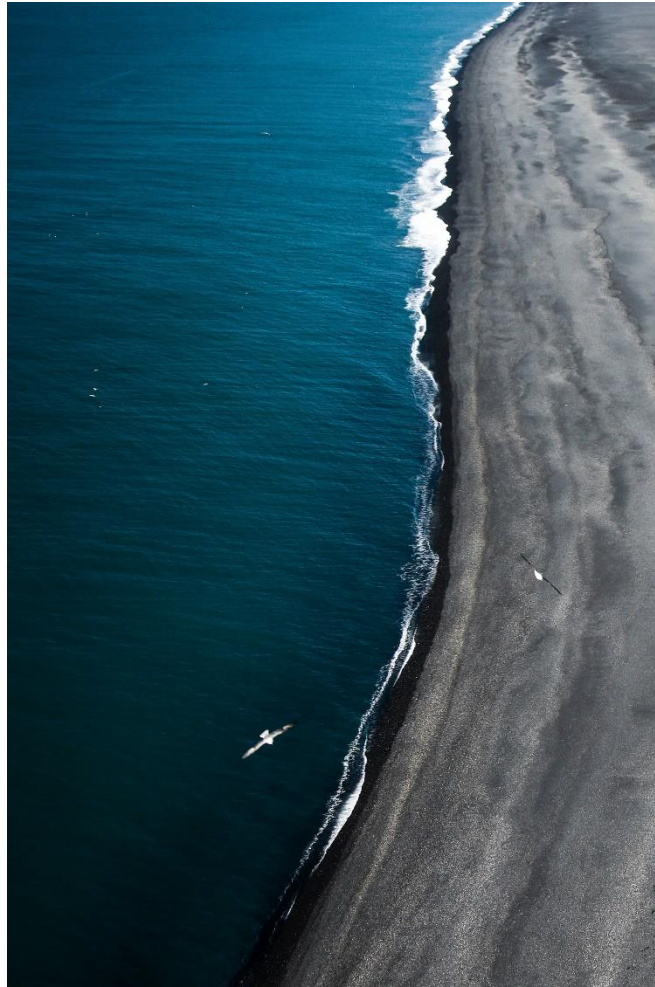


Smart Lenders Asset Management



S U S T A I N A B I L I T Y
R E P O R T

2022

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About this Report

This report highlights our efforts to integrate sustainability at Smart Lenders AM ("SLAM").

SLAM Sustainability Report outlines our philosophy and strategy when it comes to integrating environmental, social and governance (ESG) factors within our existing investment processes and operations.

It highlights the key steps that we have taken so far to integrate sustainability both at the firm and portfolio level; and it sets out our sustainability-related targets and other ESG-driven initiatives for the coming years.

The report covers the calendar year from January 1st to December 31st, 2022.

A message from the CEO

“2022 marks the publication of Smart Lenders AM's first sustainability report which represents the next phase of our company's evolution. The first and second “Communication on Progress” (CoP) were drafted under the guidance of the United Nations Global Compact (UNGC) and serve as the precursors to this report. While the CoP is no longer a requirement for signatory participants of the UNGC like Smart Lenders AM, it remains our priority as an engaged European leader in the implementation of extra-financial investment criteria to continue sharing our development with the company's stakeholders.

The past two years have been for responsible investment, as the pandemic, deep-rooted social inequality, climate change and economic recession have put sustainability high up on the agenda for governments and corporates alike.

By continuing to set the highest standards for both us and our partner platforms, we deliver a superior performance that is stable, diversified, and always communicated with transparency.

One of our top priorities is integrating ESG criteria and generating a tangible positive impact through our funds. .This is why we always seek to maintain a direct and open dialogue with our partner originators, co-investors, and regulators in order to encourage them to develop practical and effective sustainability policies.

We consider the integration of environmental, social and governance (“ESG”) factors as critical for ensuring the long-term sustainability of our investments and our communities.”

Erich Bonnet
CEO



An overview of our company

Smart Lenders AM is a French asset management company that is positioned as the trusted partner of European institutional investors for access to investment in consumer credit and SMEs issued through online lending platforms in Europe and the United States.

Its unique activity is the use and processing of data to study and evaluate on the one hand the intermediary platforms and on the other hand the loans they offer online. Smart Lenders AM is not an online lending platform, but the client of the lending platforms. We manage funds made up of loans that are usually selected individually from their offerings.

Smart Lenders AM invests mainly in the following instruments:

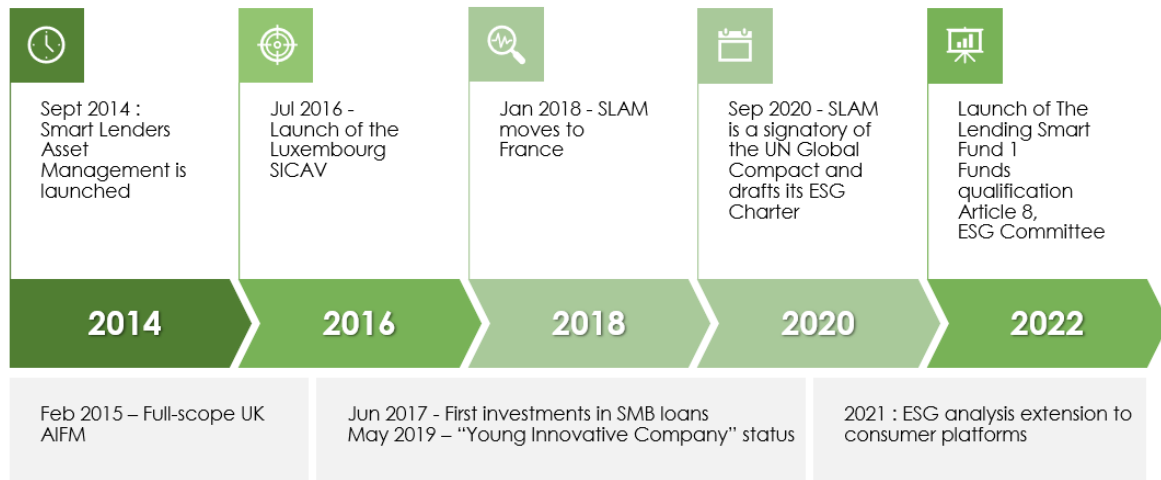
- Single-issuer loans and debt obligations
- Single-issuer bonds or similar instruments

Whilst SLAM's investment process has always taken into account ESG related risk factors in its decision-making process in order to satisfy its fiduciary duty towards its clients, since developing its first environmental, social and governance charter ("ESG Charter") in late 2019, SLAM has endeavored to systematically incorporate ESG criteria into its investment and operational due diligence processes with the aim to guard against material negative social and environmental impacts while at the same time targeting opportunities that generate social and environmental improvements.

OUR CORE VALUES



Milestones & achievements



Since inception, SLAM has funded \$2 billion in projects that respect our ESG charter.

ESG in the current macroeconomic environment

The unprecedented social and economic disruptions over the past two years have highlighted the importance of strong and purposeful leadership and the need for active involvement to tackle and overcome exposure to difficult situations.

In the year ahead, we will prioritize an even higher level of engagement with our partner originators and regulators.

The pandemic has made clear that the private sector has a critical role to play in addressing global challenges such as climate change, social justice, and economic inequality and we strongly believe that cooperation and coordinated action can increase the effectiveness of our response to these global challenges.

These considerations have never been more important today given the challenges societies are facing in addressing the legacies of COVID-19, deep-rooted racial and social inequality, climate change, a potential impending recession, inflation, and the conflict in Ukraine.

I. ESG actions at the level of SLAM and its operations

Looking back to 2022

We believe that by leveraging our influence over our partner platforms to improve their management of ESG issues, we are contributing to a more environmental-minded, inclusive, and fair financial system, which should ultimately have a positive impact on our clients' long-term performance and risk profile.

Throughout 2021 and 2022, we included ESG KPIs and covenants in our funding documents that contractually oblige our originators to comply, where relevant, with ESG international codes and standards as well as national corporate governance principles.

In many cases, platforms we are working with also agreed to put in place their own ESG policy within 12 months that complies with the UNPRI and SDGs.

In 2022, we followed up with many of the originators, at the start of the relationship with us in 2021, to review their ESG policies and discuss how they have implemented them so far in practice and will continue to do this on an annual basis.

In 2022, we created an ESG Committee composed of the Executive Management, the Internal Controller, a Senior Credit Analyst, and a member of the sales team.

Since 2021, SLAM has grown the team to include 15 full-time professionals, of which one-third are women and one-third are under 30 years old.

Since 2022, SLAM assesses the "Do No Significant Harm" criteria (DNSH) within its investments.

Training employees and increasing their awareness of ESG issues

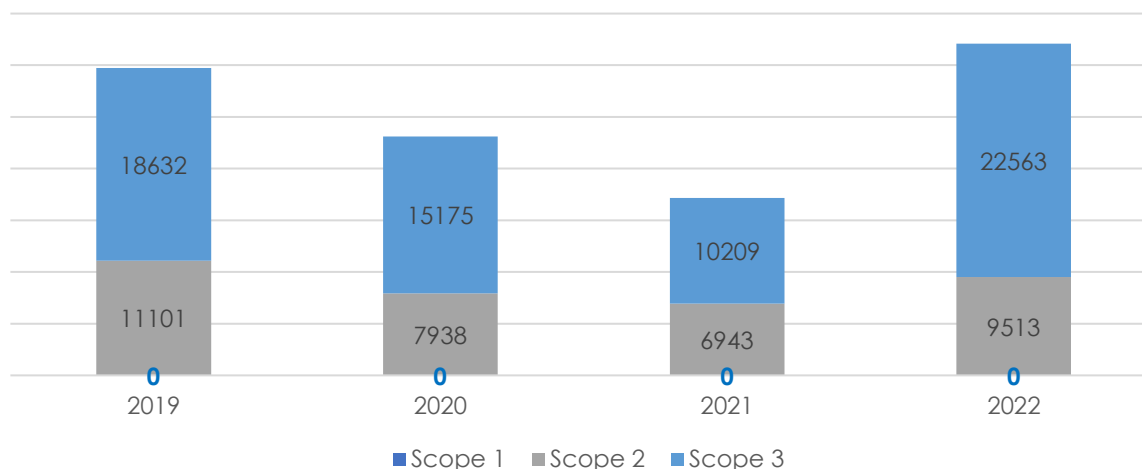
ESG upskilling training courses Training employees on ESG topics is essential as it plays a crucial role in ensuring that SLAM is able to successfully achieve its ESG objectives.

In 2022, SLAM took the initiative to introduce the AMF Sustainable Finance Certification (French "Certification AMF Finance Durable") training to its employees in addition to the AMF certification that is standard for every new hire. In 2022, 20% of the team passed the Certification AMF Finance Durable qualification exam.

CO2 emission at the entity level

This year SLAM developed its methodology for calculating the carbon emissions generated by the company's operations, achieving one of our previous ESG goals.

SLAM CO2 Emissions (in CO2 Kg)



SLAM does not directly produce nor transport physical products as part of its business; therefore, it considers that there are no Scope 1 emissions.

When calculating the indirect emissions generated by the company, SLAM collected data on the gas and electricity consumption of its office to measure the total annual carbon emissions based on the number of kwh consumed. SLAM contracts EDF as its energy provider, who reported the following:

"In 2022, the carbon intensity of electricity and heat generated by the EDF Group will be 50g CO₂/kWh, a level around 5 times lower than the European average and more than 9 times lower than the world average."¹

EDF's energy mix in France in 2022:

- Nuclear power: 85.7%
- Combined cycle gas and cogeneration: 2.8%
- Fuel: 0.5%
- Coal: 0.5%
- Renewable energies: 10.5%

SLAM's 2019 scope 2 emissions serve as a baseline for normal operations, given that during 2020 and 2021 the company maintained a high level of remote work due to COVID-19 restrictions. Therefore, when we compare 2019 to 2022, there was a reduction in scope 2 emissions of 14%, despite an increase in the workforce of 36%.

SLAM's scope 3 emissions were calculated using data regarding business travel (plane, train, and taxi). Again, comparing 2019 to 2022 which were the most similar in terms of level of operations there was an increase of 21% of scope 3 emissions, however the growth is inferior to the increase in the workforce, which suggests a reduction in the carbon intensity of business travel per employee.

Globally, SLAM's "carbon intensity" can be measured as the total CO₂ emissions divided by the annual revenues, which means that during 2022 SLAM emitted 6.67 grams of CO₂ per euro earned (-51% from 2019).

¹ <https://www.edf.fr/groupe-edf/produire-une-energie-respectueuse-du-climat#:~:text=Le%20mix%20%C3%A9nerg%C3%A9tique%20du%20groupe.Charbon%20%3A%201%2C%20%25>.

| Year | Total (CO2 Kg) | Carbon Intensity (CO2g per €) |
|------|----------------|-------------------------------|
| 2019 | 29732 | 13.74 |
| 2020 | 23112 | 8.38 |
| 2021 | 17152 | 3.03 |
| 2022 | 32076 | 6.68 |

II. ESG Integration at the investment level

Investment Process

Smart Lenders AM's objectives, which aspires, on the one hand, to direct the capital of French and European investors towards consumers and towards SMEs that generate growth and jobs through new methods of financing and, on the other hand, to raise the awareness of financing platforms to the selection of projects and companies that have a positive impact on society and the environment.

Our alternative credit strategies aim to generate a strong positive societal impact when it comes to the real economy, by harnessing our international ecosystem of FinTechs to lend to unbanked/underbanked SMEs globally at scale in ways that are sustainable, and thus putting at the heart of our investment strategy the support of small businesses.



1. Initial Screening

- Completion of SLAM questionnaire by originators.
- Analysis of the loan tape by the investment team.
- Investment team / RCCI reviews fit with SLAM's exclusion policy and investment policy more widely.

2. Due Diligence

- Full review of the due diligence materials by the investment/credit risk team.
- Discussion of the potential terms and conditions of the partnership with the platform

3. Deal Structuring

- Negotiation
- Final term sheet
- Detailed Due diligence report, with a section on ESG considerations

4. Approval

- The Investment Committee reviews the final term sheet and detailed due diligence report and approves the transaction taking ESG considerations into account where applicable.

5. Monitoring
 - Portfolio monitoring by the Investment Committee and maintenance of the ESG scoring.
 - Annual monitoring and valuation reports on the originators (including ESG scoring)

ESG integration in our portfolios

We carefully evaluate ESG criteria as part of our investment analysis and decision-making process via negative screening (exclusions) to ensure investments are aligned with investors' values.

SLAM conducts a rigorous ESG analysis on each partner platforms in three steps:

1. Exclusion Policy

SLAM's Exclusion Policy formalizes strict exclusions and investment restrictions for companies operating in sectors or engaging in activities with potential negative impacts on the environment, human health, or society.

The list of sectors covered by the Exclusion Policy is periodically reviewed to reflect regulatory and socio-environmental developments. For instance, in 2022, the exclusion policy was adjusted to reflect changes in the European environmental Taxonomy regarding nuclear power.

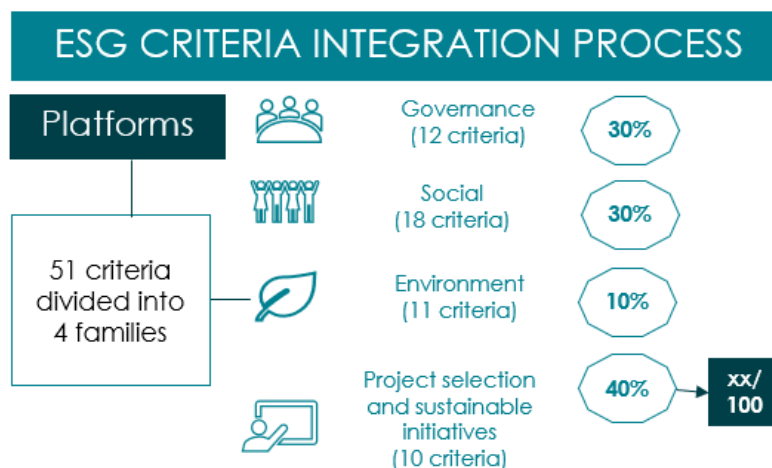
| EXCLUSIONS | |
|--|--|
| Sectors | Standards |
| <ul style="list-style-type: none"> • Production and distribution of any type of weapons, if this is the main source of income for the business. • Production and distribution of gambling if this is the main source of income for the business. • Production and distribution of pornography if this is the main source of income for the business. • Production and distribution of coal • Production of fossil fuels • Production of tobacco • Production and distribution of fur products • Production and distribution of breast milk substitutes • Manipulation of embryonic stem cells and foetal tissue | <ul style="list-style-type: none"> • Projects carried out by companies that contradict the principles of the UN Global Compact • Companies that specifically violate the United Nations Guidelines on Business and Human Rights and the conventions of the International Labour Organization |

Additionally, SLAM conducts a controversy analysis and applies the principle of double materiality, which aims to study the impact of ESG risks on the company, as well as the impact the company has on society.

2. ESG criteria integration process

Given the specific nature of its activities, SLAM has developed since 2020 its own assessment model for its internal partner platforms to ensure that every investment idea is screened before, during and after investment and that the platform comply with international standard.

This assessment takes the form of an ESG questionnaire sent annually to each of our partner platforms. The questionnaire is based on 4 pillars.



During the due diligence phase, SLAM aims to identify and analyze the key ESG impacts and dependencies of the investment target.

The conclusions of the ESG due diligence are shared with the Investment Committee members to inform their decision making. ESG due diligence must be conducted on each investment as a prerequisite for any financing.

Following the reporting, SLAM shares an ESG report with each partner platform consolidating all the data collected.

3. Dialogue with the platform and monitoring

SLAM integrates systematically ESG assessments in its annual review, updates relevant ESG data at least annually and reporting on progress. Based on the responses provided by the platforms in the ESG questionnaire for 2022, SLAM has begun providing specific feedback to help the platform identify and address areas for improvement.

DIALOGUE WITH THE PLATFORMS

- **Dialogue in place** with our partner platforms to help them **incorporate ESG considerations** into their distinct **processes** and **practices** such as **sustainability risk management** and **responsible governance**.
- Orientation towards **sustainable projects**

III. ESG assessment

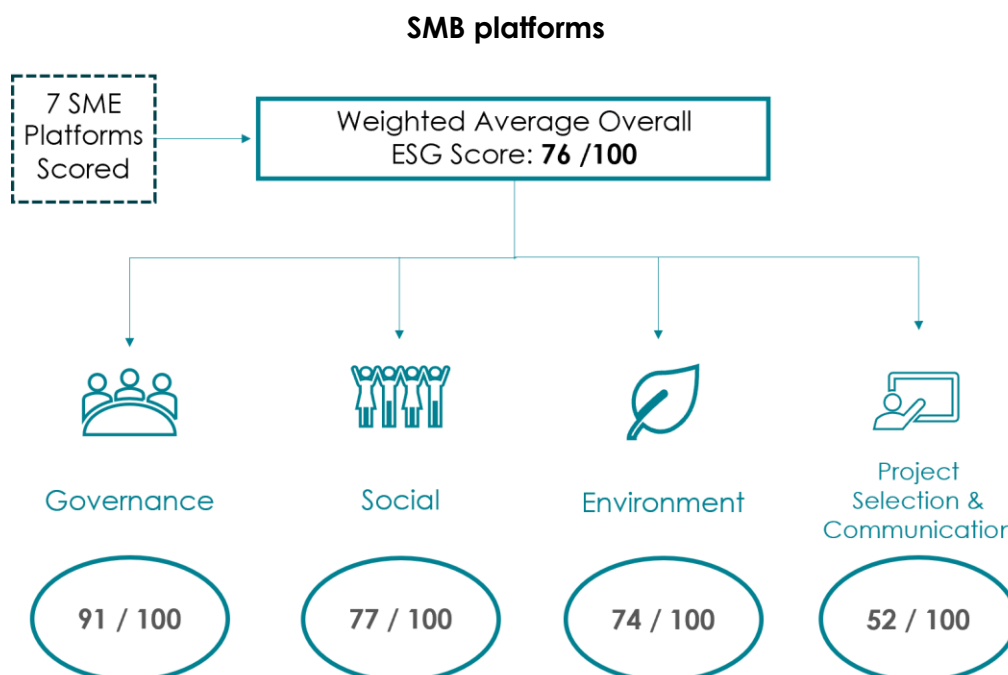
Our funds

| | | | |
|--------------------------|------------------------------------|-----------|------------------|
| MOONSTONE LENDING FUND 1 | Consumer & SMB Marketplace Lending | US/Europe | Article 8 |
| THE LENDING SMART FUND 1 | Revenue Based Finance, Education | Europe | Article 8 |
| SLAM CASH ADVANCE | Buy Now Pay Later | France | Article 6 |

In February 2022, SLAM launched “The Lending Smart Fund 1” which complies with the SFDR criteria set for an Article 8 fund, promoting social and environmentally responsible objectives. In November 2022, “Moonstone Lending Fund 1” also qualified as Article 8 after validated by the CSSF. These two Article 8 funds represent 95% of SLAM’s AUM as of the end of 2022.

Partner Platform Notation

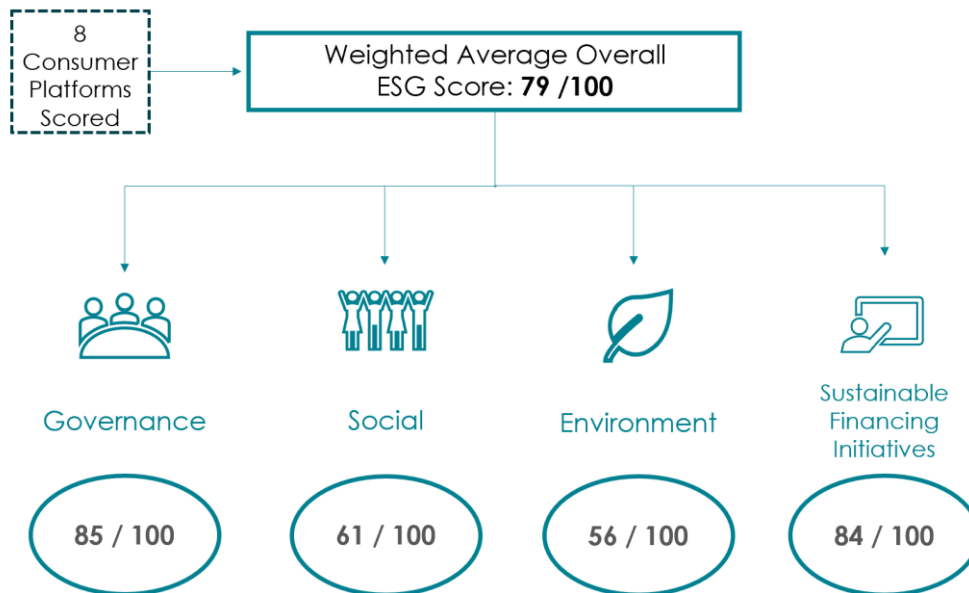
In 2022, SLAM’s ESG assessment covered 15 platforms, compared to 17 in 2021. 93% of the platforms that were evaluated passed SLAM’s minimum global score threshold (50 out of 100). Smart Lenders AM evaluated some of its existing partnerships based on several factors including product performance, operational solidity, and willingness to adapt and decided to discontinue further investments through certain platforms (3 SME and 1 consumer platform). During the year, two new partners were added and have been evaluated using Smart Lenders AM’s ESG scoring methodology.



| SME (FYE 2022) | 2022 Average | 2021 Average | B2C | Flender | Homunity | Linked Finance | Silvr | Neocredit | Swisspeers |
|------------------------------------|--------------|--------------|-----------|-----------|-----------|----------------|-----------|-----------|------------|
| Governance | 91 | 88 | 95 | 100 | 100 | 100 | 100 | 80 | 60 |
| Social | 77 | 69 | 85 | 82 | 79 | 89 | 89 | 88 | 30 |
| Environment | 74 | 67 | 100 | 28 | 93 | 86 | 86 | 64 | 61 |
| Platform selection & Communication | 52 | 60 | 92 | 56 | 84 | 64 | 12 | 46 | 12 |
| Global | 73 | 72 | 91 | 74 | 88 | 84 | 69 | 71 | 37 |

In 2022, Swisspeers was the only platform that failed to achieve the minimum global threshold and SLAM has decided to discontinue investments through this platform as a result.

Consumer platforms



| Consumer (FYE 2022) | 2022 Average | 2021 Average | Lending Club | Lending USA | Marlette | Prosper | Upgrade | Upstart | Climb | Pledg |
|-----------------------------------|--------------|--------------|--------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Governance | 85 | 86 | 90 | 80 | 90 | 100 | 80 | 90 | 90 | 60 |
| Social | 61 | 71 | 47 | 40 | 73 | 86 | 42 | 54 | 86 | 65 |
| Environment | 56 | 62 | 84 | 0 | 50 | 71 | 68 | 86 | 28 | 61 |
| Sustainable Financing Initiatives | 84 | 89 | 100 | 64 | 91 | 100 | 62 | 100 | 91 | 67 |
| Global | 75 | 80 | 80 | 55 | 81 | 93 | 62 | 82 | 83 | 64 |

The overall scores for the consumer portfolio stayed relatively the same from 2021 to 2022, as there were fewer changes in active partnerships as compared to the SME portfolio.

Contribution to SDGs



The contribution to the SDGs is calculated as a % of the total assets managed by SLAM as of 31.12.2022.

In SLAM's portfolio, there are three types of investments that were identified as directly addressing a UN Global Compact Sustainable Development Goal. First, SDG 4 "Quality Education" is supported by SLAM's investments through the Climb Credit platform, which provides financing for students.

Second, SLAM's investments in loans to small and medium enterprises support the local economies and contribute to the advancement of SDG 8 "Decent Work and Economic Growth".

Finally, SDG 10 "Reduced Inequalities" is addressed by investments through the Stilt platform, which lends to recent US immigrants who have difficulties accessing traditional financing due to their lack of credit history.

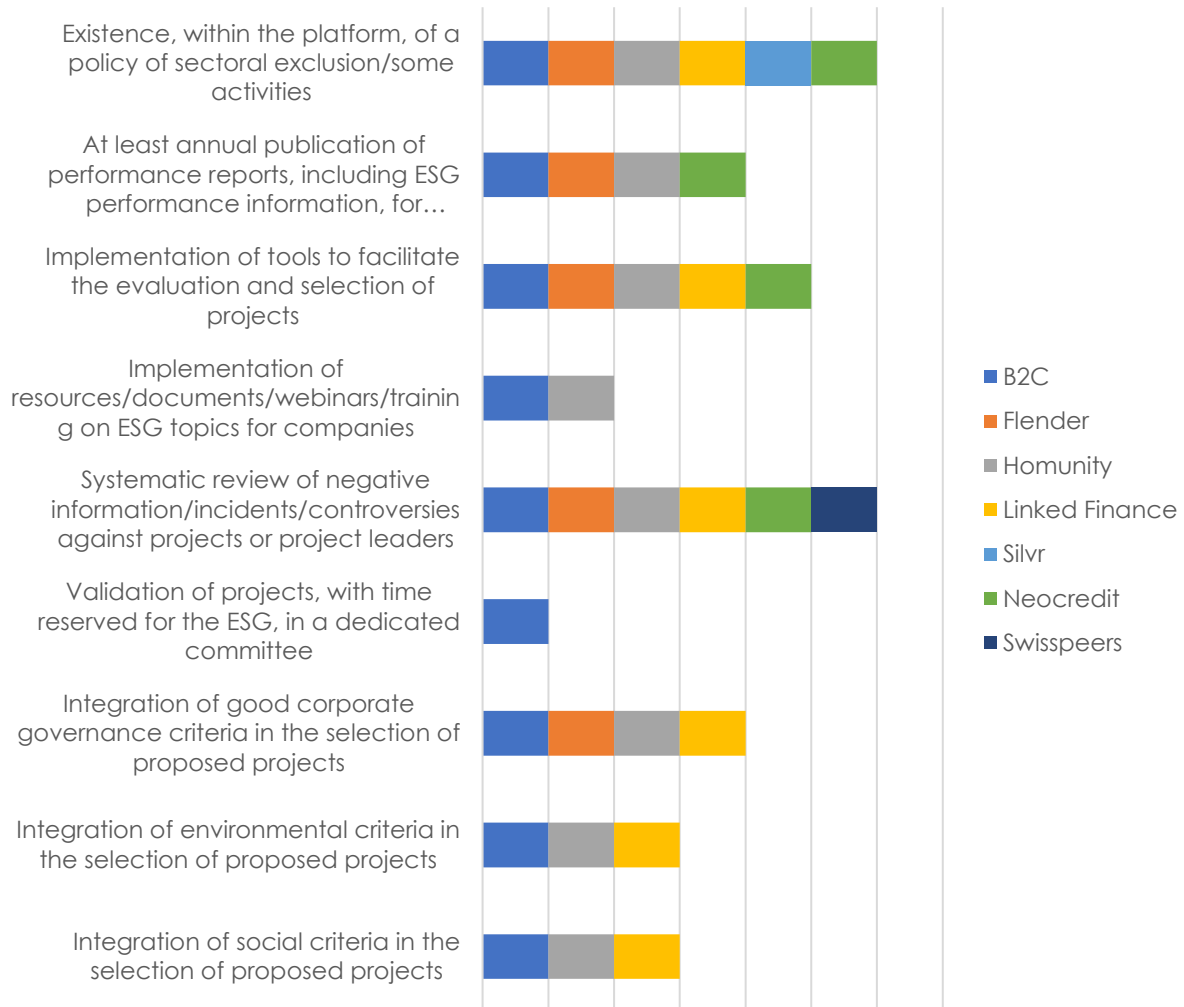
Measuring Impact



The impact measurement is carried out within the framework of Smart Lenders AM's objectives - to direct the capital of French and European investors towards SMEs that generate growth and jobs through new methods of financing and to raise the awareness of financing platforms and encourage the implementation of extra-financial objectives that have a positive impact on society and the environment. Compared to 2021, 39% more companies and 41% more jobs were supported by the loans that Smart Lenders invested in during 2022.

The following highlights the implementation of various project selection criteria among the SME platforms that Smart Lenders AM works with.

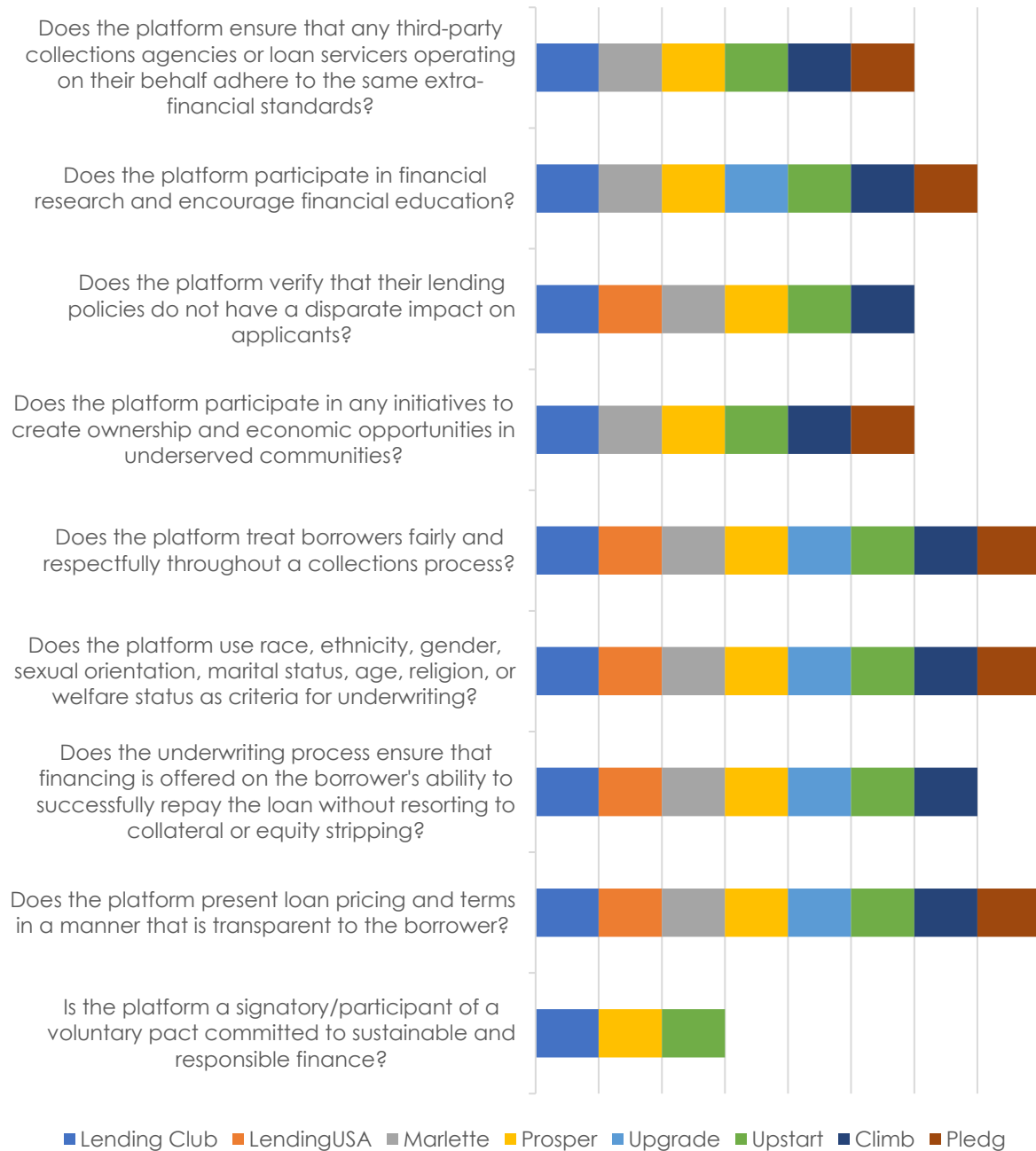
Project Selection & Communication



Similar to the feedback received in 2021, the majority of SME platforms take into consideration sector and industry exclusions, which is also inherently relevant to the level of credit risk that the SMEs have, as well as any adverse reputation risk by systematically checking for incidents or controversies that may have a negative impact.

The following highlights the implementation of sustainable financing initiatives among the consumer lending platforms that Smart Lenders AM works with.

Sustainable Financing Initiatives



All the consumer lending platforms that we select offer fair and transparent pricing, underwrite loans without discriminating against borrowers, and treat borrowers with fairness and respect during the collections process.

Adherence to the Ten Principles

SLAM is a signatory of the UN Global Compact (UNGC) since March 2020.

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative. It aims to mobilize and support companies to align their strategies and operations with Ten Principles on Human Rights, labor, the environment, and anti-corruption, and to take action to advance broader societal goals such as the SDGs. SLAM signed up to the UNGC in 2014.

As a signatory member of the United Nations Global Compact, Smart Lenders AM adheres to the Ten Principles of the UN Global Compact, which are the following:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility;
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

When onboarding potential partnering platforms, SLAM performs in-depth due diligence that is updated annually and endeavors to check that none of the platforms violate these ten principles.

At the level of the individual investments, it is not possible due to the partial availability of relevant information and potentially applicable privacy regulations to verify that the VSE/SMEs do not violate the Ten Principles.

Nevertheless, SLAM declines participation in any projects where a reasonable doubt or uncertainty regarding a potential violation may exist and performs independent verification of politically exposed persons and global sanctions lists.

Goals for Progress

Since the drafting of its ESG charter, Smart Lenders AM has been committed to setting itself targets for improvement in terms of ESG, whether at entity level as part of its operations or as part of the funds it manages.

2021 in review

| Goal | Result |
|--|---|
| <p>1. Continue the sensibilization of partnering platforms as well as any other potential stakeholders in the marketplace lending ecosystem on the topics of ESG</p> | <p>Goal 1 was achieved primarily through the due diligence process by asking our partner platforms to respond to our ESG questionnaire.</p> |
| <p>2. Leading by example and formalizing an internal ESG policy</p> | <p>Goal 2 was not achieved because the internal mechanisms needed to measure the company's current impact have not been put in place and without them there cannot be a basis for measurable improvement.</p> |
| <p>3. Encourage platforms to apply ESG criteria during the project selection process to increase the percentage of projects that adhere to at least one of the 17 SDGs</p> | <p>Goal 3 was achieved primarily through the due diligence process by asking our partner platforms to respond to our ESG questionnaire.</p> |
| <p>4. Apply the platform scoring mechanism to our consumer lending partners in addition to our SME lending partners</p> | <p>Goal number 4 was achieved by adapting our ESG questionnaire to reflect the relevant challenges faced by consumers – namely changing the fourth section of the questionnaire which is “Platform Selection & Communication” for SMEs to “Sustainable Financing Initiatives” for consumer platforms.</p> |

2022 in review

| Goal | Result |
|--|---|
| 1. Continue the sensibilization of partnering platforms as well as any other potential stakeholders in the marketplace lending ecosystem on the topics of ESG | Goal 1 was achieved primarily through the due diligence process by asking our partner platforms to respond to our ESG questionnaire, as well as the addition of a targeted platform feedback report from SLAM. |
| 2. Formalizing an internal ESG policy and begin measuring our own greenhouse gas emissions (Scope 1 and 2) | SLAM did not draft a Corporate Social Responsibility policy during 2022 but plans to do so in 2023. SLAM was able to calculate its Scope 1, 2, and 3 CO2 emissions for 2022. |
| 3. Continue encouraging platforms to apply ESG criteria during the project selection process to increase the percentage of projects that adhere to at least one of the 17 SDGs | SLAM has continued to systematically encourage the adoption of ESG criteria in the selection of projects, unfortunately no platforms reported directly addressing any of the UNGC SDGs through the projects financed. |
| 4. Orient the strategy for our new funds towards using a "best effort" approach to target investments with social and environmental objectives | During 2022, SLAM launched "The Lending Smart Fund 1" with the objective of supporting the European FinTech ecosystem. |
| 5. Evaluate the possibility of becoming a fund that adheres to Article 8 of the EU's Sustainable Finance Disclosure Regulation. | In 2022, 2 out of 3 funds qualified as Article 8, which promote social and environmental objectives. |

Expectations for the upcoming years

For 2023, SLAM has set the following goals:

1. Formalize a Corporate Social Responsibility Policy.
2. Establish a supervisory board with independent members and at least one female representative.
3. Continue using "best efforts" to orient our strategy towards financing more sustainable projects.
4. Provide opportunities for employees to participate in ongoing training regarding ESG initiatives.
5. Establish a profit sharing scheme that aligns employee incentives with SLAM's ESG objectives.

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