Information applicable to The Lending Smart Fund 1,
classified under Article 8 of the SFDR regulation

October 2022

(a) Summary

The Lending Smart Fund 1 promotes environmental and social characteristics in accordance with Article 8 of the SFDR classification.

However, the Fund does not aim at sustainable investment and the underlying investments of the Fund do not consider the European Union's criteria for environmentally sustainable economic activities.

The promotion of the social and environmental characteristics of The Lending Smart Fund 1 is materialized by an ESG assessment of lending platforms. For this purpose, two questionnaires have been developed for lending platforms using a bottom-up approach around four main themes:

- Governance theme
- Environmental theme
- Social
- Project Selection and Communication.

To meet the environmental and social characteristics promoted by The Lending Smart Fund 1, The Investment strategy is based on negative screening (sectoral and normative exclusions), positive screening and dialogue with lending platforms.

Smart Lenders AM evaluates lending platform in its due diligence process. The Management Company has set up a scoring based on several indicators. SLAM does not finance platforms with an ESG rating below 50/100

As part of the dialogue with its partner platforms, Smart Lenders AM has put in place an annual monitoring process of the extra-financial performance of the platforms to measure their progress in improving their environmental, social, and governance practices.

The objective of The Fund is that 75% of the platforms in the portfolio have an ESG rating and therefore promote social and environmental characteristics. 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.

Smart Lenders AM uses data provided by its partner platforms. Smart Lenders AM ensures the quality of the data provided by the platforms by interviewing the management of each platform. Once collected, the data is then studied by the analyst in charge of the ESG analysis of the platforms and the CIO to establish a score. The information contained in the ESG questionnaires comes 100% from the platforms. Therefore, Smart Lenders AM does not estimate ESG data for the platforms it works with.

Smart Lenders AM performs ESG analysis on its main partners, the online lending platforms. However, the company cannot analyze the ESG characteristics of each of the underlying loans.

Furthermore, the data used by Smart Lenders AM in its ESG analysis is based on data provided by the platforms themselves and Smart Lenders AM does not have access to other external data sources.

These limits do not affect the extent to which the social and environmental characteristics promoted by the funds managed by SLAM are improved, as Smart Lenders AM excludes any platform whose activities are in violation of its exclusion policy and the United Nations Global Compact Principles in its due diligence and selection of its partner platforms.

In its platform due diligence process, Smart Lenders AM seeks to work with the most mature platforms in terms of ESG and excludes from its investment universe projects in sectors excluded by the company's exclusion policy.

There is no relevant benchmark for The Lending Smart Fund 1.

(b)   No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not aim at sustainable investment

(c)   Environmental or social characteristics of the financial product

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, a questionnaire has been developed for lending platforms to assess the ESG approach platforms take when selecting borrowers. It is composed of 51 indicators and is structured around four main themes:

- Platform Governance

- Environment
- Social
- Project Selection and Communication

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 Lending Smart Fund 1 :

- **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) (tonne CO_2 eq.).
- **Social theme:** job turnover rate, share of women in the management workforce, share of the workforce having an annual individual assessment interview.

(d)   Investment strategy

The Investment strategy used to meet the environmental or social characteristics promoted by the Lending Smart Fund 1 financial product is based on negative screening, positive screening and a dialogue with the platforms.

❖ Negative screening

Smart Lenders AM has a sectoral exclusion policy in line with its ESG commitments and objectives.

This sectoral exclusion policy is complemented by 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 - to which the Management Company is a signatory - or companies that specifically contravene the United Nations' guiding principles on business and human rights and the conventions of the International Labour Organisation.

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 controverse is identified and is not addressed by the platforms, Smart Lenders AM would cease investing with these platforms.

❖ **Positive screening**

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. Smart Lenders AM does not finance platforms with an ESG rating below 50/100.

As part of its positive selection, the methodology used by Smart Lenders AM for the evaluation of financing platforms is a bottom-up approach used to construct the ESG questionnaire. Thus, each indicator of the questionnaires is scored according to a logic linked to the nature of the indicator and with regards to regulations, standards, and market trends.

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.

❖ **Dialogue with lending platforms**

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.

(e) Proportion of investments

The objective of The Fund is that 75% of the platforms in the portfolio have an ESG rating and therefore promote social and environmental characteristics. 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.

(f)   Control of environmental or social characteristics

In order to monitor all environmental and social characteristics promoted by the fund, an ex-post control is carried out by the investment team with the management of each platforms after any investment.

In addition, Smart Lenders AM has implemented an annual monitoring process of the platforms' extra-financial performance in order to measure their progress in improving their environmental, social and governance practices. Smart Lenders ensures that the ESG questionnaire submitted during the due diligence process is updated annually by the platforms in order to establish a score.

(g)   Methodologies

To determine the extent to which the social or environmental characteristics promoted by The Lending Smart Fund 1 are valid, Smart Lenders AM has set up two ESG assessment questionnaires for its partner platforms based on a bottom-up approach. Thus, each indicator is rated according to a logic linked to the nature of the indicator and with regard to regulations, standards and market trends.

In order to ensure the improvement of the extra-financial performance of its funds The Lending Smart Fund, Smart Lenders AM has set up an annual monitoring process of the extra-financial performance of participatory financing platforms in order 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. Platforms are thus made aware of the need to set up an internal system for evaluating companies and projects that includes ESG criteria and to improve their ESG practices.

(h)   Data sources and processing

To achieve each of the environmental or social attributes promoted by the The Lending Fund 1, Smart Lenders AM uses data provided by its partner platforms. Smart Lenders ensures the quality of the data provided by the platforms by interviewing the management of each platform. Once collected, the data is then studied by the analyst in charge of the ESG analysis of the platforms and the CIO to establish a score. The information contained in the ESG

questionnaires comes 100% from the platforms. Therefore, Smart Lenders AM does not estimate ESG data for the platforms it works with.

(i)   Limitations to methodologies and data

Smart Lenders AM performs ESG analysis on its main partners, the online lending platforms. However, the company cannot analyze the ESG characteristics of each of the underlying loans.

Furthermore, the data used by Smart Lenders AM in its ESG analysis is based on data provided by the platforms themselves and Smart Lenders AM does not have access to other external data sources.

These limits do not affect the extent to which the social and environmental characteristics promoted by the funds managed by Smart Lenders AM are improved, as Smart Lenders AM excludes any platform whose activities are in violation of its exclusion policy and the United Nations Global Compact Principles in its due diligence and selection of its partner platforms.

(j) Due diligence

In its due diligence process for selected platforms, Smart Lenders AM focuses on selecting the most mature platforms in terms of ESG. An annual follow-up is carried out by the investment team with the platforms' management.

(k) Engagement policies

As part of the dialogue with the platforms, 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.

(l)   Designated reference benchmark

Due to the nature of the assets, there is no relevant benchmark for The Lending Smart Fund 1.

About Smart Lenders AM

Smart Lenders AM is an asset management company specialised in managing portfolios of loans issued through established marketplace lenders, online-lending platforms and Crowdlending platforms. In January 2018, the company relocated from London to Paris where it is regulated by the AMF and is accredited with the AIFM full-scope status.

Our primary activity is to select loans and construct portfolios with a quantitative and algorithmic approach focusing specifically on consumer and SMB loans in the US and Europe. Since its launch, Smart Lenders AM has invested in over $1.5bn of loans on behalf of European institutional and professional investors.

A leading player in online credit investing for European investors.

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