Statement on principle adverse impacts of investment decisions on sustainability factors

30 June 2023

Financial market participant: Invest in Visions GmbH (LEI: 391200QGUBBK485D4492)

Summary

Invest in Visions GmbH ("IIV") is a financial portfolio manager specialised in the management of impact funds, including microfinance funds. In the course of acting for its clients (service fund administration companies that have outsourced the portfolio management activities to IIV), IIV considers so-called principal adverse impacts ("PAIs") of its investment decisions on sustainability factors. Sustainability factors in this context refer to environmental, social and labour concerns, respect for human rights and the fight against corruption and bribery, in accordance with Article 2 No. 24 of Regulation (EU) 2019/2088 (the "SFDR" for short).

This statement on the principle adverse impacts on sustainability factors refers to the reference period from 1 January 2022 to 31 December 2022.

As an impact investor and portfolio manager, we always strive to ensure that the funds we manage invest in loan receivables against or from companies that are not only financially sustainable, but also contribute to solving socio-economic challenges. In this regard, the focus of the funds we manage is on microfinance and SME financing in developing and emerging markets, in other words, the refinancing of non-EU financial institutions ("FIs") in the spirit of financial inclusion.

In the funds we manage, we take into account the 14 mandatory PAIs as well as two optional PAIs from the areas of environment as well as anti-corruption and anti-bribery.

Description of the principle adverse impacts on sustainability factors

The mandatory indicators set out in the SFDR, as well as one optional indicator each from the environment as well as the anti-corruption and anti-bribery areas, are listed in Tables 1, 2 and 3 below.

IIV notes that PAI indicators are challenging to collect from non-EU financial institutions. Since the regulatory and industry standardisation around the methodologies and tools used to perform PAI assessment is evolving and in order to serve the spirit of the regulation in determining the impact of the investments, efforts are being made to work with the FIs and/or data providers as the case may be to calculate or estimate the exposure of the FI's underlying portfolio for the following PAIs. Despite the reservations raised above, some FIs may be in a position to report on the following PAIs as presented on a case-by-case basis.

A weighted average is collected to aggregate the indicators at the IIV level so that the weight of each loan in the overall portfolio is reflected proportionately.

Table 1

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1][1]	Explanations[2]	Actions taken, and actions planned and targets set for the next reference period
CLIMATE INDICATORS AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	3,277 tCO_2eq.	N/A	Proxies are used for data collection due to poor data availability at the FIs we refinance. IIV uses the provider "Joint Impact Model" for PAI 1-3 in Table 1.[3]	The funds currently managed by IIV do not pursue an environmental investment objective. Therefore, no specific targets related to these indicators have been defined. IIV plans to estimate the GHG emissions of the FIs for the next reporting period.
		Scope 2 GHG emissions	6,742 tCO_2eq.	N/A		
		Scope 3 GHG emissions	873,596 tCO_2eq.	N/A		
		Total GHG emissions	883,616 tCO_2eq.	N/A		
	2. Carbon footprint	Carbon footprint	1,065 tCO_2eq./€M	N/A		
	3. GHG emission intensity of investee companies	GHG emission intensity of investee companies	6,834 tCO_2eq./€M	N/A		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.24 %	N/A	The refinanced FIs do not derive revenues from its direct activities in the exploration, mining, extraction, production, processing, storage, refining or distribution in the fossil fuel sector as they operate in the financial industry.	Efforts are being made to calculate or estimate indirect fossil fuel exposure of the underlying portfolios of the FIs in the future. In addition, IIV plans to apply its exclusion criterion

[1] Comparative impact information for the preceding year will be reported through 30 June 2024 and on an ongoing annual basis.
[2] An explanatory note on the differences in reported impacts will be published by 30 June 2024, and on an ongoing annual basis.
[3] https://www.jointimpactmodel.org/

					Some of the refinanced FIs were able to report on the indirect exposure of their total portfolio to fossil fuels.4 It should be noted that this refers to the total portfolio of the respective FI, i.e. not only the share refinanced by the funds managed by IIV. For this share, there is an earmarking requirement for microfinance and SME financing, respectively. Note on data coverage: We obtained data for this indicator for 52% of our portfolio.	- Promotion of or energy production from fossil fuels[5] to all investment decisions. This currently does not apply to investments made as a syndicated loan in cooperation with an international development bank and to older outstanding loans.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources,	75.46 %	N/A	The refinanced FIs generally draw energy from the national grid, thus data is retrieved from the national energy mix, since no information is available from the FIs on the use of off-grid energy sources.	The funds currently managed by IIV do not pursue an environmental investment objective. Therefore, no specific targets related to these indicators have been defined. For the next reporting period, IIV intends to cover this indicator more comprehensively based on information from the FIs on the use of off-grid energy sources.

[4] The following sectors were used to provide an indication of whether FIs are exposed to fossil fuels: Extraction of crude oil and natural gas, other mining / raw material extraction, production of coke and refined petroleum products.
[5] This also includes the mining and exploration of oil sands and oil shale as well as related services.

		expressed as a percentage of total energy sources				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	The refinanced FIs do not classify as part of a high climate sector given their direct activities in the financial industry.	Efforts are being made to calculate or estimate the energy consumption intensity of the high intensity components of the underlying portfolio of refinanced FIs in the future.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	The direct impact of FIs on biodiversity-sensitive areas is negligible given the financial services operations of its direct activities.	Efforts are being made to calculate or estimate the impacts of the underlying portfolio exposure of the refinanced FIs to activities located near or in biodiversity-sensitive areas in the future. Research is being conducted on the best tools for mapping and matching national biodiversity-sensitive areas with the locations of the activities of ultimate borrowers of the FIs. Additionally, the following exclusion criteria - Trade in wildlife or wildlife products as defined by CITES regulation,[6] and - Drift trawling in the marine environment using nets

[6] The Convention on International Trade in Endangered Species of Wild Fauna and Flora - known as CITES - is an international agreement signed by 183 parties to ensure that international trade in animals and plants does not threaten their survival in the wild.

						greater than 2.5 km in length limit exposure to such activities.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	The refinanced FIs generate a negligible amount of emissions to water given the financial services operations of its direct activities.	Efforts are being made to calculate or estimate emissions to water of the underlying portfolios of the FIs in the future. Through our exclusion criteria - Production, trade and/or storage of agrochemical (pesticides), PCB[7] or CFC[8] products, and - Use of toxic and hazardous substances as assessed by the World Health Organization (pesticides, biocides, herbicides) the exposure to such companies is additionally limited.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	The refinanced FIs themselves generate a negligible amount of hazardous waste given the financial services operations of its direct activities.	Efforts will be made to estimate the potential generation of hazardous waste in the underlying portfolios of the FIs in the future. Through the exclusion criteria. - Operation of nuclear facilities or component manufacturing,

[7] Polychlorinated biphenyls (PCBs) are persistent chlorinated hydrocarbons that can accumulate in the food chain and are suspected carcinogens. (Source: translated from https://www.umweltbundesamt.at/umweltthemen/luft/luftschadstoffe/pops/pcb)
[8] Together with carbon dioxide, methane and nitrous oxide, chlorofluorocarbons (CFCs) are among the long-lived greenhouse gases and influence the radiation budget of the atmosphere and thus the anthropogenic (man-made) greenhouse effect. (Source: translated from https://wiki.bildungsserver.de/klimawandel/index.php/FCKW)

						- Production, trade and/or storage of agrochemical (pesticides), PCB[9] or CFC[10] products, and - use of toxic and hazardous substances as assessed by the World Health Organization, the exposure to such enterprises is additionally limited.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	7.23 %	N/A	Due to their size, the refinanced FIs are generally not participants in the UNGC and do not fall under the definition of a multinational enterprise. The data query to collect violations of the underlying principles is carried out directly with the refinanced FIs. Violations are defined as follows: Sanctions (e.g., fines/administrative penalties/judicial	Our investment process includes screening for sanctions, litigation, lawsuits and convictions through the use of our ESG analysis tool ("ALINUS"[11]) and controversy screening. Through the exclusion criterion - Serious violation of the 10 principles of the UN Global Compact network and, in the opinion of the fund management, without any prospect of improvement the exposure to such companies is additionally limited.

[9] Polychlorinated biphenyls (PCBs) are persistent chlorinated hydrocarbons that can accumulate in the food chain and are suspected carcinogens. (Source: translated from https://www.umweltbundesamt.at/umweltthemen/luft/luftschadstoffe/pops/pcb)
[10] Together with carbon dioxide, methane and nitrous oxide, chlorofluorocarbons (CFCs) are among the long-lived greenhouse gases and influence the radiation budget of the atmosphere and thus the anthropogenic (man-made) greenhouse effect. (Source: translated from https://wiki.bildungsserver.de/klimawandel/index.php/FCKW)
[11] https://cerise-spm.org/en/alinus

					sanctions) or non-monetary penalties as defined by the applicable jurisdiction with respect to the following topics: - Business practices that violate usury laws or consumer protection laws - Non-compliance with national labour laws - Financing of activities harmful to the environment - Tax evasion or avoidance - Non-compliance with the national anti-money laundering law. Data coverage note: We obtained data for this indicator for 76% of our portfolio.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or	0 %	N/A	Due to their size, the refinanced FIs are generally not participants in the UNGC and do not fall under the definition of a multinational enterprise. Thus, they usually do not have any policies to explicitly monitor compliance with the UNGC	Based on the data collection via ALINUS, an assessment of the existence and suitability of the processes can be made and taken into account in our investment decisions. In addition, within the framework of norm-based screening, a written commitment from microfinance institutions to the

		grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			principles and the OECD Guidelines for Multinational Enterprises, or explicit procedures for handling complaints against the above principles. In the course of our ESG analysis via ALINUS, the underlying issues of the UNGC Principles and the OECD Guidelines for Multinational Enterprises as well as the existence of grievance mechanisms are considered in the assessment. To assess this indicator, we defined a threshold within ALINUS that, if met or exceeded, we consider the processes and compliance mechanisms in place to monitor the refinanced FI's compliance with the UNGC Principles and the OECD Guidelines for	Client Protection Pathway, the ILO Core Labour Standards, and the UNGC is required. For SME financing, a written commitment to the UNGC is required.[12]

[12] This does not apply to the extent that it concerns an unsecuritised receivable from a loan granted as part of a syndicated loan in cooperation with development banks, such as the International Finance Corporation.

					Multinational Enterprises to be adequate. Note on data coverage: We obtained data for this indicator for 78% of our portfolio.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-14.36 %	N/A	The data query is carried out directly with the refinanced FIs. Note on data coverage: We obtained data for this indicator for 63% of our portfolio.	Due to the further development of ALINUS, the average unadjusted gender pay gap can be collected and taken into account in future investment decisions. IIV participated in the further development of ALINUS.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	30.66 %	N/A	The average ratio of women to men in the management and supervisory bodies of the refinanced FIs is already being collected on a regular basis for existing investments. Note on data coverage: We have obtained data for this indicator for 75% of our portfolio.	The average ratio of women to men in the management and control bodies of the refinanced FIs is collected in connection with the ESG analysis. In the future, IIV plans to place greater emphasis on this indicator early on in the investment decision-making process.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions,	Share of investments in investee companies involved in the manufacture or	0 %	N/A	The funds managed by IIV do not refinance FIs that generate revenue from the trade and / or production of weapons and ammunition.[13]	The exclusion criterion - Trade and / or production of weapons and ammunition limits the exposure to such companies.

[13] In the case of transactions carried out in cooperation with a development bank, the relevant exclusion criterion does not apply to companies that are not substantially involved in these activities. "Not substantially involved" means that the activity in question is ancillary to the main activity of the company.

	chemical weapons and biological weapons)	selling of controversial weapons				The exclusion criterion - Serious violation of the 10 principles of the UN Global Compact network and, in the opinion of the fund management, without any prospect of improvement additionally ensures the protection of human rights .

Other indicators for principal adverse impacts on sustainability factors

Table 2

CLIMATE INDICATORS AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	58 %	N/A	The data query is carried out directly with the refinanced FIs. Note on data coverage: We obtained data for this indicator for 52% of our portfolio.	The funds managed by IIV do not pursue an environmentally sustainable investment objective. Therefore, IIV has not defined specific targets related to these indicators. Provided that the data availability for CO_2 emissions of the refinanced FIs should improve, we reserve the right to define measures if we should determine that the $C0_2$ emissions of the refinanced FIs increase disproportionately.

Table 3

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Anti-corruption and anti-bribery	17. Number of convictions and amount of fines	Numbers of convictions and amount of fines for	0 %	N/A	To determine this indicator, IIV uses a controversy screening	The verification of this indicator already takes place within the investment decision-

	for violation of anti-corruption and anti-bribery laws	violations of anticorruption and anti-bribery laws by investee companies			process that reviews all refinanced FIs for white-collar crime proceedings, investigations, and convictions. This includes corruption and bribery.	making process as part of the background screening carried out within the AML-KYC checks.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Investments are selected through an extensive screening process structured in three stages. First, certain sectors, activities or goods are excluded, also at the level of the ultimate borrower. In addition, investments must meet certain norms (norm-based screening). Second, the selection and analysis of investments is based on operational, financial and sustainability criteria (KPIs) that must be met. These points are checked by the responsible investment managers as part of the due diligence process. To assess the sustainability performance of the investment, the fund management uses an ESG analysis tool (ALINUS – industry-recognised scoring tool[14]). This provides information on social and environmental performance as well as the governance structure of the investments. Third, the investments are screened with regard to defined positive criteria. If the requirements are met, the investment can be made. The described processes are part of the internal ESG policy as amended and in effect on 15 March 2023, the implementation of which is mainly the responsibility of IIV's Impact and Sustainability and Portfolio Management teams.

IIV is part of a working group with other impact investors active in the area of financial inclusion with the goal of standardising methodologies and metrics for PAI indicator reporting.[15]

Methodologies to select, identify, and assess the most significant adverse impacts

The identification and assessment of the most important adverse effects according to Tables 1, 2 and 3 is mainly carried out at the level of the refinanced financial institutions using the ESG analysis tool ALINUS. As part of the cooperation in the above-mentioned working group, efforts are being made to obtain data at the ultimate-borrower-level in the future.

For the indicators from the area of greenhouse gas emissions in Table 1 (PAI 1-3), IIV uses proxies obtained from the provider "Joint Impact Model"[16]. For PAI 5 (in Table 1), IIV uses data from the national energy mix, provided by the International Energy Agency (IEA).

The following two optional indicators were selected based on what we believe to be their relevance, and their selection applies to all funds managed by IIV:

- Investments in companies without initiatives to reduce CO_2 emissions

[14] https://cerise-spm.org/en/alinus/
[15] https://cerise-sptf.org/social-investors/
[16] https://www.jointimpactmodel.org/

- Number of convictions and amount of fines for violations of corruption and bribery regulations.

The selection of these optional indicators did not take into account the likelihood of occurrence and severity of these principal adverse impacts, including their potentially irreversible nature, but only their relevance to the refinanced FIs and their portfolios.

IIV does not pursue environmentally sustainable investment objectives and therefore has not defined specific targets related to the indicators of environmental concern.

Error margins in the methods used

There may be limitations in data availability, as PAIs are currently difficult to collect for the refinanced financial institutions. For indicators that are not collected in their entirety via proxies, no estimate will be made based on external data, should individual FIs be unable to report individual PAIs. For PAIs for which data coverage was low, measures are being taken to increase it for the next reporting period.

In addition, the use of proxies (for PAI indicators 1 - 3 as well as 5 in Table 1) is only an approximation and has an impact on data quality.

Data sources used

Refer to explanations under the heading "Methodologies to select, identify, and evaluate the most significant adverse impacts" above.

Engagement policies

As an investment and portfolio manager of credit funds, IIV's engagement is limited to an exchange with investment recipients about their financial and social performance. This is very different from the engagement carried out by equity investors, for example. This approach is already integrated into IIV's sustainability strategy and set as a formal objective at the portfolio level. If a refinanced institution fails to meet the agreed indicators and thresholds, loan extensions may be denied.

References to international standards

Invest in Visions has committed to several international standards in the impact investing field. In the context of responsible investing, we are signatories to the United Nations Principles for Responsible Investment (UNPRI). The six principles for responsible investment define general principles for incorporating ESG issues into investment practices. As part of our annual reporting, we publish information on the consideration of ESG issues in the company's various activities. Specific to impact investing, we have signed the Operating Principles for Impact Management (OPIM). The nine principles of impact management are based on the approach that the intended impact of the investment is actively included in the investment decision and subsequently managed. This is done through our investment decision process.

Our goal is to ensure that financial institutions in which the funds managed by IIV invest comply with the following international conventions and standards, which are part of the standards-based screening process and can be measured through the following PAIs in Table 1:

UN Global Compact:

- PAI 10 Serious violations of the UNGC
- PAI 11 UNGC processes

ILO Core Labour Standards:

- PAI 10 Serious violations of the UNGC
- PAI 11 UNGC processes

In addition, when microfinance institutions are refinanced, they are required to make a written commitment to the so-called "Client Protection Pathway", the market standard for client protection in microfinance. The Client Protection Pathway describes the steps a financial services provider can take to implement the client protection practices necessary to avoid harming clients and to communicate this progress to investors.

Compliance and a general commitment (e.g. written commitment) to the ILO Core Labour Standards, the Principles of the UNGC and the Client Protection Standards is checked by the investment manager in the first step as part of the investment decision process. The future observance of these standards is contractually agreed. Publicly available data is also used, in particular through controversy screening.

IIV pursues socially sustainable goals in developing and emerging countries with its products and therefore does not consider future-oriented climate scenarios.

Historical comparison

A historical comparison of the reporting period with the previous reporting period will be published starting in 2024 (for the reporting period 01.01.2023 to 31.12.2023).