SUSTAINABILITY RELATED DISCLOSURES

in accordance with Article 10 SFDR

Luxembourg Microfinance and Development Fund

Summary

Investing for Development is an investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualifies as a société d'investissement à capital variable (SICAV). The Fund is authorised as an undertaking for collective investment ("UCI") under Part II of the 2010 Law. It qualifies as an externally managed alternative investment fund ("AIF") under the AIFM Law. The Fund has appointed BIL Manage Invest S.A. as its AIFM.

The Fund is an umbrella fund and as such may operate separate Sub-Funds, each of which is represented by one or more Classes of Shares. The Sub-Funds are distinguished by their specific investment policy or any other specific features disclosed in the relevant Sub-Fund Particulars.

The current sustainability related disclosure document is related to the Sub-Fund Luxembourg Microfinance and Development Fund (hereinafter referred to in these Sub-Fund Particulars as the "LMDF").

Objective of the Sub-Fund

The objective of LMDF is to make sustainable investment within the meaning of article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFD Regulation") by contributing to the alleviation of poverty in developing countries through the provision of permanent and adapted financial services to marginalised communities and individuals.

LMDF invests in promising microfinance institutions ("MFIs") that have a positive social impact so that these institutions reach financial autonomy. In pursuance of its objectives, the Sub-Fund may invest in MFIs, in networks or associations of MFIs, in regional funds, in microfinance vehicles ("MIVs") and in other microfinance-related products.

The Sub-Fund has two principal objectives, social and financial: help socially oriented MFIs to become long term viable enterprises that reach more poor people and offer better services, and generate sufficient income to sustain its own operations and give its Shareholders a financial return that at least compensates for inflation.

No significant harm to the sustainable investment objective

During the investment process of LMDF, key social and environmental considerations are used to assess the reasons and measure the exposure to potential adverse social and environmental impacts. The possibility of implementing mitigation measures is being considered.

The Sub-Fund's investments may be subject to Sustainability Risks. Sustainability Risks are environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the Sub-Fund's investments.

Specific Sustainability Risk can vary for each product and asset class. Such risks are further described hereunder:

i. Environmental Risk: The risk posed by the exposure to issuers that may potentially be (a) causing or affected by environmental degradation and/or depletion of natural resources or (b) negatively affected by the physical impacts of climate change. Environmental risks may result from air pollution, water pollution, waste generation, depletion of freshwater and marine resources, loss of biodiversity or damages to ecosystems, extreme weather events such as storms, floods, droughts, fires or heatwaves, changing rainfall patterns, rising sea levels and ocean acidification.

ii. Social Risk: The risk posed by the exposure to issuers that may potentially be negatively affected by social factors such as poor labour standards, human rights violations, damage to public health, data privacy breaches, or increased inequalities.

iii. Governance Risk: The risk posed by the exposure to issuers that may potentially be negatively affected by weak governance structures. For companies, governance risk may result from malfunctioning boards, inadequate remuneration structures, abuses of minority shareholders or bondholders' rights, deficient controls, aggressive tax planning and accounting practices, or lack of business ethics. For countries, governance risk may include governmental instability, bribery and corruption, privacy breaches and lack of judicial independence.

During the investment process of the Sub-Fund, key potential Sustainability Risks are categorized on the basis of the level of their potential adverse social and environmental impacts (i.e. significant, limited or minimal impact) and reasons, taking into account the possibly to implement mitigation measures are taken into account.

Complete list of the Sustainability Risks and of mitigating factors could be found on the Sub-Fund webpage.

Sustainability risks are therefore not anticipated to have a material negative impact on the financial returns of the Sub-Fund.

LMDF opted to collect and report data for the mandatory Principal Adverse Impact (PAI) indicators specified in Table 1 of Annex I of final draft RTS on a best-effort basis. In relation to the mandatory Principal Adverse Impacts (PAIs) that apply to the Sub-Fund, the mandatory collection is performed on a best-efforts basis on the required indicators. Certain risk factors would eliminate the possibility of investment; in other cases, the significance and relevance of risk are considered and identified. In most circumstances, LMDF will not go ahead with investments where both the significance and relevance of a non-compliance risk is high unless steps can be taken to mitigate it. PAIs are be collected, monitored, analysed and reported on an annual basis and presented in the Sub-Fund annual report.

Sustainable investment objective of the financial product

The Sub-Fund finances a wide range of microfinance institutions, the majority of which are non-profit structures or cooperatives. Debt securities are the instruments of choice for providing financing to microfinance institutions to develop their business models. The Sub-Fund is an open-ended SICAV and its diversified debt securities portfolio creates the cash flow necessary to balance the assets of the Fund and the structure of the shareholders.

The Sub-Fund cannot invest more than 5% of its net assets in a single counterparty and the concentration of risks per country cannot exceed 15%. The Sub-Fund's close collaboration with ADA, the investment adviser – ensures careful and regular monitoring of investments on a quarterly basis and an annual site visit. Maintaining relationships has been key to achieving financial and social returns.

The Sub-Fund strives to create strong social impact and stable returns.

Investment strategy

The Sub-Fund is a to invest in promising MFIs, including networks of MFIs and other investment vehicles similar to itself (e.g. regional funds). The Sub- Fund will not directly engage with the end-clients of the MFIs (micro-entrepreneurs, small savers and insurance policy holders). This activity requires local presence and local knowledge and is best done by locally implanted MFIs. LMDF will remain a flexible and attentive partner that can offer tailor-made and innovative solutions to MFIs' financial needs. LMDF moreover strives to create linkages with actors providing technical assistance to MFIs.

Proportion of investments

The Sub-Fund intends to hold at least 80% of total net assets in sustainable investments. The non-sustainable investments of the Sub-Fund include an intended 10% allocation to liquid assets in order to honour possible redemption requests received from shareholders on a quarterly basis. LMDF may also hold non-sustainable investments in the form of derivatives used for risk management or hedging purposes.

Monitoring and Reporting of sustainable investments

When financial support to an MFI is granted by LMDF, a contract, incorporating a rigorous exclusion list and social, is negotiated and signed between the MFI and the Sub-Fund. To monitor the social performance of the Sub-Fund, the proportion of assets invested in MFIs is carefully monitored and reporting is provided on through a quarterly factsheet and annual and semi-annual reports. Key potential sustainability risks are monitored through the SPI Online ALINUS (an abridged version of Cerise + SPTF's SPI social and environmental performance audit tool).

These also provide a series of other key performance indicators which are used to monitor the outreach of the Sub-Fund (see section Attainment of the sustainability investment objective).

Methodologies

For the identification of potential microfinance institutions (MFIs) it can invest in, the AIFM relies on investment advisers and on proposals from other institutions engaged in financing of MFIs and development cooperation. MFIs in developing countries may also initiate their own request for funding.

As a first step, the AIFM and its Investment Advisor have a rigorous selection process for MFIs. This includes an initial analysis of financial statements, leverage, delinquent loans, together with ensuring institutions have a strong social mission and are focused on financing income-generating activities. This is coupled with geographical analysis, which considers the economic, political, developmental and financial inclusion in potential geographies – with a focus always on ensuring that financing reaches underserved areas. If this initial phase is satisfactory, the further analysis of the institutions is conducted, focusing on the organization and its governance, the products offered and the market including outreach, operating efficiency, strategy and the financial statements. The data source, processing and due diligence process are subsequently initiated.

Data source, processing and due diligence

The data source, processing and due diligence processes include an institutional and contextual analysis of the MFI, drawing upon qualitative as well as quantitative criteria. In addition to the institutional analysis, a country analysis is undertaken, to assess the environment the MFI operates in. This analysis consists in an evaluation of the country's political and macroeconomic situation, its social indicators, its legal and judicial environment, and the conditions of its financial sector, in particular the provision of financial services to the poor and the feasibility of cross-border transactions.

Coupled to the above analysis is a field visit, to verify, complete and deepen the information at the Sub-Fund's disposal. An important component of the field visit will lie in personal contacts with the managers of the MFI and may include a visit to micro-entrepreneurs who are clients of the MFI. The field visit will normally be conducted by an investment adviser.

An analysis of social and sustainability considerations is incorporated into each of these areas and the ALINUS (an abridged version of Cerise's SPI social performance audit tool) is also included in the investment file. An investment file incorporating these elements is then brought to the Investment Committee, which has experts from a range of fields, for approval.

If the MFI passes this screening successfully, the investment proposal is presented to the AIFM. The AIFM takes the final investment decision.

Engagement

The majority of assets are in asset classes which do not have voting rights. Given this, an engagement policy has not been developed for this sub-fund; however, the Fund is an active creditor where possible, and does encourage a commitment to social performance through Social Performance covenants and reporting requirements. Some equity investments are also made on an ancillary basis. In such cases, the Fund exercises the rights which are available in its position as a shareholder, keeping in mind the dual financial and social objectives of the Fund.

Attainment of the sustainability investment objective

The key performance indicators used to measure the attainment of the sustainable investment objective are segmented both at the portfolio, investees, and end clients' level.

At the level of the portfolio and investee level, the following key performance indicators are defined:

- Total amount of portfolio in EUR invested in microfinance providers of microfinance institutions directly financed
- Geographical distribution of investees (i.e., Latin America, Sub-Saharan and North Africa, Southeast and Central Asia, Developed countries)
- Percentage of financing in microfinance institution local currency

- Average financing for microfinance institution
- Share of investments in low and medium Human Development Index (HDI) countries

Key performance indicators gathered on a quarterly base at end client level are the following:

- Gender disaggregated data by borrower (i.e., percentage of women and men)
- Geographical disaggregated data by borrower (i.e., number of clients in rural and urban areas)
- Lending methodology disaggregated data by borrower (i.e., loan disbursed by group and individual lending)
- Loan disbursed by GNI/per capita during the period (i.e., number of loans disbursed below or above GNI/capita during period and average loan disbursed / GNI per capita)

Additional key performance indicators are also gathered and analysed to measure the Sub-Fund contribution to the Social Development Goals (SDGs). The Sub-Fund strives to provide contribution to many of the goals focusing on People and Prosperity, traditionally defined as goal N° 1 – No Poverty, goal N° 4 – Quality education, goal N°5 – Gender equality, goal N° 8 – Decent work and economic growth, goal N° 10 – Reduced inequality, and goal N° 17 – Partnership for the goals.