Global Gender-Smart Fund S.A. SICAV SIF

A Luxembourg Specialised Investment Fund
(*société d'investissement à capital variable - fonds d'investissement specialisé*)

Impact & ESG Management System

September 2024

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CONTENTS

1 INTRODUCTION

1.1 Purpose and objectives of the IMS

This document sets out Global Gender-Smart Fund S.A. SICAV-SIF (the **Fund**)'s Impact & ESG Management System (**IMS**). The IMS is a framework of policies, processes and practices integrating impact, ESG, and gender considerations into the Fund's decision-making and operations.

The objective of this IMS is to provide a proportionate policy and procedural framework to help the Fund avoid or reduce potential adverse impacts of business activities on, and enhance positive outcomes for factors defined as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters (**Sustainability Factors**).

In particular, the IMS facilitates and promotes proper:

- integration of Environmental, Social, Governance (**ESG**), impact, and gender risks and opportunity management within the Fund's core business operational systems;
- identification, categorisation, assessment, mitigation, monitoring, and reporting of ESG, impact, and gender risks including Principal Adverse Impacts (**PAIs**) on sustainability factors associated with investments involved in financed activities and portfolio companies; and
- assessment of projected and actual development impact at investment and portfolio levels.

The IMS is underpinned by the Impact Policy, ESG Policy, and Gender Policy which outline the criteria implemented by the Fund to achieve its strategic and sustainable investment objective. It includes supporting tools such as ESG, gender, and impact risk categorisation, checklists, templates, and guidance to assist Portfolio Managers' (**PMs)** personnel, Alternative Investment Fund Manager (**AIFM**) and impact officer in assessing and managing relevant sustainability aspects.

This IMS has been developed in line with the principles of the International Finance Corporation ESMS Handbook, E&S risk management framework for financial institutions of the IFC Performance Standards (**IFC PS**), and KfW Sustainability Guidelines.

Certain sections include notes, information or references required to demonstrate alignment with the requirements of the European Union (**EU**) 2019/2088 Sustainable Finance Disclosure Regulation (**SFDR**). The IMS, Impact Policy, ESG Policy, and Gender Policy are of equal importance and should be read in conjunction with other policies and procedures. In the avoidance of doubt, the Fund Issue Document shall prevail.

1.2 Scope of the IMS

The requirements of the Impact, ESG, and Gender policies and IMS apply to all activities, investments, and entities involved in the Fund's scope of operations, which include:

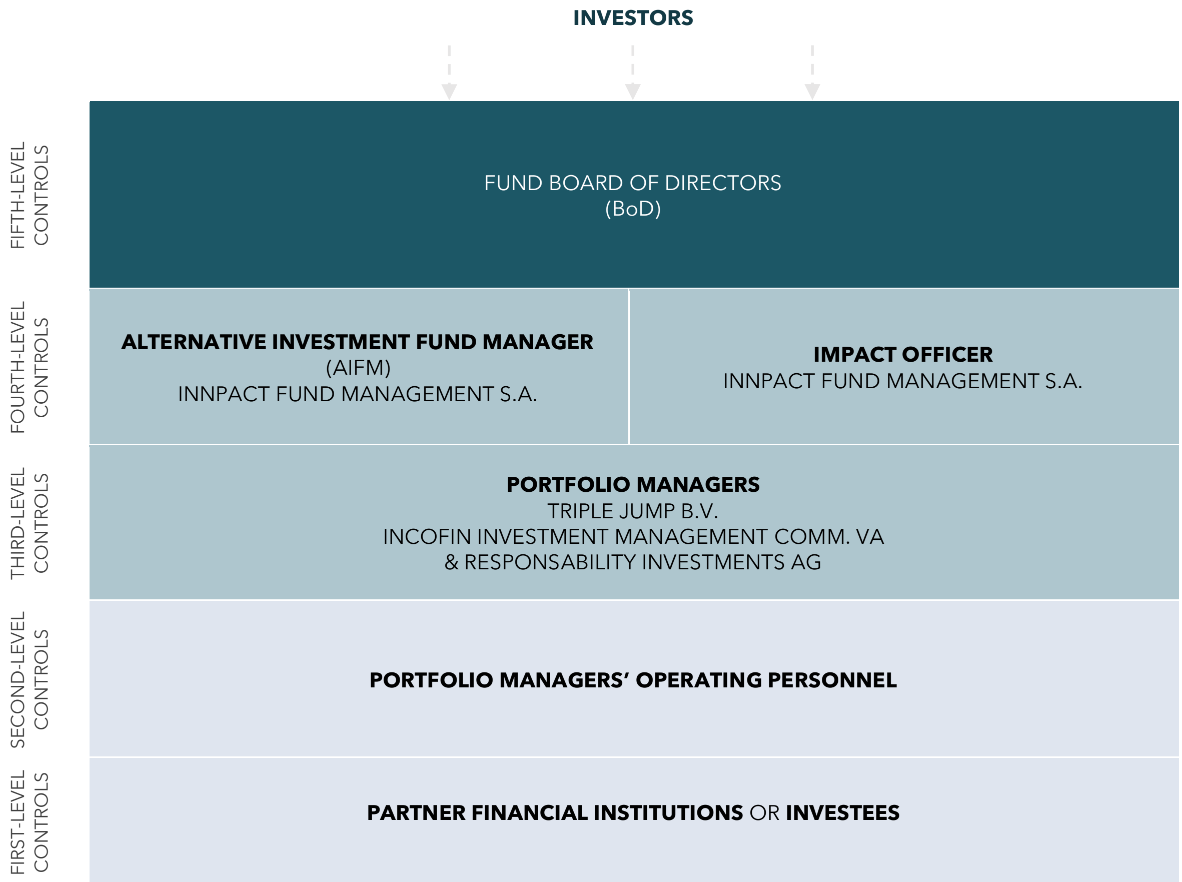
- the managing bodies of the Fund outlined in Section 2 of this document
- PMs and PMs' direct employees including interns (**Portfolio Managers' Operating Personnel**), the AIFM personnel and the impact officer,
- personnel of significant third parties operating for and on behalf of the Fund, regardless of the nature of the contractual relationship with the Fund (including outsourced labor providers and contractors providing services with the potential for material adverse impacts on sustainability factors).

2 ORGANISATIONAL CAPACITY & COMPETENCY

2.1 Roles & Responsibilities Organogram

Responsibility for implementation of the Impact Policy, ESG Policy, and Gender Policy, and IMS falls under the PMs. Monitoring of their correct implementation is the responsibility of the Impact Officer, AIFM, and Board of Directors.

The Fund's control framework is further outlined in the following sections.



2.2 First-level Controls: Financial Institutions

First-level controls are the responsibility of invested assets (**Investees** or Partner Financial Institutions (**PFIs)).** PFIs commit to adhering to the Fund Exclusion List, covenants, and ESG & Gender Action Plan (**ESGAP**) in line with the Fund's Impact, ESG and Gender Policies as well as the IMS.

2.3 Second-level Controls: Portfolio Managers' Operating Personnel

Second-level controls are the responsibility of all Portfolio Managers' Operating Personnel and are integrated through all management processes, including policies, due diligence, and compliance. ESG and gender-related risk management processes support the collection of all relevant sustainability information in relation to prospective or Investees. Focus is given to the investment team of the PMs, responsible for the following tasks:

- Screen and perform due diligence as per Fund IMS, Impact Policy, ESG Policy, and Gender Policy. An on-site visit may be conducted at the discretion of the PMs.

- They reserve the right to conduct, at their discretion, directly or through third parties, subsequent on-site visits based on PM's assessment of risk, ESG performance or to follow-up relevant E&S-related incidents.
- Draft covenants and an ESG & Gender Action Plan (**ESGAP**), which incorporates a Gender Action Plan (**GAP**) (on a case-by-case basis), tailored to each Investee and ensure that all loan agreements contain such sustainability covenants and ESGAP requiring that the financed PFI complies with the Fund Impact Policy, ESG Policy, Gender Policy, and IMS.
- Communicate to the Investee examples of events considered as material accidents or incidents and ensure that the Investee is aware of the communication process, including reporting to the Portfolio Manager. Definition of such incidents as outlined in section 7.5 can be included in the loan documentation with PFIs.

2.4 Third-level Controls: Portfolio Managers

Third-level controls are the responsibility of the PMs. Responsibilities include:

- Post-investment engagement with Investees
- Ensure quality and timely retrieval of annual reporting data (such as performance indicators and principal adverse impact indicators)
- Review of ESG & Gender Action Plan and legal covenants tailored to each Investee,
- Providing input and support in the preparation of the (i) quarterly and annual impact report based on portfolio information (ii) AIFM marketing Fund Annual Impact Report and (iii) Annex V in line with EU Sustainable Finance Regulations
- Report any material impact-related violations, E&S-related incidents, including safeguarding incidents:
  - Firstly, to the Fund's Impact Officer and AIFM
  - Secondly to the Board of Directors if deemed material enough in agreement with the AIFM (including any AIFM decision, if applicable) and,
  - Thirdly, where strongly material, support the AIFM in informing Investors.

2.5 Fourth-level Controls: AIFM and Impact Officer

Fourth-level controls: are part of the AIFM and Impact Officer's responsibilities.

The AIFM exercises its oversight duties at portfolio and risk management level. In this regard, the AIFM will perform oversight on the PMs, and will review each transaction from a risk management perspective after final validation by the PM's internal Investment Committee to ensure prospective and current investments are aligned with the Fund's overall investment policy, investment strategy, restrictions, and risk tolerance.

Similarly, the Impact Officer exercises its oversight duties at transaction level to ensure prospective and current investments are aligned with the Fund's IMS, Impact Policy, ESG Policy, and Gender Policy, respecting tailored legal covenants, and ESG & Gender Action Plan. Responsibilities of the Impact Officer include:

- Review of each transaction from a positive and negative impact perspective
- Review each E&S-related incident raised by the PM, if any
- Post-investment, monitor the performance of the Fund's Technical Assistance Facility (**TA Facility**) in improving Investees' E&S management systems, policies, and procedures, including monitoring the implementation of the ESG & Gender Action Plan (where relevant)
- Review and challenge of the overall impact & ESG performance of the Fund
- Review of the overall performance of the PMs towards the correct implementation of the IMS, Impact Policy, ESG Policy, and Gender Policy, as well as communication, management, and reporting of accidents/incidents

- Update and maintain the IMS, the Impact Policy, ESG Policy, and Gender Policy
- Represent the Fund with external stakeholders, including Investors and at impact responsible investment conferences (if needed and where appropriate).
- Review terms of reference in case of any delegated part hired.
- Ensure that the Fund Annual Impact Reports are prepared and in line with EU Sustainable Finance Regulations

The Fund must seek written consent of the investors prior to appointing a new person to serve as the Impact Officer of the Fund.

2.6 Fifth-Level Controls: Board of Directors

Fifth-level controls: as the final level of control, the Fund's Board of Directors will exercise appropriate fiduciary and legal responsibilities with respect to all ESG, gender, and impact risks, as well as the trajectory towards the achievement of the Fund strategic sustainable investment objective and impact & ESG performance.

In particular, the Board of Directors shall assume the following responsibilities:

- Review and approval of the Fund's sustainable investment objective, Impact Policy, ESG Policy Gender Policy, and Impact Management System (this document)
- Setting of ESG, gender, and impact risk tolerance of the Fund
- Review and approval of the Fund Annual Impact Reports (one for regulatory purposes, and one for marketing)
- Review and approval of mitigation plans and follow-up actions in case of any escalated E&S-related accidents or incidents.

Separately, the Fund may implement periodic independent audits at the request of the AIFM or investors.

In addition to the Board composition criteria as stated in the Fund's Issue Document, it is the aim of the Fund to have at least one (independent) Director with expertise in ESG and impact investing and if possible, including gender-related aspects.

2.7 Budget, Training, and Competency

To ensure effective IMS implementation, resources may be allocated to prepare and distribute the IMS documentation and materials, to train personnel on IMS procedures, and to account for staff time to perform their sustainability and gender responsibilities in their day-to-day duties. The PMs shall ensure the provision of training to all staff to fulfil their relevant sustainability and gender responsibilities as per the IMS.

The Impact Officer is responsible for organising external or internal Sustainability and Gender training sessions to be provided to the Board of Directors in the first place as well as AIFM and PMs where needed. Such trainings shall be provided every other year.

Trainings shall cover the requirements and implementation of the EU SFDR and its updates and timeline, including topics such as, for instance, the integration of ESG, gender, and impact risk management and disclosure requirements into the wider business and investment risk management processes or the assessment and monitoring of compliance with the Minimum Safeguards. Emphasis shall be placed on gender-related aspects and the management of gender risks such as for instance the concept of gender-based violence and the risk it poses to the Fund's investments.

Below is an overview on how the sustainability and gender training program is managed by the Impact Officer and further examples of topics it may cover:

- Regular external training on gender-related aspects (e.g. management of gender risks).
- Regular external training on human rights-related aspects to ensure compliance with Minimum Safeguards of EU Sustainable Finance Regulations.
- External trainings to be delivered to the Impact Officer and/or other concerned staff when needed by appropriate training providers.
- Regular internal training to the PMs by the Impact Officer on updates on EU Sustainable Finance Regulations' requirements and timeline.
- PMs and the Impact Officer are encouraged and, in some instances, required to participate and attend the sustainability and gender training events, workshops and web seminars provided by some of the Development Finance Institutions (**DFIs**) when available.

3 IMPACT POLICY

The Fund commits to the following impact considerations throughout its operations:

a) The Fund recognizes its responsibility to promote positive benefits of responsible finance. As such, the Fund is committed to ensuring that impact criteria are fully incorporated into its investment decisions, and to conduct its business in line with international impact best practices.
b) The Fund as a signatory commits to comply with the Operating Principles for Impact Management (**OPIM**) as disclosed in Appendix I.
c) The Fund has incorporated the Client Protection Pathway (**CPP**) as disclosed in Appendix II within its investment strategy. It will require for PFIs funded by the Fund and classified within the Microfinance Portfolio, to commit to Step 1 of the Pathway[1]. Commitment to Step 1 of the Pathway is optional for PFIs classified within the SME Portfolio.
d) The Fund commits to comply with the Minimum Safeguards of EU 2019/2088 SFDR regulation which include:
    a. OECD Guidelines for Multinational Enterprises[2], when applicable
    b. UN Guiding Principles on Business and Human Rights[3]
    c. International Bill of Human Rights[4]
    d. ILO Declaration on Fundamental Principles and Rights at Work[5]
e) The Fund will seek to ensure that its investments do not do any significant harm, do not harm the sustainable objectives, and seek to reach the sustainable investment objective of the Fund, by screening potential investments, monitoring existing investments against the PAIs indicators using the process set out in this IMS (Appendix III), collecting PAIs across investments on an annual basis , and calculating them at portfolio level using a weighting that reflects different allocations from quarter to quarter.

1 https://cerise-sptf.org/resources-for-every-step/
2 https://www.oecd.org/daf/inv/mne/48004323.pdf
3 https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf
4 https://www.ohchr.org/documents/publications/compilation1.1en.pdf
5 https://www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm

4 ESG POLICY

The Fund commits to the following ESG considerations throughout its operations:

a) It will not invest in PFIs that are subject to the Exclusion List outlined in the Investment Guidelines. It will apply restrictions on investments in certain sectors and activities in line with KfW Group and IFC Financial Intermediaries (**FI**) Exclusion List as outlined in the Exclusion List annexed to the Investment Guidelines. In particular, it will not make any investments in Category A and Category FI-1 Clients as per ESG risk categorization as defined in Section 7.1. Category A projects can be financed by the PFIs provided it is not funded with financing from the Fund.

b) It will require PFIs to make ESG representations towards the Fund, meet the AIFM's ESG requirements at the level of such PFI and provide a copy to the PMs of their environmental and social management system (**ESMS**) prior to investment if already implemented or as a condition subsequent, commensurate with the PFI's risk profile and to notify the PMs of any amendments to their ESMS. Expected requirements on the depth of the investee's ESMS depend on the assigned risk category as per KfW Sustainability Guidelines and IFC Performance Standards for the private sector. It is highly encouraged that such ESMS should be centralized in a single document with appropriate references to other policies and procedures. If such centralized document does not exist, the PFIs should be able to demonstrate to the PMs that it has the policies in place and capacity to cover at minimum the following aspects:
   1. an exclusion screening mechanism,
   2. evidence of good labour practices,
   3. the application of adequate customer protection principles,
   4. a policy of ethical business conduct,
   5. an appropriately detailed climate risk assessment, which may not consider the environmental risk of individual PFI clients but must consider the risk across sectors and geographies in aggregate.

c) Though not requiring compliance with all IFC PS, the Fund shall be compliant with IFC PS 2 - *Labor and Working Conditions* in line with the September 2023 IFC *Guidance Note on Financial Intermediaries*. IFC PS 2 requires particular attention by PFIs to their employment practices and working conditions. The Fund goes one step further by putting a gender lens on the PS and assesses PFIs for their level of gender-based violence and harassment (GBVH) risk management to ensure equal opportunities and fair treatment of all PFI employees.

d) It will implement a mandatory environmental and social due diligence (**ESDD**) on prospective PFIs by the PMs: such DD includes the identification and appraisal of social and governance aspects, risks and opportunities, and gender assessment which will form the basis for the design of an ESGAP to be monitored over the life of the investment. All business will be conducted in compliance with relevant laws, rules, regulations, and governmental orders in the Grand-Duchy of Luxembourg as well as in the countries where the Fund extends financing.

e) It will provide financing in accordance with sound banking practice and on a sustainable basis. It will operate in accordance with its Investment Guidelines with diligence, efficiency, and prudence, providing funding at market terms while pursuing the Fund's development impact goals. The Fund will adopt prudent integrity, AML/CTF and corporate governance principles and procedures in its operations.

f) The Fund will only make an investment in a state-owned entity (**SOE**) when, in the reasonable judgment of the PM's internal IC, acting in good faith as of the date of making such investment, such SOE (i) operates in a commercial manner (including operates at level playing field with private companies); (ii) has operational autonomy from the government; and (iii) is generally subject to commercial and corporate laws applicable to private companies.

5 GENDER POLICY

5.1 Introduction & Objectives

The Fund establishes this overarching gender policy (**Gender Policy**) that articulates how the Fund integrates gender considerations into its decision-making and operations to effectively manage its negative impact while achieving targeted positive impact. The Gender Policy is fully integrated within the operations of the Fund, and it is consistent with and linked to its existing frameworks, policies and standards, and it represents a key component of the Fund's IMS. While it is not a requirement that all end beneficiaries of the Fund's investment should be women, women-owned or women-led businesses, the Gender Policy of the Fund delineates a financing strategy with an intentional focus and requirement on targeting women, women-led and women-owned businesses in developing markets.

Specifically, the Fund commits to the following gender-smart outcomes throughout its operations, as disclosed in its Theory of Change (**ToC**):

PFI level:

a) Enhance gender-smart responsible finance awareness and conduct.
b) Improve gender balance at PFIs' senior levels and improve working conditions for women.

Clients level:

c) Reduce the gender gap in access to finance.
d) Increase outreach to underserved women, women-owned and women-led businesses through adequate financing.

5.2 Standards & Principles

In addition to the standards and principles outlined in the Impact Policy, the Fund commits to the following throughout its operations:

a) It will promote a financing strategy intentionally focused on targeting women, women-led and women-owned businesses in development markets. It recognizes its responsibility to enhance gender-smart responsible finance awareness and conduct. As such, the Fund is committed to ensuring that gender-related criteria are fully incorporated within its investment strategy.
b) It will promote gender-lens investments in line with the 2X Challenge[6] initiative.
c) It has incorporated a Gender-based Violence framework based on a gender smart assessment questionnaire to identify, assess, monitor and report Gender-based Violence risk.
d) It will use SPI5/ALINUS[7] for impact reporting to promote gender-smart responsible microfinance and financial inclusion services.
e) It adopts best-in-class approach (implementation of a gender smart assessment, definition of gender action plan within the ESGAP) to evaluate and strengthen the provision of gender-smart and responsible financial services to women, women-owned and women-led businesses in developing markets.
f) It collaborates with external entities such as The Social Performance Task Force (SPTF) and CERISE[8] to collect and report data and indicators on client protection appropriately.

5.3 Gender Smart Assessment

The Gender Policy requires the PMs to perform a Gender Smart Assessment (**GSA)** for all PFIs as part of the normal due diligence process of the Fund. The GSA aims to capture and evaluate internal and

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[6] https://www.2xchallenge.org/

[7] https://en.spi-online.org/about

[8] Cerise is an NGO that believes finance can be responsible, ethical, and inclusive, as long as economic actors adopt approaches to measure and manage their social performance. https://cerise-spm.org/en/

external factors related to gender and gender-smart strategies. In response to the GSA, the PMs will develop an ad-hoc Gender Action Plan (**GAP**) included in the ESG & Gender Action Plan to improve PFIs gender-lens performances and address any gaps identified with the GSA. Through the GSA and the GAP, PMs will identify the cases where the support of the TA Facility is most necessary and/or beneficial.

In particular, the Gender Smart Assessment will capture:

- Internal factors, such as:
    a. Gender policies, including gender-based violence related policies.
    b. Women employed.
    c. Women in senior leadership/executive positions.
    d. Training on gender, diversity and other topics.
    e. Accessible, safe and reliable transportation to commute between residence and workplace.
- External factors:
    a. Gender specific products.
    b. Gender specific services.
    c. Deployment strategies.

6 IMPACT MANAGEMENT

The Fund's Theory of Change (**ToC**) lays out how the Fund's impact strategy, structure and activities are expected to address the challenges of gender-smart responsible finance.

Theory of Change diagram on the following page

6.1 Theory of Change

The Fund's mission is to strengthen the provision of gender-smart and responsible financial services to underserved women, women-owned and women-led businesses in developing markets, with the aim to improve livelihoods, increase gender balance and outreach, and promote women's leadership.

Structure

- Global **blended finance** vehicle
- Portfolio Managers with significant and **complementary market coverage and experience**
- **First loss deployment** for underserved markets (including IDA/LIC countries)

Activities

- **Financial products** that fit borrowers' needs
- Widespread promotion of **gender-smart responsible finance principles & practices**
- Implementation by PFIs of **Gender Action Plans**
- **Flexible** in response to changing market demand and supply
- **Technical assistance** to support PFIs in the development of gender-smart strategy and products

Sphere of Control

Outcomes

For PFIs

- Enhanced **gender-smart responsible finance awareness and conduct**
- **Improved gender balance** at PFIs' senior levels
- **Improved working conditions** for women

For Clients

- **Reduced gender gap** in access to finance
- **Increased outreach** to underserved women, women-owned and women-led businesses through adequate financing

Sphere of Influence

Impact

- Provision of **adapted financial services** to underserved women, women-owned and women-led businesses in developing markets
- Aims to:
  - ✓ **improve livelihoods,**
  - ✓ **increase gender balance and outreach, and**
  - ✓ **promote women's leadership**

Sphere of Interest

Contribution to UN SDGs:

6.2 Objectives and Target Impact

The attainment of GGSF's positive impact will be measured by monitoring and reporting on Key Performance Indicators (**KPIs**) presented in the tables below contributing to the United Nations Sustainable Development Goals (**UN SDGs**).

In particular, GGSF will monitor KPIs aligned with the Outcomes visualized in the ToC, and it has specific KPIs for both PFIs and Target Clients outcomes, some of which might be supported by TA. Additional indicators may also be considered on a case-by-case basis depending on the nature of the investment.

If certain indicators cannot be monitored at the onset of the investment, in particular sex-disaggregated data on borrowers, this should form part of the Gender Action Plan with defined timeline.

Moreover, to measure the attainment of the TA Facility objectives, specific KPIs have been selected and will be monitored and measured at activity level.

Level	***ToC Outcome***	***SDG Target***	***Key Performance Indicator***	***Unit***	***Frequency***
PFI level	Enhanced gender-smart responsible finance awareness and conduct	5, 10	Number of PFIs collecting gender disaggregated data in digital form	#	Annual
			Number of products and services significantly enhanced or developed which specifically serve the needs of female customers	#	Annual
	Improved gender balance at PFIs at PFIs' senior levels & improved working conditions for women at PFIs	5, 10	Improvement of PFI's responsible conduct[9]	Δ %	Annual
			Number of PFIs with a gender-smart strategy[10]	#	
			Share of women on the Board at PFIs	%	
			Share of women in senior leadership positions[11] at PFI level	%	
			Share of women in middle management positions[12] at PFI level	%	Annual
			Number of direct employees, including number of women	#	Annual

[9] To be measured through the percentage change of average ALINUS score from baseline at the time of due diligence to reporting date (annually).

[10] This could include cases where PFIs have policies that go beyond compliance like women's career advancement policies, diverse representation policies, flexible work arrangement policies, fair career advancement policies etc.

[11] Defined as senior executives (senior operating officers or managers of a company who are responsible for the everyday operations of the organisation and report directly to the CEO or Board of Directors) and senior management (individuals that report to senior executives and that are involved in determining the organisation's overall structure and direction, manage a significant percentage of the workforce, have equivalent authority or directly report to the CEO).

[12] Defined as managers which report to 'senior management' such as departmental, regional, product, and project heads/managers.

			Growth of women in senior leadership positions[11] at PFI level	Δ %	Annual
			Growth of women in middle management positions[12] at PFI level	Δ %	Annual
			Growth in proportion and number of qualified female employees[13]	Δ %	Annual
Target Clients level	Reduced gender gap in access to finance	5, 10	Share of women, women-owned and women-led final borrowers in the retail, microfinance and SME segments	%	Quarterly
			Growth in proportion of female customers	%	Quarterly
	Increased outreach to underserved women, women-owned or women-led businesses through adequate financing	5, 8	Number of women, women-owned and women-led final borrowers in the retail, microfinance and SME segments	#	Quarterly
			Outstanding amount of loans to women, women-owned and women-led final borrowers in the micro, microfinance and SME segments	$	Quarterly
			Number and value of past due loans over 30 days to to women, women-owned and women-led final borrowers in the micro, microfinance, and SME segments	#, $	Annual

At Fund Level: The Board of Directors of the GGSF should be in a majority women by 31 December 2025

Activity level TA KPIs will include the following, to be provided by the TA Preferred Provider on a quarterly basis to the TAFM with information to the PMs:

1. Number of TA Interventions Provided
    a. Number of TA interventions supporting the implementation of Gender Action Plans (GAPs)
    b. Number of bespoke trainings provided by TA disaggregated by training type
    c. Number of interventions providing support for financial and non-financial product development through TA
    d. Number of interventions supporting institutional strengthening of gender sensitive workplace practices (i.e., enhanced policies or procedures)
    e. Number of Data and Digital Transformation projects provided through TA
2. Number of PFIs receiving TA

[13] Employees fulfilling technical roles related to the PFI's core business and provision of services or the PFI's internal management. This would notably exclude administrative and non-administrative support positions such as personal assistants, custodial staff, and facility staff.

3. Total volume of TA funding per PFI
4. Average and median volume of funding per TA Intervention.
5. Number of products and services significantly enhanced or developed through the TA which specifically serve the needs of female customers

6.3 Principal Adverse Impacts

The Fund will seek to ensure that its investments do not do any significant harm, do not harm the Sustainable Objectives, and seek to reach the Sustainable Objectives of the Fund, by considering fourteen (14) mandatory and two (2) voluntary Principal Adverse Impact (PAI) indicators outlined in Appendix III as part of the investment process. The PAI indicators will only apply at PFI-level.

The AIFM will consider and evaluate each deal based on the sixteen (16) PAI indicators to create a baseline for further monitoring and reporting. In the case where no, incomplete or low-quality data is available due to the emerging country of investment, GGSF will develop or acquire relevant proxies to ensure complete reporting for its stakeholders.

If the potential investment does not report on any of the PAI indicators and no tailored proxies are developed or acquired by the Fund, the due diligence process will not move forward, and the potential deal will be discarded from the selection process.

6.4 Consideration of Impact Risks

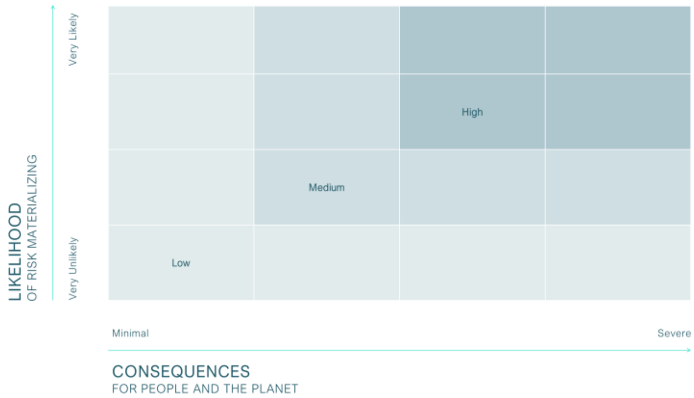
The Fund will also consider in its operations Impact Risks defined by the Impact Management Platform (**IMP**) as the (i) likelihood that the impact will be different than expected, and that (ii) the difference will be material from the perspective of people or the planet who experience impact.

Impact Risks will be assessed annually by the Fund's Impact Officer at portfolio level for their individual pools. Potential investments will not be individually evaluated for Impact Risks.

IMP classifies Impact Risks into nine types, to be identified, categorized, and assessed and potentially mitigated based on the nature of the investment.

Impact Risk	***Description***
Evidence Risk	The probability that insufficient high-quality data exists to know what impact is occurring
External Risk	The probability that external factors disrupt our ability to deliver the impact
Stakeholder Participation Risk	The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
Drop-Off Risk	The probability that positive impact does not endure and/or that negative impact is no longer mitigated
Efficiency Risk	The probability that the impact could have been achieved with fewer resources or at a lower cost
Execution Risk	The probability that activities are not delivered as planned and do not result in the desired outcomes
Alignment Risk	The probability that impact is not locked into the enterprise model
Endurance Risk	The probability that the required activities are not delivered for a long enough period
Unexpected Impact Risk	The probability that significant unexpected positive and/or negative impact is experienced by people and the planet

Impact Risks can be categorized as follows.



Impact Risk Category	***Description***
High	Very likely and severe risk
Medium	Partially likely and severe risk
Low	Very unlikely and not severe risk

7 ESG MANAGEMENT

7.1 Consideration of ESG Risks

During the Due Diligence stage, potential investments will be evaluated for ESG Risks where, under SFDR 2019/2088, Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

In order to assess and categorize ESG risk, the investees will be categorized by the PMs as per IFC categorization for Financial Institutions (FI). The category FI refers to business activities involving investments in FIs or through delivery mechanisms involving financial intermediation. This category is further divided into:

Category	***Description***	***Criteria***
FI-1	High Risk	When an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. **High risk investments are excluded by the Fund.**
FI-2	Medium Risk	When an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented

FI-3	Low Risk	When an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts

Moreover, the Fund may also refer during its operations to the other categories outlined in the IFC Sustainability Framework, and defined as follows:

E&S Risk Category	***Description***
Category A – HIGH	Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. **High risk investments are excluded by the Fund.**
Category B - MEDIUM	Potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.
Category C – LOW	Minimal or no adverse environmental or social risks and/or impacts

7.2 ESG and Gender Action Plan

GGSF aims to build trusted relationships with both PFIs and Target Clients. It believes that the key impact leverage mechanism is the inclusion of a tailored action plan and impact-related commitments (on a case-by-case basis) within the loan agreement with the PFIs. The ESG & Gender Action Plan will include an ESG and Gender sections (when relevant).

In the ESG section of the ESGAP, the Fund will encourage each Investee to monitor, investigate and record any serious incidents that may result in casualties, fatalities, safeguarding incidents, material effect on the environment, or material breach of the laws, environmental incidents and other social issues (e.g. workers strikes, community protest, retrenchment).

7.3 Minimum Safeguards

The Fund recognizes its duty to respect human rights as enshrined in international human rights law. All potential investees shall be screened and assessed against the following Minimum Safeguards:

- UN Guiding Principles on Business and Human Rights
- International Bill of Human Rights
- Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO)
- OECD Guidelines for Multinational Enterprises (if applicable)

Compliance with the Minimum Safeguards is monitored on an ongoing basis.

7.4 Good Governance Practices

Investee governance practices are assessed in alignment with IFC's Corporate Governance Methodology. In particular, in case of material issue identified by the PMs, the PMs will draft and include a section on governance corrective actions (if any) within the ESG & Gender Action Plan in the loan agreement to be implemented post-investment by the Investee and to be added as a covenant in the legal documentation. In such case, the PMs will conduct annual monitoring of progress against its respective ESG & Gender Action Plan.

7.5 Management of Incidents and Incident Escalation Process

Material incidents and potentially significant or material arising issues will be escalated immediately by the PM to the Impact Manager and the AIFM within three business days of becoming aware of such breach of incident, and where appropriate to the relevant public authorities or required by law.

The Fund defines serious environmental, social, health and safety (ESHS) incidents as any serious incident (including accidents and complaints) with respect to the environmental, social (including labor and community), health or safety-related or human rights related aspects of the projects that occurs in relation to the borrower or in connection with a project financed by the loan. An incident will, for instance, be considered serious if it:

a) has, or is likely to have a material adverse effect on the affected persons or environment;
b) has attracted or is likely to attract substantial adverse attention from third parties;
c) may lead to adverse media coverage;
d) gives, or has the potential to give rise to material legal or financial liabilities; or
e) would be regarded as a serious ESHS incident by international standards from the perspective of an objective third party.

Examples of such serious incidents include (but are not limited to):

- explosions, spills or workplace accidents, resulting in death, serious injuries or material environmental contamination;
- accidents involving members of the public/local communities, resulting in death or serious injuries;
- sexual harassment or sexual violence involving the project workforce
- severe threats to public health and safety;
- claims of inadequate resettlement compensation;
- disturbances of natural ecosystems;
- discriminatory practices in Stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent); and
- any other allegations that require intervention by the police/other law enforcement authorities.

The incident needs to be reported to the Fund within 3 business days of the PM becoming aware of such incident. After the analysis of information related to the incident shared from the PFI and within a reasonable period of time and on a best-effort basis, the PMs will prepare a more detailed Incident report with comprehensive key information related to the incident that will be shared with AIFM. In particular, it will:

- Identify and clearly state the cause/reason for such breach or incident,
- Assess if and how the incident affects disproportionately women, women-owned or women-led businesses,
- Assess the potential impact on the investment, and the potential gender-related impact,
- Provide details of the action plan that the PFI has proposed, if any;
- Inform the AIFM of the actions taken or planned to be taken by the PM (e.g. granting a waiver); and
- Recommend actions for the approval of the AIFM, if any (e.g. making provisions in the fund, etc.).

7.6 Consideration of Grievances and Grievances Escalation Process

The Fund will check that PFIs and Target Clients will solicit inputs especially from women and that there will be no barriers to the participation based on gender. The PMs will ensure that all grievances are considered and escalated within the appropriate timeline.

8 GENDER MANAGEMENT

8.1 Consideration of Gender-based Violence and Harassment Risks

As per the Council of Europe definition[14] and EIGE categorisation[15], GGSF defines Gender-based Violence and Harassment (**GBVH**) as any type of harm that is perpetrated against a person or group of people because of their factual or perceived sex, gender, sexual orientation and/or gender identity, and it categorises GBVH in the following types:

GBVH	***Description***
Physical violence	Any act which causes physical harm as a result of unlawful physical force. Physical violence can take the form of, among others, serious and minor assault, deprivation of liberty and manslaughter.
Psychological violence	Any act which causes psychological harm to an individual. Psychological violence can take the form of, for example, coercion, defamation, verbal insult or harassment.
Sexual violence	Any sexual act perfomed on an individual without their consent. Sexual violence can take the form of rape or sexual assault.
Economic violence	Any act or behaviour which causes economic harm to an individual. Economic violence can take the form of, for example, property damage, restricting access to financial resources, education or the labour market, or not complying with economic responsibilities, such as alimony.

8.2 GBVH Risk Categorization

GBVH risks are defined as factors that increase the likelihood of GBVH occurring. Potential investments will be evaluated for GBVH and GBVH risks through a specific questionnaire provided by Equilo.

To classify GBVH Risk, GGSF categorization is based on Equilo GBVH Risk categorization per country, outlined in the table below:

Equilo GBVH RISK CATEGORY	**DESCRIPTION**
Category A – EXTREME	Countries where the overall GBVH risk score is extreme typically have dangerously fragile or hostile enabling environments for preventing and responding to GBVH. In addition, knowledge and beliefs typically reinforce social norms that threaten the safety, security, and lived experience of large masses of people, disproportionately women, girls, and those with non-conforming sexual and gender identities. The lived

[14] https://www.coe.int/en/web/gender-matters/what-is-gender-based-violence
[15] https://eige.europa.eu/gender-based-violence/what-is-gender-based-violence/forms-of-violence

	experiences of these populations are often marked by GBVH, or the threat thereof, with few options to access help.
Category B - SEVERE	Countries where the overall GBVH risk score is severe likely have pervasive, systemic problems at all levels. Although there may be areas of strength, such as relatively strong enabling environment with appropriate laws and policies, there are likely at least two areas that present significant risk of GBVH, such as harmful knowledge and beliefs held by women and men that perpetuate cycles of violence, poor access to services and safety nets, or alarming lived experience of GBVH.
Category C – SIGNIFICANT	Countries with an overall significant GBVH risk score are those where there may be relatively stronger legal and policy frameworks in place to prevent and respond to GBVH or may have adequate access to resources and safety nets for survivors of GBVH. However, countries with significant risk, despite a strong enabling environment to prevent and respond to GBVH, may be threatened by power dynamics and knowledge and beliefs that perpetuate harmful norms, and thereby have unacceptable rates of broad types of GBVH in homes, communities, and places of work.
Category D – UBIQUITOUS	Countries with ubiquitous risk may have measures in place to appropriately prevent and respond to GBVH, yet still have a population that experiences, and is threatened by, GBVH and ongoing norms that perpetuate it.

Given the sensibility of the topic, GGSF will avoid using personal surveys as baseline for the categorization of GBVH risk. Instead, the Fund will rely on Equilo assessment, country-specific information and benchmarks, and other information from sources and databases such as:

- Global Database on Violence against Women[16]
- Gender-based violence programme data dashboard[17]

The categorization may refer also to the Human Development Index (**HDI**), the Gender Development Index (**GDI**) and the Gender Inequality Index (**GII**).

The GBVH risk categorization will be reflected in the overall scoring of the project presented to the AIFM.

8.3 Gender Action Plan

GGSF will include in each ESGAP also a Gender Action Plan based on the gaps identified through the Gender Smart Assessment defined in Section 5.3. In this section of the ESGAP, the PMs will define together with the PFIs specific targets and KPIs, timeline and milestones, and actions required for each PFI to improve service delivery for women and gender equality within the PFI's operations.

The GAP will also incorporate GBVH-related action items, that will outline the actions required from the Investee to put in place the necessary protocols and mechanisms to address GBVH risk and any

[16] https://evaw-global-database.unwomen.org/en/countries
[17] https://www.unfpa.org/GBV-dashboard/explorer/map

GBVH-related incidents that may arise. The PMs in collaboration with the PFIs will be responsible of the development of such action items in the Gender Action Plan, that may include:

- an awareness raising strategy, which describes how to sensitize stakeholders on GBVH risks, and their responsibilities related in case of incident,
- who is the reference point within the organization for GBVH survivors, and the list of services available,
- how the Investee will provide information to employees and community in case of GBVH, and
- the response framework, which outlines the disciplinary action and sanctions in case of GBVH, in line with local and international laws and regulations.

The ESGAP will also determine the cases where the support of the TA Facility is most needed, and the TA Facility itself will support the implementation of the action plan to ensure the PFI's commitment to improve internal and external performance with a specific focus on gender-related criteria. The inclusion of the ESGAP in the loan agreement ensures that the PFIs are fully aware and committed to addressing the identified issues in the agreed timeframe, including as a condition precedent prior to any subsequent transaction.

Moreover, during the DD stage the PMs will categorize each PFI within one of the three performance groups below based on the following criteria:

1. **No gender lens**: Does not meet any of the gender criteria but exhibits strong intentionality to implement gender criteria and does not have explicitly discriminating policies or practices.
2. **Gender Lens (or Inclusive)**: Business is 2X Challenge-aligned and demonstrates gender action or results for at least one of the following 2X Challenge categories:
    a. **Entrepreneurship**: 51% women ownership or the business is founded by a woman. (or at least 50% founded by a woman or women in case of multiple founders).
    b. **Leadership**: Share of women in senior leadership with sector & country specific thresholds.[18]
    c. **Employment**: Share of women in the workforce with sector & country specific thresholds[15] and one "quality indicator beyond compliance.
    d. **Product/service**: Products or services that specifically or disproportionally benefit women.
    e. **Portfolio**: 30% of the PFI's portfolio supports women or businesses that meet the 2X Criteria.

    This category will include firms that are intentionally taking action to address gender inequalities and/or apply a gender lens in their business model.
3. **Gender Smart**: Business can demonstrate gender intentionality, action and results as measured by historical milestones.

Fulfilling performance group criteria in any 2Xcategory will immediately place the PFI in that performance group but their performance in each category will be tracked to encourage improvement.

[18] https://www.2xchallenge.org/2xcriteria

9 FUND COMMUNICATIONS AND REPORTING

External Reporting to Investors (Fund Annual Impact Report)

The Fund will provide an Annual Impact Report to its investors and other stakeholders using a specific template in line with SFDR. The Impact Report will be provided alongside the Fund Financial Statements.

External Reporting to OPIM (Annual OPIM Verified Disclosure)

As per OPIM signatories reporting requirements, GGSF commits to publish an Annual Disclosure in which it describes how each Principle is incorporated into its investment process and the alignment of its impact and ESG management system and processes with each Principle. GGSF will publish on its website the Annual Disclosure and will provide the related link to the Secretariat for posting on the Impact Principles website.

External Communications to the Fund

All communications received from external third parties (e.g., NGOs, communities, etc.) concerning a particular Investee should be forwarded to the respective Portfolio Manager. The Portfolio Manager will record the communication, acknowledge the communication to the third party (if not anonymous), analyse its contents and respond to the third party within **thirty (30) business days**.

The contact details for communications are available on the Fund's website.

Fund Grievance Mechanism

In the event of serious complaints or those that cannot be resolved promptly, PFIs are obligated to inform the Portfolio Manager of the details. In addition, the Fund maintains a separate channel of communication open to all stakeholders if issues are not being properly addressed by PFIs.

The Fund's own institutional Grievance Mechanism Procedure is available on its website.

The management of complaints is assigned to the respective Portfolio Manager where the AIFM and Impact Manager are copied in every exchange and kept up to date. The Portfolio Manager will provide the response **formally within 30 days** after receipt of the grievance if the grievance has not been received anonymously.

Investee Grievance Mechanism

Maintaining good stakeholder relations is critical for the success of the Fund. Poor stakeholder relations can result in a range of problems and costs. The Portfolio Managers' personnel will emphasize to PFIs that it is essential to alert the Portfolio Manager on any stakeholder-related issues (e.g., social protests and relevant grievances, sexual harassment, fatalities etc.) and the status of relationships with key stakeholders, such as local communities. PFIs should, as appropriate, have a grievance mechanism and a stakeholder engagement plan in place. The Portfolio Manager in collaboration with the Impact Manager and through the TA Facility will help PFIs develop a grievance mechanism if they do not have it.

Even if a PFI has not identified any affected communities during the stakeholder engagement process, it must establish and maintain a publicly available and easily accessible channel for members of the public to contact it (e.g., through a phone number, website, or email address). External stakeholders can provide companies with valuable information through this channel, such as suggestions for improvement; feedback on interaction with their employees; and comments from regulators, NGOs, and individuals regarding the PFI's sustainability performance.

Any grievance may also be submitted anonymously.

10 IMS REVIEW AND IMPROVEMENT

This IMS needs to be reviewed periodically by the Impact Officer and agreed by Portfolio Managers to ensure that it remains relevant and effective over time and incorporates the Fund's evolving needs. This involves identifying potential difficulties with operational aspects of IMS implementation and making changes as necessary; reviewing the scope of IMS procedures to ensure that emerging ESG, Impact, and Gender Risks of investments are detected and identified during the due-diligence process; and updating IMS to reflect revisions in applicable EU laws and national laws on environment, health, and safety.

Finally, the entire IMS should be reviewed and approved by the Fund Board of Directors to ensure that it is integrated as part of the Fund's standard operating procedures.

APPENDIX I: OPERATING PRINCIPLES FOR IMPACT MANAGEMENT (OPIM)[19]

The Operating Principles for Impact Management, launched in April 2019, provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. The Impact Principles bring greater discipline and transparency to the impact investing market, requiring annual disclosure statements and independent verification of Signatories' impact management systems and processes.

- **Principle 1:** Define strategic impact objective(s), consistent with the investment strategy.
- **Principle 2:** Manage strategic impact on a portfolio basis.
- **Principle 3**: Establish the Manager's contribution to the achievement of impact.
- **Principle 4:** Assess the expected impact of each investment, based on a systematic approach.
- **Principle 5:** Assess, address, monitor, and manage potential negative impacts of each investment.
- **Principle 6:** Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
- **Principle 7:** Conduct exits considering the effect on sustained impact.
- **Principle 8:** Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
- **Principle 9:** Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

[19] See OPIM website

APPENDIX II: CLIENT PROTECTION AND RESPONSIBLE FINANCE PRINCIPLES

The Client Protection and Responsible Finance Principles are the minimum standards that clients should expect to receive when doing business with a microfinance institution. These principles were distilled from the path-breaking work by providers, international networks, and national microfinance associations to develop pro-client codes of conduct and practices. There is consensus within the microfinance industry that providers of financial services should adhere to these core principles:

Appropriate product design and delivery

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

Prevention of over-indebtedness

Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).

Transparency

Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

Responsible pricing

Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.

Fair and respectful treatment of clients

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.

Mechanisms for Redress of Grievances

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients.

Privacy of Client Data

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions, and such data cannot be used for other purposes without the express permission of the client (while recognising that providers of financial services can play an important role in helping clients achieve the benefits of establishing credit histories).

APPENDIX III: PRINCIPAL ADVERSE IMPACT (PAIS) INDICATORS

PAI Indicator		Metric
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG Emissions
		Scope 2 GHG emissions
		Scope 3 GHG Emissions
		Total GHG Emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity	GHG intensity of investee companies
Fossil Fuels	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in fossil fuel sector
	5. Share of non-renewable energy consumption and production	Energy consumption in GWh per million EUR of revenue of investee companies
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million ZAR/EUR of revenue of investee companies, per high impact climate sector
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
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
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
	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.
	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 grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board Gender Diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Additional Environmental	15. Investments in companies without carbon emission reduction activities	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Additional Social	16. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters

APPENDIX IV: IFC PERFORMANCE STANDARDS

The IFC's Performance Standards for Environmental and Social Sustainability define responsibilities for managing investments environmental and social risks.

IFC Performance Standards include:

PS 1: Assessment and Management of Environmental and Social Risks and Impacts.

PS 2: Labor and Working Conditions.

PS 3: Resource Efficiency and Pollution Prevention.

PS 4: Community Health, Safety and Security.

PS 5: Land Acquisition and Involuntary Resettlement.

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

PS 7: Indigenous Peoples.

PS 8: Cultural Heritage.