Responsibility & Impact Report 2021

ACTIAM FINANCIAL INCLUSION FUND

ABOUT ACTIAM

ACTIAM N.V. (ACTIAM) is domiciled in Utrecht and its headquarter is located in Rotterdam. As of 1 January 2022, ACTIAM is a 100% subsidiary of Cardano Risk Management B.V. ("Cardano"). ACTIAM is a global acting responsible asset manager. ACTIAM manages assets of almost EUR 22 billion.

ACTIAM offers sustainable solutions to insurance companies, pension funds, banks and distribution partners. ACTIAM offers a complete range of investment funds and solutions and is - with the launch of the first institutional funds in microfinance in 2007 - a pioneer in the field of impact investing. ACTIAM imposes strict criteria (the Fundamental Investment Principles) on its investments and follows a robust selection process, without making concessions to financial returns. ACTIAM is therefore "Responsible for Growth".

ACTIAM has a specialised Impact Investing team of seven professionals with an average of 16 years' experience in private sector investments managing three impact funds with approximately EUR 300 million assets under management.

CONTENTS

Management note

Since ACTIAM launched its first financial inclusion fund in 2007, we are driven to support the growth of micro-, small- and medium-sized enterprises (MSMEs) through increasing their access to responsible and affordable financial products and services. This support is even more evident during times of crisis, such as the one the world is currently facing in the context of the COVID-19 pandemic, which is having immediate and profound effects on MSMEs.

In 2021, for many people around the world the COVID-19 pandemic continued to negatively impact their health and economic well-being, in particular those in developing economies. The World Bank estimates that the pandemic pushed an additional 97 million people into extreme poverty (compared to pre-pandemic projections) in 2020 alone. As the COVID-19 pandemic virus continued to spread and mutate throughout 2021, progress towards the SDGs was endangered of being slowed down, and even reversing with poverty expected to rise for the first time in more than twenty years.

Also in 2021, governments globally implemented lock-downs and social distancing to managed the impact of the pandemic. Trade, tourism, service sectors, and other segments of the economy requiring physical interaction saw steep declines in activity. At the same time, MSMEs have demonstrated their resilience in the past. Also during hardships, adaptive business models emerge as MSMEs are eminently entrepreneurial, flexible and innovative. ACTIAM supported emerging market MSMEs through continued investments within the terms & conditions of the ACTIAM Financial Inclusion Fund (AFIF or Fund). In this way, the Fund contributes to MSMEs managing and overcoming the negative impacts of the global pandemic, which we believe, in the long-term will lead to better outcomes for both financial and social returns.

In this annual report, we present the non-financial results of the Fund over 2021 as well as an outlook for 2022. Besides reporting on impact numbers, we like to share some client stories to illustrate how the Fund investments contribute to improved wellbeing of end-clients and their households.

I hope our participants reading this report will feel inspired and proud of the impact their commitment to AFIF has achieved over the years.

THEO BROUWERS
Director ACTIAM Impact Investments

Our story so far

Sustainability objective

The objective of AFIF is to realise measurable non-financial value with the Fund in the form of positive social impact. This is done by promoting access to responsible and affordable financial products and services for low-income households and MSMEs in emerging and developing countries. In doing so, the Fund is intended to contribute to the growth and development of MSMEs and the financial wellbeing of low-income households.

Our history

ACTIAM can be seen as a frontrunner in scaling up the microfinance sector. In 2007, ACTIAM impact investing has launched its first microfinance fund for institutional investors dedicated to generate positive, measurable, impact. Our first fund invested a total amount of EUR 300 million during its lifetime. Thanks to the positive financial and impact results a second and third microfinance fund and a dedicated SME finance fund has been incepted. During the lifetime of the different funds we have supported numerous financial institutions reaching out to 3.1+ million end-clients in more than 35 countries. Ever since, Developing World Markets (DWM) has been our Investment Advisor supporting us with deal sourcing, deal-making and monitoring*.

41%

formal MSMEs in developing countries lack access to finance which limits their growth

Source: MSME Finance Gap | SME Finance Forum

*In the selection of de Investment Advisor, the available capacity and skills with regards to impact management are important criteria. This is also an important topic of the annual operational due diligence.

Portfolio overview

Highlights year-end 2021

€140M
€ Total outstanding amount

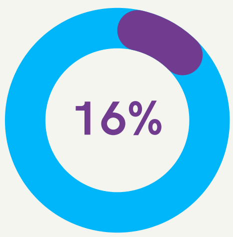
51
FIIs* funded

€2.7M
€ Avg. outstanding loan size to FIIs

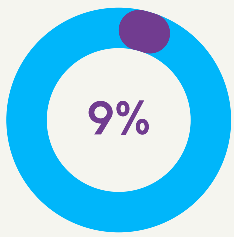
27
Countries in portfolio

12
Unique local currencies

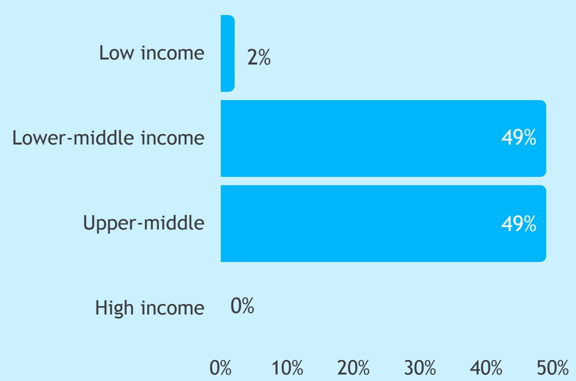
60
Financial transactions (to 30 FIIs*)



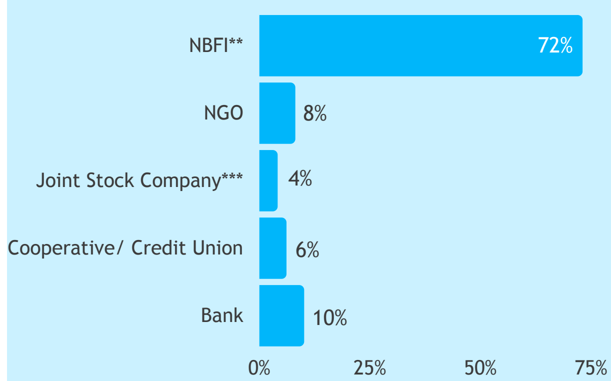
% adjacent space
(mainly SME finance)



% Sub-ordinated debt &
senior loans



% FIIs division per country income classification****



% Division portfolio companies, per type of institution

*FIIs = Financial Inclusion Institutions
**Non-bank financial institution
***JSC = a business owned by its investors
**** According to the World Bank Country classification (2021)

Financial inclusion

ACCESS TO FINANCE TO EMPOWER ENTREPRENEURS

Globally, about 1.7 billion adults have no access to an account at a financial institution or through a mobile money provider (World Bank Group, 2018). Most of these people live in developing and emerging economies. This leaves them unable to access reliable credit or savings accounts. Most of them have low and unpredictable incomes, and lack the resources to cope with unexpected household needs, or to invest in a better future.

By increasing access to finance, AFIF supports the growth of local Financial Inclusion Institutions (FIIs). Our investments allow these organisations to enlarge their loan portfolio and provide responsible and affordable financial products and services to a larger number of low-income households and MSMEs. These market segments are usually excluded by traditional financial service providers.

Access to financial products helps low-income households and micro-entrepreneurs to deploy and grow businesses activities, to increase their household income, cope with unexpected costs, and build a buffer for investments in health and education and have a form of risk insurance.

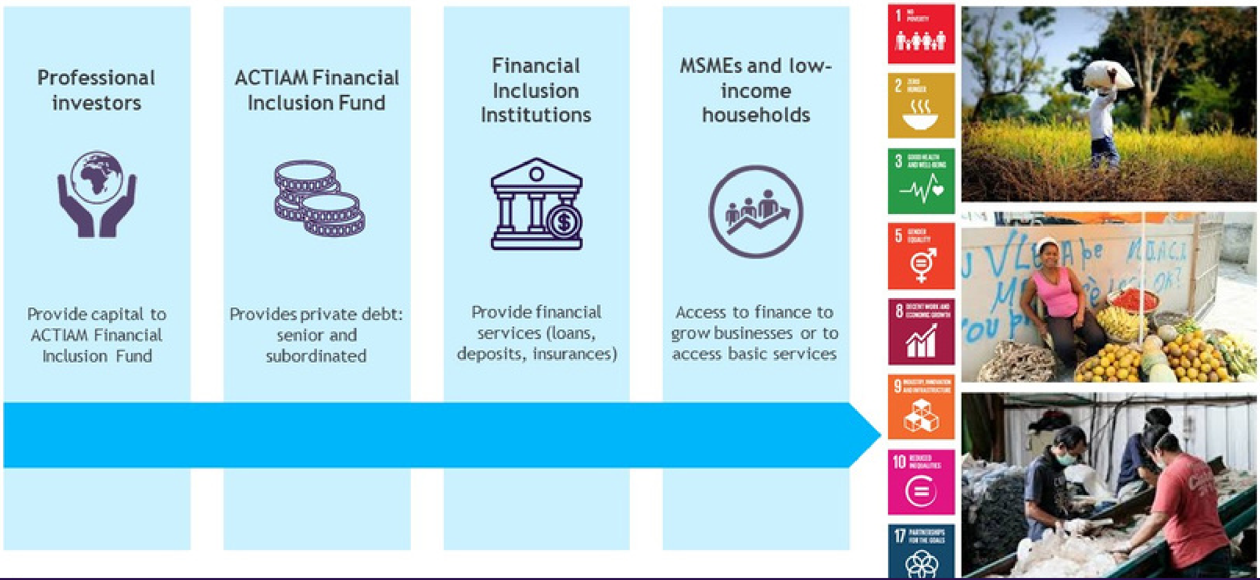
While investing in local FIIs, we focus on three key impact themes that are considered essential for further development of the industry. These impact themes are:

- Financial inclusion of underserved groups;
- Client-centric approach; and
- Organisational development.

AFIF prompts FIIs to increase their geographic and demographic outreach to address the needs of financially excluded population. Moreover, FIIs are stimulated to increase their transparency and optimally protect the interests of their clients. Finally, we require FIIs to improve the quality of their reporting on financial and non-financial performance according to generally agreed upon standards.

By focusing on these objectives, we seek to encourage the financial inclusion industry to maintain its social mission and responsibilities alongside financial health and strengthening of client protection practices while focusing on providing access to finance in areas that remain underserved.

Figure 1. Visualisation how AFIF contributes to sustainable development



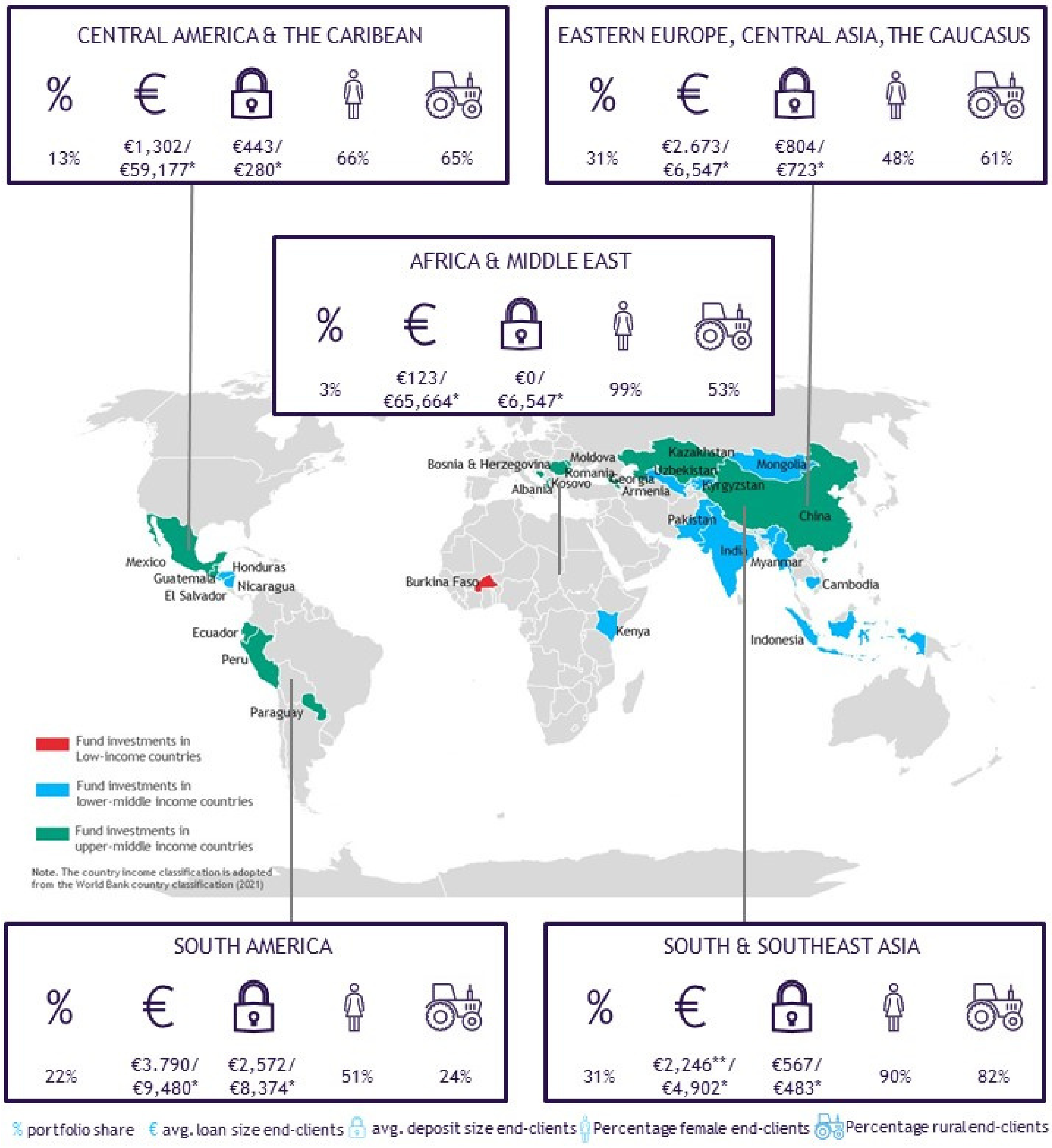
51

FIIs in portfolio
(year-end 2021)

Focus on Emerging and Developing markets

Geographic presence

Figure 2. Key impact results per region



*These amounts are the average loan size of both the Financial Inclusion Investments as well as the investments in adjacent spaces, which mainly include SME investments.

**This amount is excluding China because, due to its high GDP, this country has relatively high outstanding loan amounts which is not representative for the averages in the region. Including this country will give a distorted picture.

Impact highlights

End-client exposure (by year-end 2021)

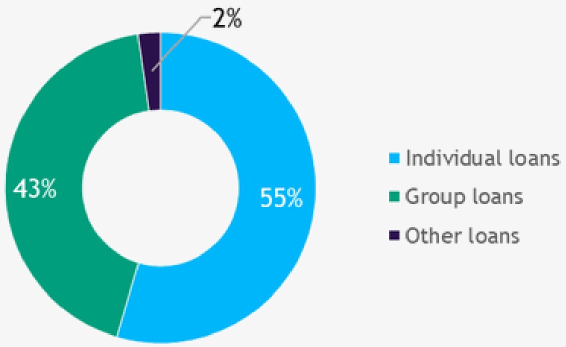
10.4 M
Total clients of all FIIs

€ 2.246
€ Avg. loan size
excl. adjacent space

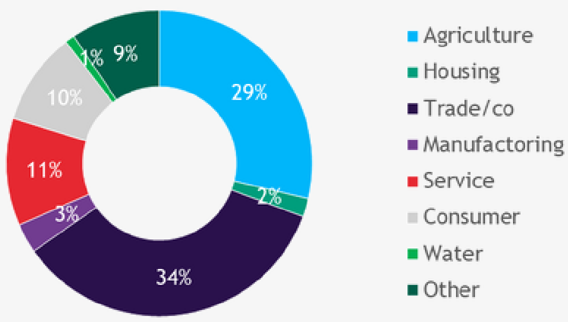
€ 14.458
€ Avg. loan size
incl. adjacent space (SMEs)

CLIENT PROTECTION STANDARDS
98%
% FIIs commit to CP Standards

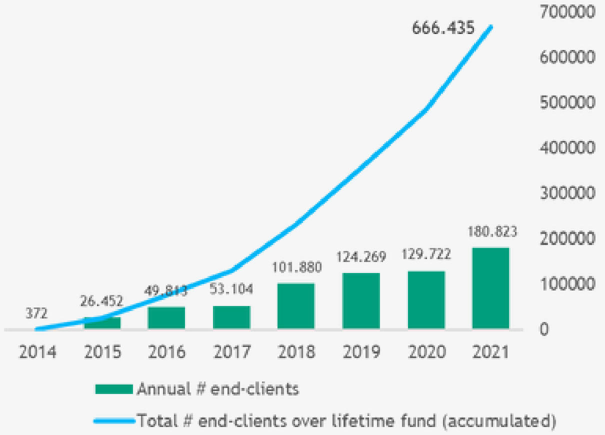
% Type of loans provided



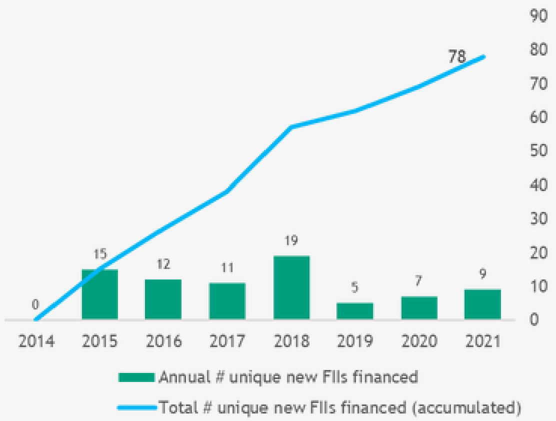
% End-client sector exposure



End-clients supported (our attribution**)



Unique FIIs supported



* On page 19 the method for calculating our attribution to end-client outreach is explained into more details.

Reflections impact highlights

At year-end 2021, AFIF provided debt to 51 Financial Inclusion Institutions (FIIs) in Central and South America, Asia, Eastern Europe, Caucasus and Africa. They provide a range of financial products and services to MSMEs and low-income households. Together, they reached 10,4 million end-clients (this is an increase compared to the 7,3 million clients served by year-end 2020). Our attribution to this outreach is 180,823 clients in 2021. This contributes to a total accumulated outreach of 666,435 end-clients since the inception of the Fund.

Corresponding with our fund ambition, we are pleased to see that the majority of these end-clients are from groups often excluded by the formal banking system: women (78%), people living in rural areas (70%) and people with an income that is below the national poverty line (34%).

The average amount of the loans outstanding differs significantly between the regions. Moreover, the average loan size outstanding to SMEs is significantly higher than the loan amounts offered to micro-entrepreneurs. The majority of the loans are individual loans. However, a significant part of the loans is obtained by a solidarity group (43%). Mutual trust and peer pressure are important factors underlying the high repayment ratios (up to 96% on average*) in microfinance.

*Microcredit, explained: how microcredit can help the world's poorest - Vox

A HEALTHY BREAKFAST FOR ALL

ENTERPRENEURSHIP IN MOLDOVA

Poorest country of Europe

Moldova is a complex country caught between the EU and Russia. Moldova is the poorest country of Europe and poverty has remained high for decades with its previously weak economy and the added burden of multiple global recessions. It has a population of 3.5 million. However, the population is unstable due to a significant level of out-migration with people seeking work in other countries. This has led to a highly volatile economy.

Financing the motor of the economy

MFI Microinvest plays an active role in stimulating economic development in Moldova. Microinvest offers collateral-based and collateral-free loans for small businesses, agriculture, housing, vehicles and consumption. Many of small businesses employ several people and play a crucial role in creating jobs. The lender has a portfolio of USD 164 million outstanding to 44,000 clients, of whom two thirds live in rural areas and 41% are women as of 2021. Microinvest is currently the third largest MFI in Moldova with wide geographical coverage, focusing primarily on rural lending.

Testing recipes in own kitchen

To generate an income and provide good food for her community, Victoria Gulpe, an IT specialist by profession and a mother started a small business in granola. Victoria discovered her passion for granola during her maternity. She developed new recipes and ways to use granola, tried dozens of combinations to finally find the perfect combination worthy to be on Moldovans' tables. I began to serve round my friends and relatives. Homemade granola caused a lot of positive emotions which motivated her to share this with other people. Victoria analyzed the market, tried dozens of types of granola, burned a lot, but found the perfect combination. In March 2021, she managed to enter the market with a new product available in several combinations, under the Granoleya brand. Microinvest financially supported our idea, with its help we were able to buy all the necessary equipment for production: a professional oven, stainless steel tables, trays, grates for the oven, a sink. We have also increased the production area.

Financial inclusion & UN SDGs

ACCESS TO FINANCE IS INSTRUMENTAL FOR REALISING SUSTAINABLE DEVELOPMENT IN EMERGING AND DEVELOPING MARKETS

Financial inclusion can empower people and creates opportunities to unlock development outcomes. Access to responsible and affordable financial products and services can be a mean for low-income households to obtain basic services such as healthcare, education, housing, improved sanitation and clean water installations. The United Nations Sustainable Development Goals (SDGs) recognize the importance of financial inclusion, addressing it in 7 of the 17 goals.

MOST FINANCIAL INSTITUTIONS (89%) WE PARTNERED WITH HAVE A MISSION OBJECTIVE LINKED TO ONE OR MORE OF THE 17 SDGS. SDG1 AND SDG8 RESONATE BEST WITH THEIR OBJECTIVE ALTHOUGH MOST PORTFOLIO COMPANIES HAVE A MUCH WIDER AMBITION.

Photo: Senior Indian women in winter. Getty Image Signature.

Figure 3. % FIIs that have their mission objective linked to the SDGs

Direct linkages to UN SDGs

THIS SECTION INCLUDES THE METHODS WHICH WILL EVALUATE THE PROGRESS IN ACHIEVING THE PROJECT RESULT.

1 NO POVERTY	Global access to financial services by 2030, including all men and women and in particular vulnerable people.	34% of end-clients has income below national poverty line 53% of FIIs are providing micro-insurances 36% of end-clients has a low-income* 1.4M # first-time borrowers reached by FIIs financed 98% of FIIs checks poverty level of end-clients
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	95% of FIIs have "Fair Recruitment Practices" policies 90% of FIIs have "Fair Career Advancement Policies"
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	78% of end-clients is women 70% of end-clients is living in rural areas 36% of end-clients has a low-income* 34% of end-clients has income below national poverty line *Low income is defined as 'income above national poverty line up to 2/3 of national median income.

Indirect linkages to UN SDGs

SDG	Target	Indicators
2 ZERO HUNGER	Access to financial services as a means to double agriculture productivity and incomes of small-scale food producers by 2030	70% of end-clients is living in rural areas 29% of micro loans are invested in agriculture 20% of FIIs with >30% gross loan portfolio in agriculture 2 # of FIIs with >50% gross loan portfolio in agriculture
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	47% of FIIs providing health and/or life insurances to clients 6% of FIIs providing basic medical services to their staff 8% of FIIs providing basic health /nutrition courses to clients
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	71% of FIIs providing Financial Literacy Training 24% of FIIs providing Business Development Assistance
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	16% of FIIs providing credit in water & sanitation
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	18% of FIIs providing credit in clean energy/energy efficiency
9 INDUSTRIE, INNOVATIE EN INFRASTRUCTUUR	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	16% of Fund portfolio is dedicated to SME loans 49% of end-clients active in manufacturing, trade/commerce or service sector

Gender lens

TAKING GENDER-BASED FACTORS INTO ACCOUNT TO PROMOTE GENDER EQUALITY AND DELIVER STRONG FINANCIAL PERFORMANCE

5 GENDER EQUALITY

End-clients

29%	of FIIs offering tailored products / services for women
27%	of FIIs offering mobile banking services
51%	of FIIs with >50% female client base
10%	of FIIs with >80% female client base

Financial Institution

21.948	# total female employees employed by FIIs (36% total staff)
39%	% FIIs with >50% female employees
73%	% FIIs with 1 or more female board members

Gender gap

56% of women worldwide remain outside the formal financial system, reflecting a 7% gender gap with respect to access to financial services(1). Women-owned MSMEs also have less access to external finance than men-owned businesses(2). Increasing financial inclusion of women contributes to greater control over their financial lives, greater independence, and greater say over household budgets. Lack of economic independence for large numbers of women leads to lower decision-making ability, lower self-esteem, physical insecurity, and reliance on men. Digital financial services, such as mobile money accounts, has increased opportunities to better reach women and other traditionally excluded populations with financial products and services(3). However, this is not enough to bridge the gender gap; financial services must also be tailored to the needs and preferences of women.

Investing in women

Increasing financial inclusion for women is a specific objective of AFIF to enable them to gain their own income and strengthen their economic empowerment. FIIs can increase their female client base by a.o. offering tailored products and services to women, providing non-financial services such as training on financial literacy and leadership and by using delivery services designed to reach excluded women (e.g. digital banking services). AFIF supports FIIs that provide one or more of these services meeting women needs (see above figures).

In addition, the Fund also considers the gender division among staff members and within the management board of the FIIs itself. 39% of the FIIs in the portfolio have more that 50% female employees and 73% of the investees have at least one female board member managing the company.

(1) Global Findex Database 2017 (Accessed, May 2022)
(2) Goldman Sachs: “Giving credit where it is due: How closing the credit gap for women-owned SMEs can drive global growth.” (2014)
(3) GIIN Framework: Evidence on Increasing Gender Equality through Financial Inclusion (2021)

Ms. Rubab

PASSIONED ENTREPRENEUR

Growing a sewing supplies shop

In the bustling city of Bhowana in Punjab, Pakistan, Ms. Iqra Rubab runs “Nalki Button & Laise Variety”, a sewing supplies shop. This small business provides the primary source of income for her family. When she opened the shop five years ago, she had to purchase raw materials on credit at a high interest rates from suppliers and could not make bulk purchase orders. Ms. Rubab applied for and received a loan from ASA Pakistan, a leading microfinance institution in Pakistan with 90% female clients. ASA Pakistan, is a rapidly growing microfinance institution primarily targeting women micro-entrepreneurs, in a country that ranks 136 out of 188 countries according to the gender inequality index produced by the United Nations (2019). This index is a composite measure, reflecting inequality in achievements between women and men in three dimensions: reproductive health, empowerment and the labour market. Funding is needed to finance the institution's growth.

Focus on women

ACTIAM provides a loan to ASA Pakistan to facilitate affordable micro-loans to local entrepreneurs - in particular women. With the help of the loan from the ASA Pakistan Ms. Rubab was able to make bulk purchases and take advantage of better pricing and discounts from her suppliers. This, in turn, improved the profitability of her business. A shrewd businesswoman, Ms. Rubab has continued to grow and diversify her business with larger loans from ASA Pakistan - and to date, she has never missed a loan payment. With the increased income, Ms. Rubab supports her daughter’s education. Ms. Rubab inspires us to continue advancing financial access for women around the world.

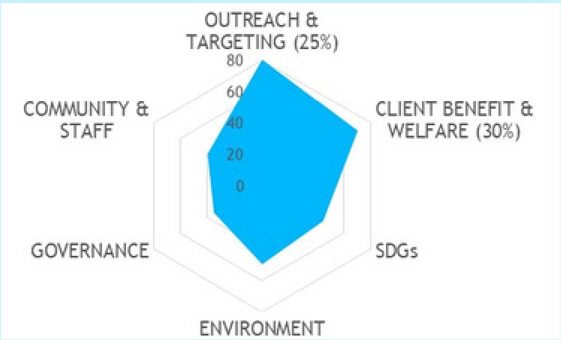
How we invest responsibly

SUSTAINABILITY IS INTEGRATED IN ALL PHASES INVESTMENT PROCESS

Initial screening

Offering responsible financial products and services to MSMEs borrowers indispensably requires a framework that combines financial and non-financial considerations and conditions. The Fund does not invest in FIIs that do not comply, at a minimum with the ACTIAM Fundamental Investment Principles. To be eligible, a FII should operate in line with applicable international standards as mentioned in these Principles. In addition, social standards of the Fund include conformity with the Principles for Responsible Investment (PRI), adherence to the Client Protection Standards (see also page 18) and reporting on financial and non-financial performance in line with the Responsibility and Impact Framework of the Fund itself. This includes an annual assessment of a portfolio company focusing on the social policies, practices and performance, as well as the social characteristics of the products and services offered by the FII to its clients.

Figure 4. Visualisation of our Social Scorecard



Sustainability assessment

ACTIAM together with DWM has developed an Social Scorecard - a proprietary data-driven tool used to evaluate potential investments during the screening process and to track ongoing impact performance on an annual basis, thereafter. The Social Scorecard is aligned with and includes metrics from IRIS+, HIPSO and SPTF. The tool consists of nearly 150 indicators to evaluate alignment with the SDGs and impact across five complementary dimensions:

- Outreach & Targeting
- Client Benefit & Welfare
- Responsibility to Community and Staff
- Governance
- Environment

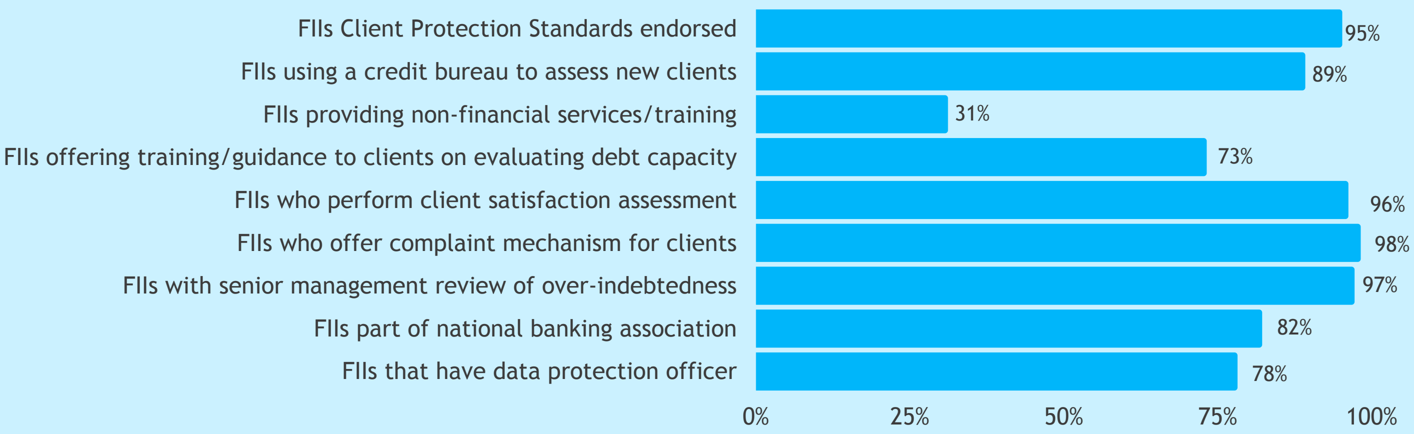
In addition to the scorecard, broader ESG performance at investee level is also assessed and verified through a field visit and due diligence research.

Monitoring

Upon approval, each portfolio company is financially monitored on at least a monthly basis (more if necessary). On an annual basis, DWM performs an onsite visit and collects social and environmental data to track trends and identify areas of strength and opportunities for improvement for each portfolio company. Based on the data provided by DWM, ACTIAM publishes an annual Responsibility & Impact Report.

Protecting end-clients

THROUGH RESPONSIBLE AND AFFORDABLE FINANCIAL PRODUCTS



Responsible products

Particularly in countries with a financial inclusion sector in development, poor practices by financing companies can cause negative impact on the borrowers. This may include clients taking on too much debt and running into repayment problems, but also, failure to screen clients for other debts, charging high interest rates and/or employing harmful debt collection methods. For this reason, ACTIAM prompts FIIs to commit to CP Pathway and implement the Client Protection Standards (see also page 20).

The so-called Universal Standards focus on:

1. Appropriate Product Design and Delivery;
2. Prevention of Over-indebtedness;
3. Transparency;
4. Responsible Pricing;
5. Fair and Respectful Treatment of Clients;
6. Privacy of Client Data;
7. Mechanisms for Complaint Resolution.

Affordability

Fair pricing is an important aspect of client protection. Interest rates of microloans may vary considerably from country to country. But regardless of these differences, they are higher than the rates charged by formal banks. FIIs targeting underserved client segments in more remote areas are facing higher operational costs due to the smaller loan sizes and training courses they offer to their clients. Notwithstanding the higher costs, the interest rates should be proportional and fair. For this reason, AFIF includes an affordability assessment into its investment decision. Our analysis goes beyond looking at the gross interest rates: we critically look at portfolio yield and profitability levels, we compare interest levels of other local market actors, and we check the policies and procedures in place to assess end-clients' ability to repay the loans.

How we measure impact

Framework

Impact measurement starts with defining an objective, goals and indicators to measure progress. For AFIF we have developed a Theory of Change to unravel the impact pathways. The key indicators are measured with the help of the data collected through the annual social questionnaire that is send to all portfolio companies. Data cleaning and analysis is done afterwards enabling us to draw conclusions and learnings.

Our contribution

We consider impact contribution or "attribution" as the share of impact realised that can be attributed to the investments of the Fund. To do this cleanly it is important to avoid double counting and impact exaggeration. We use an approach that reflects the fact that AFIF is not the only investor in the underlying companies. This means only a part of the impact generated by the FIIs can be attributed to AFIF.

When reporting on the aggregate AFIF level impact, we calculate pro-rated outreach based on our commitment to the underlying companies and the time we we have been supporting the FIIs during the reporting period. That means we take the total outreach of an investee and then pro-rate it by the percentage that AFIF represents in the company as well as the number of months we are onboard (for more details, see Appendix).

Measuring indirect effects

Creating and safeguarding jobs is crucial for sustainable development, as employment creates a path out of poverty. The MSME sector is one of the most important creators of jobs across emerging and frontier economies. However, understanding and measuring indirect impacts can be highly complex. This is where modelling can help. AFIF uses modelling in estimating its investment impact on indirect and induced jobs supported and in calculating the CO2 emissions of the portfolio companies.

AFIF has testing the Joint Impact Model (JIM) in order to obtain an overall estimate of the gross direct and indirect economic and environmental impacts of our portfolio by year-end 2021.

Contribution to job creation

Preliminary results indicate that the 51 FIIs in the current portfolio supported annually more than 65.7k jobs directly (as employer). Through investing in FIIs, which in turn on-lend capital to MSMEs, the Fund contributes to 7,443 jobs. In addition, the attributed number of jobs the Fund contributes to through the induced effects in the wider economy is 3,640 jobs.

GHG emissions

Initial results regarding Greenhouse Gas (GHG) emissions of all FIIs together indicates a total of 212.3k tCO2 direct emissions and 76K tCO2 emissions induced in wider economy. The total tCO2 of the MSMEs attributed to AFIF is 61k tCO2. We will test the JIM model further and will use the model to calculate the attributed results of the Fund according to the Partnership for Carbon Accounting Financials (PCAF) recommendations.

Joint Impact MODEL

Sector alignment

ACTIAM ACTIVELY PARTICIPATES IN SECTOR INITIATIVES AND COOPERATES WITH PEERS TO EVOLVE SECTOR STANDARDS AND SUPPORT FURTHER PROFESSIONALISATION.

PRI

The United Nations Principles for Responsible Investment (PRI), created in 2005, provides a network of international investors with a framework of six principles for incorporating environmental, social and governance issues into their decision-making and ownership practices. ACTIAM is signatory to the PRI and submits annual progress reports.

GIIN / IRIS+

The Global Impact Investing Network (GIIN) is a non-profit organization dedicated to increasing the effectiveness of impact investing through collaboration, research and advocacy. GIIN has developed the Impact Reporting & Investment Standards (IRIS), an independent set of common metrics for impact reporting. ACTIAM makes use of this framework to monitor the social performance.

The Smart Campaign

The Smart Campaign advocated a common code of conduct in the microfinance industry, governing and establishing client protection safeguards. The Client Protection Principles are the Campaign's outlined minimum standards that clients should expect to receive when doing business with a microfinance institution. In 2021, the CP Pathway is replacing the Smart Campaign.

Joint Impact Model (JIM)

The JIM is a publicly available model, which enables the quantification of indirect jobs, value added, and GHG emissions related to investments of financial institutions. The aim of the initiative is to bring comparability, accountability, and transparency to the financial industry by measuring key impact indicators in a harmonised way.

Client Protection Pathway

In 2021, SPTF and CERISE launched the Client Protection Pathway. This is a new initiative to support and improve client protection practices across the financial service industry. ACTIAM signed a joint statement calling on financial service providers to commit to the Client Protection Standard and ACTIAM is committed to supports its partners in pursuing client protection excellence.

Phenix Impact Gems

In 2020, Phenix Capital Group, set up the proprietary framework Phenix Impact GEMS for the purpose of assessing the robustness of a fund's impact proposition. ACTIAM received the final report of Phenix Capital on the Fund’s impact proposition following an extensive assessment and received a score of 51/62 for its AFIF.

Netherlands Advisory Board

ACTIAM is a founding member of the Netherlands Advisory Board on impact investing (NAB). This is an independent, non-profit organisation that aims to accelerate the growth and improve the effectiveness of the impact investing market. ACTIAM is involved in working groups to further professionalise the sector.

IFC Operating Principles

Operating Principles for Impact Management (Impact Principles), provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. Our Investment Advisor DWM is a signatory of the Impact Principles in and publicly disclosed their impact methodology and independent verification on their website.

Outlook 2022 & SFDR

OUTLOOK 2022

Heading into 2022, emerging markets are far better prepared and equipped to tackle the COVID-19 pandemic than before. In these countries hundreds of millions of vulnerable people live on a low-income and rely on daily earnings to survive. In 2022, more countries will open up again their societies which will lead to increased economic activities enabling people to (re)build small financial buffers or other safety measures to fall back on in times of difficulties. FIIs will see a continuation of the growth in number of end-clients as access to capital and saving facilities is an important mean to overcome the crisis and continue to access basic services for low-income households.

The recent war in the Ukraine, with Russia as the dominant economy in the region, will indirectly impact many economies in 2022. This war is expected to cause food shortages and a sharp rise in commodity prices to add to preexisting inflation pressure. This might have a negative impact on peoples' disposable income potentially resulting into higher default risks. To protect clients, AFIF will critically look at the debt to income ratios, collection methods and underwriting procedures during the investment decision.

SFDR

As of 10 March 2021 the EU Sustainable Finance Disclosure Regulation (SFDR level I) became applicable. The SFDR is part of the EU Action Plan on Sustainable Finance. It seeks to establish a reorientation of capital flows towards sustainable investment, promote the inclusion of sustainability in risk management, and foster transparency and long-termism into financial and economic thinking. The first set of the new disclosure obligations SFDR level I, requires Financial Market Participants (FMPs) to evaluate and disclose sustainability related data and policies at entity, service and product level. The SFDR refers to specific types of disclosures for different types of product categories. It distinguishes mainstream products (Article 6/7), products promoting environmental or social characteristics (Article 8) and products with a sustainable investment objective (Article 9). AFIF can be classified as a Article 9 fund, since the Fund upholds a clear sustainable investment objective and invests in companies that actively contribute to achieving social goals and sustainable practices in the field of good governance. Per 2023, AFIF will disclose and report in line with the requirements for product 9 funds.

Appendix

OUTREACH CALCULATION

For disbursements that occurred within the same outreach year the following calculation is applied:
(Disbursement end of year- disbursement date)/365 days * (disbursement amount/average exposure per borrower)

For instance: we disbursed a € 369,740 loan on January 31/2017 to FII X with a final maturity on 3/31/2018 and with an average exposure per borrower of € 588. The calculation will then be as follows:

- =(12/31/2017-1/31/2017)/365*(369.740/588)
- =334/365*(628)
- =575 borrowers reached in 2017

To make it even more specific, the investment manager applies the following 3 scenarios, incorporating repeat borrower rate.

If both the loan disbursement and the year of calculation (extensions/short term refinance) are within the same calendar year the calculation is as follows:.
[(End of year of disbursement year-Disbursement date)/365]* [Disbursed amount /Average exposure per borrower for the year]

If the loan is less than a year (disbursement and maturity year are the same) and also the disbursement year is different from the year of calculation (eliminating the first situation), then we take into account the borrower repeat rate (1- repeat borrower rate)

If the loan is greater than a year and also the disbursement year is different from the year of calculation (eliminating the first situation), then we can take into account the borrower repeat rate (1- repeat borrower rate).

Disclaimer

ACTIAM N.V. endeavours to supply accurate and up-to-date information from sources deemed to be reliable. However, ACTIAM N.V. cannot guarantee the accuracy and completeness of the information contained in this presentation and/or this document, referred to below as 'the Information'. The Information may contain technical or editorial inaccuracies or typographical errors. ACTIAM N.V. gives no express or implied guarantees that the Information contained in this presentation and/or this document is accurate, complete or up to date. ACTIAM N.V. is not obliged to update or correct errors or inaccuracies in the Information. The Information is based on historical data and is not a reliable basis for predicting future values or equity prices. The Information is similar to, but possibly not identical to, the information used by ACTIAM N.V. for internal purposes. ACTIAM N.V. does not guarantee that the quantitative yields or other results from the Information will be the same as the potential yields and results according to ACTIAM N.V.'s own price models. Comments about risks pertaining to any Information should not be regarded as a complete disclosure of all relevant risks. The Information should not be interpreted by the recipient as business, financial, investment, hedging, commercial, legal, regulatory, tax or accounting advice. The recipient of the Information is personally responsible for the way in which the Information is used. Decisions made on the basis of the Information are at the expense and risk of the recipient. Accordingly, the recipient cannot derive any legal rights from the Information.

ACTIAM N.V.

WEENA 690
3012 CN ROTTERDAM

POSTADRES
P.O. BOX 29088
3001 GB ROTTERDAM

MARCOM@ACTIAM.NL
WWW.ACTIAM.NL