No consideration of sustainability adverse impacts

In accordance with Article. 4(1)(b) of Regulation (EU) 2019/2088

This document sets out disclosures by Dynolabs Asset Management Ltd, UK Corporate, which is part of the Lendable Group (the “Firm”; “we”; “our”; “Lendable”), in respect of the principal adverse sustainability impact (“PASI”) of our investment decisions on sustainability factors. The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires the Firm to make a “comply or explain” decision whether to consider the PASI of our investment decisions on sustainability factors, in accordance with a specific regime as outlined in SFDR. The Firm has decided not to comply with that SFDR regime but will keep its decision under regular review.

(a) Summary: Rationale for not considering adverse impact indicators as defined by SFDR

Though we make assessments of potentially adverse impact in connection with all portfolio investments, Lendable does not consider the principal adverse sustainability impact indicators (PASI) as defined by SFDR. As noted, we have developed the investment criteria and guidelines of the Fund (“the Fund”; “Lendable MSME Fintech Credit Fund”; “LMFCF”) through a lens focused on sustainability and a clearly defined principle of impact. Nonetheless, we have determined that the portfolio companies and institution into which the Fund invests are not, generally speaking, in a position to provide the relevant data, in sufficient quality, to satisfy the requirements associated with reporting on the PASI. These institutions, located exclusively in frontier and emerging markets, have not in our view developed sufficient capacity to generate the required information and as an investor in public debt the Fund is not positioned to demand ad hoc or specialised reporting. We intend to continue monitoring this issue in the context of our ongoing, in-depth ESG assessments under the proprietary impact management and measurement framework by Lendable and revise our position when the availability of relevant data increases.

(b) Description of principal adverse sustainability impacts

Each investment faces the risk of unintended side effects. At Lendable we divided the principal adverse sustainability impacts into three sections (environmental, social and governance) and focus on transparency and strength of policies of the investees to mitigate PASI. Additionally, the Fund does not directly invest in sectors which are prohibited by the International Finance Corporation Exclusion List.

(c) Description of policies to identify and prioritise principal adverse sustainability impacts

Environmental, Social and Governance ("ESG") criteria are nonfinancial considerations integrated in the investment process of the Firm. Our impact footprint can be mapped along the three levels of the impact value chain namely, ESG, impact and SDG. All criteria are independently analysed through a methodology developed by Lendable – including our toolkit for impact measurement and management.

The SDGs and Practice & Impact Rating – guarantee that PASI are considered carefully.

The ESG scorecard entails a sustainability risk assessment taking into consideration environmental, social or governance events or conditions that could cause an actual or a potential material negative effect on the value of the investment. It guarantees that the investees follow good governance practices and have sound social and/or environmental policies in place. and amongst others, that the potential investment side effects do not cause significant harm to other sustainable investment objectives. Mandatory plus certain additional principal adverse sustainability impact indicators are considered in the questionnaire and collected whenever available.

(d) Engagement policies

Lendable encourages and requires investees to follow best ESG practices and Lendable managed and advised funds reserve the right to perform follow on diligence of these and other practices of every investee in our portfolios. Engagement activities will vary depending on the business activity and asset class. Possible engagement activities include but are not limited to:

- In person meetings or email exchanges with senior management; and
- Capacity building offering to improve ESG practices; and
- Organization of training for staff on specific ESG topics of interest; and

In case a material negative impact is identified concrete mitigation measures need to be in place or the Company must actively engage with investees to put in place operational safeguards that can effectively ensure a low level of expected material negative impact.

For more information on Lendable's ESG & Impact measurements in relation to this sustainability-related product disclosure please contact: info@lendable.io