Invest in Visions GmbH (IIV) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”). This Disclosure Statement applies to the funds we manage, with a total AUM of USD 1.1 billion as of February 28th, 2022.

Edda Schroeder
Founder and Managing Director
PRINCIPLE 1

Define strategic impact objective(s) consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs) or other widely accepted goals.

The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Invest in Visions (IIV) is a German asset management company, which manages impact investment funds. The focus of our investment solutions is to provide debt capital to financial service providers in emerging markets. Therefore, our investments support financial inclusion and sustainable development in our target countries. In this manner, IIV seeks to ensure adequate financial returns while achieving positive social impact.

The impact objectives defined by Invest in Visions are aligned with the UN Sustainable Development Goals (SDGs). For each of IIV’s managed social impact funds we have specified several SDG impact goals. These are currently:

Figure 1: Impact goals

- **SDG 1: No poverty – End poverty in all its forms everywhere**
- **SDG 5: Gender equality – Achieve gender equality and empower all women and girls**
- **SDG 8: Decent work and economic growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**
- **SDG 10: Reduced inequalities – Reduce inequality within and among countries**

These SDG goals are an integral part of our investment strategy, as well as our investment, impact and ESG (risk) policies, for example, by defining specific requirements within the policies, such as exclusion lists and positive criteria as well as the screening of organizational aspects of each potential investment. On this basis, IIV ensures that each potential investment is in line with the set impact goals and the investment strategy of IIV.
PRINCIPLE 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

At IIV, impact management is holistically embedded in the investment process: it is defined within IIV’s investment policy, the investment decision process and our impact measurement. IIV is committed to setting internal standards, such as positive criteria or exclusion criteria, as well as to implementing international standards, such as the International Labor Conventions (ILO), the Client Protection Principles, the United Nations Principles for Responsible Investment (UNPRI), and the European Transparency Code SRI. In this context, IIV’s managed financial products are intended to contribute to the realization of the SDGs. Figure 1 provides an overview of the impact goals defined on the basis of the SDGs.

IIV follows a twofold approach combining impact assessment and ESG assessment during the investment process (see Figure 2). This ensures that loans are only granted to particularly sustainable institutions within the microfinance sector.

With respect to impact assessment, a sustainability classification of the potential institution is made based on predefined positive criteria including minimum standards (such as average loan size to evaluate the depth of social outreach). In addition, the institution’s social performance is measured within the ESG assessment and scoring from which the expected impact of the investment can be derived. On this basis, it is determined whether the investment contributes to the achievement of the impact goals set for the respective product (benchmark SDGs). IIV uses an external scoring tool for ESG scoring, the SPI4-ALINUS¹ tool, provided by its partner CERISE², which is considered the industry standard in the microfinance sector. The tool is currently developed further by CERISE in collaboration with Invest in Visions. It allows for collecting data regarding social performance in six dimensions according to the “Universal Standards for Social Performance Management” and additionally covers the dimensions “governance” and “environmental performance”.

The information gathered from the positive criteria, including minimum standards and the social performance (as part of the ESG score), allows for the most comprehensive SDG impact analysis possible within the due diligence review. For each of the defined impact goals (see Principle 1), specific core indicators are defined, which are collected from the institutions on a quarterly basis as part of IIV’s portfolio monitoring and measured in aggregated form using an in-house developed impact measurement tool. These indicators are published in various publications of IIV, which include the monthly fund Factsheets and the company’s annual Impact Report.

The impact indicators are also integrated in the loan agreements entered into with the respective institutions. Non-compliance with the indicators and thresholds by the borrowing institution can lead to a refusal to renew mature loans as a consequence.

The realization of the SDGs is part of IIV’s corporate strategy. An integration of relevant aspects into the company’s compensation strategy is also currently being considered.

¹ https://cerise-spm.org/en/
Figure 2: Impact and ESG Management in the Investment Process

**ESG**
- Sector and/or activity exclusion
- Norm based screening
- Environmental, social and governance (ESG) Assessment & Scoring

**Impact**
- Positive criteria incl. minimum standards
- Expected impact (Benchmark SDGs) SDG-Impact: Analysis

**Integration of ESG Risks and opportunities in the IC decision process**
- Loan agreement: Integration of ESG criteria and indicators for expected impact
- Portfolio monitoring: ongoing process

**Due Diligence**
- IC decision
- Post-Investment Committee
Invest in Visions’ main impact contribution resides in the direct allocation of debt capital. The three funds we currently manage refinance specialized financial institutions, which focus on lending to MSME (micro-, small and medium enterprises). We invest primarily in developing and emerging markets, where financial inclusion rates are low and many microentrepreneurs as well as SME have limited or no access to capital, thus being severely restricted in their income and growth perspectives. This aspect has been evidenced by several studies including such authored by the IFC.¹

On the level of our investees, our loans serve to grow their loan portfolio (thus enabling them to broaden their client base) and / or to replace other loans with less favorable terms. In order to mitigate liquidity risks of our investees, we offer cashless rollovers when possible. By providing loans in eight different currencies, we shield our investees as much as possible from FX risks.

On the level of end borrowers, our general contribution to financial inclusion (i.e. the number of microentrepreneurs and SME supported) is logically derived from the amount we add by our loans to the respective financial institution’s gross loan portfolio.

More specifically, microcredit and financial inclusion, respectively, are mentioned in the “Agenda 2030” and are understood to be helping to achieve several Sustainable Development Goals:

- SDG 1: No Poverty
- SDG 5: Gender Equality
- SDG 8: Economic Growth
- SDG 10: Reduced Inequalities

In this regard, we monitor our contribution to financial inclusion, the aforementioned SDGs and to serving borrowers at the bottom of the pyramid by the outcome data and indicators presented under Principle 6.

Our impact thesis is stated transparently in our investing guidelines as well as in our publications such as our annual Impact Reports.

PRINCIPLE 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

According to IIV’s twofold approach (see also Principle 2) each investment is assessed prior to the investment decision by answering the above-mentioned questions in the following manner:

1. **What is the intended impact?**

In general, IIV’s products have the goal to achieve a sustainable investment. As specified in each fund’s sales prospectus, this goal is based on the Sustainable Development Goals (SDGs) of the United Nations, e.g. poverty reduction and promotion of gender equality, and the other relevant SDGs mentioned in Principle 1 as well as the derived indicators (see Principle 6). Only institutions that meet the impact objective of the respective fund will be selected for a potential investment. This analysis is conducted by the investment managers and includes, for example, an analysis of targeted beneficiaries, the social objectives and products and services offered by the respective institution.

2. **Who experiences the intended impact?**

The potential borrowers to be financed are subject to a due diligence process in which their social performance is assessed. Within the process, the investment managers analyze the portfolio data of the potential investee in order to develop an understanding of who will be the end-beneficiaries of the investment and to determine whether the potential investee matches the impact goal of the respective fund. A statement on the actual impact can only be made in the context of the impact measurement process (see Principle 6).

3. **How significant is the intended impact?**

As part of the due diligence review, the institution’s social performance is determined by using SPI4-ALINUS, which creates a score for each investment (ESG score, see also Principle 2) prior to the investment. As the tool measures the maturity of the respective investee’s environmental and social performance management system, we expect that investees with a more mature system (and with more advanced ESG practices) will have a greater likelihood of contributing to positive impacts. Potential negative impacts (impact risks) are analyzed within the ESG risk management process (see Principle 5) and will be further enhanced by analyzing the PAIs in the future.
PRINCIPLE 5

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Like the impact management process mentioned in Principle 2, at Invest in Visions, ESG risks are also embedded in the entire investment process and internal policies and form part of the ESG assessment (see also Figure 2). For funds with a defined sustainability objective according to Art. 9 of the EU Sustainable Finance Disclosure Regulation (SFDR), like the ones IIV manages, ESG risks must be included in the investment decision. To ensure the broadest possible analysis of sustainability risks in the pre-phase of the investment decision, a risk inventory must be carried out. The resulting risk inventory list provides the basis for identifying and assessing sustainability risks.

IIV's ESG risk integration process includes the following steps:

- Receipt of information from investment managers / advisors (e.g. Investment Committee Proposal, Risk Opinion)
- Analysis by IIV based on risk inventory list
- Identification of material ESG risks based on the Advisor Risk Opinion and an internal analysis by IIV
- Discussion of material risks with investment manager during investment committee meeting
- Incorporation of ESG risks into investment decision based on risk appetite (including the possibility of deciding not to invest)
- Documentation of the inclusion of ESG risks in the investment decision in the IC protocol
- Monitoring of ESG risks and assessment of emerging risks in the Portfolio Risk Committee (PRC)

ESG performance is measured using the SPI4-ALINUS Tool (see Principle 2 and Figure 1). Additionally, exclusion criteria and norm-based screening are conducted during the pre-investment phase to prevent negative adverse impacts.

In the future, IIV's monitoring activities will be supplemented by the principle adverse impact indicators (PAIs) required under the SFDR. The PAIs will be covered within SPI4-ALINUS from the first quarter of 2022 onwards and will also be part of the respective loan agreement with the borrowing institutions.

As a portfolio manager to debt funds, our engagement is limited to an exchange with the investees on their financial and social performance. This differs greatly from the engagement exercised, for example, by equity investors. This approach is already integrated into our sustainability strategy and established as a formal objective at the portfolio level. As a result of a borrowing institution's non-compliance with the agreed indicators and thresholds, loan renewals may be denied.
PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

To monitor the progress of our investments in achieving impact, we collect and analyze on a quarterly basis contractually agreed output data on impact indicators from our investees.

The collection of these indicators allows us to assess whether the expected impact of our funds, i.e. serving microfinance borrowers at the base of the pyramid and contributing to the fulfillment of the aforementioned SDGs, is reached. It equally permits us to identify any potential “mission drift” in the supported financial institution’s overall direction. Failure to report on these indicators results in a covenant breach and will be acted upon accordingly.

The following are the indicators used with respect to each relevant SDG:

**SDG 8: Decent work and economic growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

- Number of borrowers reached
- Volume of loans
- Share of loans for productive activities vs. consumption

**SDG 1: No poverty – End poverty in all its forms everywhere**

- Average loan size
- Share of rural borrowers

**SDG 5: Gender equality – Achieve gender equality and empower all women and girls**

- At the investee level: share of female management
- At the investee level: share of female staff
- Number of female borrowers
- Volume of loans to women
- Number of female savers
SDG 10: Reduced inequalities – Reduce inequality within and among countries

- Volume and proportion of loans disbursed in low-income countries
PRINCIPLE 7

Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

The funds managed by Invest in Visions are open-ended debt funds. Therefore, their exit from an investment is determined by the tenor of each loan agreed with the respective investee at the time of the investment decision.

However, our goal is the creation of long-term business relationships with our partner (investee) institutions. Therefore, we regularly reassess debt investments nearing maturity with a view to a potential renewal. Based on the liquidity needs of the investee and our analysis conducted prior to each investment (including financial indicators, ESG analysis, macro-economic situation), loans can then be renewed.
PRINCIPLE 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Our impact management approach includes an analysis and disclosure of social performance indicators on a quarterly basis. Moreover, we disclose the overall impact performance in our yearly Impact Report. The monitoring process also includes an ongoing screening for potentially controversial activities of the investees, and their potential negative impact. Such potential negative impact will be analyzed with information provided by our investment advisors and is part of the SFDR PAI collection process.

We compare the actual impact data with our targets and expectations. If the performance of an investee is not in line with our expectations or our investment criteria, we may require internal corrective measures from the respective investee. The findings will also be used for upcoming investment decisions as well as during the loan renewal process.

Any irregularities that have occurred in the impact monitoring process lead to a review of our processes and investment decisions and will be corrected in the yearly update of our policies.
PRINCIPLE 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

With the publication of this statement on our website (www.investinvisions.com), IIV confirms the compliance of its impact management system with the Impact Principles. IIV commits to update and publish this statement on an annual basis.

Independent verification is to take place on a regular basis with the exact timeframe to be determined after the first verification. IIV will complete its first verification within the next twelve months as of the date of this Disclosure Statement. We intend to publish the conclusions of that first verification report and any subsequent verification reports on our website (www.investinvisions.com).
Founded in 2006 by Edda Schröder, Invest in Visions GmbH specializes in financing sustainable investments. Currently, more than 994.8 million euros are managed in the core areas of microfinance and Impact Investing (as of February 28, 2022). Invest in Visions provides institutional and private investors with access to investments that offer social returns in addition to financial returns, and which have a positive impact on society and the environment.

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