

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

Product name: Moonstone Lending Fund 1

Legal entity identifier: 549300T033C3QNHQQB66

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?



Yes



No



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**: \_\_\_\_%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum 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**



### What environmental and/or social characteristics are promoted by this financial product?

The Fund systematically promotes environmental, social, and governance criteria corresponding to the material challenges for lending platforms. For this purpose, two questionnaires were developed for lending platforms:

- **For business finance platforms:** the questionnaire is composed of 51 indicators and is structured around four main themes: Platform Governance (30%), Environment (10%), Social (30%), and Project Selection (30%). This questionnaire aims to assess the ESG approach platforms take when selecting borrowers.
- **For consumer credit platforms:** the questionnaire is composed of 47 indicators and is structured around four main themes: Platform Governance (30%), Environment (10%), Social (30%), and Sustainable Finance Initiatives (30%).



**Sustainability indicators**  
measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The promotion of the social and environmental characteristics of the Fund is materialised by an ESG assessment of lending platforms that financed consumers and VSBs/SMEs. Some examples of indicators used for the analysis and evaluation of business finance platforms include:

- **Governance theme (30%):** share of women on the Executive Committee, existence of a sustainable development and/or CSR referent, integration of social criteria in purchasing/subcontracting practices.
- **Environmental theme (10%):** formalisation of a long-term environmental strategy, existence of an environmental management system.
- **Social theme (30%):** job turnover rate, share of women in the management workforce, share of the workforce having an annual individual assessment interview.
- **Project selection for SME loans and Sustainable Financing Initiatives for consumer loans (30%):** Integration of social, governance, and environmental criteria in the selection of proposed projects (SME), does the platform treat the borrower fairly and respectfully for the duration of the credit relationship (consumer).

The responses provided by the platform are scored to generate four thematic scores which are weighted using the percentages indicated in the above examples, generating a global score ranging from 0 to 100.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The fund did not set any quantitative sustainable investment objectives due to the nature of the underlying assets. However, social and governance characteristics accounted for a combined 60% of the criteria used when calculating extra-financial rating assigned to each investment.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The fund did not have any sustainable investment objective due to the nature of the underlying assets, therefore this is not applicable.

— ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The fund does not have an indicator for adverse impact available due to the lack of sustainable investment objectives.

— ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

All of the fund's investments are aligned with the UN Guiding Principles on Business and Human Rights as the fund manager, Smart Lenders, is a signatory participant of the UN Global Compact.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

☐ Yes, \_\_\_\_\_

☒ No



**What investment strategy does this financial product follow?**

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The fund invests, directly or indirectly, at least 90% of its assets in unsecured consumer loans or small business (VSBs/SMEs) loans or receivables in the U.S. or any other OECD country originated through online lending and refinancing platforms (the “Loan(s)”).

The loans are either “prime” or “superprime” quality as may be defined from time to time by the AIFM (at the time of their purchase) and their maturity shall range from 15 days to seven years. The AIFM shall ensure that there exists a diversification in the loans acquired based on their maturity so as to guarantee sufficient liquidity to the fund.

In this regard, loans with over 4-years of residual maturity shall not represent more than 30% of the fund's portfolio. Most loans serviced by the platforms should not expose the fund to a counterparty risk in relation to the platforms, as long as the platforms have appointed a replacement servicer thus negating the impact of their own potential winding-up on the servicing of the loans.

Should investments in loans serviced by the platforms expose the fund to a counterparty risk in relation to the platforms, such investments shall not amount for more than 10% of the assets of the fund. The loans shall at least be reimbursed in interest and capital in monthly instalments. The loans may be acquired by the fund through direct or indirect purchase from the online lending and refinancing platforms. The purpose of the fund is ultimately to obtain a wide exposure in terms of geography, assets, originators, and market sectors (at Loan level) and vintages.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

To attain each of the environmental or social characteristics promoted by the Fund, Smart Lenders AM applies an exclusion policy and maintained a constructive dialogue with the platforms.



The exclusion policy is based on two pillars:

- A **sectoral exclusion policy** in line with its ESG commitments and objectives, excluding the financing of projects or companies in a pre-defined list of sectors. As such, the exclusion list is transmitted to the lending platforms. An ex-post control is carried out by the management team after any investment.
- A **normative exclusion policy**. Indeed, Smart Lenders AM refuses to invest in projects led by companies that contravene the principles of the UN Global Compact or companies that specifically contravene the United Nations' guiding principles on business and human rights and the conventions of the International Labour Organisation.

As such, during the due diligence phase, platforms are subject to a controversy analysis. Smart Lenders AM refuses to sign agreements with platforms that are subject to severe controversies. In addition, to ensure that minimum social and environmental guarantees are respected, Smart Lenders AM has also set up an annual monitoring of the controversies of platforms and VSBs/SMEs. In case of identified controversies, a dialogue is initiated with these platforms to implement solutions. In the event where a controversy is identified and is not addressed by the platforms, Smart Lenders AM would cease investing with these platforms.

The positive selection and dialogue consist in a bottom-up approach to construct the ESG questionnaires. Thus, each indicator is scored according to a logic linked to the nature of the indicator and with regards to regulations, standards, and market trends.

The strategy deployed by the Fund aims to select the most mature platforms in terms of ESG. For that purpose, lending platforms are evaluated during the due diligence process. In addition, Smart Lenders AM has put in place an annual monitoring process of the extra-financial performance of the participatory financing platforms to measure their progress in improving their environmental, social, and governance practices.

The ESG assessments of the platforms are used for dialogue with the platforms. The latter are thus made aware of the need to set up an internal system for evaluating companies and projects that include ESG criteria and to improve their ESG practices.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Smart Lenders AM's objective is to select the most mature platforms in terms of ESG.

For platforms who have the data available, Smart Lenders AM will invest through platforms with an ESG scoring above 50/100. Investments made through any platform who scores less than 50 are not to exceed 10% of the portfolio at any time and recommendations will be provided to the platform to help improve their score with the objective of reaching the 50-point mark in the following year.

● ***What is the policy to assess good governance practices of the investee companies?***

Smart Lenders AM assesses the good governance practices of platforms, through its evaluation grid, as well as through its normative exclusion policy detailed above.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



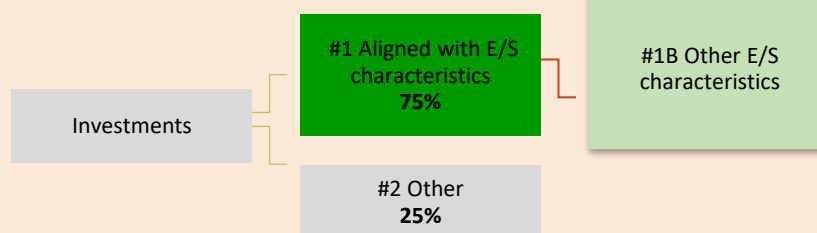


## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes investments in loans through business finance and consumer credit platforms which have an ESG scoring above 50/100 to attain the environmental or social characteristics promoted.

**#2 Other** includes the uninvested cash and the remaining investments in loans through business finance and consumer credit platforms for which data was not available to establish a scoring. These investments are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The fund does not use derivatives, except for currency hedging.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable due to the nature of the underlying assets.

### ● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**



Yes:



In fossil gas



In nuclear energy



No

The Fund systematically excludes sectors and subsectors of the economy that derive revenues from exploration, mining, extraction, production, processing, storage, transportation, and refining of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council. However, the fund may have limited exposure (<1%) to businesses who may have partial revenues from the distribution and trade of fossil fuels, as long as the proportion of revenues from this activity represented less than half of the business' total revenues.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



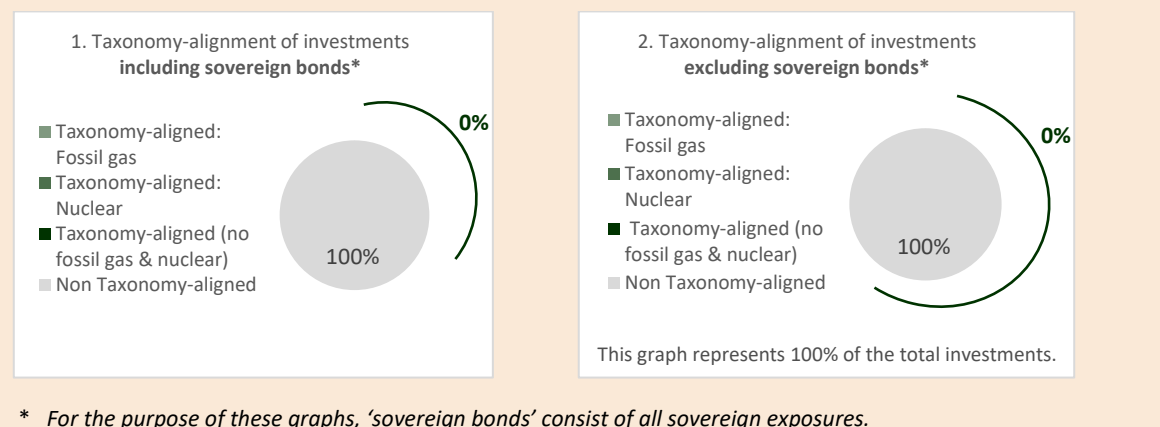
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



● **What is the minimum share of investments in transitional and enabling activities?**

0% (zero per cent) of the Fund's Assets, provided that the Fund may nevertheless make such investments notwithstanding the absence of any commitment in that regard.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

0% as the Fund does not make any commitment to invest in sustainable investments within the meaning of SFDR.



**What is the minimum share of socially sustainable investments?**

0% as the Fund does not make any commitment to invest in sustainable investments within the meaning of SFDR.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Investments included under “#2 Other characteristics” include the uninvested cash and loans through business finance and consumer credit platforms which either scored under 50 or are not covered by an ESG scoring. However, Smart Lenders AM is committed to ensure that platforms that are not covered by an extra financial analysis comply with minimal social and environmental guarantee, through the analysis of controversies and the exclusion policy.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Due to the nature of the underlying loans, it is not possible for the fund to determine a specific index as a reference benchmark to measure whether the Fund attains the environmental or social characteristics that it promotes.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable due to the nature of the underlying loans.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable due to the nature of the underlying loans.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable due to the nature of the underlying loans.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable due to the nature of the underlying loans.



### **Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

Terms and conditions for taking environmental, social and governance (ESG) criteria into account in investment policy are available on the Smart Lenders AM's website <https://www.smartlenders-am.com/esg/>