OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

Disclosure Statement

January 2025

GLOBAL GENDER-SMART FUND S.A., SICAV-SIF (GGSF or the Fund) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the Impact Principles). GGSF is a signatory to the 2X Challenge, demonstrating its commitment to gender lens investments and alignment with international standards for advancing gender equality.

This Disclosure Statement applies to the investments made by GGSF (Covered Assets).

The total Covered Assets in alignment with the Impact Principles is USD 510M as of 30/09/2024.

Date: January 2025

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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.

Background information: Since its inception in 2009 as an emergency response vehicle to the global financial crisis, the Microfinance Enhancement Facility (MEF) has successfully provided liquidity to the microfinance sector across the developing world. Over the years, the MEF's role has evolved to serve the changing needs of the microfinance sector, and it now intends to enhance its focus on a new area with clear additionality. Building on this historical positive outcome, the MEF has critically assessed and re-set its impact strategy. With backing of its sponsors and investors, the MEF turns its attention to a key priority within financial inclusion that warrants special focus: gender-smart investing and responsible finance. "Gender-smart" or "gender-lens" investing is defined as the use of capital to simultaneously generate financial return and advance gender equality. It integrates gender analysis into financial analysis, for example to assess gender segmentation of the portfolio. To reflect the new strategy the name was changed to Global Gender-Smart Fund as of 1 January 2024.

GGSF aims to strengthen the provision of gender-smart and responsible financial services to underserved women, women-owned or women-led businesses in developing markets, with the aim to improve livelihoods, increase gender balance and outreach, and promote women's leadership. This transition of the mission and investment strategy has been gradually implemented since January 2023 and was strengthened throughout 2024.

In addition, a technical assistance facility has been established alongside the Fund, supporting the PFIs in their development and growth toward the achievement of the Fund's mission statement.

The Fund promotes a widespread adoption and further deployment, and outreach of responsible finance and social performance standards based on industry-wide international principles and practices. The Fund's vision and mission have been translated into the following strategic impact targets consistent with the investment strategy and social and environment goals of the Fund:

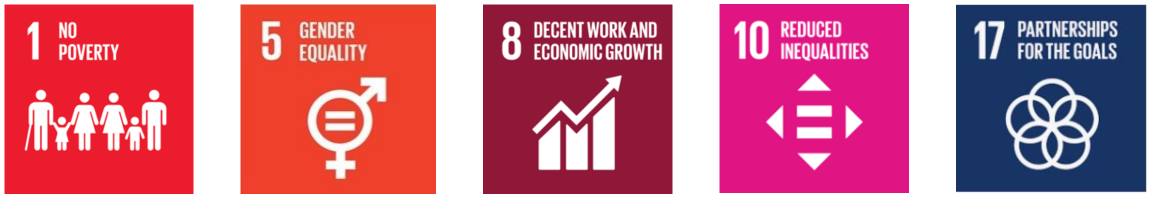
At the level of PFIs, the Fund aims at achieving the following outcomes:

- Enhanced gender-smart responsible finance awareness and conduct among PFIs Funded by the Fund towards their Clients;
- Improved gender balance at PFIs' senior levels and improved working conditions for women at PFIs.

The above outcomes will translate into the following outcomes sought at the level of PFIs' Clients:

- Reduced gender gap in access to finance;
- Increased outreach to underserved women, women-owned or women-led businesses through adequate financing.

To ensure alignment with its impact objectives, the Fund defined sustainability indicators aligned with the SDG framework. These are considered in investment decisions, and sustainability data is collected on an annual basis using a social performance assessment tool. Each investment shall contribute to the below SDGs targeted by the Fund.



As a global microfinance impact Fund, GGSF tracks its impact both as a Fund and, more importantly, through impact achieved at the PFIs level, which are key actors in the delivery of impact. This builds on GGSF's vision of supporting microfinance markets in developing countries around the globe by offering a reliable and flexible source of debt to carefully selected PFIs which support microenterprises and low-income households.

The impact objectives are embedded in the investment strategy to ensure alignment between the Fund's portfolio and development goals such that 100% of the portfolio is allocated to sustainable investments—investments focusing on emerging markets institutions financing micro or small enterprises and low-income households, particularly emphasizing support for women-owned and women-led micro or small enterprises.

Adherence to constantly evolving social performance standards are core components of GGSF's approach to responsible finance. As a global Fund, GGSF has engaged three Portfolio Managers (PMs) – each a reputable leader in the impact asset management field – to identify, appraise, structure, and negotiate PFI investments and perform ongoing monitoring of the portfolio and risk management.

As an impact Fund and observing the principles of sustainability, in February 2021, GGSF introduced disclosure as a Fund designated to sustainable investments as set out in the EU Sustainable Finance Disclosure Regulation (SFDR), Article 9. These standards on sustainable investments, effective since 10 March 2021, aim to stimulate sustainable investments in the EU to help achieve the climate goals of the Paris Agreement and the European Green Deal by increasing transparency on how sustainability risks and opportunities are integrated into investment decisions. GGSF is committed to both these initiatives and the greater transparency and standards they foster to promote sustainable impact investing.

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.

GGSF has a process for integrating impact considerations throughout the investment process. This is outlined at a high level in the Fund's documentation.

The portfolio has been constructed in such a way that the impact of each project contributes to achieving the impact objectives at the level of the portfolio. The Fund's investment process is aligned with its impact intent at each step – from screening and due diligence all the way through to ongoing monitoring and reporting as well as exit. Key indicators are defined and considered by the Fund's PMs before approving deals and reported at the portfolio level once a year. The Portfolio managers (PM) monitor the portfolio and PFI investee performance on an ongoing basis whereby any concerns emerging from the investment proposals prepared by the PMs are reviewed as they arise.

The Fund's strategy focuses on investing in women-owned and women-led micro or small enterprises, utilizing intuitive microfinance gender indicators to assess the social performance of its Portfolio Financial Institutions (PFIs). Additionally, the Fund benchmarks its portfolio against the broader universe of PFIs. Both the PFIs and the Fund adhere to reporting standards set by the Universal Standards for Social Performance Management (USSPM).

On impact and ESG management, the Fund is responsible for the implementation of all aspects of the investment process. The impact management at the Fund is fully integrated with the portfolio management function, with the PMs monitoring at investee and respective PM pool-levels.

As a responsible lender, GGSF remunerates its Portfolio Managers according to competitive market rates, whereby the PMs integrate assessing sustainability risks as part of their core duties and are each a signatory to the Impact Principles. In addition, the Fund has linked the remuneration requirement with impact assessment which is also in line with best market practices on incentivizing impact portfolio managers.

More specific information can be found in the annual reporting of the Fund available on the website: www.ggsf-fund.com.

Principle 3 Establish the Manager's contribution to the achievement of impact

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The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

The impact appetite of the Fund for a specific investment is determined by its potential to meet the Fund's Sustainable Investment Objective as defined in the Issue Document.

The PMs assess each potential PFI using their respective internal methodology and/or proprietary rating methodology, incorporating a thorough gender assessment component. The PMs consider this score and analysis in its investment decision. In parallel, prospective investments are reviewed against the due diligence questionnaire of the ALINUS-STPF social performance assessment when available, and the PMs gauge the impact potential of an investment based on the PM's impact assessment of the PFI.

To achieve the impact objectives, GGSF has established that in the process of choosing an investment, the following aspects shall be considered:

- Alignment with the Fund's sustainability objectives
- Investments' viability and adequate risk profile
- Alignment with the Fund's requirements
- Developmental and social impact

These requirements are reflected in the agreements entered into by the Fund with its PMs and the Fund's partner PFIs through Impact and ESG covenants. The Fund also reviews these requirements on a regular basis.

The Fund's impact is portrayed in its Annual Report, including a gender impact through the assessment and KPIs captured for the activities of the Fund annually. Annual reporting of the Fund will be available on the website: www.ggsf-fund.com/publications.php.

In addition, the Fund operates a Technical Assistance (TA) facility to support PFIs in integrating gender strategies and developing gender-focused action plans tailored to their needs.

More information on GGSF website: https://ggs-fund.com/how-we-invest/

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 amental 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.

PMs, alongside an ESG assessment, perform an assessment of the potential impact each investment is expected to deliver during the life of the loan. Defining and quantifying the impact intent of an investment is a Fundamental step for understanding the contribution and likelihood of achieving such impact throughout the investment period – from initial assessment to exit, with ongoing monitoring. This intent assessment is integrated in the PMs' tools and impact/gender assessment methodologies in a systematic and concise way.

PMs are required to first complete their respective due diligence on a prospective PFI, which includes a detailed gender assessment to identify gender gaps and areas requiring improvement. This assessment focuses on selecting PFIs that are either women-owned or women-led, or those demonstrating a strong commitment to enhancing women's participation. Additionally, consideration is given to PFIs that need assistance in improving board diversity and addressing gender pay disparities. Following this evaluation of social, governance aspects, risks, and opportunities, final proposals of all potential PFI investments are submitted to the Fund's PM and the AIFM of the Fund for decision-making, and, if necessary, to the Board of Directors of the Fund.

ESG and Impact matters are considered over the life cycle of the investment. GGSF strives to maintain an appropriate level of oversight for as long as the Fund is a lender and to periodically reconfirm that the PFI continues to meet ESG requirements. Any material adverse impact or ESG matter identified shall be avoided, where possible, or will be mitigated through the implementation of an effective mitigation and monitoring plan and completion of all necessary corrective actions. The Fund also considers impact risks which are relevant and measurable alongside sustainability risks at due diligence and throughout the investment process with ongoing monitoring.

In addition, Equilo is deployed as a tool to enhance the assessment of gender dynamics and ensure the Fund's gender impact objectives are systematically evaluated.

Principle 5 Assess, address, monitor, and manage potential negative impacts of each investment

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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.

The Fund aims to achieve a positive social impact through each of its investments. By screening potential investments and monitoring existing investments against the identified principal adverse impacts on sustainability factors (PAI), the Fund seeks to ensure that its investments do not do any significant harm, do not harm the impact objectives, and seek to reach the impact objectives of the Fund. Those PAIs shall be identified, assessed, and, as appropriate, mitigated.

As of due diligence, ESG risk identification and scoring are embedded in the respective tools used by the PMs and the Fund requests the PMs to classify their proposed PFIs following IFC's risk categorization for Financial Institutions. Also, the EU Minimum safeguards are assessed to avoid and minimize adverse impacts, complementing the PAIs and IFC risk categorization.

The PMs shall:

- Ensure PFIs' ongoing compliance with all relevant laws and other standards and regulations
- Support and encourage the PFIs to work towards continuous improvements in their ESG process through trainings and continuous involvement of management and staff.
- Monitor, record, and report any serious incidents involving the PFIs.

PFIs are also required to comply with the Fund's exclusion list in line with international standards set forth by development finance institutions, the Fund's ESG & Impact covenants, and the Client Protection and Responsible Finance Principles as defined in the Fund's Investment Guidelines, which include the ESG framework.

The Fund aims to ensure that its investments do not cause any social or environmental harm. As such, GGSF carefully filters potential PFIs and systematically assesses ESG risks. PMs are required to monitor and provide timely reporting and, as the case may require, escalation regarding external E&S factors with respect to any PFI, or their underlying clients, that could reasonably materially impact the PFIs' compliance with the Fund requirements and/or the PFI's profitability and risk profile.

Any breaches of ESG covenants or any serious ESG-related incidents shall be communicated with the aim to:

- Clearly identify the cause/reason for such breach or incident
- Assess the potential impact on the investment
- Give details of the action plan that the PFI has proposed, if any
- Inform the AIFM and the Board of the actions taken or planned to be taken by the PM (e.g., granting a waiver)
- Recommend actions for the approval of the PM and the Fund's AIFM, if any (e.g., making provisions in the Fund)

Monitoring at the level of the Fund furthermore includes the monitoring of the overall portfolio quality and ESG portfolio risks. The overall risk level of GGSF's portfolio shall remain low. The Board must be informed in case of a deterioration of the overall level of risk below that standard and shall strive to re-establish the overall level of risk in line with the required standard.

Each PFI receiving Funding from the Fund is expected to comply with the Fund's ESG and Impact requirements and to identify, assess and manage ESG risks as well as implement an ESMS commensurate with the ESG risks of its operations. PFIs are also expected to meet the conditions of Fund loan agreement, including ESG monitoring and reporting requirements. The Fund, with the information provided by the PMs, will (i) monitor thoroughly and consistently how ESG factors are addressed and (ii) check whether investment proposals, loan agreements and monitoring reports contain adequate and relevant information.

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 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.

Like for MEF the Annual Report of GGSF will incorporate a comprehensive reporting around portfolio development, financial, developmental, outreach, and social indicators reported by the PFIs. This review will be complemented by a detailed gender assessment and action plan that scrutinizes the gender strategies and technical support for gender strategy implementation across our portfolio. Enhanced by intuitive gender and microfinance indicators, the aggregate reporting will cover gender-focused outreach, products, and services, providing a yearly 'snapshot' of the PFIs under GGSF's gender-inclusive mandate.

The Annual Report highlights how the Fund performs based on microfinance indicators, with a strong emphasis on assessing the social and gender-specific performance of its PFI investments, as well as benchmarking its portfolio against the universe of PFIs. Given the global scope of GGSF, capturing and benchmarking the impact across diverse investees—such as low-income households, micro-entrepreneurs, and small enterprises—requires a nuanced approach. Also, this approach integrates gender-focused indicators and adapts ESG and impact assessment and monitoring practices according to the profile. Equilo is deployed as a tool to enhance the assessment of gender dynamics and ensure the Fund's gender impact objectives are systematically evaluated.

As outlined in previous principles, the PMs monitor impact and ESG aspects regularly, now with enhanced attention to gender dynamics. Any deterioration in gender equity goals is promptly brought to the attention of the AIFM, and if necessary, also to the Board, to ensure timely interventions for business continuity.

Recognizing that developmental effects at the outcome level cannot be fully captured through standard portfolio or PFI reporting, GGSF is exploring additional methods such as impact studies or evaluations specifically focused on gender impacts. These efforts aim to support the impact narrative and assess any unintended effects. To further strengthen its reporting, GGSF is assessing the feasibility of applying a model developed by the industry across the entire portfolio, which will enhance our ability to estimate impact effects at the portfolio level, particularly concerning gender equity and inclusion."

Also, quarterly reports prepared for Board meetings provide insights into portfolio performance and identify key gaps to be addressed through TA and other interventions. The Fund also aims to assist PFIs operating across gender-neutral, gender-smart, and gender-transformative practices, ensuring inclusive and systemic gender impacts.

More information on GGSF website: https://ggs-fund.com/press/

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.

GGSF invests through private debt instruments, which are self-liquidating once the loans have been repaid. The timing, structure, and process of exiting these investments are set at the beginning of the financing relationship with the PFI. The terms of each agreement, including repayment schedules, are reached in consideration of the repayment capacity, risk level and liquidity needs of each PFI, as well as the sustainability of its impact on the PFIs' borrowers, the end-beneficiaries. While there is no exit strategy per se due to the pre-determined exit nature of the instrument, Impact and ESG performance are still factors to be considered for business continuity – any serious breach of ESG and Impact covenants can lead to acceleration should it be necessary – and for any renewal or new loans to partners PFIs.

The fact that a significant number of the PFIs in GGSF's portfolio are repeat borrowers evidences the long-standing relationship with the partner PFIs. The Fund has stayed engaged and grown with its investees, aiming to support their growth and development as contributors of economic development and prosperity in emerging markets globally through the provision via qualified financial institutions of additional development finance to micro-enterprises and households engaged in entrepreneurial activities, particularly emphasizing support for women-owned and women-led micro or small enterprises.

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.

The Fund commits to integrating lessons from the Fund's processes and investments within its documentation which are living documents that constantly evolve as the Fund and markets develop.

The Fund's PMs are signatories to the Impact Principles. Over the years, their annual reporting methodologies and tools have evolved, leveraging on past experience with investees, research and industry standards. In parallel, as mentioned in Principle 6, since 2018, the Board of Directors has engaged an external provider to coordinate social performance assessments and analysis of GGSF's PFIs, in close collaboration with the PMs. GGSF's impact measurement and management have evolved significantly in recent years and now benefits from the use of a social audit tool aligned with the USSPM and the independent services of CERISE-SPTF for data collection as well as the analysis and findings.

As the Fund seeks to evolve to best respond to market needs, over the last year, the Board of Directors has engaged in discussions with the initiators and investors of the Fund to brainstorm about the Fund's strategy for impact as well as the role GGSF could play in the future. As a result of these discussions and with backing of its sponsors and investors, the Fund decided to turn its attention to a key priority within financial inclusion that warrants special focus: gender-smart responsible finance.

The Fund focuses on impactful investments in PFIs by targeting three levels of gender practices: supporting women-owned businesses, empowering women-led enterprises, and addressing the needs of women as clients through tailored financial products and services. These investments drive financial inclusion for underserved populations, foster economic empowerment for micro-entrepreneurs, enhance social impact by promoting gender equality, and strengthen PFI governance and operational capacity. Additionally, the Fund encourages sustainable practices, aligning with broader environmental and social objectives.

Principle 9 Publicly disclose alignment with the 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 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.

This Disclosure Statement affirms the alignment of the impact management systems for the Covered Assets with the Operating Principles for Impact Management. The Fund also confirms its commitment to publicly disclose alignment with the Impact Principles and to update it annually.

Also, the GGSF completed its first independent verification in September 2022 (as MEF), demonstrating that its impact management process is aligned with the Operating Principles for Impact Management.

The verification was conducted by EY & Associés with a registered address at 1-2, place des Saisons, 92400 Courbevoie - Paris-La Défense 1, France. The independent assurance report is available on the Fund's website: https://ggs-fund.com/press/.

EY has developed for many years a significant expertise in sustainable finance and built a network of consultants specialized in this field. EY set up a transversal service line dedicated to environmental, social and societal issues, a long-standing experience in advising financial institutions on sustainability challenges and a recognized expertise in valuing the positive impacts of both investments and corporates. Their main areas of expertise are the following: sustainable finance strategies, E&S risk management, sustainable financial products, environmental and socioeconomic impacts of investments/financing, certification (Operating Principles for Impact Management, green/social/sustainable Bond Principles, Climate Bond Standards, SRI/Greenfin labels), extra-financial reporting (audit and assurance), communication and training.

The Fund will regularly arrange for an independent verification every three years. Therefore, the next one will be completed by September 2025.

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