

ESG Policy

Document Revision History				
Version	Date	Status	Author	Description of changes
1.1	November 2020	Creation	Nathania Kosol	First Version
1.2	September 2021		Arnaud Beyssen	Addition of sustainability risk considerations to comply with SFDR
1.3	September 2022		Caroline Bubreg	Extension of ESG analysis to consumer lending platforms
1.4	June 2023		Caroline Bubreg	Extension of ESG analysis to consumer lending platforms
1.5	June 2024		Caroline Bubreg	Consideration of Principal Adverse Impacts (PAIs) at partner company level and definition of sustainable investment at Smart Lenders AM
1.6	July 2025		Caroline Bubreg	Consideration of Principal Adverse Impacts (PAIs) at partner company level and definition of sustainable investment at Smart Lenders AM

Company overview

Smart Lenders AM is an independent asset management company established in 2014 and authorized by the French Financial Markets Authority (AMF) as a full-scope AIFM. The firm is exclusively dedicated to specialty finance investments for professional investors.

For more than a decade, Smart Lenders AM has positioned itself as a leading player in alternative credit investments across the United States and Europe.

Its investments focus exclusively on niche assets that generate robust income streams with low volatility and low correlation to major market indices, including Marketplace Lending, Buy Now Pay Later (BNPL), Revenue-Based Finance, Leasing and Other specialty finance segments

Smart Lenders AM's distinctive approach consists of investing innovatively in these emerging financing niches.

The firm provides new sources of financing that enable small and medium-sized enterprises (SMEs) to obtain funding on reasonable and profitable terms. These alternative financing channels often represent one of the few available funding sources for such businesses and therefore constitute an essential resource.

Smart Lenders AM seeks to build long-term partnerships with financing platforms based on open communication, integrity, and goodwill, which form the core values of the management company.

As a trusted institutional partner providing secure and sophisticated access to alternative credit investments, Smart Lenders AM benefits from advanced technology and a proven track record.

The company is a signatory to:

- **The United Nations Global Compact**
- **The Principles for Responsible Investment (PRI)**

Our objectives

This Charter formalizes the Environmental, Social and Governance (ESG) policy implemented by Smart Lenders AM within its investment activities.

Through its ESG approach, Smart Lenders AM aims to:

- Increase market transparency;
- Contribute to the diversification of financing solutions available in the market;
- Support the real economy by directing savings toward consumer loans and loans to micro-enterprises and SMEs that generate growth and employment;
- Contribute to the reduction of inequalities and economic vulnerability, in line with international initiatives such as the United Nations Sustainable Development Goals (SDGs).

The Smart Lenders AM team firmly believes that non-financial objectives complement and reinforce financial objectives.

To achieve its ESG goals, Smart Lenders AM has implemented an ESG framework tailored to the specific characteristics of the entities it finances. Its Sustainable Finance approach is based on **four interconnected pillars**:

- ESG analysis integrated into the investment process;
- An exclusion policy;
- Positive selection;
- Continuous dialogue with partner platforms.

Since its inception, Smart Lenders AM has financed **€2.5 billion** of projects through debt investments that comply with its ESG policy.

1. ESG Analysis Integrated into the Investment

Since the publication of its first **ESG Charter** in 2019, Smart Lenders AM has **systematically** incorporated ESG-related risk factors into its investment and operational due diligence processes.

The objectives of this integration are:

- To protect **against significant adverse** environmental and social impacts;
- To identify **opportunities** that generate **positive social and environmental outcomes**.

Integrating ESG criteria into financing analyses enables the management company to gain a deeper understanding of businesses and projects seeking financing, thereby improving risk management and potentially reducing associated risks.

2. Exclusion Policy

In line with its values and responsible investment ambitions, Smart Lenders AM has decided not to invest in certain sectors or activities that conflict with its convictions.

Depending on the circumstances, the firm may:

Through Lending Platforms:

- Reject financing requests from SMEs;
- Require reallocation of funds already financed by a platform.

Through Direct Lending:

- Refuse financing in accordance with the exclusion policy

(a) Sector-based exclusion policy

Smart Lenders AM prohibits participation in financing projects or companies operating in the following sectors:

Exclusion	Revenue Threshold	
	Production	Distribution
Conventional and non-conventional weapons	50%	50%
Gambling	50%	50%
Pornography	50%	50%
Coal	50%	50%
Fossil Fuels	50%	N/A
Tobacco	50%	50%
Fur	50%	50%
Breast Milk Products	50%	50%
Embryonic Stem Cells	50%	50%

The exclusion list is communicated to partner financing companies, which are required to apply it.

Ex-post controls are carried out by the investment team after each investment through a lending platform.

(b) Norm-Based exclusion policy

The sector exclusion policy is complemented by a normative exclusion policy.

Smart Lenders AM refuses to invest in projects sponsored by companies that violate:

- The principles of the United Nations Global Compact;
- The UN Guiding Principles on Business and Human Rights;
- The conventions of the International Labour Organization (ILO).

Since June 2024, Smart Lenders AM has also been a signatory to the Principles for Responsible Investment (PRI).

As part of due diligence, lending platforms and SMEs are subject to controversy screening. Smart Lenders AM refuses to finance partners or SMEs involved in severe controversies.

Where controversies are identified, dialogue is initiated to establish corrective actions. If a controversy is not addressed adequately, Smart Lenders AM will cease investing through the relevant platform.

(Translation continued in the next sections covering ESG integration questionnaires, monitoring, PAI considerations, SFDR Article 8 & 9 commitments, and ESG governance.)

3. Integration of ESG Criteria in the Investment and Asset-Holding Phases

Smart Lenders AM seeks to integrate ESG analysis into the establishment of long-term partnerships with financed entities. Throughout both the investment and holding periods, the firm's governance framework ensures compliance with its ESG requirements

a. Investment Phase

Smart Lenders AM performs a fundamental ESG assessment for each investment. To support this process, the firm has developed dedicated ESG questionnaires for partner platforms:

- ESG questionnaire for businesses and SME financing platforms;
- ESG questionnaire for consumer lending platforms;
- ESG questionnaire for platforms operating in asset-based lending.

A bottom-up methodology was used to design the questionnaires. Each indicator is scored according to its nature and in light of applicable regulations, standards, and market practices. Partner platforms are encouraged to complete the questionnaire when entering into a partnership with Smart Lenders AM. ESG

performance is subsequently monitored annually to assess progress and establish an ESG score.

- **SME Financing Platforms**

The questionnaire contains **51 indicators** organized around four **main themes**:

- Governance;
- Environment;
- Social;
- Project Selection and Communication.

Examples of indicators used to analyze and assess business financing platforms are presented below:

- **Platform Governance:** number of independent members on a Strategic Committee or equivalent governing body; existence of an action plan and/or objectives addressing social, environmental, and stakeholder-related issues; formalized business conduct policies, including anti-corruption and anti-money laundering procedures.
- **Environmental:** existence of an action plan aimed at improving energy efficiency and reducing greenhouse gas emissions; formalization of a long-term environmental strategy and employee awareness initiatives; implementation of measures to reduce the environmental impact of IT servers and related infrastructure.
- **Social:** employee turnover rate; existence of employee equity participation or ownership schemes; percentage of employees receiving an annual individual performance review.
- **Project Selection and Communication:** integration of social criteria into the selection of proposed projects; integration of environmental criteria into the selection of proposed projects; project approval through a dedicated committee process that includes time specifically allocated to ESG review and assessment.

- **Consumer Lending and Asset-Based Lending Platforms**

The questionnaire comprises **47 indicators** and is structured around four main themes:

- Platform Governance;
- Environment;
- Social;
- Sustainable Finance Initiatives.

Examples of indicators used to analyze and assess consumer lending platforms include:

- **Governance:** Percentage of women on the Executive Committee; Existence of a Sustainability and/or Corporate Social Responsibility (CSR) officer; Integration of social criteria into procurement and outsourcing practices.

- **Environment:** Formalization of a long-term environmental strategy; Existence of an environmental management system.
- **Social:** Employee turnover rate; Percentage of women in management positions; Percentage of employees receiving an annual individual performance review.
- **Sustainable Finance Initiatives:** Is the platform a signatory to, or participant in, a voluntary initiative committed to promoting fair lending practices and protecting borrowers' rights? Does the platform present loan pricing and terms in a transparent manner to borrowers? Does the platform contribute to financial research and promote financial literacy? Does the platform ensure that debt collection agencies or third-party loan servicing providers acting on its behalf adhere to the same ESG and non-financial standards?

With respect to consumer lending in the United States, borrowers are selected directly or indirectly through lending platforms. The selection process is always anonymous (no names or partial ZIP codes are disclosed). As a result, it is not possible to apply an ESG policy at the level of individual loan selection. However, a positive consequence of this approach is that there is no risk of introducing bias in the borrower selection process.

This anonymity also ensures that borrower management remains free from undue influence while preventing the asset manager from accessing borrower-level ESG information. All consumer lending platforms selected by Smart Lenders AM also state that they apply fair and transparent pricing practices. We verify that they take into account borrowers' financial affordability and repayment capacity, provide loans without discrimination, and treat borrowers fairly and respectfully throughout the loan servicing and debt collection process.

b. Holding Phase

ESG questionnaires serve not only as an investment filter but also as a basis for ongoing **dialogue and annual ESG monitoring**.

For SME debt financing investments, Smart Lenders AM integrates ESG criteria into portfolio monitoring and maintains **close partnerships with lending platforms**, which are its primary counterparts.

This approach forms the backbone of Smart Lenders AM's ESG strategy, bringing ESG considerations into financing channels that have historically received limited ESG attention despite their significant role in funding SMEs.

The firm seeks to encourage platforms to finance more sustainable projects and, among other initiatives:

- Promote implementation of ESG evaluation systems for financed businesses and projects; Provide ESG assessment frameworks tailored to SMEs;
- Support improvements in internal ESG practices.

c. Minimum ESG score

Platforms are encouraged to complete ESG questionnaires upon entering into partnerships. Annual reviews are conducted to measure ESG progress and determine an ESG score.

ESG assessments may ultimately lead Smart Lenders AM to discontinue investments where a minimum score of 50/100 is not achieved.

4. Dialog with financed Platforms

To strengthen its influence on partner platforms, Smart Lenders AM maintains an ongoing and constructive dialogue regarding ESG best practices.

The objective is to guide partners toward financing more sustainable projects and improving ESG integration. This dialogue continues throughout the duration of the partnership.

Engagement efforts may be intensified for partners demonstrating weaker ESG performance in order to support improvements and reinforce good practices.

In particular, Smart Lenders AM encourages partners to implement internal systems for evaluating companies and projects using ESG criteria.

Consideration of Principal Adverse Impacts (PAIs)

Principal Adverse Impacts (PAIs) represent the most significant negative effects of investment decisions on **sustainability factors**, including environmental, social, employee-related, human rights, and anti-corruption matters.

At present, Smart Lenders AM is unable to quantitatively and systematically measure PAIs at the level of final beneficiaries across its entire investment universe, namely:

- SMEs;
- Individual borrowers.

The reasons include:

- **Individual Borrowers:** The nature of U.S. consumer lending makes collection of PAI data impractical because the indicators are not designed for retail borrowers.
- **SMEs:** The small size of financed companies means they often lack the resources necessary to measure and report PAI indicators such as: Greenhouse gas emissions; Biodiversity-related metrics; Other sustainability disclosures.

Nevertheless, Smart Lenders AM seeks to manage sustainability risks at the level of financing companies and lending platforms through its exclusion policy and its ESG integration framework.

Promotion of Environmental and Social Characteristics and Sustainable Investment

Through funds classified under Article 8 or Article 9 of the SFDR, Smart Lenders AM pursues the following objectives:

- Promotion of environmental and social characteristics;
- Achievement of sustainable investment objectives.

For Smart Lenders AM, a sustainable investment is one that contributes positively to environmental and/or social outcomes. To identify such activities, the firm relies on the United Nations Sustainable Development Goals (SDGs).

The 17 SDGs address major global challenges, including poverty, inequality, Climate change, Environmental degradation.

Smart Lenders AM focuses in particular on the following four SDGs:

SDG 4 – **Quality Education**

SDG 8 – **Decent Work and Economic Growth**

SDG 10 – **Reduced Inequalities**

SDG 13 – **Climate Action**

The contribution of investments to these SDGs is assessed using **sustainability indicators that are specific, ambitious, tailored to the strategy** of the relevant funds and financed asset classes. These indicators are included in the ESG questionnaires described above.

The indicators and the manner in which investments comply with SFDR Articles 8 and 9 are detailed in the funds' **pre-contractual disclosures**.

For investments classified as sustainable, Smart Lenders AM ensures that no significant harm is caused to other SDGs, PAIs are considered, Good governance principles are respected.

Governance of the ESG Framework

Oversight of the ESG framework is entrusted to the firm's ESG Committee, composed of two Partners, one Senior Analyst, two members of the Sales Team.

Recognizing that responsible investment should be reflected internally as well, Smart Lenders AM commits to applying ESG principles internally through its own CSR policy. This ESG Policy forms part of a continuous improvement process and may evolve over time to reflect changing practices, regulations, and market expectations