

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

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

**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**

**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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**What environmental and/or social characteristics are promoted by this financial product?** *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

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

The promotion of the social and environmental characteristics of the Fund is materialised by an ESG assessment of lending platforms and VSBs/SMEs that use these platforms as a financing tool. For this purpose, two questionnaires have been developed for lending platforms:

- **For business finance platforms:** the questionnaire is composed of 51 indicators and is structured around four main themes: Platform Governance, Environment, Social, and

Project Selection and Communication. 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, Environment, Social, and Sustainable Finance Initiatives.

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

The Fund systematically promotes environmental, social, and governance criteria corresponding to the material challenges for lending platforms. In this context, here is a non-exhaustive list of ESG indicators used in the evaluation and extra-financial analysis of the Fund.

Examples of indicators used for the analysis and evaluation of business finance platforms:

- **Governance theme:** 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:** formalisation of a long-term environmental strategy, existence of an environmental management system, greenhouse gas emissions for scopes 1 (direct emissions) and 2 (indirect emissions linked to energy) (ton CO<sub>2</sub> eq.).
- **Social theme:** job turnover rate, share of women in the management workforce, share of the workforce having an annual individual assessment interview.

● **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?** *[include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

Not applicable due to the nature of the underlying assets.

● **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?** *[include a description for the financial product that partially intends to make sustainable investments]*

Not applicable due to the nature of the underlying assets.

— — **How have the indicators for adverse impacts on sustainability factors been taken into account?** *[include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are taken into account]*

Not applicable due to the nature of the underlying assets.

— — **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:** *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

Not applicable due to the nature of the underlying assets

**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.

*[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

*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, \_\_\_\_\_ *[If the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

No



**What investment strategy does this financial product follow?** *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

**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 will be of 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.

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

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.

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

● **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 a positive selection with a 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? [include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]**

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

For platforms for which data are available, Smart Lenders AM does not invest through platform with an ESG scoring below 50/100.

● **What is the policy to assess good governance practices of the investee companies? [include a short description of 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.



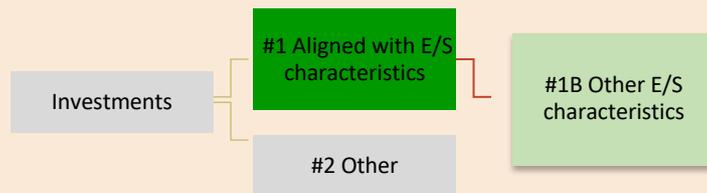
**What is the asset allocation planned for this financial product?** *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

*[include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852*

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.

*[Include only relevant boxes, remove irrelevant ones for the financial product]*



**#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.

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

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*

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?** *[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(3) of this Regulation]*

Due to the nature of the underlying credits, the Fund does not pursue a sustainable objective and therefore does not make sustainable investments aligned with the EU Taxonomy.

*[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852*

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

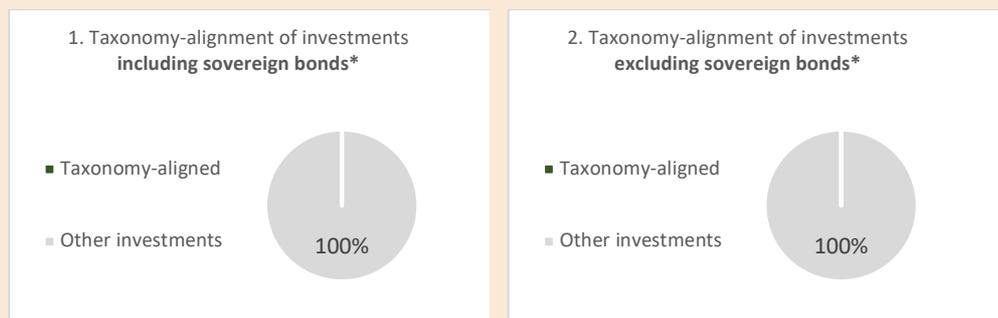
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]*



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.**



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- **What is the minimum share of investments in transitional and enabling activities?** *[include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

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?** *[include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]*

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?** *[include section only where the financial product includes sustainable investments with a social objective]*

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” are loans through business finance and consumer credit platforms which 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?** *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

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.

- **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:** *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

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/>

*[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

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