

SUSTAINABILITY-RELATED DISCLOSURE

ASN Microkredietfonds

SUMMARY

ASN Impact Investors strives for a sustainable and just society. ASN Microkredietfonds (the fund) contributes to this by aligning its sustainability indicators to the following United Nations Sustainable Development Goals: No Poverty (SDG 1), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), and Reduced Inequality (SDG 10). The fund's sustainable investment objective is; provide access to financial services for people with low incomes and micro- and small enterprises ("financial inclusion") in mostly low- and mid-income countries so that they can earn a larger income and strengthen their financial resilience. Financial inclusion affords small business owners, and people from low- and mid-income countries the opportunity to develop income generating activities.

The sustainability assessment process assures that the investment universe includes investees that have the capacity, policies, systems, and processes in place to ensure that no significant harm is done to the sustainable investment objective. Only investees that meet the Sustainability Policy of ASN Impact Investors (the policy) are admitted to the investment universe, and this process is done in consultation with the external project advisor (Triple Jump) who selects and proposes investments to the fund, which are then approved by ASN impact investors. The policy also covers the exclusion criteria for the investees. Investees are also assessed based on their sustainability performance prior to inclusion in the investment universe, and this takes into account the investee's alignment with the Universal Standards for Social and Environmental Performance Management and adherence to Client Protection Principles. The policy ensures that all the mandatory and optional principal adverse impacts (PAIs) are considered in the creation of the investment universe. Where some of the mandatory and optional principal adverse impact indicators cannot be measured, the fund collects the data as part of the monitoring and due diligence process. In the selection process, Triple Jump analyses the credit-approval process followed by the investee, including amongst others, responsible lending practices and sustainable performance in relation to their business focus (difficult to serve segments, women, rural areas etc.). Investees known to be in breach of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights are excluded from the investment universe. The sustainability assessment is part of the due diligence and research process conducted in consultation with Triple Jump. The due diligence includes the use of industry developed 'Alinus' tool, which is used to screen investees on their alignment with the Universal Standards for Social and Environmental Performance Management and commitment to the CP Pathway (described below).

The fund provides loans and equity to investees, who contribute to the sustainable investment objective of the fund with regards to financial inclusion. The fund only invests in investees that have been admitted to the investment universe and has strict binding elements in line with the investment strategy which require investees to; have a minimum social and environmental performance score, ensure lending practices don't cause over-indebtedness, and charge fair interest rates. As part of the policy, projects are assessed on good governance and ethical behaviour; and a stringent KYC process which focuses on sanctions, signs of corruption, and presence of politically exposed persons (PEPs).

Due to the strict sustainability criteria of ASN Impact Investors and the sustainable investment objective, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR. Since the fund only has a social objective, all investments are categorized as "Social", therefore the minimum proportion of investments with a social objective is 100%. The investments made by the fund cannot be Taxonomy aligned because currently the EU Taxonomy regulation only covers environmental objectives.



The attainment of the sustainable investment objective is continuously monitored by the Impact Committee. The fund measures progress on the sustainable investment objective in collaboration with Triple Jump, based on the fund's SDG aligned sustainability indicators. ESG data is collected by Triple Jump directly from the investees and in some cases external sources may be used for calculating and reporting impact. The quality of the data is ensured by Triple Jump's internal processes for correctness. In consultation with Triple Jump, the fund uses proxies where data is not available.

The fund relies on the expertise and skills of the project advisor to engage with investees on areas of ESG compliance and social impact. No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objective, however, the fund monitors the progress on the attainment of the sustainable investment objective based on the reports provided by Triple Jump on the investee performance (based on the SDG indicators).

NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

All investments made in investees by the fund must meet the policy to be considered for the eligible investment universe. The policy consists of a selection process, which starts with Triple Jump (the fund's external project advisor) proposing investments for the fund, following a due diligence process that is based on financial and sustainability criteria.

ASN Impact Investors approves all the investees based on the policy criteria, which also covers the exclusion criteria for the investees, thereby ensuring that any serious detrimental effects of the underlying investments to society and the environment are limited as much as possible.

Investees are admitted to the investment universe based on their sustainability performance, which takes into account:

- A score on alignment with the Universal Standards for Social and Environmental Performance Management. This is an industry standard of best practices to help MFIs put clients and the environment at the center of all strategic and operational decisions and align their policies and procedures with responsible business practices. These standards cover the following topics: social strategy, committed leadership, client-centered products and services, client protection, responsible human resource development, responsible growth and returns and environmental performance management.
- A score on the Client Protection Principles. A set of basic principles, set by the industry, for treating clients of MFIs regarding to appropriate product and delivery; prevention of over-indebtedness; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and complaint handling mechanisms.

When creating the investment universe, the mandatory principal adverse impacts are considered by applying the policy, however, since the fund invests in MFIs in low- and mid-income-countries, some of the mandatory principal adverse impact indicators cannot be measured. The other indicators are tracked during the monitoring and due diligence process of the fund. ASN Impact Investors uses the Joint Impact Model tool and the information that is collected during the analysis of Universal Standards for Social and Environmental Performance Management as input indicators to take the adverse impact on sustainability factors into account. The optional principal adverse impacts considered are (subject to data availability):

- Investments in companies without sustainable land/agriculture practices.
- Deforestation.
- Excessive CEO pay ratio.
- Lack of human rights policy.
- Lack of due diligence.
- Lack of anti-corruption and anti-bribery policies.



ASN Impact Investors pays special attention to the lending practices of the investees to prevent over-indebtedness of the clients of the investees. Triple Jump therefore carefully analyses the credit approval process followed by the investee, including the calculation of the repayment capacity of the client and the transparency of the investee to the client with regards to the terms of the loan (Responsible lending). In addition, Triple Jump applies proprietary tools to assess balanced returns of the investees and interest rates charged by the investees to their clients.

Sustainable performance of investees is additionally assessed based on, ratio of average loan size of the clients of the investees to gross domestic product per capita and the percentage of loans provided to female borrowers; and whether the MFI focuses on borrowers in rural areas and/or on market segments that are difficult to serve.

Based on the above sustainability assessment process, it is assured that the universe is composed of MFIs that have the capacity, policies, systems, and processes to ensure they do no significant harm to any sustainable investment objective.

The fund excludes investments (in investees) that are known to be in breach of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, 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 and the UN Guiding Principles on Business and Human Rights apply to all investees admitted to the universe.

All investees in the universe are expected to always comply. When checking for compliance with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the methods applied may vary depending on the country and size of the MFI or financial institution.

SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The fund has the following sustainable investment objective:

- Provide access to financial services for people with low incomes and micro- and small enterprises (“financial inclusion”) in mostly low- and mid-income countries so that they can earn a larger income and strengthen their financial resilience.

The fund aims to achieve the sustainable investment objective by providing loans and equity to microfinance, other financial institutions, and companies (MFIs or ‘investees’) in low- and mid-income countries. These investments contribute to financial inclusion, as there is a particular focus on empowering women entrepreneurs by allocating at least 65% of the loans provided by the MFIs to them and on the MFIs providing of loans in rural areas by allocating at least 40% of the loans to people living in rural areas.

Financial Inclusion aims to fill the gap of 1.4 billion adults that remain without access to financial services today. Financial inclusion improves opportunities for enterprising people to develop activities that generate an income (Global Findex Database 2021). Financial inclusion can provide access to healthcare, water, sanitation, and energy. Additionally, micro, small, and medium enterprises (MSMEs) are one of the strongest drivers of economic development and employment. Lack of access to finance is a critical barrier of growth for MSMEs. More than 65 million MSMEs in mid- and low-income countries are thought to be underserved, leading to a financing gap of about USD 5 trillion per year (IFC).



INVESTMENT STRATEGY

The fund provides loans and equity to investees, who contribute to the sustainable investment objective of the fund with regards to financial inclusion. The fund only invests in investees that have been admitted to the investment universe.

The fund has appointed an external advisor (Triple Jump) who has expertise in managing and advising funds that focus on responsible investing in developing countries. Only investees that score high on the social and environmental performance review are selected. The following additional exclusion criteria are applied before admitting MFIs to the investment universe:

- Social and environmental performance score of the MFI, reflecting alignment with Universal Standards for Social and Environmental Performance Management and Client Protection Principles, must have a minimum score of 50.
- Lending process of the MFI must not cause over indebtedness for the clients
- The interest rate the MFI charges must be fair. This is screened by the 'interest rate traffic light', a tool developed by Triple Jump. This instrument may give cause to additional analysis. This occurs when:
 - the Annual Percentage Rate (APR) exceeds 50%; and/or
 - the APR is 20% higher than the rates applied by similar financial institutions in the same country; and/or
 - the MFI's profitability exceeds the norm in the current year or exceeded the norm in one of the two previous years. Triple Jump defines 'above-average profit' as follows: the annual return on the total assets (Return on Assets (RoA)) exceeds 6%, or the Return on Equity (RoE) exceeds 25%.

Further analysis comprises of an evaluation of the APR, RoE and RoA. A potential investee is excluded if the interest rate traffic light is red.

As part of the policy, an assessment on good governance and ethical behaviour of the investees is made. The policy incorporates requirements with regards to, amongst others, responsible business practices that put clients at the center; corruption and bribery; transparency; adherence to local legal and tax regulations. Specific to MFIs the sustainability assessment also covers prevention of over-indebtedness; pricing of financial products; fair and respectful treatment of clients; privacy of client data; social policies; and complaint handling mechanisms.

By policy each investee should have a policy regulating the ethical conduct of its employees, regardless of where it operates.

Additionally, the "Know-your-customer" process within ASN Impact Investor pays attention to sanctions, signals of corruption, presence of political exposed persons (PEPs) in the investees and/or other bad press.

PROPORTION OF INVESTMENTS

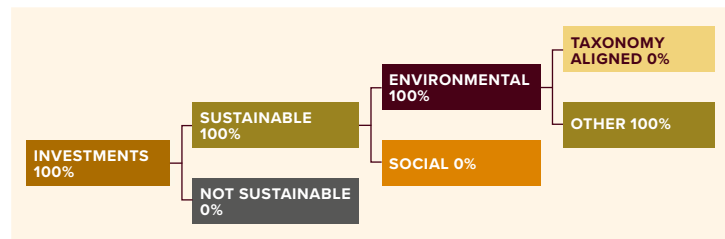
Due to its sustainable investment objective, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR.

Cash held in the fund is not considered an investment. As the investments in the fund are not traded on an exchange, they have limited liquidity. Cash is held in relation to liquidity management as per section 4 of the delegated regulation on alternative investment fund managers.

The fund has a social objective. Therefore, all underlying loans to and investments in investees are categorized under "Social."



The sustainable investment objective of the fund is a social objective. The investments made by the fund cannot be Taxonomy aligned because currently the EU Taxonomy regulation only covers environmental objectives. As soon as a Social Taxonomy is available the fund will consider to which minimum extent it will make Taxonomy aligned investments.



MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

ASN Impact Investors continuously monitors the composition of the fund and the individual names in the portfolio; and the services and performance of the asset managers to which it has outsourced the management of the fund portfolio (including the external project Advisors, Triple Jump). With regards to the monitoring of the sustainable investment objective, ASN Impact Investors has set up the Impact Committee. The Impact Committee frequently monitors the sustainable investment objectives and the engagements that have been carried out. In addition to monitoring the realization of the sustainable investment objectives, the Impact Committee supervises adjustments by the relevant fund manager to achieve the objectives.

ASN Impact Investors is also responsible for the risk management and related internal controls of the fund. ASN Impact Investors' risk management is based on the 'three-lines-of-defense' model. In this model, different parts of the organization have their own tasks and responsibilities. The three lines of defense support and strengthen one another:

- First line is responsible for the operational management of the fund, and in that sense is responsible for risk and managing the risk.
- Second line is formed by risk management and compliance department, who ensure that internal control measures are implemented and complied with as stated in the ASN Impact Investors policy principles.
- Third line is the audit department, which is an independent function that tests and verifies compliance with ASN Impact Investors' internal controls relating to the portfolio compliance of the fund.

METHODOLOGIES

The fund works with the external project advisor, Triple Jump, to measure the sustainable investment objective. The impact indicators relating to: No Poverty (SDG 1), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), and Reduced Inequality (SDG 10), are used to measure progress on the sustainable investment objective.

Triple Jump collects the data directly from the investees.

DATA SOURCES AND PROCESSING

Data is received via Triple Jump who collects all sustainability related data from the investees on a monthly or quarterly basis and, in some cases may use external sources for data on calculating and reporting impact. External sources are also used in the screening process of the MFIs as part of the sustainability assessment by ASN Impact Investors.

Triple Jump collects these financial and impact data directly from investees. The key financial data information helps in determining the development of the financial position of the investee. Signs for deterioration of the portfolio due to over-indebtedness can be obtained from these figures. This can warrant an investigation by Triple Jump.



Measure taken to ensure data quality

Firstly, the investment team at Triple Jump checks the impact data provided by the investees and approves them when complete and correct. Then the ESG & Impact team reviews such impact data and aggregates them at portfolio level. In case of inconsistencies, Triple Jump follows up with the investee to get the most accurate data available.

Estimation of data

Impact measurement data is based on actual results. In case actual results are not available proxies are used.

LIMITATIONS TO METHODOLOGIES AND DATA

The main challenges on the data collected from MFIs relate to:

- Lack of ESG data for microfinancing sector.
- Incomplete data provided by MFIs.

DUE DILIGENCE

Due diligence and research are conducted 1) at the beginning of the investment process to arrive at the eligible investment universe for the fund, and 2) on a continuous basis once investments are included in the portfolio.

The fund uses an industry developed 'Alinus' tool in its due diligence process for each MFI. The tool screens how aligned the MFIs are with the Universal Standards for Social and Environmental Performance Management. Based on this a minimum average score of 50 is required for an MFI to be considered for inclusion in the investment universe. As part of this screening, each due diligence closely examines how the MFI deals with its end customers. Based on the screening tool, a Client Protection Principles score for each MFI is obtained.

In addition to a score on the Universal Standards, it is of paramount importance to ASN Impact Investors that the clients are treated fairly. The Fund therefore expects MFIs to commit to the Client Protection Pathway.

The Client Protection Pathway (CP Pathway) monitors the MFI's commitment to improve its processes and activities related to the Client Protection Principles.

ASN additionally screens for the risk of over indebtedness of the clients of the MFIs and checks how MFIs calculate the client's repayment capacity.

The Investment Committee has the authority to approve or reject entities for the investment universe.

ENGAGEMENT POLICIES

ASN Impact Investors uses the knowledge and expertise of project consultant Triple Jump to engage with MFIs in the portfolio. Triple Jump aims to improve the capacity of the MFIs in the fund's portfolio. This is specifically when it comes to areas of ESG compliance and social impact by the MFIs.

Based on the result of the due diligence assessment Triple Jump may identify instances where engagement with the MFIs is required, and these relate to:

- Areas that either need improvement to reach Triple Jump and the fund's requirements.
- Areas that offer opportunities for enhancement to make.



ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The fund does not make use of a reference benchmark to monitor progress towards the sustainable investment objective, because no suitable benchmark is currently available.

Triple Jump collects the key financial and social data directly from investees on a monthly or quarterly basis. Triple Jump will then send a report on the performance of the fund to ASN Impact Investors.

Based on the reports provided by Triple Jump on the investee performance (based on the SDG indicators), the fund measures the progress towards attainment of the sustainable investment objective.

