SUSTAINABILITY-RELATED DISCLOSURES

A Summary

This statement is published by Fundo S.A. with respect to with respect to FINETHIC S.C.A., SICAV-SIF, a *société en commandite par actions* incorporated under the laws of the Grand-Duchy of Luxembourg as a *société d'investissement à capital variable – fonds d'investissement spécialisé* (the "**Fund**") and its sub-fund Finethic Microfinance Sub-Fund (the "**Sub-Fund**") in accordance with Article 10 of 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**"). Its purpose is to provide transparency on the promotion of environmental or social characteristics and, as applicable to the Fund/Sub-Fund, of sustainable investments on websites.

Since 2006, Finethic Microfinance Fund aims at creating a positive social and economic impact in emerging markets through the provision of microfinance. By investing in MSMEs located in low- and middle-income countries, the Fund fosters economic development, increases income and consumption, builds financial resilience, and ultimately improves end-borrowers' quality of life and make it possible for investors to add to the criteria of profitability and risk, those relating to the environmental, social, and ethical aspects. The impact is measured through a proven methodology, which is applied before and during the granting of loans to beneficiaries.

B No significant harm to the sustainable investment objective

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

The Sub-Fund strives to ensure the effective management of potential sustainability risks associated with its investments to do no significant harm to any area of environmental or social concern. Toward that end, the Sub-Fund has implemented and maintains, in cooperation with Symbiotics S.A. (the "**Investment Advisor**"), specific investee's selection criterias, investment process and an exclusion list making a sustainability risk and impact assessment of each potential investment. Applying this environmental, social and governance ("**ESG**") strategy, the Sub-Fund ensure a significant contribution to the sustainable development goals (the "**SDGs**").

How are the indicators for adverse impacts on sustainability factors been taken into account?

The specific PAI indicators, with their precise definition found in *Table 1 and 2* of the Regulatory Technical Standards, are especially difficult to collect from non-EU Investees, which constitute the majority of the entities financed (i.e. microfinance institutions - IMF) by the Sub-Fund. However, the evaluation of the Investees includes an ESG risk screening and due diligence. The pre-investment rating is applied during the due diligence process for each Investee, before selecting an investment.

The key topics underlying those PAI indicators are assessed as part of its due diligence on target Investees. The ESG assessment considers, when possible, the exposure of the target Investee to the fossil fuel sector, to high impact climate sectors and to sectors likely to generate hazardous waste, among others, as well as related mitigation measures. It also aims at evaluating the Investee's internal practices such as its management of human resources - including gender equality - and practices towards clients and communities.

To ensure that the Sub-Fund takes into account the PAI indicators mentioned in *Table 1 and 2* of the RTS, as well as a selection from *Table 3*, despite the complications linked to its investment universe mentioned above, proxy calculations are used when necessary and possible. It is the case for GHG emissions when data is not available at investee level. The Sub-Fund also coordinates with peers to align approaches with the goal to maximize the chances that the Investees will be able in the long term to provide relevant and comparable data.

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The sustainable investments made by the Sub-Fund are not strictly speaking aligned with the OECD Guidelines for Multinational Enterprises. Indeed, although the OECD Guidelines do not precisely define the notion of "multinational enterprise", it is difficult to consider the Sub-Fund as such when reading *Figure I 4)* of the Guidelines. That said, the Sub-Fund's activity is in line with these principles as listed, on several levels: contribution to economic and social progress, respect the internationally recognised human rights, encourage local capacity building, encourage human capital formation, in particular by creating employment, support and uphold good corporate governance principles, carry out risk-based due diligence, etc. The Key Considerations for Banks are applicable to the Investees of the Sub-Fund that are microfinance institutions, banks and leasing companies, and savings and loans cooperatives. These 6 key considerations for banks are broadly covered by the methodology used by the Sub-Fund: measure **1:** Embed responsible business conduct into policies and management systems; measure **2:** Identify and assess actual and potential adverse impact; measure **3:** Cease, prevent and mitigate adverse impacts; measure **4:** Track implementation and results; measure **5:** Communicate how impacts are addressed; measure **6:** Provide for or cooperate in remediation when appropriate.

As for the UN Guiding Principles on Business and Human Rights, it is broadly considered and adapted to the Sub-Fund type of Investee thorough due diligence before and during the Fund's lending helps to assess and ensure that rights are respected.

As part of its activities, the Sub-Fund ensures that workers and their human rights are respected by means of various on-site checks, applying the methodology developed by the Sub-Fund's Investment Advisor.

C Sustainable investment objective of the financial product

The Fund, which draws its name from the contraction of "finance" and "ethics", aims to make it possible for investors to add to the criteria of profitability and risk, those relating to the environmental, social and ethical aspects.

The purpose of the Sub-Fund is to finance unlisted Microfinance institutions ("**MFIs**") or assimilated projects in microfinance, located around the world, especially in emerging countries and developing countries, and to do so either directly or by means of other undertakings for collective investment ("**UCIs**"). The Sub-Fund aims at creating a positive social and economic impact in emerging markets through the provision of microfinance and supports low- and middle-income households and Micro, small and medium enterprises or businesses in emerging markets with responsible financial services to help them address their business and household needs.

D Investment strategy

What investment strategy does this financial product follow?

Considering the challenges described above in section "Sustainable investment objective of the financial product", the Sub-Fund has the following investment strategy:

The Sub-Fund seeks to achieve its sustainable investment objective **i)** directly by providing equity and debt financing (for the latter primarily by means of promissory notes and other securitised debt instruments, subscriptions to bonds or convertible bonds issued by the target MFIs or assimilated projects and participation in syndicated loans) or **ii)** indirectly by investing in investment vehicles active in the field of the microfinance (such as MFIs, and bonds issued by a large micro-bank), particularly by subscribing to structured credit products issued by these vehicles such as collateralised debt obligations or by subscribing to units or shares of UCIs investing in microfinance. The MFIs, Assimilated Projects or investment vehicles active in the field of the microfinance are defined as "Investees" for the purpose of this website page.

Investment Criteria and ESG rating

The Investment Advisor oversees the evaluation of the ESG criteria before and during each investment made by the Sub-Fund.

The Investment Advisor has developed an ESG rating to assess the likelihood that an Investee will contribute positively to sustainable development and social impact. This ESG rating is applied systematically to all potential

Investee of the Sub-Fund. The rating methodology includes seven dimensions and consists of 98 qualitative and quantitative indicators. The Investment Advisor compiles all indicators into a weighted aggregated score that grades the institutions from zero stars (lowest) to five stars (highest). The seven dimensions of the rating are:

1. **Social governance:** looking at the social orientation of shareholders and the financial Investee's stated and effective commitment to its social mission, its target market and development objectives/stakeholders' needs. Investee's governance practices are also examined as part of the credit risk assessment. The review includes the mission, vision and corporate values of the Investee, but also the composition, structure, quality and independence of the board of directors/managers, the existence (or not) of an adequate set of board committees. Finally, the fairness and balance between executive and field compensation is also examined.
2. **Labour climate:** assessing policies regarding social responsibility to staff, looking at human resources policies, systems to monitor employee satisfaction and staff turnover rates as a measure of staff satisfaction.
3. **Financial inclusion:** measuring whether the investee has an efficient and proactive strategy and good results in terms of financial inclusion, as well as its ability to serve low-income and excluded clients, especially those located in areas that lack other financial services.
4. **Client protection:** looking at whether the Investee treats clients in a fair and transparent way and if it avoids the negative impacts that affect them (notably over-indebtedness, ethical staff behaviour, etc.) as much as possible. These indicators are linked to the Investment Advisor's client protection pathway.
5. **Product quality:** looking at the Investee's marketing strategy and activities, as well as the diversity and quality of its financial and non-financial products and services.
6. **Community engagement:** assessing the steps that the Investee takes in implementing policies and actions aimed at supporting community development at-large and the social impacts of such steps on the community.
7. **Environmental policy:** looking at whether the financial institution has any policies and initiatives in place to mitigate environmental impacts for its internal activities and, above all, for the enterprises it finances.

Additionally, the Sub-Fund applies a strict exclusion list and refrains from financing activities with a high level of environmental and social risk*, i.e.*:

- Production of a trade in any product or activity deemed illegal under applicable laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs [1], wildlife or products regulated under CITES [2];
- Production or trade in weapons and munitions;
- Production or trade in alcoholic beverages (excluding beer and wine);
- Production or trade in tobacco;
- Hambling, casinos and equivalent enterprises;
- Pornography and/or prostitution;
- Activities involving or relating to racist and/or anti-democratic media;
- Activities leading to the destruction of High Conservation Value Areas [3];

[1] Polychlorinated biphenyls – a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

[2] Convention on International Trade in Endangered Species of Wild Fauna and Flora.

[3] An area designated on the basis of High Conservation Values (HCVs) which are biological, ecological, social or cultural values considered outstandingly significant at the national, regional or global level.

- Production or trade in radioactive materials; this does not apply to the purchase of medica equipment, quality control (measurement) equipment and any equipment where the noteholder considers the radioactive source to be trivial and/or adequately shielded;
- Production or trade in unbounded asbestos fibers; this does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Production or activities involving harmful or exploitative forms of forced labor [4]/harmful child labor or any form of human trafficking;
- Production, trade, storage, or transport of significant monuments of hazardous chemicals, or commercial scale usage of hazardous chemicals; "hazardous chemicals" include gasoline, kerosene, and other petroleum products;
- Production or activities and leading to cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;
- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;
- Land grab and infringement on indigenous people's rights;
- Radioactive material;
- Wildlife protocols.

These exclusion criteria are duly listed in each Promissory Note or Loan Agreement signed with the Investees.

1) Investments Process

The Investment Advisor identifies and submits to Fundo S.A. (the "**Investment Manager**") the investment opportunities compliant with the investment objective and strategy of the Sub-Fund and the investment guidelines established by the Investment Manager. The Investment Advisor's evaluation of the Investees includes an ESG risk screening and due diligence. The pre-investment rating is applied during the due diligence process for each Investee, prior to presenting the investment opportunity to the Investment Manager.

Once investment opportunities are approved by the Investment Manager, the Investment Advisor shall further prepare and submit to the Investment Manager detailed investment proposals, which the Investment Manager may, at its discretion, approve or disapprove.

Once the investment proposal has been approved by the Investment Manager, the Investment Advisor shall implement the investment transaction on behalf of the Sub-Fund and monitor the investment transaction under the responsibility and supervision of the General Partner.

The Sub-Fund does not set specific ESG performance thresholds to (in)validate an investment decision. Nonetheless, the Sub-Fund aims at contributing to Investee's improvements. Therefore, the Sub-Fund follows the Investee's performance and evolutions over time. Remedy action plans may be discussed with Investees to ensure their feasibility.

2) Diversification Rules

All the investments of the Sub-Fund follow strict diversification rules described under the placement memorandum of the Fund.

3) SDGs

In applying the ESG processes explained above, the Sub-Fund ensures to positively address a range of global challenges, as currently illustrated by the SDGs. For each transaction, the Investment Advisor identify the key SDG contribution based on the main areas of investment indicated in the table below.

[4] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

The main SDGs addressed by the fund are SDG **1** (No poverty), SDG **8** (Decent work and economic growth) and SDG **5** (Gender equality).

The Sub-Fund also targets investees that focus on specific themes, such as agriculture, education and housing, thereby contributing to SDGs **2** (Zero hunger), **4** (Quality education) and **11** (Sustainable cities and communities), respectively.

THEME	SUSTAINABLE DEVELOPMENT GOALS	**How does Finethic contribute?**
MICROFINANCE	1 NO POVERTY	• Ensuring that low-income individuals have access to financial services, including microfinance and savings products
SMALL BUSINESS FINANCE	8 DECENT WORK AND ECONOMIC GROWTH	• Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all • Encouraging SME growth
MICROFINANCE	5 GENDER EQUALITY	• Providing women with equal access to economic resources and opportunities
HOUSING AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	• Ensuring access to adequate, safe and affordable housing and basic services
HEALTHCARE AND EDUCATION	4 QUALITY EDUCATION	• Ensuring equal access for all women and men to affordable and quality education
FOOD AND AGRICULTURE	2 ZERO HUNGER	• Providing small-scale food producers with access to productive resources through financial services and products

What is the policy to assess good governance practices of the investee companies?

The Sub-Fund assesses the Good Governance Practices of Investees during the initial due diligence which is updated on a regular basis.

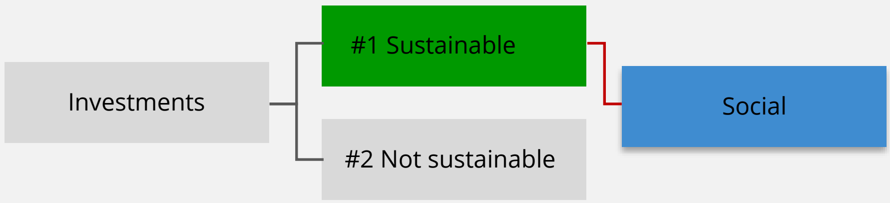
Criteria used to assess the Investee's governance practices include supervisory management composition, structure, quality, independence, alignment with the company's mission, and compliance with AML/CFT rules. These criteria constantly evolve depending on the evolution of the regulations and business practices.

E Proportion of Investment

What is the planned asset allocation for this financial product?

The Sub-Fund commits to invest at least 75% of its assets in investments considered as sustainable under the SFDR (#1 Sustainable) in alignment to its social sustainable investment objective. 100% of the sustainable investment of the Sub-Fund have social objectives.

The Company is allowed to keep up to 25% of its assets in liquid instrument to ensure the right level of liquidity (#2 Not sustainable) and may employ techniques and instruments such as derivative instruments for efficient management and hedging purposes.



#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 objectives

The Investment Advisor monitors the impact performance of the Sub-Fund. The Investment Advisor assess how the Investees contribute to inclusive growth for the benefit of low-and middle-income households and MSMEs. To do so, the Investment Advisor measures the social outreach of the Sub-Fund at the level of the markets, investees and end-borrowers based on evolving sustainable performance standards. A set of impact indicators has been defined and is described in section "Methodologies" below and these indicators are monitored at Investee and end-borrowers level. The Sub-Fund also highlights its contribution to the SDGs through the Investees' financial services.

The expected performance of potential investments is assessed during the investment selection phase using the rating methodology described above under section "Investment strategy", "Investment Criteria and ESG rating" which includes seven dimensions and consists of 98 qualitative and quantitative indicators and the actual performance of the Investees is monitored post investment on a quarterly basis ("the Investees shall report on a quarterly basis, answer to specific questionnaires and provide documents on their proof systems, policies in place, incidents, etc.").

The Investment Advisor carries out regular follow up, meetings and on-site visits to assess the activities of the Investees, their performance and risks and identify major issues and potential support needs.

Also, and once the investments are performed, the main sustainability indicator used to measure the attainment of the sustainable investment objective of the Sub-Fund is **the share of investments allocated to each SDG**. In addition, other non-financial indicators are used, among other:

SDGs	SUSTAINABLE INDICATOR
1	Number of end borrowers reached with micro loans
5	Number of women end borrowers reached
8	Number of end borrowers reached with MSME loans

G Methodologies

The Sub-Fund intends to deliver a positive impact and it expects from portfolio companies the highest standards in terms of corporate social responsibility.

The rating methodology developed by the Investment Advisor includes seven dimensions and consists of 98 qualitative and quantitative indicators. All indicators are compiled into a weighted aggregated score that grades the institutions from zero stars (lowest) to five stars (highest). The seven dimensions of the rating are: **1.** Social governance: looking at the social orientation of shareholders and the financial institution's stated and effective commitment to its social mission, its target market and development objectives/stakeholders' needs. **2.** Labour climate: assessing policies regarding social responsibility to staff, looking at human resources policies, systems to monitor employee satisfaction and staff turnover rates as a measure of staff satisfaction. **3.** Financial inclusion: measuring whether the financial institution has an efficient and proactive strategy and good results in terms of financial inclusion, as well as its ability to serve low-income and excluded clients, especially those located in areas that lack other financial services. **4.** Client protection: looking at whether the financial institution treats clients in a fair and transparent way and if it avoids the negative impacts that affect them (notably over-indebtedness) as much as possible. These indicators are linked to the Client Protection Standards. **5.** Product quality: looking at the financial institution's marketing strategy and activities, as well as the diversity and quality of its financial and non-financial products and services. **6.** Community engagement: assessing the steps that the financial institution takes in implementing policies and actions aimed at supporting community development at-large and the social impacts of such steps on the community. **7.** Environmental policy: looking at whether the financial institution has any policies and initiatives in place to mitigate environmental impacts for its internal activities and, above all, for the enterprises it finances.

The result of the impact monitoring is presented to the shareholders of the Sub-Fund who are provided each year through an annual impact report assessing how the Fund/Sub-Fund contributes to financial inclusion in emerging and frontier markets. The report also includes profiles of the Sub-Fund's Investees and end-borrowers to demonstrate how investors contribute to building inclusive financial markets.

H Data sources and processing

Data sources used to measure the achievement of the sustainable investment objective of the Sub-Fund are provided by the investees via filed and annual monitoring surveys. To ensure data quality consistent checks are made by the Investment Advisor. For the SDG Contribution, the allocation process is also verified, and potential errors documented and corrected. The data processing ends with the cleaning and their aggregating at portfolio level to ensure reliable reporting to stakeholders.

KPIs are based on actual data retrieval except for GHG emissions and share of non-renewable energy which are estimated thanks to a proxy calculation (see below). Data coverage is expected range between 80-100%.

I Limitations to methodologies and data

The limitations of the methodologies are outlined in the respective descriptions above. These limitations may be related to incorrect or incomplete data provided by the investee, especially when it has to be collected at borrower level. In this case, primary negative impact indicators will be calculated using proxy data only.

J Due diligence

The evaluation of the Investees includes an ESG risk screening and due diligence. The pre-investment rating is applied during the due diligence process for each Investee, before selecting an investment. The ESG assessment considers, when possible, the exposure of the target Investee to the fossil fuel sector, to high impact climate sectors and to sectors likely to generate hazardous waste, among others, as well as related mitigation measures. It also aims at evaluating the Investee's internal practices such as its management of human resources – including gender equality - and practices towards clients and communities.

During the investment period, the Investment Advisor carries out regular follow up, meetings and on-site visits to assess the activities of the Investees, their performance and risks and identify major issues and potential support needs.

K Engagement policies

Engagement as such is not part of the Fund's sustainable investment objective. However, the methodology used to measure the impact of the investments made contains numerous indicators to measure some of the key issues in terms of governance, climate change, etc. in place in the MFIs financed (see above "*Investment Criteria and ESG rating*". In addition, as part of the due diligence of MFIs, informal engagement is carried out through the set-up of a long-term relationship with these investees, including discussion of strategic issues and suggestions for improvement. Where significant deficiencies or events leading to a negative impact on sustainability are identified during due diligences or follow up reports, the information is relayed to the relevant internal teams in charge of the investments and the decision (e.g. not to renew the investment) is taken appropriately.

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 Fund.