



SFDR_Article 9 Periodic Report 2022

EMF Microfinance Fund

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

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.

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.



Periodic 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: EMF Microfinance Fund AGmVK
Legal entity identifier: 529900D8YKP5H99WO071

Sustainable investment objective

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

<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> Yes	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> No
<p><input type="checkbox"/> It made sustainable investments with an environmental objective: 0%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input checked="" type="checkbox"/> It made sustainable investments with a social objective: 90%</p>	<p><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <p><input type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments</p>

To what extent was the sustainable investment objective of this financial product met? *[list the sustainable investment objective of this financial product, and describe how the sustainable investments contributed to the sustainable investment objective. For the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, indicate to which environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to the investment underlying the financial product contributed to. For the financial products referred to in Article 9(3) of Regulation (EU) 2019/2088, indicate how the objective of a reduction in carbon emissions was aligned with the Paris Agreement]*

● **How did the sustainability indicators perform?**

The so-called Agenda 2030 with its 17 Sustainable Development Goals (SDGs) is a United Nations plan to promote sustainable peace and prosperity

and to protect our planet. Since 2016, all countries have been working to map this shared vision to fight poverty and reduce inequalities in national development plans. The Board of Directors of EMF Microfinance Fund AGmVK had seen the social objectives as an integral part of the fund's investment strategy from the very beginning. This social concept has been consistently pursued since the foundation of the fund and taken into consideration in investment decisions.

The fund's asset manager and investment advisor have analyzed all 17 goals of the 2030 Agenda and identified seven of them as being directly relevant for the fund's investments:

- Goal 1: End poverty in all its forms and everywhere.
- Goal 3: Ensure a healthy living.
- Goal 4: Ensure inclusive, equitable and quality education.
- Goal 5: Achieve gender equality and empower all women and girls.
- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 10: Reduce inequality within and among countries.

Sustainability Indicator	Metric	Impact 2021	Impact 2022
1 – SDG 1 [in %]	At least 50% of our investees have an average outstanding loan size at or below 250% of GNlpc.		57%
<i>No Poverty</i>			
2 – SDG 3 [in %]	% of our investees offer educational and health loans		38%
<i>Good Health and Wellbeing</i>			
3 – SDG 4 [in %]	% of our investees offer educational and health loans		38%
<i>Quality Education</i>			
4 – SDG 5 [in %]	% of our end-borrowers are female		74%
<i>Gender Equality</i>			

5 – SDG 7 [in %]	% of investees offer affordable and clean energy	28%
<i>Affordable and Clean Energy</i>		
6 – SDG 8 [in %]	% of our investees which offer income-generating activities	100%
<i>Decent Work and Economic Growth</i>		
7 – SDG 10 [in %]	Xxx % of our end-borrowers reside in rural areas.	75%
<i>Reduce inequalities</i>		

No derivatives were used for achieving the sustainability objectives of the fund.

● ***...and compared to previous periods?***

Not relevant as no previous period data is available.

● ***How did the sustainable investments not cause significant harm to any sustainable investment objective?***

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

The fund complies with the "not significantly affect" principle from Article 2(17) of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR). The fund does not invest directly in sectors or activities prohibited under the IFC Exclusion List.

The fund's Investment Manager and Investment Adviser have developed an Environmental, Social and Governance (ESG) Rating to systematically measure each company's adoption and implementation of ESG principles and assess whether the principles are consistent with the Sustainable Development Goals (SDGs) established by the United Nations. Furthermore, the fund respectively its stakeholders have been a signatory to the United Nations Principles for Responsible Investment since 2013. Moreover, the fund has joined the PRI group "Inclusive Finance", which focuses on microfinance and other impact investments.

In all activities in 2022, the investment team and portfolio manager ensured to it's best abilities that the fund did not contribute to

potentially negative impacts on the environment, clients, employees or communities of the financial institutions to which loans were made. Careful assessment and monitoring of ESG factors was therefore a key part of the fund's investment process.

--- *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The so-called minimum protection within the meaning of Article 18 of Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 is ensured by considering as borrowers only those enterprises that comply with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the eight ILO core conventions, the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. This was part of the due diligence analysis done before any investment took place.



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 did this financial product consider principal adverse impacts on sustainability factors?

The following ESG-related aspects were taken into account in the review and monitoring process:

- Potential positive impact of the investment on the community to which it is directed;
- Potential adverse consequences of the investment in respect of the company's impact and sustainability-related objectives;
- Social performance management of the target company including but not limited to the reputation of the target company and its involvement in promoting the company's values as a provider of sustainable investments.

The investment product specifically also took into account additional indicators for social and employee respect for human rights, anti-corruption and anti-bribery matters.

The fund did use reasonable best efforts to ensure that principal adverse impacts on sustainability factors were screened and measured in a manner suitable for this asset class. However, given the fund's target and nature of investments, we note that PAIs are challenging to collect for the following main reasons:

- Limited capacity and financial resources available at the level of the investee Financial Institutions ("FIs") to systematically collect social and impact data of the end-borrowers and their households.
- Lack of environmental impact data at end-borrowers level considering their profile (i.e., MSMEs).
- Lack of or non-standardized sustainability disclosure requirements and regulations in the targeted countries.

While acknowledging these challenges, the fund made its best effort to live up to serve the spirit of the regulation in determining the impact of FIs by:

- Distributing a pilot questionnaire to ten FIs in different regions to understand the type and quality of the data and information available for PAIs assessment. Based on the results of the pilot, we revised the questionnaire aiming to collect quality information for those PAI for which information is available at the level of the FIs..
- Collecting direct data and information from FIs by submitting a questionnaire via email to all investee FIs. The questionnaire covered the following PAIs: PAI 10: Violations of UNGC Principles; PAI 1: Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines for MNEs; PAI 12: Gender pay gap; PAI 13: Board gender diversity. The questionnaire included four different data points for quarterly reporting. Before submitting the questionnaire to investees, we conducted two webinars for our investees to i) provide an overview of SFDR, ii) explain how the data collected through the questionnaire is used and disclosed, iii) review the questions to ensure an accurate and standardized data collection process. The link to the webinar was shared together with the questionnaire and support was provided during the data collection process wherever needed.
- Engaging with third-party data providers to estimate through proxy data the exposure of the FI's underlying portfolio for those PAIs for which information and data are not tracked by FIs.

The fund is also engaging in some industry initiatives aiming to promote industry standardization around the methodology and tools used to perform PAIs assessments and to serve the spirit of the regulation in determining the impact of FIs. Specifically, we are active participants in the Investors' Working Group of the Social Performance Task Force (SPTF).

The PAI factors for 2022 are as follows:

Adverse sustainability indicator	Metric	Impact 2021	Impact 2022
1 - GHG emissions [in tCO ₂]	Scope 1 GHG emissions		520
	Scope 2 GHG emissions		1526
	Scope 3 GHG emissions		10'829
	Total GHG emissions		12'875
<p><i>GHG emissions were calculated using proxy data. The environmental regulations in the developing and emerging countries targeted by the Investment Product are mostly in a nascent stage and provide limited guidance on when and how businesses should monitor GHG emissions. This leads to inconsistent, incomplete, and non-comparable data. Therefore, the fund has contracted Joint Impact Model (JIM), a non-profit organization specialized in the evaluation of social and environmental impact, to approximate GHG emissions for the Fund. GHG emissions were estimated based on the investment size and sectors financed by the investees.</i></p>			
2 - Carbon footprint [in tCO ₂ /EUR 1 Mio. invested]	Carbon footprint		30.4
<p><i>Carbon footprint was calculated using the proxy data obtained for PAI 1.</i></p>			
3 - GHG intensity of investee companies [in tCO ₂ /EUR 1 Mio. Revenue]	GHG intensity of investee companies		491.1
<p><i>GHG intensity was calculated using data obtained for PAI 1</i></p>			
4 - Exposure to companies active in the fossil fuel sector [in %]	Share of investments in companies active in the fossil fuel sector		0%
<p><i>The Fund has no direct exposure to fossil fuels. Efforts will be made by the Fund to estimate indirect fossil fuel exposure of the FI's underlying portfolio in the next few reporting periods.</i></p>			
5 - Share of non-renewable energy consumption and production [in %]	Share of non-renewable energy consumption and non-Renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources		26.4%
<p><i>FIs are drawing energy from the national grid, thus data is retrieved from the national energy mix.¹</i></p>			
6 - Energy consumption intensity per high-impact climate sector [in GWh/EUR 1 Mio. Revenue]	Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector		0

¹ Data sources: Our World in Data and World Bank Development Indicators (WDI)

The Fund has no direct exposure to high-impact climate sectors. Efforts will be made by the Fund to estimate indirect high-impact climate exposure of the FIs' underlying portfolio in the next few reporting periods.

7 - Activities negatively affecting biodiversity-sensitive areas [in %]	Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%
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FI's direct impact on biodiversity-sensitive areas is negligible given the financial services operations of its direct activities.

8 - Emissions to water [[in t/EUR 1 Mio. investment]	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0
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FI's emissions to water are negligible given the financial services operations of its direct activities.

9 - Hazardous waste and radioactive waste ratio [[in t/EUR 1 Mio. investment]	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0
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Such activity is not performed by the Fund. Moreover, FIs are categorically prohibited from engaging in these activities as per our contractual documentation.

10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises [in %]	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%
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Based on the reporting received by the FI and our own analysis respectively to our best ability, we deduce that no violations of the UN Global Compact Principles (UNGCP) are to be reported. Information regarding cases of violations of the UNGCP was collected directly through the questionnaire submitted to all investees.

11 - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises [in %]	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	38%
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The Fund reports 38% of investments lack processes and mechanisms to monitor compliance with all UNGCPs. Only 13% report having no mechanism for five or more UNGCP'S.

12 - Unadjusted gender pay gap [in %]	Average unadjusted gender pay gap of investee companies	20%
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The gap was computed by comparing the average salary of male and female employees without factoring in differences in terms of employment positions and levels and part-time considerations.

13 - Board gender diversity [in %]	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	21%
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14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) [in %]	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%
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Such activity is not performed by the Fund. Moreover, FIs are categorically prohibited from engaging in these activities as per our contractual documentation.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Lack of grievance/complaints handling mechanism related to employee matters [in %]	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	4%
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Lack of anti-corruption and anti-bribery policies [in %]	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	5%
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The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: 01.01.2022 – 31.12.2022



What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Dovetail Global Fund PCC	Financial and Insurance Activities	12.3	India

Cash Account USD	n.m.	8.4	Principality of Liechtenstein
LOLC (Cambodia)	Financial and Insurance Activities	2.5	Cambodia
BPS Sidian Bank Ltd.	Financial and Insurance Activities	2.5	Kenya
Agrobank	Financial and Insurance Activities	2.5	Uzbekistan
Letshego Ghana Savings and Loans PLC	Financial and Insurance Activities	1.9	Ghana
Banco Atlantida El Salvador S.A.	Financial and Insurance Activities	1.9	El Salvador
Banco de la Producción SA PRODUBANCO	Financial and Insurance Activities	1.8	Ecuador
Financiera Finexpar S.A.E.C.A.	Financial and Insurance Activities	1.8	Paraguay
THE CURRENCY EXCHANGE FUND N.V	Financial and Insurance Activities	1.5	Netherlands
Banco Solidario S.A.	Financial and Insurance Activities	1.5	Ecuador
Sathapana Bank Plc	Financial and Insurance Activities	1.3	Cambodia
Bank Respublika OJSC	Financial and Insurance Activities	1.3	Azerbaijan
LOLC (Cambodia) Plc	Financial and Insurance Activities	1.2	Cambodia
Platinum Credit Limited Kenya	Financial and Insurance Activities	1.2	Kenya

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.



What was the proportion of sustainability-related investments?

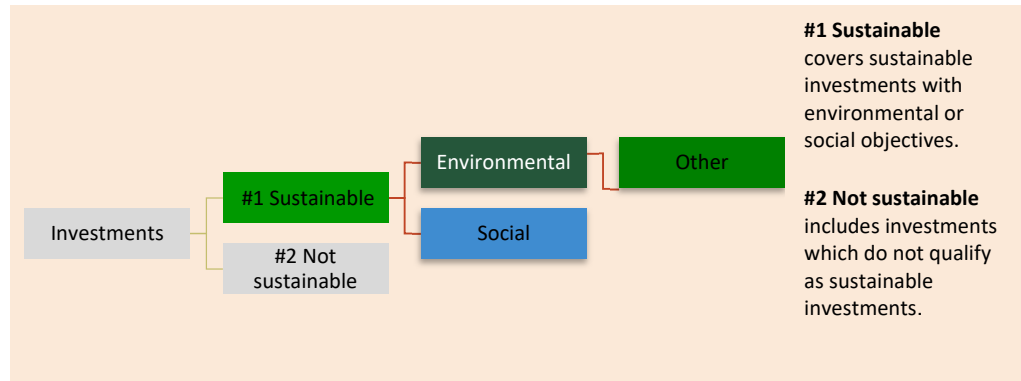
Including the cash component, the share of sustainable investments with social objectives was 90% during the reporting period (referring to #1 in the chart below). 10% of the fund's assets were allocated to cash and money market instruments (#2 in the chart below) to comply with the fund's liquidity needs.

● **What was the asset allocation?**

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.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

● **In which economic sectors were the investments made?**

Except for the allocation to cash and money market instruments, all of the remaining investments were made to Microfinance Institutions (MFI) belonging to the "Financial and Insurance Activities" sector.




To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

As the fund has a focus on social impact and the social taxonomy is not yet available respectively the current environmental investments in the fund are not aligned with the EU taxonomy, no sustainable investments with an environmental objective aligned with the EU Taxonomy were made.

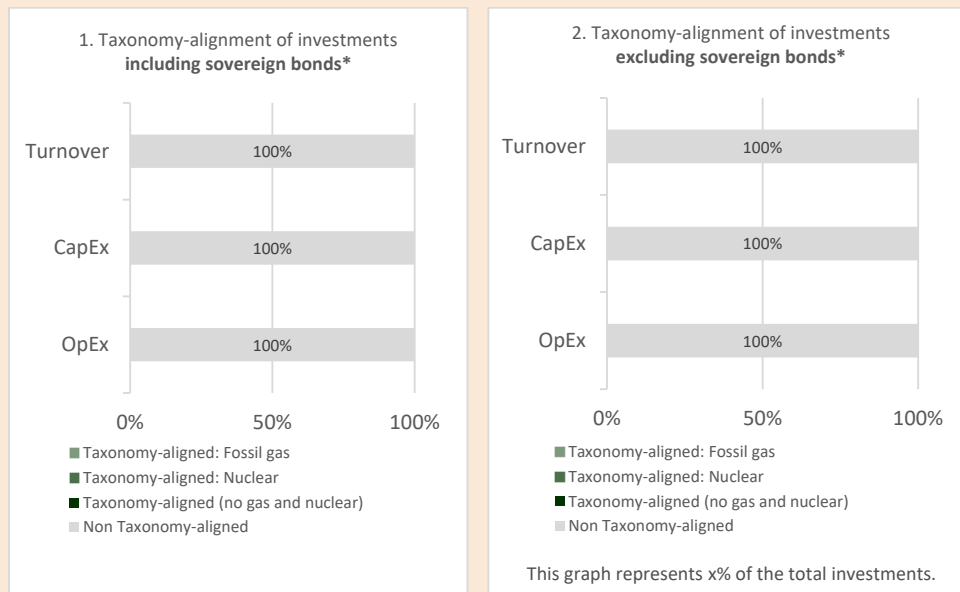
● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy²?**

- Yes:
- In fossil gas In nuclear energy
- No

² Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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

The graphs below show in green the percentage of investments that were 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.

● **What was the share of investments made in transitional and enabling activities?**

As mentioned before, the fund has a focus on social impact and as such does not invest in environmental transitional or enabling activities.

● **How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?**

Not relevant as no previous period data is available.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

As mentioned before, the fund has a focus on social impact and is waiting on the publication of the social taxonomy. As such, there were no investments with an environmental objective that were not aligned with the EU taxonomy.



What was the share of socially sustainable investments?

Overall, across the fund, the share of sustainable investments with social objectives was 90% during the reporting period. 10% of the fund's assets was allocated to cash and money market instruments.



What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?

The "not sustainable" investments only consisted of cash and cash equivalents used for treasury management and hedging of foreign currency risks. For those investments, the fund aimed to apply minimum ESG safeguards if applicable/possible.



What actions have been taken to attain the sustainable investment objective during the reference period? *[list the actions taken within the period covered by the periodic report to attain the sustainable investment objective of the financial product, including shareholder engagement as referred to in Article 3g of Directive 2007/36/EC and any other engagement relating to the sustainable investment objective]*

[list the actions taken within the period covered by the periodic report to attain the sustainable investment objective of the financial product, including shareholder engagement as referred to in Article 3g of Directive 2007/36/EC and any other engagement relating to the sustainable investment objective]

During the reference period, all the stakeholders of the fund have made significant strides towards realizing its sustainable investment objective. Enabling Qapital AG, the fund’s investment advisor, has been strategically proactive in implementing various actions and initiatives to align the fund’s operations with sustainability principles. The following actions, among others, have been pivotal in the pursuit of sustainable investment objectives:

- **Theory of Change (TOC):** The fund has formulated a distinct Theory of Change (TOC) dedicated to the microfinance sector, promoting financial inclusion. This particular TOC disentangles the intricacies of impact and change by providing a structured framework for identifying activities, outputs, outcomes, impacts, and underpinning assumptions. It operates under key inquiries: What is the expected impact? How can the facilitate it? How can this impact be effectively measured? What stakeholders are integral to the attainment of these objectives?
- **Establishment of ESG Working Group:** An exclusive ESG Working Group has been set up, with direct oversight from the Executive Management Team. This inter-departmental group serves to foster an enriched dialogue and streamline the workflow around ESG issues, thereby ensuring that ESG considerations remain central to Enabling Qapital’s strategic thinking and operations.
- **Onboarding of New Data Providers:** The fund has integrated new data providers to bolster its impact evaluation capacity. For instance, the Joint Impact Model (JIM), a non-profit entity with a specialization in social and

environmental impact assessment, has been enlisted to estimate the GHG emissions attributable to the fund. In addition, the Enabling Capital has enlisted the services of 60 Decibels, a firm renowned for its proficiency in social impact measurement. Their input provides the fund with actionable and benchmarked social performance data, gathered directly from personal dialogue.

- **Industry Initiative Engagement:** The fund is actively involved in several industry initiatives intended to foster standardization around the methods and tools employed in performing PAIs assessments. This commitment aligns with the essence of the regulation in determining the impact of FIs. A notable highlight of our involvement is our active participation in the Investors' Working Group of the Social Performance Task Force (SPTF).
- **Proprietary ESG Rating Tool Usage:** Enabling Capital consistently employs its proprietary ESG Rating Tool to assess the ESG profile of potential investees. This form of assessment is therefore embedded in the investment decision-making process, underscoring the fund's commitment to ESG principles at all stages of the investment selection process.



How did this financial product perform compared to the reference sustainable benchmark?

Not relevant as no reference sustainable benchmark has been assigned to this product.

- ***How did the reference benchmark differ from a broad market index?***

Not relevant as no reference sustainable benchmark has been assigned to this product.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?***

Not relevant as no reference sustainable benchmark has been assigned to this product.

- ***How did this financial product perform compared with the reference benchmark?***

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

Not relevant as no reference sustainable benchmark has been assigned to this product.

● ***How did this financial product perform compared with the broad market index?***

Not relevant as no reference sustainable benchmark has been assigned to this product.