



## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant and product name:** Microfinance Enhancement Facility SA, SICAV-SIF

**Legal entity identifier:** 5493002DF397R401YT97

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### Summary

Microfinance Enhancement Facility SA, SICAV-SIF (MEF or Fund), LEI 5493002DF397R401YT97, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of MEF.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

As of 31 December 2023, the Fund had 97 Partner MFIs financed. The table below reflects the Fund's results combining data reported by MEF's Partner MFIs and proxy data. The Fund will work to enhance data availability for the next reporting period.

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### Description of the principal adverse impacts on sustainability factors

The Fund promotes its sustainable investment goals by supporting microfinance institutions (MFIs) in developing countries. These MFIs provide essential services such as credit, savings, insurance, remittances, and housing loans to the economically disadvantaged. Despite the potential for limited adverse impacts on sustainability factors like emissions, human rights, and anti-corruption, these are carefully managed.

During the investment process, the Fund identifies and monitors principal adverse impact indicators (PAIs) as specified by the Sustainable Finance Disclosure Regulation (SFDR). These indicators are assessed at the investment due diligence and decision stages and are consistently monitored throughout the investment period. The Fund's approach integrates both mandatory and selected voluntary indicators, depending on the availability and quality of data.

This report marks the second year of data collection, reflecting the Fund's ongoing commitment to improving its impact on sustainability. The results detailed in the accompanying table show progress and highlight actions taken to mitigate identified adverse impacts. The continued data collection signifies growth and a deepening understanding of the Fund's importance on sustainability factors.

Looking ahead, the Fund will focus on refining data collection processes and expanding coverage. No specific targets for the PAIs were set in the initial year, but with two years of data, the Fund plans to establish realistic, measurable goals. Collaborating closely with investment advisors, the Fund aims to enhance data quality and ensure that its investments continue to align with sustainable development principles.

		INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES						
Adverse sustainability indicator		Metric	Impact 2023 <sup>1</sup>	Impact 2022 <sup>2</sup>	Coverage rate	Explanation	Actions taken, and actions planned and targets set for the next reference period	
		<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	336	581	83%	Reduction in direct GHG emissions is due to the shrinking portfolio size in 2023.	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.	
		Scope 2 GHG emissions	2,256	2,648	83%			
		Scope 3 GHG emissions	13,008	17,195	83%			
		Total GHG emissions	15,600	20,425	83%			
	2. Carbon footprint	Carbon footprint	40	42	83%	The Fund uses proxies provided by the Impact Institute <sup>3</sup> to estimate the GHG emissions of its investments.		
3. GHG intensity of investee companies	GHG intensity of investee companies	224	385	83%				

<sup>1</sup> Results are rounded to whole numbers. Results are based on investee-level data.

<sup>2</sup> MEF has the PAIs indicators as of 1 January 2023 and values for 2022 are available.

<sup>3</sup> <https://www.impactinstitute.com>

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.26%	0.05	89%	<p>The increase is attributed to more thorough assessments of indirect exposure through a look-through approach, especially in a smaller 2023 portfolio. This is also the only PAI where a look-through approach is applied<sup>4</sup>.</p> <p>The MFIs invested by the Fund are not directly exposed to fossil fuels. A look-through approach is taken to assess the indirect exposure to fossil fuels (looking at the MFI gross loan portfolio<sup>5</sup>). The indirect exposure amount to 0.26% of portfolio covered (89% of total portfolio).</p>	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.
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<sup>4</sup> A look-through approach to assessing exposure to companies active in the fossil fuel sector involves examining both direct and indirect investments. This method comprehensively identifies all potential links to fossil fuel activities throughout the investment chain.

<sup>5</sup> Gross loan portfolio: outstanding of all financing loans to clients.

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	27%	51%	87%	<p>The decrease is attributed to PFIs exiting and a shrinking portfolio in 2023, alongside a shift towards more renewable energy initiatives within the remaining portfolio.</p> <p>The Fund's investees obtain energy from the national grid, with data on consumption sourced from a combination of actual usage figures and the national energy mix, accessible through online databases.</p>	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0%	0%	100%	Not Applicable because most of the investees of the Fund operate in the financial sector and do not classify as part of a high climate sector.	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.
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	0%	0%	86%	The value is reported as 0% because the MFIs financed by the fund are not located in biodiversity-sensitive areas. This means that their operations do not intersect with or impact regions that are identified	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.

						as critical for conserving biodiversity.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0%	0%	100%	The Fund uses proxies provided by the Impact Institute to assess this PAI for emissions to water <sup>6</sup>	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.
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	0%	0%	100%	The value is 0% because the impact on the Hazardous waste and radioactive waste ratio is negligible, falling below the threshold of 0%	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>							
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	4.2%	0.3%	88%	The Fund assesses at due diligence stage and monitors the alignment with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises which are part of the EU Minimum Safeguards.  The increase is due to enhanced monitoring and reporting coverage in 2023, which resulted in	The Fund has created questionnaire guidelines to assess this PAI, which PMs integrate into their investment due diligence.
	11. Lack of processes and	Share of investments in investee companies	0.0%	0.3%	88%		

<sup>6</sup> <https://www.impactinstitute.com>

	compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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				<p>identifying more violations, despite a shrinking portfolio.</p> <p>Enhanced focus on quality and compliance in 2023 led to a reported zero non-compliance, reflecting effective implementation of monitoring mechanisms.</p>	The Fund has created questionnaire guidelines to assess this PAI, which PMs integrate into their investment due diligence.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	6.1%	2.2%	85%	<p>The gender pay gap increased as the coverage increased from 47% in 2022 to 85% in 2023, reflecting more comprehensive data collection across a wider range of MFIs, revealing more about underlying disparities.</p> <p>The data indicates that male employees earn, on average, 6.1% more than female employees in the Fund's Partner MFIs.</p>	The fund's comprehensive investment strategy and gender action plan directly contribute to the "Actions taken, and actions planned and targets set for the next reference period" by implementing specific, measurable initiatives aimed at reducing gender pay gaps. By detailing these actions and setting clear targets for the upcoming period, the fund ensures accountability and progress towards gender equity within its network of MFIs. This structured approach not only addresses current

						inequalities but also sets a proactive agenda for continued improvement and compliance with gender equality goals in future evaluations.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	20%	26%	89%	<p>The decrease is primarily due to the shrinking size of the portfolio in 2023, which may have affected the diversity ratios.</p> <p>The Fund provides this indicator expressed as an average of the percentages of female board members as reported by the Partner MFIs.</p>	The fund has developed a comprehensive investment strategy that includes a detailed gender action plan, enriched by a targeted Technical Assistance (TA) program. This plan serves as a crucial action point for addressing the Principal Adverse Impact (PAI) on board gender diversity and is specifically designed to enhance the representation of women on the boards of MFIs it services. The TA program will provide specialized support and resources to address gaps in gender diversity, thereby promoting gender equality and enhancing overall equity within the sector.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions,	Share of investments in investee companies involved in the manufacture or selling	0%	0%	100%	The MFIs invested by the Fund are not directly exposed to controversial weapons.	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to

	chemical weapons and biological weapons)	of controversial weapons					increase the coverage rate and to set targets.
<b>INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS</b>							
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Coverage rate</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries				Not applicable to the Fund	Not applicable to the Fund
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				Not applicable to the Fund	Not applicable to the Fund
<b>INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS</b>							
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Coverage rate</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or				Not applicable to the Fund	Not applicable to the Fund



		manufacture of fossil fuels					
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets				Not applicable to the Fund	Not applicable to the Fund
<b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b>							
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>		<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>	
<b>Climate and other environment-related indicators</b> <i>Indicators applicable to investments in investee companies</i>							
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives	56%	37%	86%	<p>The increase is due to enhanced data coverage and the inclusion of more MFIs, which might not yet have robust carbon emission strategies.</p> <p>The Fund assesses the good quality of its Partner MFIs' carbon credit collection or carbon off-setting programs. It reports here on the share of investments in partner MFIs with no such quality measures in place.</p>	The Fund has not yet set targets for the PAIs and will work closely with its investment advisors to increase the coverage rate and to set targets.	
<b>Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</b> <i>Indicators applicable to investments in investee companies</i>							

<p>7. Lack of grievance/complaints handling mechanism related to employee matters</p>	<p>Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters</p>	<p>7%</p>	<p>9%</p>	<p>86%</p>	<p>Improvement in portfolio quality and proactive reporting led to better grievance mechanisms, also the increased coverage from 47% to 86% has an impact.</p> <p>This highlights the proportion of Partner MFIs without grievance mechanisms related to employee matters, as assessed through the ESG assessment tool.</p>	<p>The Fund has included a requirement that Partner MFIs embed this grievance mechanism in their policies and will engage continually with investment advisors to ensure its effective implementation. Additionally, portfolio managers are actively working with MFIs to establish grievance mechanisms where they are not already in place.</p>
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	<p><b>Description of policies to identify and prioritise principal adverse impacts on sustainability factors</b></p> <p>The Fund’s approach to assessing, mitigating, and monitoring potential adverse impacts at every stage of the investment process is described in the Investment Guidelines and the Risk Management Policy developed by the Fund and reviewed on a periodic basis.</p> <p>The Board of Directors of the Fund has overall responsibility for setting the Fund’s policies and overseeing their implementation, both directly and via the investment committee appointed by the Board. The four investment advisors have the primary responsibility for day-to-day implementation.</p> <p>The Fund’s policies as well as the exclusion list prohibit the use of MEF funding for activities with an elevated risk of causing adverse impacts.</p> <p>Please refer to the Sustainability page on the Fund’s website.</p> <p>Data on the PAI indicators was collected from Partner MFIs as part of the Fund’s annual environmental and social reporting process. For the reference period of 1 January to 31 December 2023, where gaps existed in the self-reported data, proxies and estimations were used to address these gaps. In other cases where no proxies were required such as employment data, the Fund used publicly available data reported by the Partner MFIs. Where no such data were available, the Partner MFIs were not considered in the overall calculation.</p> <p>The Fund has not set specific targets for each indicator at this early stage of monitoring PAI, however interpretation of indicators and their correlation to MEF’s investment objectives will evolve as reliability of the underlying data increases. Following this second annual assessment of the Fund’s performance against the PAI indicators the Fund will work on identifying priority areas for engagement and further monitoring.</p> <p>The Fund notes that PAIs are challenging to collect from non-EU MFIs, which are currently representing most of the Fund investments. Since the regulatory and industry standards around the methodologies and tools used to perform PAIs assessment are evolving, and to serve the spirit of the regulation in determining the impact of MFIs, efforts are being made to work with the MFIs and/or data providers, as the case may be, to calculate or estimate the principal adverse impacts of the MFI’s underlying portfolio.</p> <p>For more details, please refer to the Sustainability page on the Fund’s website.</p>
	<p><b>Engagement policies</b></p> <p>The Fund focuses on private debt transactions and as such did not undertake investor engagement within the meaning and context provided by Article 3(g) of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed</p>

	<p>companies. Nevertheless, engagement with MFIs is an integral component of the Fund’s investment process and contribution to its sustainable investment objective.</p> <p>MEF engages its investment advisors, each a signatory to the Operating Principles for Impact Management (OPIM), to identify the potential adverse sustainability impacts of proposed investments, recommend mitigation measures, and perform follow-up monitoring. Partner MFIs are required, in their respective agreements with the Fund, to make ESG representations towards the Fund, meet the Fund’s ESG requirements at the level of such MFI, and provide a copy of their environmental and social management system (“ESMS”), all commensurate with the MFI’s risk profile, and to notify the Fund of any amendments to their ESMS. The social performance of the Fund’s investment in Partner MFIs is periodically evaluated based on evolving social performance standards.</p> <p>Investment advisors are also required to monitor and provide timely reporting/escalation regarding external ESG factors with respect to any MFI, or their underlying clients, that could reasonably materially impact the Partner MFIs’ compliance with the Fund’ requirements.</p> <p>For more details, please refer to the Sustainability page on the Fund’s website.</p>
	<p><b>References to international standards</b></p> <p>In considering adverse impacts of its investments throughout the investment cycle, the Fund applies international standards, in particular with regards to the compliance with the minimum safeguards (UN Guiding Principles on Business and Human Rights, International Bill of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work), to ensure that no significant harm is done.</p> <p>For more details, please refer to the Sustainability page on the Fund’s website.</p>
	<p><b>Historical comparison</b></p> <p>MEF has only started collecting the Principal Adverse Indicators indicators as of 1 January 2022 therefore historical comparison is limited.</p>