SCHEDULE A

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Kuali Fund S.C.A., SICAR-EuSEF
Legal entity identifier: 213800CUD79SOH59OP69

Sustainable investment objective

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: 50%**	☐ 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
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☒ It will make a minimum of **sustainable investments with a social objective: 50%**	☐ 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

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

Sustainability indicators measure how the sustainable objectives of this finan-

What is the sustainable investment objective of this financial product?

The sustainable investment objective is to provide excluded populations with access to finance in developing countries, providing investment capital for the development and growth of Social Enterprises with the objective of providing a positive social and environmental (climate change mitigation and adaptation) impact for poor or socially excluded people.

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The AIFM will employ procedures to measure the extent to which the Social Enterprises, in which the Company invest, achieve the positive social and environmental impact to which they are committed. The AIFM shall ensure that these procedures are clear and transparent and include indicators that may, depending on the social and environmental objective and nature of the Social Enterprises, include one or more of the following subjects:

- employment and labour markets;
- standards and rights related to job quality;
- social inclusion and protection of particular groups;
- equal treatment, equal opportunities and non-discrimination;
- access to finance and financial inclusion;
- social performance systems of financial intermediaries;
- inclusive value chains;
- environmental impact;
- climate change mitigation and adaptation.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for hu-

Monitoring procedures include indicators that may, depending on the social objective and nature of the qualifying portfolio undertaking, include one or more of the following subjects:

- to what extent the undertaking (financial service providers or innovative companies) is achieving the social and environmental objectives agreed with the Company before making the investment (e.g., number of excluded clients reached);
- the improvements to the Impact Performance System of the undertaking;
- to what extent the undertaking (financial service providers or innovative companies) is adapting its people, products and processes to better serve excluded clients.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

How have the indicators for adverse impacts on sustainability factors been taken into account?

Through the AIFM's Environmental and Social Management System, the AIFM ensures that the investee companies manage not only the Environmental and Social (E&S) risks of their own activity (internal dimension), but also those arising from their investment activity (external dimension). The risks and covenants are monitored by incorporating the indicators of adverse impacts on sustainability factors as a tool for quantification and as a warning element in the event of potential changes in status. The Company considers the indicators for adverse impacts included in table 1 of annex I of the RTS, those deemed relevant from tables 2 and 3, as well as other customized indicators taken from Alinus/SPI4 tools to measure how investments do not cause significant harm to any environmental or social sustainable investment objective. The information will be gathered from invested entities, which nevertheless are considered to have environmental and social risks which are generally low, especially with regards to MFI's activity.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

With respect to the United Nations Guiding Principles on Business and Human Rights, the Company incorporates in all its financing agreements clauses in which the investee company commits to continue its social mission during the time horizon of the investment, to respect the ICF exclusion list, the U.S. International Development Finance Corporation (DFC) categorical prohibition list as well as the protection of workers' rights. In addition, Cerise's Alinus/SPI4 tool monitors financial service providers' implementation of the Universal Standards for Social Performance Management, including the Smart Campaign's Client Protection Principles.



Does this financial product consider principal adverse impacts on sustainability factors?

✖ Yes

During the environmental and social risk categorization and due diligence phases, the level of risk and the main adverse impacts on sustainability factors are identified.

Due to the sectoral nature of the potential investments, the vast majority will be at a low level (FI-3). Most financial service providers will have a considerably low risk because their scope of financing activities covers transactions of small amount and short duration, focusing also on clients whose transactions are also generally small and whose impacts, although potentially existing, could be remediable.

Relevant information regarding the environmental and social risk management system process, as well as the categorization, due diligence, monitoring and reporting process will be included in the specific section of the website, entitled "Sustainability disclosures".

No



What investment strategy does this financial product follow?

The Company invests, directly or indirectly through fully-owned or controlled SPVs in a wide range of debt instruments as well as in equity and equity-related instruments, in compliance with the provisions stipulating the permitted EuSEF investment policy as referenced to in Article 2 EuSEFR, Article 1 of the 2004 Law and CSSF circular 06/241. Also, within the instruments, significant flexibility is designed, for example in terms of tenor and level of subordination, to provide maximum flexibility for both the investees and the Company to fill the funding gap and to provide the Company with an attractive financial return.

The investment strategy guides investment decisions based on factors such as investment objectives and risk

The Company will focus its investment activity on specific countries in selected geographic regions (Latin American and Asia) (although the Company may consider investing in other regions on an ancillary basis, as long as the final beneficiaries of the

investment are poor or socially excluded individuals, preferably located in countries of the DAC list of ODA recipients).

The Company expects to invest, directly or indirectly, its proceeds both in debt-like instruments and in equity-like instruments in non-listed, private MFIs, other financial intermediaries and innovative and fintech companies or organizations that aim to deliver social impact and foster climate mitigation and adaptation to the excluded population at the bottom of the pyramid, while providing a financial return. These organizations shall often be in the growth stage.

Furthermore, the Company will have access to a Technical Assistance Facility (TA Facility) which shall have resources and know-how for assisting the investees with the implementation of climate mitigation and adaptation best practices and increased lending capacity to investees' populations.

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Company, due to its status as European Social Entrepreneurship Fund ("**EuSEF**") within the meaning of Regulation (EU) No 346/2013 dated 17 April 2013 on European social entrepreneurship funds, as amended or supplemented from time to time ("**EuSEFR**"), is obliged to invest, at least, 70% of its investments in "qualifying investments" and "qualifying portfolio undertakings", as defined within the meaning of that regulation. The Company is, thus, by law required to incorporate binding elements in its investment process to select the investments to attain its environmental and social impact objective.

It does so, by having adopted a methodology to maximize the social and environmental impact of each investment:

- by originating investment opportunities in potential investees which target and/or plan to expand their climate solutions toward farmers and MSMEs;
- by performing a detailed social and environmental due diligence in order to diagnose and identify the potential investee's strengths and opportunities of improvement in its systems related with agricultural or livestock activities, social performance practices and climate mitigation and adaptation. All the deficiencies detected, and the areas identified for improvement will be included in a "Social and Environmental Due Diligence Report", which will serve as initial input for the Technical Assistance Steering Committee to explore potential technical assistance projects that could be implemented in agreement with the investee's management;
- by legally documenting the investment and by including social and environmental performance related covenants therein;
- by passing relevant information to the AIFM and its technical assistance team regarding areas which can be improved through technical assistance projects; and
- by monitoring the progress of the implementation of technical assistance projects on a regular basis.

This process will allow the Company to not only invest in companies that have the potential to improve lives of excluded communities, but also to help these companies to accomplish their social and environmental mission

- ***What is the policy to assess good governance practices of the investee companies?***

Social performance of MFIs or other financial intermediaries will be assessed with a questionnaire based on a tool called ALINUS, which has been modified to make it shorter and assign different weights for each category, including an environmental dimension. ALINUS is a subset of a SPI4 tool developed by Cerise to assess how prepared a financial institution is to deliver social impact in terms of products, people, and processes.

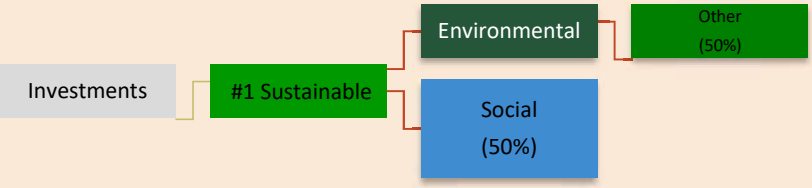
In addition, during the on-site due diligence, the potential areas for general business improvement of the potential investee that could enhance the financial performance, organization, systems, and risk management of the investee will be analyzed.

Asset allocation describes the share of investments in spe

[include note only for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

What is the asset allocation and the minimum share of sustainable investments?

100% of investments of the Company qualify as sustainable investments (excluding cash, temporary investments and deposits of margins on currency hedgings).



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

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 activi-

- ***How does the use of derivatives attain the sustainable investment objective?***

The Company uses no derivatives within the meaning of Article 2(1)(29) of Regulation (EU) No 600/2014 to attain the sustainable investment objective.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A

Good governance practices include sound management structures, employee relations, remuneration of staff

[include note only for financial products referred to in Article 5, 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 ad

[include note for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are environmentally sustainable investments that **do not take into account the criteria** for environmentally

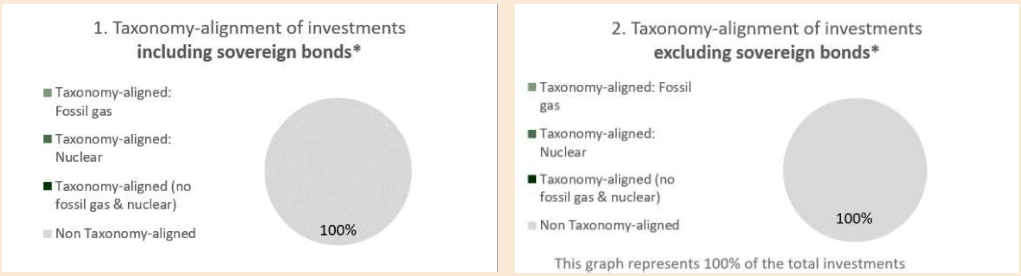
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[12] ?

☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

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?

N/A

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

100% of the investments of the Company will have an environmental objective not aligned with the EU Taxonomy

What is the minimum share of sustainable investments with a social objective?

100% of the investments of the Company have a social objective.

[12] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

[include note for financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]

Reference benchmarks are indexes to measure whether the financial product at-

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

Not applicable. All investments are sustainable investments with a social and environmental objective. The only exception will be cash and temporary investments of that cash (*i.e.*, short term cash deposits), as well as deposits of margins on currency hedgings.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

An index has not been designated as a reference benchmark to meet the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

  N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  N/A

- ***How does the designated index differ from a relevant broad market index?***

  N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

  N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:
https://www.gawacapital.com/