



Sustainability Disclosures

Advans Group



PRODUCT NAME:
ADVANS S.A., SICAR (“ADVANS”)

LEGAL IDENTITY IDENTIFIER:
984500104S92AFC4B926

DOES THIS FINANCIAL PRODUCT HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?

YES

It Will Make A Minimum Of Sustainable Investments With An Environmental Objective: ___%

In economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

It will make a minimum of sustainable investments with a social objective: 90 %

NO

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but will not make any sustainable investments

(A) SUMMARY

Advans aims to support economic and social development combining market orientations and development by meeting an unsatisfied and urgent demand for financial inclusion by investing in and creating new Micro Finance institutions in Africa and Asia. Advans invests in the tertiary sector (financial) and more specifically in the microfinance institutions (“MFIs”) subsector.

Advans’ mission is to promote financial inclusion by responding to the need for financial services of small businesses and other populations who have ill adapted, limited or no access to formal financial services, through providing tailored financial services in a sustainable and responsible manner.

Through its Environmental and Social policy Advans ensures that its investee companies:

- Comply with local regulations and identify relevant social and environmental issues prevailing in its areas of operations.
- Respect fundamental human and social principles, based on International Conventions (United Nations Universal Declaration of Human Rights and the International Labour Organization Conventions). In case national laws are not in line, investee companies will look to follow the stricter standard. Clients and business partners of investee companies are expected to do the same.
- Increase awareness of social and environmental issues: among employees, clients, partners and wider communities.
- Constantly seek to refine its social and environmental practices: considering best practices in the microfinance and banking industry and international standards.

Advans aims to ensure that its subsidiaries analyse their financial services and business operations from a socially and environmentally responsible perspective to make sure that environmental and

social performance is an intrinsic value across all areas of operations and is part of Advans' strategies for growth.

Exclusion List

Advans commits to ensuring that Environmental and Social Performance are an integral part of its governance and policies. In pursuing its social and environmental objectives, Advans places a priority on the effective management of potential environmental and social risks associated with its investments to do no significant harm to any area of environmental or social concern. To that end, Advans has implemented and maintains an Environmental & Social Policy and Exclusion List which clearly describe activities that cannot be funded by investee companies:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in products which have a substantial negative health or safety impact.
- Activities threatening worker's health or safety, or contrary to their basic human rights.
- Production or trade in activities which have a substantial negative social impact.
- Production or trade in activities which have a substantial negative environmental impact.

Advans subsidiaries commit to approving and implementing the Exclusion List and the Social and Environmental Management System as well as applicable Social and Environmental Laws. Advans will adapt and improve the Exclusion List and client monitoring as knowledge of the local and global social and environmental context progresses, this may include introducing context specific rules on certain activities or in the context of climate change looking to reduce our indirect Scope 3 GHG emissions.

Climate Strategy

Advans is currently developing and piloting a Climate Strategy focusing on four main pillars:

- Manage our internal impact and raise awareness on climate change among our teams;
- Manage external impact & evaluate the impact of climate change on our clients & portfolio;
- Build the resilience of our clients classed as vulnerable through awareness and education; campaigns;
- Adapt our products and services to help strengthen our clients' resilience in the long term, including supporting clients in the transition to more sustainable low carbon economies.

Advans Climate Strategy aims to ensure that, as well as managing and mitigating the impact of its operations, Advans understands the potential impacts of climate change on its end customers and the physical and transition risks that can impact the activities that Advans finances. Building a better understanding of these risks will help Advans to both adapt its financing focuses to more sustainable activities, and to help end clients adapt in the face of the climate crisis. Advans is planning to gradually integrate climate risks into its overall risk framework and reporting.

(B) NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

Indicators for adverse impacts

All indicators for adverse impacts on sustainability as defined in Annex 1, table 1 of the SFDR RTS are taken into account when conducting due diligences (questionnaires, reviewing and analysing existing data...) for making any first-time investment in an MFI.

At the level of the investees that Advans finances, because the Advans Group is an international network of Microfinance institutions with different data and tracking systems in each country, it is

presently not able to calculate and consolidate the principal adverse impacts on sustainability factors for all of its investments, because it does not have the data to reliably do so on a periodic basis. Advans tracks social and environmental indicators linked to its social goals as mentioned below and reports annually on its Environmental and Social Practices and Indicators to its investors. Advans aims to integrate more climate related indicators progressively in its reporting and may be able to report on some of the PAIs in the future.

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

As outlined in the Advans’ ESPM & Exclusion list, Advans respects fundamental human rights, based on International Conventions. Advans will ensure its investments accept and uphold the principles contained in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Conventions. Through its investments, it will also encourage clients and business partners to do the same and monitor compliance through a dedicated management system deployed by investees.

(C) SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

Sustainable investment objective

Advans’ mission is to promote financial inclusion by responding to the need for financial services of small businesses and other populations who have ill adapted, limited or no access to formal financial services, through providing tailored financial services in a sustainable and responsible manner.

To do so, Advans has defined five Social Goals leading the way we do business:

- Have a positive impact on clients’ revenues and savings through supporting their activities and building their financial stability;
- Reach out to underserved populations with appropriate products and channels;
- Provide clients with quality services in a transparent, respectful and conscientious manner;
- Create a fair, healthy and dynamic working environment for our staff; and
- Be accountable and build awareness of social and environmental issues amongst employees and clients.

Each year, annual Social Objectives are defined and approved by the Board as part of strategic orientations and budget in line with each of the five Social Goals. These objectives are associated with a clear quantitative target.

(D) INVESTMENT STRATEGY

Strategy of the financial product

Advans aims to achieve its investment objective by (i) creating MFIs in Eligible Countries primarily located in Africa and Asia that are expected to benefit from changing economic, political, and legal environments and from the continuing commercialization of the microfinance industry, (ii) investing directly or indirectly through special purpose vehicles in start-up MFIs or existing MFIs which either need further funding and assistance to become sustainable or are already sustainable but seek a strong lead shareholder to support them in their development and (iii) fully owning companies which provide management services Advans and/or support services to its MFI Affiliates.

Binding elements of the investment strategy to attain the sustainable investment objective

Investments are limited to a list of developing countries and to MFIs or companies providing services to MFI investee companies. Advans invests primarily in equity. Debt investments are only provided to MFIs in which Advans has already made an equity investment. The investee shall enter into a technical assistance agreement with Advans or an affiliate thereof which aims to provide support to achieve financial sustainability or respond to the MFI’s critical needs and therefore reduce Advans’ investment risk.

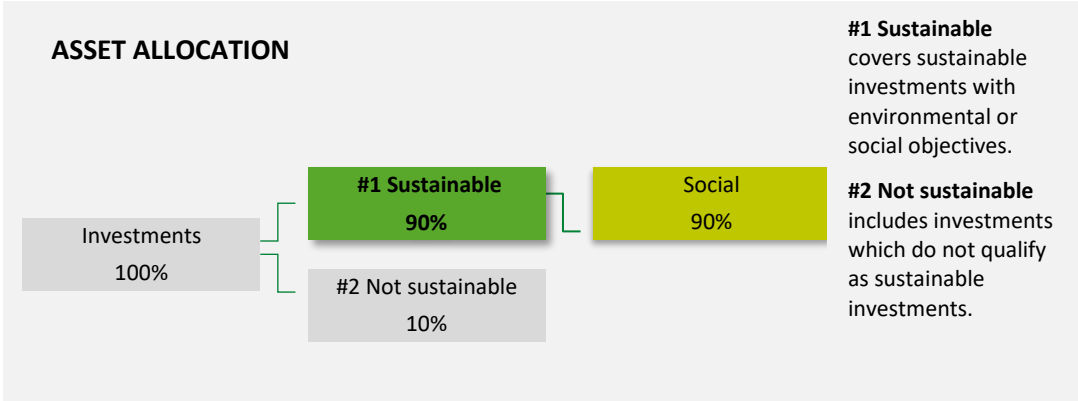
Policy to assess good governance practices of the investee companies

In accordance with its investment philosophy, for existing investments, as majority shareholder, Advans plays an active role in the governance of its subsidiaries and disseminates a range of governance policies to its investments, covering areas such as corporate governance, code of conduct, employee handbook, speak-up policy, internal rules, annual appraisal standards & remuneration policies amongst others.

Principal adverse impacts on sustainability factors

Indicators for adverse impacts on sustainability as defined in Annex 1, table 1 of the SFDR RTS are taken into account when conducting due diligences (questionnaires, reviewing and analysing existing data...) for making any first-time investment in an MFI. For more information, please refer to section (B) “No Significant Harm to the Sustainable Investment Objective” above.

(E) PROPORTION OF INVESTMENTS



Advans is expected to invest at least 90% of its net asset value in investments considered as sustainable under SFDR (#1 Sustainable).

Advans is allowed to invest up to 10% of its net asset value in cash placements and money market instruments for liquidity purposes and in Advans International, a wholly own subsidiary of Advans which provides technical assistance to the MFI’s affiliates as well as advisory services to Advans. (#2 Not sustainable)Use of derivatives

Advans does not use derivatives in the context of the investment strategy.

Environmental Objectives & EU Taxonomy

Advans has a social objective so the Environmental Objectives and EU Taxonomy do not apply.

Minimum share of sustainable investments with a social objective

Advans is expected to invest at least **90% of its NAV in investments considered as sustainable under SFDR**. These are investments with a social objective.

Not sustainable investments

Not sustainable investments represent Advans International, a wholly owned subsidiary of Advans Group which provides technical assistance to Advans affiliates as well as advisory services. While these investments may not contribute to a social objective within the meaning of the SFDR, the Fund aims to ensure a minimum level of environmental and social safeguards. As such, the investments which are not sustainable investments are not expected to affect the delivery of Advans overarching sustainable investment objective.

(F) MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

Sustainability indicators

Advans measures social performance with a set of key indicators to measure its achievement of its social goals. Examples of indicators to measure the achievement of Advans social goals can be found below. These indicators will evolve and change as Advans' systems and reporting methods improve notably with Advans digital transformation programme, AIR+, which will improve the availability and quality of data. Advans links these indicators to best reporting practices in the industry and to indicators linked to the Sustainable Development Goals.

- + Total number of borrowers
- + Total number of depositors
- + % of women clients
- + % of women borrowers
- + % of Agri clients
- + Complaints resolution (%)
- + % clients satisfied
- + Staff completed a Client Protection training (%)
- + % women staff
- + % of women managers

Monitoring of sustainability indicators & sustainable objectives

Advans subsidiaries report on these indicators on a quarterly basis and the indicators are reviewed and discussed at least annually by Boards.

(G) METHODOLOGIES

Advans gathers data from two principal sources to assess whether it is achieving its sustainable investment objectives i) internal data in banking and other systems ii) feedback from clients in the form of impact or satisfaction surveys.

(H) DATA SOURCES AND PROCESSING

Advans uses indicators which can be reported on in a reliable manner by all subsidiaries with Core Banking Systems and HR Information Systems as the key sources of client and staff data. Each subsidiary has in branch control mechanisms and Data Quality checks on client data. The Advans Group collects and consolidates the data from all subsidiaries.

Advans regularly conducts impact measurement assessments on either specific groups of clientele, or representative groups of clientele, often with external service providers. These studies enable Advans to get direct feedback from end clients on the impact of its financial services.

(I) LIMITATIONS TO METHODOLOGIES AND DATA

The limitations of the methodologies are outlined in the respective descriptions above. These limitations may be related to incorrect or incomplete data provided by the investee/client. Client studies remain declarative and are generally not tested against a control population.

The limitations do not affect the attainment of the sustainable investment objective as Advans has been focusing in the last years on improving data quality and the quality of its clients studies. Data quality can always be improved and consolidating data from different sources can sometimes be complicated.

(J) DUE DILIGENCE

For new investments, Advans conducts an in-depth due diligence of the target MFI, including governance: functioning of the decision-making bodies, commitment of sponsors, potential disputes between sponsors, etc. This evaluation is then considered when making any investment decision.

Advans investment evaluation includes an Environmental and Social (ESG) due diligence, customized according to the risk profile of the investee. Results of the ESG due diligence are presented to the Board whose investment decision includes the review of ESG factors. Where ESG-related risks cannot be mitigated to a satisfactory extent, the investment will not proceed.

(K) ENGAGEMENT POLICIES

Advans has not defined an engagement policy. However, the methodology used to measure the impact of the investments made contains numerous indicators to measure some of the key issues in terms of governance, etc. in place in the MFIs financed. As part of the due diligence of MFIs, informal engagement is carried out through the set-up of a long-term relationship with these investees, including discussion of strategic issues and suggestions for improvement. If significant deficiencies or events leading to a negative impact on sustainability are identified during due diligences or follow up reports, the information is relayed to the Board of Directors and the relevant internal teams in charge of the investments and strategies or decisions to remedy the situation are defined accordingly.

(L) ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

Advans has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

Annex

REFERENCES TO INTERNATIONAL STANDARDS

Advans applies or refers to the following international standards in its operations:

- [IFC E&S Performance Standards](#)
- [Universal Standards for Social & Environmental Performance Management \(CERISE + SPTF\)](#)
- [Client Protection Standards](#)
- [60 Decibels Microfinance Index](#)

PRINCIPAL ADVERSE IMPACTS STATEMENT

At least seventy-five percent (75%) of the members of the board of directors of Advans are and shall be representatives of DFIs/ or nominated pursuant to relevant contractual arrangements, including a nomination letter between such nominated member of the Board and the relevant DFIs, and Advans is managed in the public interest. As a result, Advans benefits from an exemption pursuant to article 2(2) of the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended from time to time, and is therefore not subject to the requirements of this law.

Therefore, Advans itself is to be considered as “financial market participant” within the meaning of the SFDR Regulation and is required to publish information on its website related to the consideration of the principal adverse impacts of investment decisions on sustainability factors, in accordance with Article 4 of the SFDR.

As Advans is a financial market participant with less than 500 Employees, in accordance with article 4.3 of the SFDR, it is not obliged to calculate the principal adverse impact indicators. This being said, Advans aims at tracking indicators as much as possible, as highlighted below.

At the level of the investees that Advans, because the Advans Group is an international network of Microfinance institutions with different data and tracking systems in each country, it is presently not able to calculate and consolidate the principal adverse impacts on sustainability factors for all of its investments, because it does not have the data to reliably do so on a periodic basis. Advans tracks social and environmental indicators linked to its social goals as mentioned below and reports annually on its Environmental and Social Practices and Indicators to its investors. Advans aims to integrate more climate related indicators progressively in its reporting and may be able to report on some of the PAIs in the future:

COMMENTS ON MANDATORY PAIS

1. GHG emissions	Scope 1 GHG emissions	Advans has started to measure the carbon footprint and GHG emissions of its internal operations and will aim to progressively measure the footprint of each of its investee companies using a group model, as part of its climate strategy. In terms of Scope 3 emissions the emissions of the activities Advans finances will be difficult to calculate due to the fact that i) most are very small scale businesses in developing economies and ii) a large proportion of the activities Advans finances are informal.
	Scope 2 GHG emissions	
	Scope 3 GHG emissions	
	Total GHG emissions	
2. Carbon footprint	Carbon footprint	
3. GHG intensity of investee companies	GHG intensity of investee companies	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Due to the nature of Advans activities (microfinance) this is not relevant. Due to the scale of activities Advans’ investees finance (MSMEs) there is no significant investment in fossil fuel sectors.

5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	As part of its efforts to analyse the carbon footprint of its investee companies, Advans may look to improve the efficiency of its internal energy consumption and maximise the use of renewable energy sources, but this has not yet been done.
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Due to the nature of Advans activities (microfinance) this is estimated to be limited. The end clients Advans finances are very small scale businesses in developing economies so calculating their energy consumption would be very difficult.
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Due to the nature of Advans activities (microfinance) Advans does not operate in biodiversity-sensitive areas. Advans investee companies do not finance production or trade in activities which have a substantial negative environmental impact as per Advans ESPM policy.
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Due to the nature of Advans activities (microfinance) water emissions are limited. Advans investee companies do not finance production or trade in activities which have a substantial negative environmental impact as per Advans ESPM policy.
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	Due to the nature of Advans activities (microfinance) the company does not produce hazardous waste or radioactive waste. Advans investee companies do not finance production or trade in activities which have a substantial negative environmental impact as per Advans ESPM policy.
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	The Company has not invested in companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address	

		violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	
12. Unadjusted gender pay gap	gender	Average unadjusted gender pay gap of investee companies	This indicator is not currently tracked internally due to the fact that salary scales and calculations are different across subsidiaries.
13. Board diversity	gender	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	This indicator is tracked internally.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	to	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	Due to the nature of Advans activities (microfinance) the share of investments in investee companies involved in the manufacture or selling of controversial weapons is nil. Advans investee companies do not finance production or trade in activities which have a substantial negative social impact as per Advans ESPM policy.