

CARE-SheTrades Impact Fund – REGULATION (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”)

The CARE-SheTrades Impact Fund aims to make sustainable investments that contribute to drive progress toward gender equality by supporting and contributing to the development of business models that address gender discrimination – either within the company, through products and services that better serve the needs of women customers, or by providing economic opportunities for women within business value chains. The Fund invests in accordance with its investment strategy in target businesses which are considered aligned with its impact thesis.

The Fund will seek to achieve its impact objectives by investing in businesses following a binding approach consisting of selecting companies that are aligned with its impact objectives and have the potential to generate positive impact for women, while mitigating the risks of negative impacts through ESG integration, exclusions and engagement with investees.

In pursuing its sustainable objective, the CARE-SheTrades Impact Fund Fund also places a priority on the effective management of potential Sustainability Risks associated with its investments to do no significant harm to any area of environmental or social concern. The Fund seeks to integrate Sustainability Risk considerations all along the investment process. Towards that end, the CARE-SheTrades Impact Fund Fund has implemented and maintains a specific investment process making a sustainability risk and impact assessment of each potential investment.

Impact & ESG risk management process

Management of both positive and negative impacts is at the core of the CARE-SheTrades Impact Fund. The Fund has designed an Impact Framework specifying its Theory of Change, detailed guidelines and impact indicators that will be measured at the portfolio company level and at the fund level, as well as a policy on the assessment and management of ESG risks, ESG requirements and a comprehensive Exclusion List of harmful sectors the fund is prohibited from investing in. The Impact Framework also specifies the processes and roles with respect to impact management. The Impact Framework has been co-designed and iterated in collaboration with CARE Enterprises, a subsidiary of CARE USA.

Detailed investment criteria to support the Fund’s sustainable investment objective are set forth in its investment strategy to ensure that the Fund contributes to its Impact Objectives of driving progress towards gender equality for underserved women.

In order to achieve its Impact Objective, the Fund’s impact management process is deployed at every stage of the investment strategy.

Pre-Investment: Prior to investing in a company, the Fund checks that the potential investment is aligned with its impact thesis to drive progress towards gender equality for underserved women. Following the screening phase, a thorough due diligence is performed on selected companies to analyse the expected impact of the company and conduct a gender-focused due diligence and an ESG risk assessment, leading to an ESG risk score. The analysis on the gender impact of the investment (positive impact generated), as well as the assessment of gender and ESG risks (risk of negative impacts), are both included in the investment memorandum submitted to the Investment Committee. These analyses are discussed in the Investment Committee and form part of the investment decision.

Investment: Upon approval of the investment, the Fund agrees with the investee company on selected impact indicators to be monitored and reported on a regular basis. If some significant ESG risks have been identified during the ESG due diligence, the Fund may also include conditions in the investment agreement related to the monitoring of those specific ESG risks.

Post-investment: During the post-investment period, the Fund monitors the impact data reported by its



investees at the agreed upon frequency. In case specific ESG risks have been identified, the Fund monitors the progress reported by investee companies in monitoring and mitigating those risks. The Fund's intervention is complemented by a Technical Assistance Facility which also contributes to helping investees strengthen their capacities to deliver positive gender impact while mitigating ESG risks.

The social performance of investees is periodically evaluated. At Fund level, the Fund's achieved impact performance will be assessed upon the dissolution of the Fund.

Some of the key non-financial KPIs used by the CARE-SheTrades Impact Fund to measure the attainment of its Impact Objective include:

- Number and % of women employees
- Number and % of women managers
- Number and % of women on the board of directors
- Number and % of women reached as target consumers
- Number and % of women-led MSMEs as supply chain actors
- Number and % of investees having a policy or guidelines for anti-discrimination
- Number and % of investees having a policy or guidelines for sexual harassment
- Number and % of investees having a policy or guidelines for worker safety
- Number and % of investees having systems in place to report cases of sexual harassment, discrimination and violence, investigate accusations and address issues
- Number and % of employees trained on Gender Equality & Diversity (GED)
- Number and % of managers trained on GED
- Number and % of Board members trained on GED

Integration of sustainability risks into the investment decisions of the CARE-SheTrades Impact Fund

The Fund integrates environmental, social and governance (ESG) risks into decision-making and investee engagement throughout the investment process. The Fund has defined an Exclusion List of harmful sectors that the Fund is prohibited from investing in. Beyond the Exclusion List, the Fund has defined minimum requirements related to human rights and gender-related matters that investees are requested to comply with. The Fund also requests that all the activities of investee companies must be consistent with applicable national laws on labor, environment, health, safety and social issues. Moreover, the Fund will only invest in companies that, at the time of investment, demonstrate commitment to a safe, gender-inclusive workplace for women, preventing and addressing discrimination, sexual harassment and ensuring physical safety. During the due diligence phase, the evaluation of investees includes an ESG risk assessment, customized according to the profile of the investee. The ESG due diligence is intended to assess the risk of negative impacts on Environmental, Social and Governance factors (including climate). In addition, the Fund has designed a gender-focused due diligence process intended to qualify the company's alignment with its gender impact thesis. The results of the gender and ESG due diligence are both included in the Investment Memorandum presented to the Investment Committee whose investment decision is informed by the review of gender and ESG factors. Where ESG-related risks cannot be mitigated to a satisfactory extent, the investment will not proceed. Where significant sustainability risks are identified, a clear ESG risk mitigation strategy may be requested as a prerequisite for investment, and regular updates related to the ESG risk mitigation strategy and/or ESG Action Plan may be included as a reporting requirement.

Throughout its portfolio, the CARE-SheTrades Impact Fund collects, analyzes and consolidates the impact metrics of portfolio companies. The Fund has defined a set of core impact indicators to be monitored and reported on for each investee, aligned with the Fund's impact thesis. The Fund reports back to investors on progress and informs them of any development that can affect the impact of portfolio investments.

Engagement with investees, including on gender and ESG matters, is an integral component of the Fund's investment cycle and contribution to positive gender and development impact. The Fund's intervention is complemented by a Technical Assistance Facility, which also contributes to helping investee strengthen their capacities to deliver positive gender impact while mitigating the risks of negative impacts on women.



Assessment of the likely impacts of sustainability risks

The Fund is exposed to sustainability risks in the form of environmental, social or governance (ESG) events and conditions that can have negative impacts on the assets, financial and/or earnings situation, or the reputation of the Fund. The Fund is exposed to the sustainability risks that its investees are exposed to through their operations and clients. When providing debt financing, as a balance sheet lender, the Fund may be impacted by ESG events impacting the investees and their clients. This risk is amplified by the often weaker environmental and social laws and enforcement thereof in the developing countries in which the Fund operates.

The Fund's portfolio is focused on financing enterprises that create "gender justice" for underserved women. Target businesses improve gender equality within the workplace, increase economic prosperity for women consumers, and/or increase opportunities for women in supply chains.

The activities of target businesses may trigger the risk of negative impact on the environment and society in the form of water pollution, carbon emissions, release of hazardous substances threats to local biodiversity, localization in areas subject to extreme weather events, child labor, forced labor/exploitative working conditions, hazards to health and safety, impacts to indigenous people and cultural heritage, population displacement, monopoly of contractors, lacks in client information and/or protection, lacks in Board Functioning and/or audit and transparency, corruption, money laundering and/or link to armed groups. If not adequately managed, these impacts may negatively affect the investees' reputation, regulatory compliance and financial viability. Given the Fund's strategic impact focus, such impacts can in turn negatively affect the Fund's credit risk profile, reputation and/or its financial and/or earnings situation.

However, these sustainability risks are mitigated by the Fund's investment strategy to focus on businesses that generate positive impact for women, as well as the Fund's Exclusion list, gender due diligence, ESG policy targeting companies with low- to medium ESG risk, and diversified portfolio. The Fund applies an Exclusion List prohibiting activities that involve significant negative impact on the environment or society (ex: child labor, forced labor). The Fund refrains from financing activities with a high level of ESG risk, based on its specific ESG risk assessment. In addition, the Fund is requiring its investees to comply with a set of ESG requirements and, where necessary, engages with investees to ensure improvement of their ESG performance. Mandatory incident reporting further facilitates the Fund's ESG risk management. Finally, the Fund's engagement with investees, including on gender and ESG matters, is an integral component of the Fund's investment cycle and contribution to positive development impact. The Fund's intervention is also complemented by a Technical Assistance Facility which also contributes to helping investee strengthen their capacities to deliver positive gender impact while mitigating ESG risks.