Operating Principles for Impact Management

Disclosure Statement

Date: 29 February 2024

Disclosure Statement

Operating Principles for Impact Management ("Impact Principles")

Frankfurt School Financial Services GmbH (the "Signatory", operating under the brand name "FS Impact Finance") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

This Disclosure Statement applies to the following assets or business lines (the "Covered Assets"):

- GLS Alternative Investments Microfinance Fund - mandated as portfolio manager
- Seed Capital Assistance Facility - mandated as facility trustee
- Restoration Seed Capital Facility - mandated as facility trustee

The total Covered Assets in alignment with the Impact Principles is US$ 323 million as of 31 December 2023.

DocuSigned by:

622FBF92F6274B9...

Martin Cremer

Managing Director of Frankfurt School Financial Services GmbH

29 February 2024

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the Signatory providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the Signatory publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

How FS Impact Finance aligns with this principle:

- FS Impact Finance aims to be a **dynamic and outcome-oriented financial services provider** focused on innovative thinking and always eager to create custom-made and complex investment solutions that fit need. Distinguished by a network of accomplished academic, advisory, and investment professionals, we aim to continuously deliver solutions designed to navigate the poly-crises we are facing today. **Our mission is to foster and facilitate money flows from public and private sources to design and implement innovative concepts to help address today's challenges.**
- By doing this, **we build bridges between responsible investors that are looking for positive impact on people and our planet in addition to seeking financial returns**. We strive to create meaningful investment opportunities addressing the **United Nations Sustainable Development Goals** and being committed to the goals of the **Paris Climate Agreement** whilst putting geographic focus on countries in the Global South.

Signatory to:

Operating Principles for Impact Management

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

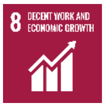
GLS AI Microfinance Fund

- The GLS AI Microfinance fund aims to **make sustainable investments in economic activities that contribute to increase the financial inclusion of populations who have limited access to financial services** whilst achieving an appropriate return taking into account the investment risk.
- The fund intends to promote this participation by giving people worldwide access to reliable and needs-based financial services where these are not widely accessible.
- The fund is a financial product according to Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) and follows a sustainable investment objective by using the fund's resources to refinance microfinance institutions that provide micro loans to economically disadvantaged population groups.

Strategic impact narrative:

SDG Target 1.4 - gender equality, equal access to economic resources, basic services, land ownership, inheritance, natural resources, technology, and financial services: Microfinance specifically addresses impoverished people and vulnerable groups who specifically lack access to financial services. Microfinance can help reduce poverty levels by promoting economic and financial inclusion.

SDG Target 1.5 - build resilience among the poor and vulnerable, reducing exposure to climate-related events and other shocks: Microfinance targets support to people who build economic resilience against social or economic crises. A number of MFIs provide consulting services to support clients facing social challenges.



SDG Target 8.3 - supporting productive activities, decent job creation, entrepreneurship, innovation, and formalization and growth of micro, small, and medium-sized enterprises (MSMEs) through financial services access: By enabling access to financial services, microfinance institutions may support the development of productive activities, jobs and entrepreneurship among the level of micro- and small-sized enterprises.

SDG Target 10.2 - promote social, economic, and political inclusion for all by 2030, regardless of age, sex, disability, race, ethnicity, origin, religion, or economic status: Microfinance may address social inequalities and promote gender inclusion by empowering women who particularly face barriers to accessing financial services, allowing them to become financially independent, participate in economic activities, and make decisions that positively impact their lives and families.

SDG Target 10.b - foreign direct investment to states with the greatest need, especially African countries, small island developing states, and landlocked developing countries: By promoting financial inclusion and supporting economic development in states with the greatest needs, microfinance contributes by providing financial services to marginalized groups and aspiring entrepreneurs, empowering them to participate in economic activities, thus reducing poverty and enhancing livelihoods.

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

Seed Capital Assistance Facility:

- The **Seed Capital Assistance Facility (SCAF)** was launched by the **United Nations Environment Programme (UNEP)** jointly with **FS-UNEP Collaborating Centre for Climate & Sustainable Energy Finance** located at the **Frankfurt School of Finance & Management gGmbH.**
- The facility is funded by donor money of the **German Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit** and **the UK's Foreign, Commonwealth & Development Office.**
- The facility is designed to **provide seed capital to partners active in low- and middle-income countries in Africa and Asia for their activities and investments in low-carbon renewable energy projects.**
- Partners may be private investment funds and/or development companies and by providing seed capital through this public-private partnership facility, private investor capital will be unlocked in the medium term.

Strategic impact narrative:

SDG Target 7.a - enhance international cooperation for access to clean energy research and technology, renewable energy, energy efficiency, advanced and cleaner fossil-fuel technology, and investment in energy infrastructure: By directing the flows of public capital towards de-risking early-stage development projects for clean energy generation and storage as well as the setup of investment funds, SCAF helps to facilitate the widespread access to clean energy technology and infrastructure.

SDG Target 11.a - support economic, social, and environmental links between urban, peri-urban, and rural areas through strengthening national and regional development planning: Renewable energy projects can expand energy access to rural and peri-urban areas lacking electricity grids coverage, thereby promoting infrastructure development. Clean, reliable energy can drive economic growth, sustainable urbanisation and improve healthcare, education, and communication services, enhancing overall community well-being.

SDG Target 13.2 - integrate climate change measures into national policies, strategies, and planning: Seed capital deployed to renewable energy projects engages local communities, enterprises and public actors which may strengthen dialogue and consensus-building on the relevance of integrating climate change measures into national policies. Moreover, seed-funded projects may generate positive evidence such as greenhouse gas (GHG) emission reductions, enhanced energy security or job creation which may support the implementation of Nationally Determined Contributions (NDC) on taking action to combat climate change impact.

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

Restoration Seed Capital Facility

- The **Restoration Seed Capital Facility (RSCF)** was launched by the **United Nations Environment Programme (UNEP)** jointly with **FS-UNEP Collaborating Centre for Climate & Sustainable Energy Finance** located at the **Frankfurt School of Finance & Management gGmbH.**
- The facility is funded by donor money of the **German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection** (BMUV) and the **Luxembourg Ministry of the Environment, Climate and Sustainable Development.**
- RSCF aims, by deploying seed capital, to leverage **the impact of forest landscape restoration (FLR) including natural forest conservation in emerging economies in Africa, Asia and Latin America.** The RSCF promotes FLR by supporting impact-focused fund managers and investment advisors by providing seed financing for the development and establishment of investment funds.
- Supporting asset managers to build project pipelines and setup new investment funds is considered a powerful tool to promote private investments in sustainable land use in the long run where RSCF de-risks those development stages which particularly face funding gaps.

Strategic impact narrative:

SDG Target 12.2 - achieve sustainable management and efficient use of natural resources: Seed capital deployed by RSCF may support the proper management of restored and existing forests and provide a sustainable supply of timber and non-timber forest products. Sustainable forestry and utilization of forest resources support the long-term health and productivity of the forest.

SDG Target 13.b - promote mechanisms for building capacity in effective climate change-related planning and management in least developed countries and small island developing states, with a focus on women, youth, and marginalized communities: Restoration seed capital allocated through the RSCF emphasises the involvement and thereby empowerment of local communities and indigenous population, enabling them to actively contribute and benefit from restoration projects targeted to climate change mitigation and adaption efforts.

SDG Target 15.a - mobilize and significantly increase financial resources from all sources for conserving and sustainably using biodiversity and ecosystems: Early-stage restoration seed capital dedicated to setting up new investment funds focused on forest restoration enables the mobilisation of financial capital by supporting the development of investment and forest restoration activities, thereby mitigating biodiversity loss and preserving ecosystem services. **SDG Target 15.b – mobilize significant resources from all levels for financing sustainable forest management, providing incentives to developing countries for conservation, reforestation, and advancing such management:** Seed capital for forest restoration projects can enhance technical expertise and collaboration among private sector, governments, and NGOs, mitigating early-stage risks and catalysing further private sector investments while incentivising the public sector to adopt sustainable forest management practices.

Principle 2
Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

How FS Impact Finance aligns with this principle:

- Bearing in mind that impact expectations and achievements on portfolio basis may differ from each other, FSIF is assessing ways to establish a coherent process through scorecards or similar methods that may help anticipate impact throughout the pre-investment phase. Once established, such scoring may also be considered an additional element linked to the remuneration framework which already incorporates sustainability objectives.

GLS AI Microfinance Fund

- FS Impact Finance, acting as portfolio manager of the GLS AI Microfinance fund, follows a **stringent investment process that builds on screening microfinance markets for new investment opportunities**.
- Potential investments eligible in terms of matching the fund's set of positive criteria and social impact aspects also take into account financial sustainability and country risks.
- The due diligence phase including on-site mission covers a thorough assessment of the investee's financial and qualitative performance, prospect and impact potential.
- Once a proposed new investment is approved by the Investment Committee, FS Impact Finance runs compliance checks in relation to Know Your Customer (KYC) and Anti-Money Laundering (AML), the legal documentation is prepared to complete the disbursement of the loan to the investee.
- Throughout the maturity of the loan, FS Impact Finance monitors the investee's performance in relation to the anticipated positive impact and compliance with agreed investment terms and conditions.

Seed Capital Assistance Facility

- **SCAF supports early-stage clean energy projects in developing countries in Asia, Africa by providing seed capital to early-stage project development**. SCAF is setup as a donor trust funded by the governments of Germany and UK that has been initiated by the United Nations Environment Programme (UNEP) and the government donors. **FS Impact Finance acts as the Trustee and runs the due diligence for potential new partners which includes Compliance checks prior to onboarding.**
- A list of **exclusion criteria prohibit certain activities** which are amongst others the construction/extension/operation of any fossil-fuel powered plant, natural gas incl. fracking, biofuels, clean coal or nuclear energy.
- A set of eligibility criteria restrict fundable activities to (1) renewable energy generation through e.g. wind, solar, sustainable biomass or geothermal, (2) energy and resource efficiency e.g. through efficiency improvements to existing systems, (3) renewable efficient supply chain like manufacturing and assembly of wind turbines or PV modules or new materials based on nanotechnology, bio materials or biochemicals and (4) others including waste-to-energy systems, switch to renewable fuels at existing facilities or advanced energy storage solutions.
- Cooperating partners' activities must be based in low- or middle-income countries listed as ODA (official development assistance) recipients by the DAC.

Principle 2
Manage strategic impact on a portfolio basis.

Restoration Seed Capital Facility

- The RSCF is structured to **facilitate the development of forest landscape restoration projects in ODA-eligible countries with particular focus on Africa, Asia and Latin America**.
- RSCF is setup as a **donor trust funded by the governments of Germany and Luxembourg that has been jointly initiated by the United Nations Environment Programme (UNEP) and the public donors**. FS Impact Finance acts as the Trustee and runs the investment due diligence for potential new partners which includes Compliance checks prior to onboarding.
- RSCF's primary objective is to **enhance endeavours in climate change adaptation and mitigation, address the challenges of biodiversity loss, and promote the development of sustainable livelihoods**.
- Entities eligible to apply for funding can be fund managers or investment advisors to funds or to Special Purpose Vehicles (SPV) investing in a portfolio of projects. **To manage the impact on a strategic level, applicants will have to showcase the commercial feasibility of their target concept through proving financial and technical proficiency, execution capability and capacity to effectively implement their proposed investment strategy**. Preference is set on the presence of on-ground teams that may facilitate project implementation and management.

Principle 3

Establish the Manager's contribution to the achievement of impact.

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

How FS Impact Finance aligns with this principle:

GLS AI Microfinance Fund

- To achieve its sustainable investment objective and thereby the intended impact, **the fund mainly acquires unsecuritized loan receivables as well as bonds, equity and equity-like investment instruments to refinance microfinance institutions.**
- Apart from their lending to end borrowers, such microfinance institutions are associated with training programmes and advisory for their end customers and financial services for smallholder farmers, marginalized groups and minorities.
- FS Impact Finance reports a set of key performance indicators (KPIs) to investors and the interested public via a monthly report that exemplify the contribution of the fund's investment to sustainability goals.

Seed Capital Assistance Facility

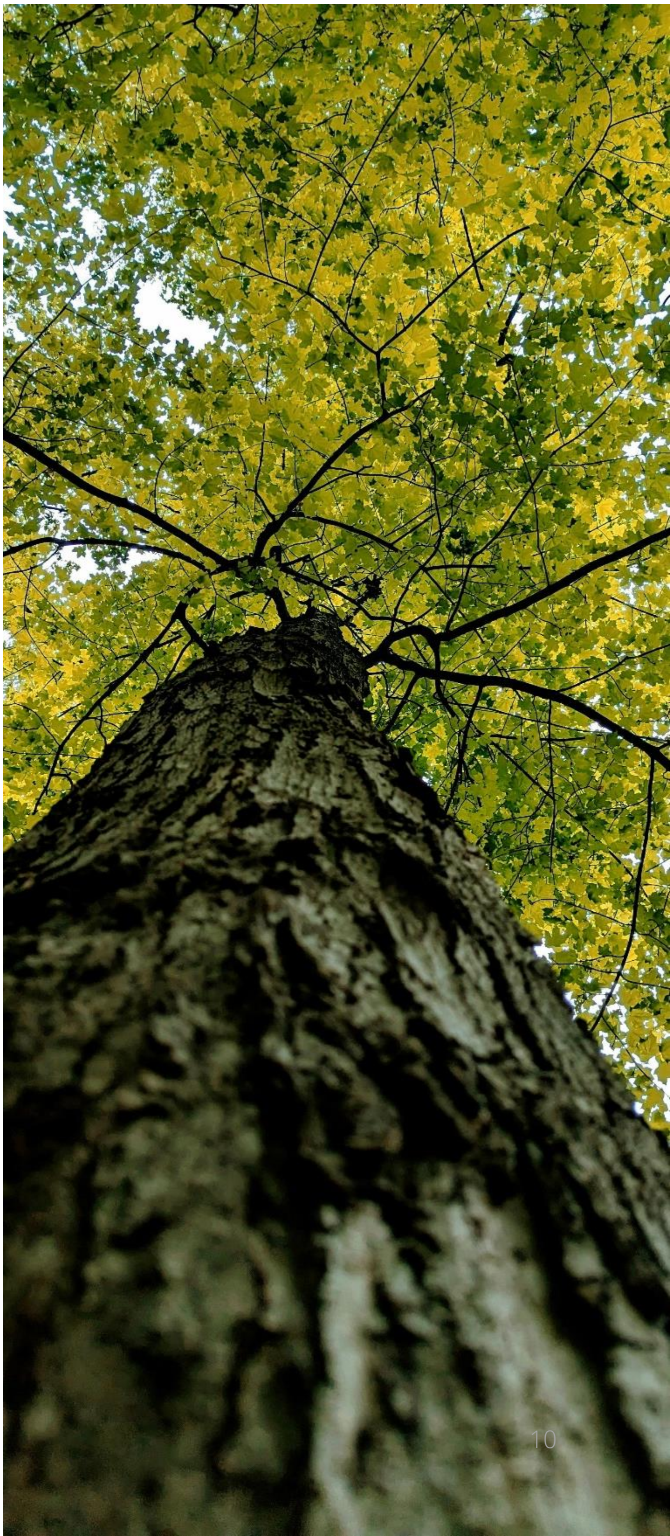
- The **SCAF support generally consists of three financing instruments where cooperation partners may enter into an agreement for either Support Line 0 (fund development and capital raising) for a duration of approximately 24 months, or a framework agreement covering both Support Line 1 and 2** (utilized to develop broader pipelines of projects and project specific funding), usually for a duration of between two and four years. The support lines are the following:
    - Support Line 0 is intended for new equity investment entities in reaching their initial financial close. It offers a conditional grant ranging from USD 200,000 to USD 500,000 over a period of 24 months. Co-financed activities may include fundraising support (e.g., covering travel expenses) and assistance with fund legal setup costs. This support aims to alleviate financial burdens, allowing entities to focus on establishing their investment portfolios effectively.
    - Support Line 1 assists private equity (PE) and venture capital funds (VC) and development companies (DevCos) in boosting their project pipelines while also enhancing the skills of local developers. Funded activities include training, coaching, and workshops for developers, supporting conference participation, and conducting pre-investment feasibility studies. This support aims to foster growth in project pipelines and strengthen the capabilities of local developers.
    - Support Line 2 collaborates with PE/VC funds and DevCos to co-finance development costs for seeded projects until they achieve full financial closure. Financed activities include independent technical assessments, feasibility studies, financial risk analysis, regulatory compliance reviews, independent project valuation, and ESG risk analysis. This support aims to facilitate project progression while ensuring adherence to standards and mitigating risks.

Principle 3

Establish the Manager's contribution to the achievement of impact.

Restoration Seed Capital Facility

- **RSCF is designed to support the advancement of early-stage forest landscape restoration projects in developing countries.** Its aim is to **bolster climate change adaptation and mitigation efforts, combat biodiversity loss, and foster sustainable livelihoods.** The support lines that may be applied for are the following:
- Support Line 1 supports first-time and existing fund managers in the Forest Landscape Restoration (FLR) space during the fund raising and establishment phase. It is structured as a conditional grant of up to USD 750,000 on a cost-sharing basis to help bridge liquidity gaps during fund establishment and fundraising until first financial close to cover costs related to e.g. fundraising, marketing, ESG activities or establishing local presences in eligible countries.
- Support Line 2 assists fund managers in building a pipeline of early stage FLR investment opportunities in combination with SL 3, up to USD 2.5 million per partner. Co-financed costs can include training, coaching, and workshops for local project developers, pre-investment feasibility studies for early-stage opportunities or country studies for expansion plans.
- Support Line 3 provides project-specific co-financing to bring FLR projects to financial close following the key objective of de-risking the project development phase to unlock private capital. It represents a conditional grant which is reimbursable upon reaching financial close. The activities that may be co-financed include due diligence costs, ESG risk analysis or independent technical and project assessment.



Principle 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment, the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

How FS Impact Finance aligns with this principle:

GLS AI Microfinance Fund

- **Each new investment into an MFI needs to match at least one positive impact criteria defined by the fund.** These criteria are all intended to **support the overall sustainable investment objectives of the fund by regularly assessing and reporting the sustainability indicators.** These include number of end clients reached, distribution of loans to female/male borrowers, or rural/urban distribution.
- Based on this *ex-ante* impact assessment and driven by individual business strategies of the MFI investee, the impact would generally serve local communities in the geographic context of the MFI or respectively their key client groups where this is specifically targeted. This is monitored alongside a risk assessment that takes into account political, currency of other macro level risk factors. In addition**, FS Impact Finance's Risk & Monitoring function prepares comprehensive country risk profiles of all relevant target countries of the fund which are updated at least annually based on data coming from multilateral institutions like the IMF or World Bank**, as well as specialized databases.
- The indicators regularly monitored and reported on portfolio basis largely focus on systemic level and their impact on communities.

Seed Capital Assistance Facility

- SCAF cooperating partners provide narrative reports on a quarterly basis. The report provides an update on the relevant support line activities as well updates on the work undertaken, outputs delivered, results/impacts achieved, the project budget and on ESG implementation and monitoring.
- **Cooperating partners furthermore provide information on the projects which have benefitted from SCAF support with the view to enable UNEP to report on the SCAF KPIs to the donors**. This takes into account the stage of development reached by the project and ventures, the level of financing leveraged by the SCAF support including developers and co-investors, at seed stage and financial close stage and its breakdown between public/private funding sources. Further impact indicators include the actual or anticipated megawatt level and generation capacity (per year), tCO_2e avoided/reduced or the number of jobs created during the construction or operation phases.
- In the annual report, the cooperating partner will furthermore provide information on subsequent financing rounds in relation to capitalization of assets/funds achieved.

Principle 4
Assess the expected impact of each investment, based on a systematic approach.

Restoration Seed Capital Facility

- For all projects that apply for RSCF funding, the **project sponsors provide the RSCF with a separate document specifically detailing how the proposed project will support the RSCF objectives (alongside more typical project documents) and the additionality of RSCF support.** The projects are evaluated on the basis of eight different criteria, whereby the funding request is also assessed in addition to the environmental benefits of the project. Based on the overall alignment with objectives and the overall additionality of the proposed project, a decision is then made whether to support the project.
- The **semi-annual RSCF agent report, built on input provided by cooperation partners in relation to their *ex-ante* assessed impact targets, covers a wide range of indicators and qualitative data according to the three support lines and broken down into various sections**. These include outputs in terms of amounts paid out, outcomes related to investment vehicles receiving funding or E&S targets achieved through FLR including conservation, sustainable biodiversity and ecosystem service use or contributions to livelihood of local communities.

Principle 5

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

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

How FS Impact Finance aligns with this principle:

- Considerations of ESG aspects are fundamental to the work of FS Impact Finance. For our activities, we conduct thorough assessments of suppliers, partners, and clients to ensure adherence to our ESG objectives. Our commitment to ESG permeates our risk management culture, with a constant focus on sustainability aspects in order to address existing and emerging environmental and social risks while maintaining transparency.
- Further information may be found in our ESG policy: https://www.fs-finance.com/privacy-policy/esg/

GLS AI Microfinance Fund

- The fund's investment management has a **strong expertise in local microfinance through physical presences in the fund's target regions**. Each new investment is analyzed for financial and qualitative performance of the respective MFI including its **positive social and environmental impact as well as any potential negative impact** regarding ESG risks related to it.
- Potential investments are analyzed following a multi-level approach that is based on the fund's investment guidelines and policy.

Seed Capital Assistance Facility & Restoration Seed Capital Facility

- The cooperating partner agreements governs the relations between the facility's agent and trustee and the cooperating partner.
- As part of the agreement**, partners agree to develop and implement a comprehensive ESMS following IFC Performance Standards and all projects supported by this are required to develop projects according to these standards. Once projects are supported there is ongoing monitoring of projects for the duration of the agreements.**
- Cooperating partners need to adhere to a set of covenants that foresee, amongst others, a restriction to use the support in line with the objectives of the facility and only for activities deemed eligible in terms of sector and country.

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

How FS Impact Finance aligns with this principle:

- FSIF regularly reviews the progress of its investments in relation to the fulfilment of the anticipated positive impact initially assessed.
- Overall results of the work of FS Impact Finance are highlighted within the firm's annual impact report https://www.fs-finance.com/wp-content/uploads/2023/10/FSIF_Impact-Report-2022.pdf

GLS AI Microfinance Fund

- FSIF uses social audit tools to measure and manage the environmental and social performance of new microfinance investments. **The SPI tools (Social Performance Indicators) offered by the non-profit organizations Cerise+SPTF reflect various areas of FSIF's work and serve to fulfil regulatory obligations in the medium term**. The tools serve FSIF for pre-investment due diligence and to monitor ESG risks and loan performance throughout maturity.
- As part of the due diligence, FSIF completes the entire questionnaire for the ALINUS module including a total of 68 indicators. The requirement to assess these indicators jointly with the MFI is agreed upon prior to disbursing new loans. The **collected data points can then provide important information over time for various purposes, including meeting regulatory requirements mainly driven by SFDR, monitoring risks, or demonstrating the social** and environmental impact performance of investments.
- To **measure and monitor the performance of each MFI invested in, a monthly monitoring of portfolio MFIs through risk management team is conducted**. The monitoring includes compliance with the covenants specified in the specific loan agreement for principal and interest repayment.

Seed Capital Assistance Facility & Restoration Seed Capital Facility

- FSIF's **trustee function focuses on engaging in the due diligence phase with potential cooperating partners verifying eligibility criteria and assessing anticipated impact in relation to impact objectives**. Furthermore, the trustee role includes managing financial drawdowns to cooperating partners.
- The monitoring broadly covers compliance and customer checks as an elementary part of the initial due diligence mission prior to official onboarding. During the client relationship cycle, additional reporting is requested from the cooperating partner.
- Quarterly **meetings alongside reporting are held with each cooperating partner to review the individual progress** made during the previous quarter.
- The stakeholder reporting mainly consists of the semi-annual agent report. **Regular newsletters and reports on cooperating partners are published via the facility's website. These form the basis for monitoring progress of the funding goals each cooperating partner has agreed to**, additional to whether the partner successfully achieves financial close.

Principle 7
Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

How FS Impact Finance aligns with this principle:

GLS AI Microfinance Fund

- The Microfinance fund typically holds loans until maturity. In case of events leading to repayment issues, a joint effort in coordination with other lenders, where applicable, is initiated. Should a restructuring of a loan be required, this is conducted in a way to reduce burden and restrictions for the borrowing MFI to a minimum.
- Apart from that, **the fund seeks to build long term relationships to portfolio MFIs -** a number of loans are follow-on loans.

Seed Capital Assistance Facility & Restoration Seed Capital Facility

- For SCAF and RSCF, **the trustee function focuses on disbursing grants or conditional grants depending on individual support line requirements of the cooperating partner and always follow eligibility criteria set out.** The concept of onboarding partners takes into account the various financing needs that cover various stages of structuring, development and extension through pipeline building.
- The focus of **the seed financing narrative is therefore very much targeting long term relationships and in practice leads multiple support lines requests, to finally achieve the envisaged impact objectives.** Exits are therefore strictly reduced to the case where a partner fails to comply with an agreement, or when the agreement matures.

Signatory to:

Operating Principles for Impact Management

Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

How FS Impact Finance aligns with this principle:

- As part of the journey to align with the Impact Principles in an ever-deeper way into its processes underlying the firm's investment activities, **FSIF will continuously review and improve strategic investment decision making by targeting the highest potential for impact.** A scoring model that enables to assess the anticipated impact to be achieved by a particular investment is foreseen in the medium term. This may be implemented as part of the pre-investment phase, alongside the investment screening. Potential scoring models are being assessed by FSIF to elaborate a model that best fits the firm's profile and targets.

GLS AI Microfinance Fund

- The GLS AI Microfinance fund is a financial product according to Article 9 of the EU Sustainable Finance Disclosure Regulation. In relation to this, **FSIF is considering Principal Adverse Impacts (PAI) of investment decisions on entity-level in its capacity as portfolio manager of the fund.** The first PAI statement was issued in June 2023 for the reference period 01/2022-12/2022.
- The PAI indicators requested from and reported back by the portfolio MFIs are generally considered by FSIF in investment decision making.
- The PAI statement is publicly available under the following source: https://www.fs-finance.com/principal-adverse-impact-statement/.

Seed Capital Assistance Facility & Restoration Seed Capital Facility

- FSIF as the facilities' trustee collects regular reports that cooperation partners are obliged to deliver. **The reports are intended for the facility's stakeholders as well as for the governing committees to serve as basis for decision making.**
- Cooperating partners are treated individually within the scope of the agreement with the facility. Depending on the support line(s) through which funding has been disbursed, re-imbursement by the cooperation partner might be applicable depending on certain conditions.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

How FS Impact Finance aligns with this principle:

- With this Disclosure Statement being inaugural, **FSIF will continue to review its impact management system on an ongoing basis and integrate this successively into its internal processes in further alignment with the Impact Principles.** Major modifications to the impact management system will be publicly disclosed, the latest with the update of the following Disclosure Statement.
- FSIF is considering to establish a streamlined impact management and scoring system across its investment activities. As this is considered an open process, different concepts are being reviewed. Once this has progressed, we are seeking to arrange independent verification. **For the independent verification, we are exploring and assessing possibilities to conduct such verification following a risk-based decision approach.** We plan to complete independent verification within the next 1-2 years and on a recurring basis every 2-3 years thereafter. The independent verification report will be made available to the public via FSIF's website.

Disclaimer

Imprint

Frankfurt School Financial Services GmbH
Commercial name FS Impact Finance

Address: Adickesallee 32-34,
60322 Frankfurt am Main, Germany

Phone: +49 (0) 69 154008 100

Commercial Register: HRB 85388
Amtsgericht Frankfurt am Main

Managing Director: Martin Cremer

This statement has been prepared by Frankfurt School Financial Services GmbH to disclose its alignment with the Operating Principles for Impact Management. The information contained in this report is intended to reflect our voluntary commitment to transparently communicate our efforts toward managing impact investment objectives and to promote open dialogue with our stakeholders.

While we have made reasonable efforts to ensure the accuracy and reliability of the information, there might be inherent limitations to the data collection and reporting processes. Certain figures and data may be estimates, projections, or based on historical information. Additionally, this report focuses on specific areas and may not cover every aspect of our operations or impact.

Frankfurt School Financial Services GmbH is responsible for the content of this statement, including the accuracy of the data and information presented. We are committed to addressing any errors or discrepancies promptly and transparently. Please be aware that the data and information presented in this report have not been independently verified by a third party.

This report may include references, links, or citations to external sources. While we strive to provide accurate and reliable information, we are not responsible for the content or accuracy of external sources. This may also include references or links to our corporate website www.fs-finance.com.

This report is intended for informational purposes and is not intended to provide financial, legal, or other professional advice. Unauthorized use, reproduction, or distribution of this report without our consent is prohibited.

We welcome your feedback and inquiries regarding the content of this report. Please contact info@fs-finance.com for further information.

By accessing and using this report, you acknowledge and agree to the terms of this disclaimer.

Your Frankfurt School Financial Services GmbH

29 February 2024