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ANNEXES 1 to 4

## ANNEXES

*to the*

**COMMISSION DELEGATED REGULATION (EU) .../...**

**amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities**

ANNEX II

ANNEX III

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: Nordic Impact Investments ApS

Legal entity identifier: CVR 10140870

## Sustainable investment objective

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective: 50%**

- 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

It will make a minimum of **sustainable investments with a social objective: 100%**

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

- with an environmental objective in economic activities that 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 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 follow good governance practices.

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.



### What is the sustainable investment objective of this financial product?

The overall objective of Nordic Impact Funds is to increase livelihoods and resilience for underserved populations by promoting economically, socially, and environmentally sustainable business models that contribute to increased financial health and climate change adaptation and resilience for the base of the pyramid and women, in particular.

More specifically, the Fund's sustainable investment objectives are:

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

- To empower smallholders and other food value chain players to adapt and cope with the impacts of climate change (environmental/social)
- To increase sustainability of food and agricultural practices (environmental)
- To cultivate a resilient financial ecosystem, ensuring inclusion, affordability, efficiency and financial resilience for the underserved (social)

To contribute to these sustainable investment objectives, the Fund invests climate-smart and gender-smart in local SMEs with good solutions to the challenges of the underserved (bottom 40% and women). The Fund focuses on two thematic verticals; Food Systems and Agribusiness Solutions (where the majority of the target group is engaged), and Financial and Digital Enablers (which enables access and affordability of critical products and services for financial health and climate adaptation and resilience).

The Fund drafts a theory of change for each investment opportunity to ascertain how the individual investment contributes to one (or more) of the Fund’s sustainability objectives.

There is currently not a relevant benchmark available for investments in early to growth stage SMEs in East Africa.

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

The Fund measures and monitors the following indicators at a portfolio level:

- Number of smallholder farmers increasing sustainability of farming practices (e.g. through reduced use of synthetic fertilizer and efficient water usage)
- Number of smallholder farmers provided with climate-smart inputs, technologies, and extension services
- Number of smallholder farmers sourced from
- Number of people with access to financial products and services

In addition the fund measures and monitors a wider range of social and environmental indicators for each portfolio company and at a portfolio level. It is the ambition of the fund to include these indicators under the SFDR disclosure as data and reporting practices mature.

● ***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?*

The Fund applies an exclusion list aligned with international standards and assesses potential adverse impacts of each investment opportunity to assess sustainability risks and identify appropriate mitigation measures to actively promote the avoidance of harm to environmental and/or social sustainable investment objectives.

The Fund has started to measure and monitor indicators for adverse impacts as outlined in Table 1 of Annex I and selected indicators in Tables 2 and 3 of Annex I. The Fund incorporates these indicators in the annual portfolio review. The Fund is not – at this point in time – exposed to or significantly contributing to any of the adverse impacts outlined in Annex I.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Fund is committed to improve reporting on PAIs by working with portfolio companies to increase maturity and ability to report on the provided PAIs.

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

The Fund’s investment process is aligned with the UN Guiding Principles on Business and Human Rights (“UNGPs”) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (“OECD MNEs”).

As part of the Fund’s due diligence process, all new investments are evaluated for compliance with the aforementioned standards on responsible business conduct (RBC) upon investment. Accordingly, investees should have and implement relevant policies, management and operational systems, human rights due diligence and other relevant measures to prevent, detect and where relevant restore negative impacts they have caused or contributed to.

The Fund requires that the investees abide by these standards throughout the full lifetime of the investment and report when incidents occur.



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



Yes

The Fund considers the risk of principle adverse impacts on sustainability factors as part of the investment process and due diligence as well as during the investment period. The Fund measures and monitors the mandatory and selected voluntary PAIs, the results can be found on the Fund’s webpage.



No



**What investment strategy does this financial product follow?**

The Fund capitalizes enterprises in impactful sectors with scalable and economically viable models for impacts, generating sustained outcomes for underserved people along financial returns.

The key elements of the strategy are:

- i. to invest primarily in East Africa (mainly Kenya, Uganda, Rwanda, Tanzania, Ethiopia and Malawi) in businesses with significant operations and/or impact in East Africa;
- ii. to invest mainly in early to mid-stage local Small and Medium Sized Enterprises (SMEs) to ensure local anchorage and get the important on-the-ground game right;
- iii. to invest mainly in food and agricultural value chains and financial ecosystems – sectors with high impact for underserved communities, while building local eco-systems that are mutually supportive, solving gaps in the value chains;
- iv. to invest climate-smart by considering the climate resilience of the investees as well as their products and services;
- v. to invest gender-smart by meeting at least one of the 2X criteria in every investment (<https://www.2xchallenge.org/criteria>);

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

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

**Asset allocation** describes the share of investments in specific assets.

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 activities of investee companies.



- vi. to leverage the best of the Nordics, the expertise of the team, advisors and global network through active ownership and across all aspects of the investment process; and
- vii. to introduce relevant technologies for digitizing and scaling through partnerships with tech accelerators and educators.

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

The binding elements of the investment strategy are:

- No exposure to the Fund’s exclusion list
- Contribute to the Fund’s sustainability objectives
- Ability to measure and report against the portfolio indicators (speaking to the Fund’s sustainability objectives)

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

The Fund leans on the G20 OECD Principles as guiding structure to analyse, evaluate and assess good governance both during the investment journey and once a company is part of the portfolio.

The Fund evaluates whether investees have effective governance structures (e.g., clearly defined roles and responsibilities of governing bodies and ESG factors integration in decisionmaking processes) and adequately integrate due diligence processes for assessing and intergrating ESG risks and impacts of the investees’ business operations.

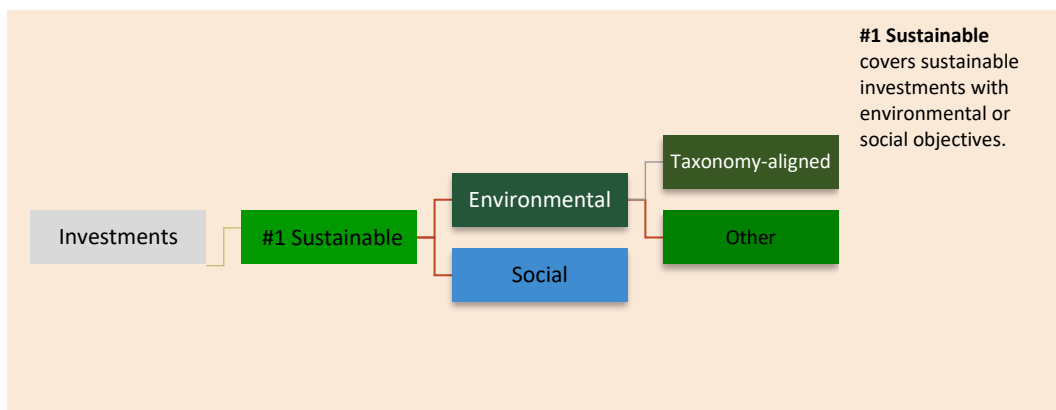
The Fund is committed to gender equality and requires investees to represent women in the management and board of the company in an equal maner.

Further policies include transparency international anti-corruption and bribery policies, stressing the importance and expectation of investees’ governance to actively formulate anti-money laundering, fair competition, taxation, sanctions and conflict of interests

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

The Fund pursues sustainable investment objectives outlined above for 100% of the investments made by the Fund. These will be split between sustainable investments with an environmental objective (minimum 50%) and sustainable investments with a social objective (minimum 100%). Many investments will have both.

The Fund assesses each potential investees’ adherence to international social standards and guidelines to safeguard minimum environmental and social standards



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

The Fund does not include derivatives or holding cash for hedging purposes



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

The activities of the Fund's investees contribute to the following climate and environmental objectives under the EU Taxonomy: 2) Climate change adaptation, 3) Sustainable use and protection of water and marine resources, and 6) protection and restoration of biodiversity ecosystems. The fund's investments fully comply with condition 1, 2, and 3 and as the majority of the fund's investments are enabling activities and the fund is currently investigating how the technical screening criteria can best be applied in the context in which the portfolio companies operate (condition 4).

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas

In nuclear energy

No

● **What is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments in transitional and enabling activities is expected to be 0%.



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

The Fund pursues sustainable investment objectives outlined above for 100% of the investments made by the Fund with an allocation of minimum 50% to environmental objectives.

Of the allocations contributing to environmental objectives, 100% of the allocations will contribute to at least one of the objectives set in the EU Taxonomy, namely: 2) Climate change adaptation, 3) Sustainable use and protection of water and marine resources, and 6) protection and restoration of biodiversity ecosystems.

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<sup>1</sup> 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.

Non-eligible sustainable investments are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



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

The Fund pursues sustainable investment objectives outlined above for 100% of the investments made by the Fund with an allocation of minimum 100% to social objectives.



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

Not applicable – the Fund will not make other investments which are “not sustainable”.



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

There is currently not a relevant index or benchmark available for investments in early to growth stage SMEs in East Africa.

- *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: [www.nordicimpactfunds.com](http://www.nordicimpactfunds.com)

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.