

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)

(a) Summary

The Fund has a sustainable investment objective in accordance with Art. 9 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 “SFDR”).

Focusing on investments in economic activities, the Fund ensures these activities (i) contribute to a social objective (ii) do not significantly harm any other sustainable objectives (i.e. both environmental and social objectives) and (iii) follow solid governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Ultimately, the Fund also contributes positively to the UN Sustainable Development Goals (SDGs).

Improving levels of financial inclusion in the developing world is the Fund’s main target, and more specifically, the Fund aims to achieve a positive impact via three impact strategies:

- Provide access to financial services for low-income households (thus contributing to SDG 1 “No Poverty”).
- Create jobs by supporting micro, small and medium enterprises (SDG 8 “Decent Work and Economic Growth”).
- Support gender equality via women’s economic empowerment (SDG 5 “Gender Equality”).

Regarding Environmental, Social and Governance (ESG) practices, the Fund complies with the “do not significantly harm” principle from Article 2(17) Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR). Besides collecting ESG data from Financial Institutions (FIs) focused on micro, small and medium-sized enterprises (MSME), the Portfolio Manager will also collect and disclose the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) to the SFDR. The investment team is guided by the indicator’s performance with regards to which environmental and social aspects must be the main focus of the Fund in order to decrease potential adverse sustainability impacts that are caused by the activities of MSME focused FIs.

For all activities, the investment team of the Portfolio Manager ensures that the Fund is not contributing to potentially negative effects on the environment, clients, employees and communities of the MSME focused FIs. Careful assessment and monitoring of ESG-factors is thus a central part of the Fund’s investment process.

(b) No significant harm to the sustainable investment objective

The Fund complies with the “do not significantly harm” principle from Article 2(17) Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR). Besides collecting ESG data from micro, small and medium-sized enterprises (MSME) focused Financial Institutions (FIs), the Portfolio Manager will also collect and disclose the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) to the SFDR. The performance of the indicators is guiding the investment team with regards to which environmental and social aspects the fund must focus, in order to decrease potential adverse sustainability impacts, caused by the activities of MSME focused FIs.

For all activities the investment team of the Portfolio Manager ensures that the Fund is not contributing to potentially negative effects on the environment, clients, employees and communities of the MSME focused FIs. Careful assessment and monitoring on ESG-factors thus is central part of the Fund's investment process.

In order to support investors in aligning their investments to their values and to limit the exposure to controversial business activities, the Fund applies a dedicated ESG exclusion list. The Fund's exclusion list is aligned with the IFC exclusion list.

Also, all investments of the Fund are being screened against a list of ESG criteria aligned with sector-specific frameworks, such as the IFC Performance Standards and by other frameworks such as the UN Guiding Principles on Business and Human Rights, and the ILO Fundamental Conventions. This process ensures that none of the investments are linked to severe and significant harm.

In cases where the investments do not meet the criteria, an action plan is developed and included in the loan agreement between the Fund and the borrower, to ensure that the MSME focused FIs will have the resources and capacity to prevent any harmful issue.

Every 12-18 months, the Fund monitors the environmental and social performance of MSME focused FIs. The monitoring is typically supported by impact/ESG questionnaires and the process includes an assessment of the responses provided by each investment company.

A section on 'Adverse sustainability impacts statement', will be available on reponsAbility's webpage from the 30th of June 2021.

(c) Sustainable investment objective of the financial product

The Fund has a sustainable investment objective in accordance with Art. 9 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 "SFDR").

The Fund focuses on investments in economic activities that (i) contribute to a social objective, which (ii) do not significantly harm any other sustainable objectives (i.e. both environmental and social objectives) and (iii) follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

The Fund also ultimately contributes positively to the UN Sustainable Development Goals (SDGs).

The Fund targets investments aiming to improve levels of financial inclusion in the developing world. More specifically, the Fund aims to achieve a positive impact via three impact strategies:

- Provide access to financial services for low-income households (thus contributing to SDG 1 "No Poverty").
- Create jobs by supporting micro, small and medium enterprises (SDG 8 "Decent Work and Economic Growth").
- Support gender equality via women's economic empowerment (SDG 5 "Gender Equality").

In addition, the Fund also invests in other business models and sectors that contribute to improved quality of life and economic growth in developing countries e.g. sustainable food.

The amounts entrusted to the Fund are intended to strive for a real increase in value in the long term, to support the development of the financial sector in developing and emerging countries and to improve access to financial services to promote entrepreneurial activity, to stimulate the economy and / or to create jobs. To this end, the Fund invests its resources in such a way that local, successful or promising financial service providers for micro, small and medium-sized enterprises ("MSMEs") can offer specific financial services on a permanent basis and are able to grow in line with demand.

(d) Investment strategy

The objective of the Fund is intended to generate positive impact with regards to a specific environmental and/or social topic, thus adhering to multiple frameworks used as industry best practice, including the IFC Operating Principles for Impact Investing (OPIM).

The Fund engages with MSME focused FIs in developing and emerging countries. By providing private debt (and a limited amount of private equity), the Fund is also able to increase its degree of additionality. The Fund selects those companies that are clearly making a positive contribution to the three core impact strategies of the Fund. MSME focused FIs that do not meaningfully contribute to at least one of these strategies are typically not considered eligible.

The Portfolio Manager examines the sustainability impact created, prior to due diligence (and prior to investment) in order to establish whether the investment is coherent with the Fund's overall impact objectives. Key performance indicators are in this regard collected and assessed to measure the sustainability impact of the fund. The key performance indicators of the fund include i) Number of borrowers and ii) Number of female borrowers. Furthermore, the Portfolio Manager constantly seeks to understand potential issues that might create Environment-, Social- and Governance- (ESG) -related risks, which can cause negative, unintended issues that the Fund does not want to support (e.g. corruption, mistreatment of employees, negative impact on end beneficiaries and/or the environment). In this regard, all investments of the Fund are being screened against a list of ESG criteria aligned with sector-specific frameworks, such as the IFC Performance Standards and by other frameworks such as the UN Guiding Principles on Business and Human Rights, and the ILO Fundamental Conventions. This process ensures that none of the investments are linked to severe and significant harm on employee relations, remuneration of staff, management structures etc.

During a due diligence, the investment team strives to understand the current approach of its MSME focused FIs to key issues (anti-corruption, workers' rights, environmental and social management, occupational health and safety, transparency, client protection, governance etc.).

As a result of our processes and our impact narrative, the Fund primarily contributes to the following UN Sustainable Development Goals:

SDG 1: No poverty

SDG 5: Gender equality

SDG 8: Decent Work and Economic Growth

In addition, the Fund actively works with MSME-focused FIs to encourage the adoption of better environmental and social management practices when risks are identified.

(e) Proportion of investments

The Portfolio Manager expects all investments of the Fund to be sustainable investments as defined by the SFDR (with the exception of cash investments, derivatives, money market instruments and other investments for which there is insufficient data). These sustainable investments can consist of direct investments in investee companies as well as other types of investments (loans, debt instruments, etc.). The proportion of investments that are not sustainable investments may not contribute to an environmental or social objective within the meaning of the SFDR and it is not expected that these other investments will affect the continued implementation of the sustainable investment objective of the Fund and the Portfolio Manager will ensure that these other investments ensure a minimum level of environmental and social protection.

(f) Monitoring of sustainable investment objective

Careful assessment and monitoring on ESG-factors is a central part of the Fund's investment process. Every 12-18 months, the Fund monitors the environmental and social performance of MSME focused FIs. The monitoring is supported by impact/ESG questionnaires and the process includes an assessment of the responses provided by each investment company. The Portfolio Manager will also collect and disclose annually the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards (RTS) to the SFDR.

(g) Methodologies

Impact indicators to measure the sustainable investment objective are structured around the impact objectives mentioned above, and where possible are defined using IRIS+ or GOGLA definitions. Data is gathered on an annual basis to measure the attainment of the sustainable investment objective. Indicators relate to social issues or their proxies, environmental issues and governance aspects. As well

as the fund's impact themes, the Portfolio Manager also systematically gather impact data across three focus topics: gender equality, rural populations and resilience. The Fund obtains the ESG data from its investees directly, during the onsite due diligence and ongoing monitoring, which is carried out for every investment. ESG data is aligned with the aspects outlined in the IFC Performance Standards.

Besides collecting Impact & ESG data from MSME focused FIs, the Portfolio Manager will also collect and disclose the principal adverse impact indicators in Annex I of the RTS to the SFDR. The performance of the indicators is guiding the investment team with regards to which environmental and social aspects the fund must focus, in order to decrease potential adverse sustainability impacts, caused by the activities of MSME focused FIs.

(h) Data sources and processing

The Fund's investment universe is integrated by MSME companies, and almost no impact and ESG information is publicly available. Therefore, all data must be assessed and collected by the Portfolio Manager as a result of a direct engagement exercise with each FI during an onsite due diligence and annual monitoring.

The Portfolio Manager measures the attainment of its sustainable investment objective contribution via:

- Indicators that contextualise the actual need alongside the scarcity of funding in those markets.
- Indicators relating to scale of impact achieved by our investments (e.g. number of beneficiaries).
- Indicators relating to qualitative developments achieved by our investments.
- Indicators that capture the fulfilment of very specific needs of the investee company which are often unavailable in developing markets e.g. long-term finance, local currency funding, technical assistance.

Metric definitions are taken, where available, from IRIS+, GOGLA or other industry standards. Data on key indicators is gathered and processed ex ante, while a broader set of metrics is self-reported by investee companies on an annual, ex post basis.

ESG data is being obtained from investees directly, during the onsite due diligence that it is carried out for every investment. The cornerstone of this due diligence is the ESG questionnaire, which is aiming to consolidate all data reviewed during the assessment. Impact data is collected via impact questionnaires, and carefully checked via internal resources trained or educated on this topic and is thus based on actual reported data. The data that is estimated is therefore limited.

(i) Limitations to methodologies and data

As the Fund invest only in non-listed companies in emerging markets, there are no external data providers that can deliver data that can be used to measure the attainment of the Fund's sustainable investment objective, nor can external data providers deliver data to measure the sustainable adverse impact indicators. The data collection used to measure the attainment of the sustainable investment objective is thus based on reported numbers by FIs, which has not been externally verified. The combination of self-reported data and the lack of external verification can lead to few uncertainties in data output for the measuring of the fund's sustainable investment objective. To address such uncertainties and limitations, the data that is being reported to the Portfolio Manager will be carefully checked by trained or educated professionals. Also, as the data derives from the primary source, the limitations are balanced out and does therefore not affect the attainment of the sustainable investment objective.

(j) Due diligence

The Fund examines the sustainability impact created, prior to due diligence (and prior to investment) in order to establish whether the investment is coherent with the Fund's overall impact objectives. Furthermore, the Fund constantly seeks to understand potential issues that might create Environment-, Social- and Governance- (ESG) -related risks, which can cause negative, unintended issues that the Fund does not want to support (including corruption, mistreatment of employees, negative impact on end beneficiaries and/or the environment).

Therefore, during a due diligence, the investment team strives to understand the current approach of its MSME focused FIs to key issues, including anti-corruption, workers' rights, environmental and social management, occupational health and safety, transparency, client protection, governance etc.

(k) Engagement policies

The Fund is actively engaging with MSME focused FIs to encourage the adoption of better management practices on environmental and social issues when risks are identified.

(l) Attainment of the sustainable investment objective

No index has been designated as a reference benchmark.

Website reference

The latest version of this document is available on the webpage:

<https://www.credit-suisse.com/microsites/multiconcept/en/our-funds.html>