**Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Product name:** Lendable Master Impact Funds SCSp SICAV-RAIF, acting on behalf of its Sub-Fund, Lendable Opportunities Fund (the "Sub-Fund")

**Legal entity identifier:** [*not yet issued*]

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

# Sustainable investment objective

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

| ☒ **Yes** | ☐ **No** |
|---|---|
| ☐ It will make a minimum of **sustainable investments with an environmental objective:** ___% | ☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments |
| ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy |
| ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| | ☐ with a social objective |
| ☒ It will make a minimum of **sustainable investments with a social objective:** 100% [1] | ☐ It promotes E/S characteristics, but **will not make any sustainable investments** |

[1] The Sub-Sub-Fund's cash/ non-sustainable holdings are minimal (see further details below).

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The Sub-Fund has a sustainable investment objection focussed on social impact.

The objective is to alleviate poverty and income inequality by providing debt to fintech companies in Asia and Africa, to enable them to provide high impact financial products to more end beneficiaries.

All investments target positive social impact by **increasing financial inclusion and opportunity creation**, which have been shown across empirical research to decrease poverty, for underbanked and low income populations in the target markets.

The Sub-Fund focuses on the UN Sustainable Development Goals ("**SDGs**") 1, 5, 8, 9, and 10, being:

The Sub-Fund aims to invest in five fintech categories which are mapped to these SDGs:

- **MSME lenders:** MSME'S are the foundation of emerging market economies, providing seven out of every ten jobs. Fintech originators provide critical capital for growth for these small businesses.
- **Asset lenders:** Productive assets allow micro-entrepreneurs to increase their revenues. Other assets like solar home systems decrease cost base and increase access to essential services.
- **Marketplaces:** Marketplaces aggregate supply and demand in inefficient value chains in agriculture, transportation, and retail for MSMEs, thus reducing costs and increasing accessibility. Marketplaces often provide working capital to micro-entrepreneurs through their platforms (embedded finance).
- **Payment Platforms:** Digital payments lower costs of remittances considerably and increase access to quick payments for the most vulnerable. Digital payments are the infrastructure of the MSMEs of the future, opening up fundamentally new business opportunities.
- **Consumer lenders:** Digitally enabled consumer lenders and neo-banks are innovating to provide better services to underbanked customers and bringing millions of individuals into the formal financial services systems.

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective, as there is no suitable index available.

***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Sub-Fund uses the following metrics to measure it's impact on the social investment objective:

- an Impact Management System ("**IMS**"), is applied to quantify the impact of the investee company in increasing financial inclusion and/or increased opportunity for individual and SME's who are traditionally excluded from access to formal finance. The IMS is based on the principles of the Impact Management Project and tied to the above SDGs.
- a comprehensive E&S Management System ("**ESMS**") is applied which considers, amongst other things, ESG, worker's rights and consumer protection principles.

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

Social: the IMS and ESMS are used to assess and identify any potential risks of harm to the social sustainable investment objective, so the Sub-Fund can put in place any mitigants to prevent significant harm.

Environment: The Sub-Fund screens investments against an exclusion based on the IFC and harmonised European Development Finance Institution (EDFI) exclusion lists. This exclusion list ensures that the Sub-Fund does not invest in sectors that cause significant harm to the environment, such as projects that feature destruction of conservation areas, oil and gas projects, mining, forestry and logging, and projects effecting indigenous and tribal populations.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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

The Sub-Fund has in place mechanisms that cover a number of the indicators for adverse impacts on sustainability factors defined in Annex I of Commission Delegated Regulation (EU) 2022/1288 (the "**PAI Indicators**"), although not all of the indicators are relevant to the Sub-Fund's investment categories.

Overall, the Sub-Fund has determined that the portfolio companies and institutions into which the it invests (being early stage companies located exclusively in frontier and emerging markets) are not, generally speaking, in a position to provide data which is relevant and reliable enough to satisfy the requirements associated with reporting on the PAI Indicators. In addition, due to the Sub-Fund's asset class (financial inclusion), it's investee companies typically have very limited emissions, physical operations, and low risk of triggering an adverse impact on environmental sustainability.

While information on the PAI Indicators is difficult to capture from the investees, the Sub-Fund strives to ensure the effective management of

potential adverse impacts associated with its investments. To that end, the investment advisor to the Sub-Fund takes an active approach ensuring that all investments of the Sub-Fund meet adequate environmental and social sustainability criteria and that as many of the PAI Indicators as possible are taken into account in the entire investment process. For example, the ESMS is used to categorise projects into low, medium, and high risk environmental projects, based on the U.S. International Development Finance Corporation Environment and Social Policy and Procedures (measured at due diligence stage and annually thereafter), including, requiring all portfolio companies to report annually if they have $CO_2$ emissions exceeding 25,000 metric tons annually, which would trigger a high risk categorization.

The Sub-Fund intends to continue monitoring it's position in the context of the PAI Indicators.

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

The Sub-Fund was launched with the support of a number of DFIs and as such has aligned specifically with ESG, CPP and workforce protection guidelines that these institutions follow. The Sub-Fund believes it is compliant with the OECD Guidelines in principle (although it does not specifically align to them), and is compliant with the best practice in the market. For example, the ESMS requires all investee companies to, amongst other things:

- Comply with all applicable local health & safety, and labour laws and regulations
- Comply with IFC PS 2 & ILO Core Conventions
- Comply with the Client Protection Pathway principals (formerly Smart Campaign)
- Comply with all applicable local, provincial, and national laws on data privacy and consumer protection
- Report serious E&S incidents immediately, with plans for corrective actions and follow-up.

**Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

☐ No

The Sub-Fund makes assessments of potentially adverse impact in connection with all portfolio investments. Please refer to the information inserted under question "*How*

*have the indicators for adverse impacts on sustainability factors been taken into account?*" above.

The information to be disclosed on principal adverse impacts on sustainability factors pursuant to Article 11(2) of Regulation (EU) 2019/2088, is available in the Sub-Fund's periodic publications.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

The Sub-Fund only invests in companies that meet the criteria set out in the Sub-Fund's investment policy, and that comply with the IMS and ESMS. The investment policy criteria include:

| | |
|---|---|
| Seniority | All loans will be made on a senior basis either as sole lender or pari passu with other similarly ranked lenders |
| Leverage | Maximum loan-to-value and debt-to-equity criteria apply |
| Security | All loans to be secured on a first lien basis |
| Loan Tenor | Maximum total duration of 36 months at any time<br>Maximum average loan life of 30 months<br>Maximum grace period of 18 months |
| Type of Borrowers | Early stage fintech companies providing financial products or services to SMEs or individuals. |
| Track Record and Asset Base | Minimum criteria apply |
| Audited Financials | Must be provided within six months of the first disbursement |
| KYC | Borrower and its key Principals must pass KYC checks including a Thomson Reuters WorldCheck search |
| Portfolio Data | Borrower must use a loan management or core banking system to manage their loans and/or cashflows and be willing to share anonymised, payment level information |
| Consumer Finance | Additional criteria apply to finance this sector |
| Excluded Sectors | Exclusion list applies to all investments |

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

For attaining the sustainable investment objective, the IMS is applied to each portfolio company, prior to investment. The IMS assesses each potential investment on the following dimensions:

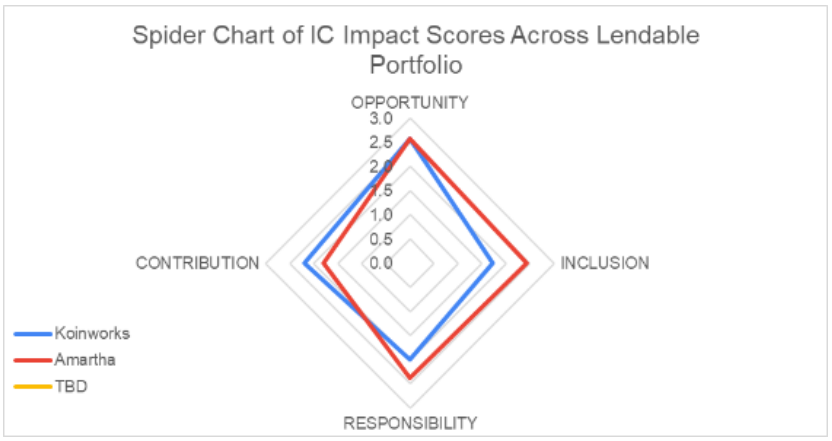
## Lendable Impact Assessment Framework

Lendable will evaluate the expected impact of each prospective investment across four dimensions that encapsulate the priorities and DNA of the LMFCF strategy

| Dimension | Description | Key Elements | IMP Mapping* |
|---|---|---|---|
| **Opportunity** | Create economic opportunity leading to increased income and wealth<br>⇒ *Does the investment provide recipients with economic opportunity for increasing income and wealth?* | Increased Opportunity<br>Cost Benefits | What<br>How Much |
| **Inclusion** | Provide fair access to underserved or marginalised segments of society<br>⇒ *Does the investment provide fair and inclusive access to financing or essential goods and services, and for whom?* | Scaled Access<br>Broader Inclusion | Who<br>How Much |
| **Responsibility** | Limit adverse or negative consequences to the end-customer and the environment<br>⇒ *Will the investment uphold ESG and customer protection principles?* | ESG<br>Customer Protection | Risk |
| **Contribution** | Scale impact through Lendable's investment<br>⇒ *Does Lendable's investment further the company's or sector's impact?* | Institutional Capital<br>Impact / ESG<br>Governance | Contribution |

*The LMFCF Impact Assessment Framework measures each dimension in line with the Impact Management Project concepts

The impact assessment results in an impact score and quantitative output. Please see below an example:




To avoid adverse effects, every deal is also scored by the ESMS and assigned a risk category with remediation steps if necessary.

**Good governance** practices include sound management structures, employee relations, remuneration of staff ad tax compliance.

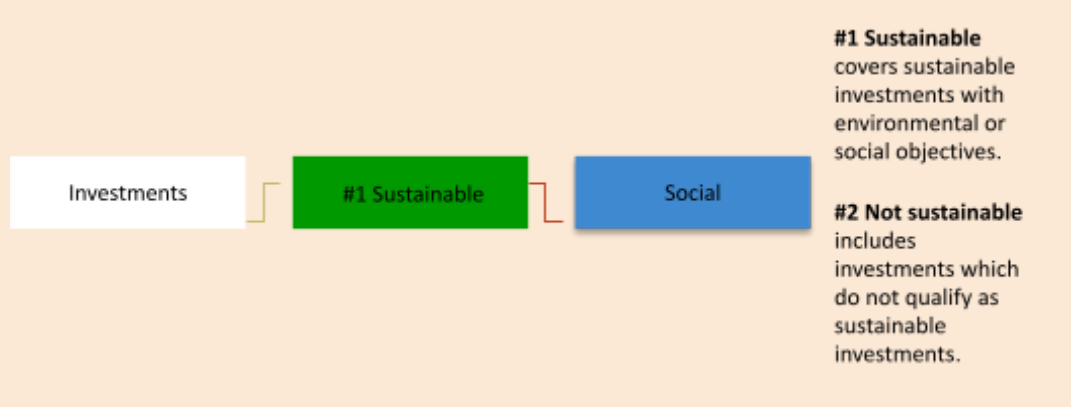
***What is the policy to assess good governance practices of the investee companies?***

Both as part of due diligence and the ESMS, the Sub-Fund assesses the quality of corporate governance of each investee company, as well as each investee company's internal guidelines such as employment handbooks and whistleblowing policies. Where improvements have been identified, the Sub-Fund works together with the management of the investee company to implement those improvements.

Many of the Sub-Fund's borrowers are early stage companies, and therefore cannot be compared to governance standards or larger or public companies. The Sub-Fund acknowledges that the stage of investee company it wishes to invest in carries a higher risk of corporate governance weaknesses and aims to work with companies to improve upon their governance where necessary.

## What is the asset allocation and the minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets.




Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

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

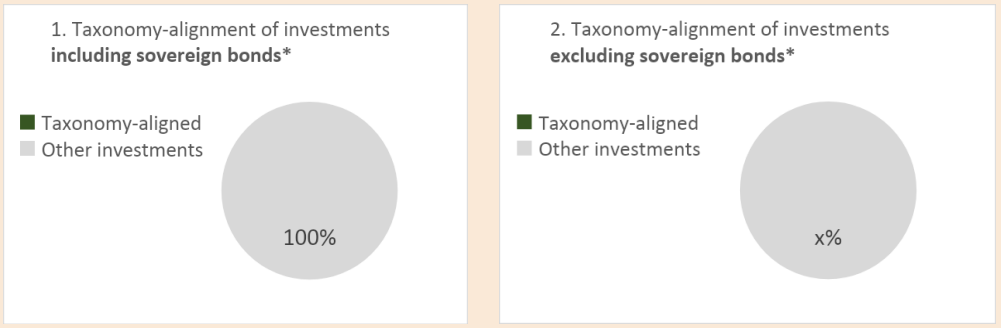
The Sub-Fund is permitted to retain a small amount of its assets in liquid instrument to ensure the right level of liquidity (#2 Not sustainable), however, it does not intend to do so, and the Sub-Fund currently only holds cash for quarterly disbursement to investors.

***How does the use of derivatives attain the sustainable investment objective?***

Not applicable to the investment objective of the Sub-Fund

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

***The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.***




**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities are** activities for which low-carbon alternatives are not yet available ad among others have greenhouse gas emission levels corresponding to the best performance.

***What is the minimum share of investments in transitional and enabling activities?***

Not applicable given the social investment objective of the Sub-Fund

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Not applicable given the social investment objective of the Sub-Fund

**What is the minimum share of sustainable investments with a social objective?**

100%

**What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?**

As noted above, the Sub-Fund does not intend to hold assets, or will only hold minimal short-term assets for distribution to investors, other than investments that meet the social objective of the Sub-Fund. As such, any investments which are deemed to not be sustainable investments are not expected to affect the delivery of the Sub-Fund's overarching sustainable investment objective.

**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

No index has been designated as a reference benchmark as existing indices are not appropriate considering the type of the Sub-Fund's investments.

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

https://www.royalton-partners.com/about/#sfdrDisclosures