proxies may be acquired from specialised service providers on a case-by-case basis. These will be clearly reported as proxies.

### *Data quality:*

The Fund strives to ensure that data is as accurate as possible. The impact officer will work with its eligible intermediaries to ensure so. Supervision visits of investees may be conducted on a case-by-case basis depending on the risk assessment of each investment either by the investment team of the Investment advisor or by a qualified independent expert. The Fund's impact officer will also sense-check data obtained from eligible intermediaries before its distribution to stakeholders through the annual impact report. Any third-party data or scientific literature shall be derived from established and reputable sources. Separately, the Fund may implement periodic independent audits at the request of the Investment Advisor or existing Limited Partners.

### *Data processing:*

The operational, financial, and impact data collected from eligible intermediaries are received at least annually and used to quantify the investee's realised positive and negative impact during its life in the Fund's portfolio. Additionally, this data is aggregated to maintain and update the Fund's annual impact report.

### *Data proportion:*

The Fund will strive to retrieve actual data and increase its data coverage ratio to reduce the proportion of data that is estimated. If proxies are used this will clearly reported as proxies.

## i) Limitations to methodologies and data

Limitations to methodology and data are linked to the early stage of companies in the Fund's portfolio and the unavailability of data. The Investment advisor will ensure that appropriate proxies are identified and considered when relevant data is not available and will replace the proxies with measured data when possible. Such limitations do not affect how the environmental or social characteristics promoted by the Article 8 Financial Product are met.

## j) Where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product: 'Designated reference benchmark'

No reference benchmark has been designated for the Fund.

## **k) Due diligence**

The Due Diligence (DD) stage enables a comprehensive impact assessment of each potential guaranteed party. In this stage, the Fund defines the overall ESG risk of the Investee. The assessment includes verification of compliance with applicable EU and national laws on environment, health, and safety guidelines, and Minimum Safeguards.

In summary, prospective guaranteed parties will be assessed at DD stage for:

- Minimum Safeguards
- Good governance practices
- Materiality of ESG Risks

Each outcome of the above assessment areas will correspond to a specific impact section of the investment proposal presented through the Impact Scorecard. The completed Impact Scorecard, alongside the Impact Action Plan aiming to address identified gaps or additional mitigation measures, will be reviewed by the Impact Officer before being sent to the Impact Committee for preliminary approval. The Impact Officer acts independently from the investment team and has been appointed by the Fund to develop and ensure the implementation of the Fund's ESMS and Impact Policy.

If approved by the Impact Committee, the investment team may finalize the financial and non-financial due diligence and present the final complete version of the Investment Proposal (including the Impact Scorecard and Impact Action Plan) to the Investment Committee including the Impact Officer. In addition to its participation in the vote, the Impact Manager will share the initial feedback on the Impact Scorecard from the Impact Committee.

In the case where the Impact Committee does not approve the proposed Impact Scorecard alongside its Impact Action Plan, the deal will no longer be considered for investment. Reasonings behind this decision will be presented to the Investment Committee by the Impact Officer.

## **l) Engagement policies**

The Investment Advisor of the Fund may, on a case by case, engage with investees on improving ESG aspects and provide tailored recommendations and/or training to the investee with ad-hoc support from the Officer if necessary.