

## Sustainability-related disclosures

**Product: SocialAlpha Investment Fund (SAIF) SICAV-SIF – Bastion**  
**In accordance with: Article 10 of Regulation (EU) 2019/2088**

### Summary

This statement is published by SocialAlpha Investment Fund (SAIF) SICAV-SIF, a company organised as a *société anonyme, société d'investissement à capital variable – fonds d'investissement spécialisé* (the “**Fund**”), together with AlphaMundi Group AG, the appointed investment advisor (the “**Investment Advisor**”) of the Fund, in accordance with Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “**SFDR**”). The statement concerns in particular the sub-fund “BASTION” (the “**Sub-Fund**”), and has as its purpose to provide transparency on the sustainability objectives of the Sub-Fund and on the strategies and methodologies used to address those objectives. The Fund has a sustainable investment objective in accordance with Article 9 of the SFDR.

### No significant harm to the sustainable investment objective

The Fund strives to ensure the effective management of potential sustainability risks associated with its investments to do no significant harm to any area of environmental or social concern. Toward that end, the Investment Advisor takes an active approach ensuring that all investments of the Sub-Fund meet adequate environmental and social sustainability criteria, based on a three-pronged approach. Firstly, an environmental standards policy aligned with the IFC Exclusion List<sup>1</sup> for environmentally and socially harmful industries and activities is applied in the screening phase of potential investees. Secondly, during the due diligence process, an evaluation of potential negative effects on environmental and social factors is performed as part of the clarification of the investee's overall business model and impact, and a risk mitigation plan is created. Thirdly, the responsible investment officers monitor the aforementioned potential negative effects throughout the investment life cycle, for example when changes to the business model, target customers, contextual circumstances, etc. arise.

### Sustainable investment objective of the financial product

The Sub-Fund aims at improving the lives of the poor in developing countries by scaling SME solutions to the Sustainable Development Goals of the United Nations (the “**SDGs**”) in sectors such as financial inclusion, sustainable agriculture and food, renewable energy and affordable housing. The Investment Advisor also incorporates gender-based considerations throughout the investment lifecycle, in order to enhance the positive impact created towards women. The Sub-Fund will primarily but not exclusively focus on impact ventures in Latin America and in Africa, in particular non-governmental organizations and unlisted small and middle-sized companies. In pursuing this sustainable investment objective, the Sub-Fund falls within the scope of Article 9.2 of the SFDR.

Through the above objectives, the Sub-Fund aims to contribute to the achievement of the broader SDGs. The contributions are made primarily within the areas of SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work & Economic Growth) and SDG 12 (Responsible Consumption & Production), although secondary and/or indirect contributions are expected to be made towards several SDGs, especially given their interconnected nature.

### Investment strategy

Considering the challenges described above in section “Sustainable investment objective of the financial product” and building on researches and financing of impact ventures in Latin America and Africa, the Sub-Fund has the following investment strategy.

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<sup>1</sup> The IFC Exclusion List can be found at: <http://www.ifc.org/exclusionlist>

The Sub-Fund seeks to achieve its sustainable investment objectives by investing at least 80% of its assets into debt and convertible debt in impact ventures. At least 80% of its assets will be invested in Latin America and in Africa. Up to 25% of the Sub-Fund's assets can be leveraged as collateral for loan guarantees to impact ventures.

The Sub-Fund may hold warrants, mezzanine and convertible loans as part of a loan contract with an impact venture. The Sub-Fund may not invest directly in new equity instruments. The Sub-Fund may however temporarily hold equity instruments, in particular as a result of a conversion from another type of financial instrument. Any equity instrument held by the Sub-Fund shall in principle be disposed of within two calendar quarters unless otherwise decided by the Board of Directors on an exceptional basis.

The Sub-Fund is committed to actively promoting good governance, integrity and transparency standards in its financing/investment activities. Most importantly, this commitment is realized by the Investment Advisor in the pipeline screening and due diligence processes of potential investee companies.

Impact ventures to be invested in may include commercial companies, cooperatives, non-profit institutions or projects, and will be selected on the basis of, inter alia, the following criteria: established operational track record over several years, financial profitability and growth perspectives, quality of products and services when compared to their peers, quality and stability of management team, soundness of governance structure and practices, reporting capacity, as well as country and sector risk.

In addition, specific selection criteria are applied for the attainment of the sustainable investment objective of the Sub-Fund, including: having a clear impact case that aligns with the sustainable objectives of the Sub-Fund, alignment of vision between the aspirations and objectives of the main shareholders and those of the Sub-Fund, measurability and reporting capacity of the social and/or environmental impact of the potential investee's activities, as well as responsible corporate behaviour.

To further enhance the positive financial and non-financial outcomes of investments, the Investment Advisor collaborates with its non-profit sister organization in the US, the AlphaMundi Foundation (501c3), which provides grants and facilitates third-party technical and financial support to the Sub-Fund's portfolio and pipeline companies.

Furthermore, investments made for the Sub-Fund are guided by the following principles:

- Work with the best and most promising institutions in order to minimize risk and maximize outreach and sustainability of impact;
- Encourage best practices and insist on a high degree of transparency and quality of reporting;
- Consider institutions as long-term partners who will be accompanied in their growth while they continue to meet the standards of the Sub-Fund.

### **Monitoring of sustainable investment objectives**

The Investment Advisor monitors the sustainable investment objective and the sustainability indicators of the Sub-Fund. A set of impact indicators has been defined for this purpose, with one subset of the indicators shared by all portfolio companies and another subset tailored for particular sectors (microfinance, agriculture, energy, etc.). The expected performance of potential investments against these indicators is assessed during the investment selection phase and actual performance is monitored post investment on a regular basis, both at the investee and the aggregate portfolio levels. Within one hundred eighty (180) days of the end of each financial year, the Fund will send to all shareholders the most recent annual impact report of the Sub-Fund.

### **Methodologies**

In measuring the impact of the investments of the Sub-Fund, the Investment Advisor relies on the following established measurement frameworks: First, the IRIS+ indicator system is used to identify appropriate indicators for measuring the positive impact created by the portfolio companies. Some of these indicators are applied across the portfolio while some are specific to particular sectors. Second, the 2X challenge criteria are used to identify indicators for measuring gender-related impact. Third,

when and where applicable, the principal adverse impact indicators defined in Annex I of the draft regulatory technical standard (“RTS”) of the SFDR are used for monitoring potential negative impact.

In managing the impact of the investments of the Sub-Fund, the Investment Advisor relies on a tailored impact management framework that complies with the IFC Operating Principles for Impact Management (the “Principles”)<sup>2</sup>. The Principles describe the essential features of managing investment funds with the intent to contribute to measurable positive social, economic, or environmental impact, alongside financial returns. As a signatory to the Principles, the Investment Advisor, with the consent of the Fund, agrees to independent verification of its impact management system. This includes verification of the impact reporting on the Sub-Fund.

### **Data sources and processing**

Data is predominantly self-reported by portfolio companies, with the Investment Advisor validating the data to the extent possible, with additional reviews provided as necessary by external consultants.

### **Due diligence**

The due diligence procedure followed by the Investment Advisor in the analysis of potential investments for the Sub-Fund contains several aspects that contribute to both the attainment of the Sub-Fund’s sustainable investment objective and the avoidance of harm to other sustainability factors. First, the Investment Advisor applies the IFC Exclusion list to screen out investments with potential adverse impacts. Secondly, to make sure that the potential investment would result in a positive impact, the investee’s impact case is clarified and analysed using a dedicated analytical framework.

### **Attainment of the sustainable investment objective**

No index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective of the Fund or the Sub-Fund.

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**Tim Radjy**

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<sup>2</sup> The Investment Advisor’s compliance statement with the Principles can be found at [https://www.alphamundi.ch/\\_files/ugd/25ea0b\\_96b88354eb504f48904c92d23400b605.pdf](https://www.alphamundi.ch/_files/ugd/25ea0b_96b88354eb504f48904c92d23400b605.pdf)