

ESG Charter

Presentation of the company

Smart Lenders AM is a French asset management company specialized in building and managing portfolios of consumer and SME loans issued through equity financing platforms.

As a trusted institutional partner to provide secure and sophisticated access to investments in the online lending market, Smart Lenders AM uses state-of-the-art technology and has a proven track record.

Smart Lenders AM differentiates itself by investing innovatively in these platforms and developing a partnership relationship with them through open communication, integrity, and benevolence, which are part of the company's DNA.

Smart Lenders AM opens up new access to financing - in a way that is profitable and under reasonable terms - for very small, small, and medium-sized companies for whom crowdlending platforms are an essential vector of resources, often being one of their only accesses to financing.

The present charter aims to formalize the Environmental, Social, and Governance (ESG) policy that Smart Lenders AM has put in place within the framework of its investments in participatory financing via lending platforms by explaining the objectives and implementation strategy.

Our Objective

Through its ESG approach, Smart Lenders AM wishes to reinforce market transparency and contribute to the diversity of financing solutions available.

Supporting the real economy is at the heart of Smart Lenders AM's objectives, as it aims to direct the savings of French and European citizens - through the investments made by its funds - towards loans to consumers and to small and medium-sized businesses that generate growth and employment through new financing methods, such as participatory financing platforms. The ambition to contribute to the fight against inequality and economic insecurity is in line with numerous international initiatives, including the UN's Sustainable Development Goals.

Furthermore, the Smart Lenders AM team is convinced that extra-financial objectives corroborate and complement financial objectives. Integrating ESG criteria into analyses allows the management company to improve its knowledge of companies and projects seeking financing and thus to better control, or even reduce, the associated risks.

Our ESG approach

To achieve its ESG objectives, Smart Lenders has implemented an ESG approach that takes into account the specificities of the entities financed. The approach is composed of three approaches:

- Negative selection process with the implementation of a sectoral and normative exclusion policy
- ESG integration process to assess the ESG maturity of participatory financing platforms
- A policy of engagement and dialogue with the platforms

- **Sectoral and normative exclusion policy**

In view of its values and ambitions in terms of responsible investment, Smart Lenders AM has decided not to invest in certain sectors or activities that are in contradiction with its convictions. The management company has therefore developed an ambitious exclusion policy in line with its commitments and ESG objectives.

Smart Lenders AM therefore refrains from participating in the financing of projects or companies in the following sectors:

- Production and distribution of any type of weapons, if this represents the company's main source of income
- Production and distribution of games of chance, if this is the main source of income for the business
- Production and distribution of pornography, if this is the main source of income for the business
- Production and distribution of coal
- Production of fossil fuels
- Tobacco production
- Production and distribution of fur products
- Production and distribution of breast-milk substitutes
- Manipulation of embryonic stem cells and foetal tissue

As such, the exclusion list is transmitted to the lending platforms. An ex-post control is carried out by the investment team after each investment.

In addition, Smart Lenders AM refuses to invest in projects carried out 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 guidelines on business and human rights and the conventions of the International Labour Organization.

Thus, during the due diligence phase, platforms are subjected to a controversy analysis. Smart Lenders AM refuses to sign agreements with platforms that are subject to severe controversies. In addition, in order to ensure that minimum social and

environmental best practices are respected, Smart Lenders AM has also set up an annual monitoring of the controversies of platforms and VSEs/SMEs. In case of identified controversies, a dialogue is initiated with these platforms to implement solutions. In the event that a controversy is identified and not addressed by the platforms, Smart Lenders AM will stop investing with these platforms.

- **ESG criteria integration process**

Smart Lenders AM is committed to integrating the analysis of ESG criteria into the establishment of privileged partnerships with participatory financing platforms, its primary contacts. This analysis is conducted based on the ESG maturity of the platforms.

In this context, Smart Lenders AM has developed two ESG evaluation guidelines:

1. ESG questionnaire for financing platforms that lend to VSEs/SMEs,
2. ESG questionnaire for consumer loan financing platforms

These ESG questionnaires, set up on a voluntary basis, are used in the due diligence phase and are intended for platforms. Platforms are encouraged to complete the questionnaire when they sign a partnership agreement, and their performance is monitored annually to measure their progress in ESG integration and establish a score.

1. ESG questionnaire for financing platforms that lend to VSEs/SMEs

This questionnaire is composed of four main families:

- Governance of the platform
- Environmental
- Social issues
- Project selection and communication

This questionnaire also serves as a basis for dialogue and exchange with the platforms, particularly with regard to the selection process of companies using these platforms as a financing tool. Indeed, Smart Lenders AM wishes to encourage them to set up an internal evaluation system for companies and projects that includes ESG criteria. In this sense, Smart Lenders AM offers platforms an evaluation grid adapted to the specificities of the companies in which the management company invests and whose content can serve as a basis for analysis and provide additional information for the financing platforms.

2. ESG questionnaire for consumer loan financing platforms

For the financing of consumer loans, borrowers are selected directly or indirectly via online financing platforms using an algorithmic model (logistic regression). The selection is always anonymous (no name, partial postal code). It is therefore impossible to apply an ESG policy at the individual selection level. Nevertheless, the positive consequence is that there is no risk of introducing a negative bias in the selection. This

anonymity also ensures that the management of the borrowers is not influenced, but prohibits the manager from accessing information on ESG criteria.

Therefore, in order to assess consumer lending platforms, a platform questionnaire on "Sustainable Finance Initiatives" was implemented. The nature of consumer lending does not generally offer the same amount of information available regarding the end use of funds or the measurement of ESG impact.

We therefore focused on the platform's commitment to providing sustainable financing to underserved and underrepresented communities. All of the consumer lending platforms we selected also report using fair and transparent pricing. We ensure that they take into account the borrower's affordability and ability to repay and that they offer loans without discriminating against borrowers and treat them with fairness and respect during the collection process.

- **Dialogue with the platforms**

In order to strengthen its influence on platforms, Smart Lenders AM has set up a positive dialogue with them and to raise their awareness of ESG best practices. Smart Lenders AM's objective is to steer them towards financing more sustainable projects.

This innovative approach is the backbone of Smart Lenders AM's ESG strategy, which aims to inject ESG into financing channels and tools that have historically been little concerned with these issues, even though they make a significant contribution to the financing of small and medium-sized enterprises.

The dialogue is conducted on an ongoing basis with the platforms during their partnership with Smart Lenders AM. These dialogue actions may also be strengthened with partners that are less performing in terms of ESG in order to help them improve and/or strengthen their practices.

Carrying the approach

Compliance with the approach is monitored by the company's ESG Committee, which is made up of three partners, a senior analyst, the Internal Controller and a member of the sales team.

Aware that the responsible investment policy is also part of a responsible internal approach, Smart Lenders AM is committed to applying the ESG recommendations of its holdings to its own CSR policy.

This ESG charter is part of a continuous improvement process and may be subject to change.