

SFS OCTOBER SME V

SFDR DISCLOSURES

Annex 1 – PAI Reporting

Date of publication: 30/06/2023

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

Name: SFS OCTOBER SME V

LEI: 969500200U1UVV3NP516

ISIN: FR00140082P7

Fund Manager: AIFM OCTOBER FACTORY, authorised by the *Autorité des Marchés Financiers* (AMF) under the number GP-16000030.

Summary (EN)

The SFS OCTOBER SME V, LEI 969500200U1UVV3NP516, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the SFS OCTOBER SME V.

This statement on principal adverse impacts on sustainability factors covers the reference period from 30 September 2022 (launch date of OCTOBER SME V) to 31 December 2022.

Summary of principal adverse impacts: all borrowers applying for a loan under OCTOBER SME V are subject to systematic ESG performance evaluation, including a data-based ESG impact score proprietary to October (the “October ESG Score”). Such score includes 30+ ESG KPIs based on company- level, sector-level and country-level data. Being automated and non-declarative in nature, it is largely based on automated data extraction from the identity and financial documents of SME borrowers, preferring not to rely on declarative data, especially on the environmental side. When structuring its automated ESG Score and assessment process, October carried out maximum efforts to include data utilizable to assess the PAIs applicable to its target borrower population and asset class.

With OCTOBER SME V being an SFDR Article 8 fund, the promotion of ESG characteristics in its portfolio is further pursued by assigning a pricing impact to the ESG Score. This occurs through the implementation of a *bonus / malus* system. On one hand, a pricing incentive (*bonus*) is assigned to projects with a good ESG score. On the other hand, projects with a poor ESG score will experience a pricing consequence in terms of a *malus*. The total range of the possible pricing incentives spans a 40 bps range, meaning a maximum pricing *bonus* of 20 bps on the best ESG score A, and a *malus* of 20 bps on the worst ESG score E, with the median ESG score of C being neutral. The ESG *bonus/malus* impacts the full grid of October pricing (max, mid and min rate) and is reflected on the final rate offered to the borrower, linked to the overall Credit Note.

Note: It is highlighted that with the present report October is carrying out early disclosures with respect to its normally applicable first SFDR disclosure requirements. For Financial Market Participants (FMP) with

< 500 employees, like October, the SFDR and the European Commission Delegated Regulation consolidating the SFDR Technical Standards of April 2022 set the first compulsory SFDR reporting date at 30 June 2024. October hereby proves its strong commitment to ESG integration by already publishing SFDR disclosures at the earliest available reporting deadline of 30 June 2023. Nevertheless, due to this early reporting phase as well as to the generally low availability of PAI-aligned data within the European SME market, for the current reporting year the approach to some PAI indicators is still under development, adopts proxies or best-effort approximations. When applicable, please refer to detail described in section “Best efforts used to obtain information”.

Résumé (FR)

La SFS OCTOBER SME V, LEI 969500200U1UVV3NP516, considère les principales incidences négatives de ses décisions d'investissement sur les facteurs de durabilité. La présente déclaration est la déclaration consolidée sur les principales incidences négatives des facteurs de durabilité de la SFS OCTOBER SME V.

Cette déclaration sur les principales incidences négatives des facteurs de durabilité couvre la période de référence allant du 30 septembre 2022 (date de lancement d'OCTOBER SME V) au 31 décembre 2022.

Résumé des principales incidences négatives : tous les emprunteurs soumettant une demande de prêt auprès d'OCTOBER SME V font l'objet d'une évaluation systématique de leur performance ESG, y compris un score d'impact ESG basé sur des données propres au mois d'octobre (le « Score ESG d'October »). Ce score comprend plus de 30 indicateurs de performance ESG basés sur des données au niveau de l'entreprise, du secteur et du pays. Automatisé et non déclaratif par nature, il repose en grande partie sur l'extraction automatisée de données à partir des documents d'identité et des financiers des PME emprunteuses, préférant ne pas s'appuyer sur des données déclaratives, en particulier en ce qui concerne les indicateurs environnementaux. Lors de la structuration de son score ESG automatisé et du processus d'évaluation y lié, October a déployé un maximum d'efforts pour inclure des données utilisables pour évaluer les PAI applicables à sa population d'emprunteurs cible et à sa classe d'actifs.

OCTOBER SME V étant un fonds relevant de l'Article 8 de la SFDR, la promotion des caractéristiques ESG dans son portefeuille est renforcée par l'attribution d'un impact tarifaire au score ESG. Cela se fait par la mise en place d'un système de *bonus / malus*. D'une part, une amélioration tarifaire (*bonus*) est attribuée aux projets ayant un bon score ESG. D'autre part, les projets ayant un mauvais score ESG subiront une conséquence tarifaire sous la forme d'un *malus*. La fourchette totale des ajustements tarifaires possibles s'étale sur 40 bps, ce qui signifie un *bonus* maximal de 20 bps pour la meilleure note ESG A, et un *malus* de 20 bps pour la moins bonne note ESG E, la note ESG médiane de C étant neutre. Le *bonus/malus* ESG a un impact sur l'ensemble de la grille de tarification d'October (taux max, mid et min) et se reflète sur le taux final proposé à l'emprunteur, lié à la Notation de Crédit (Credit Note) globale.

Note : Il est souligné qu'avec le présent rapport, October procède à des divulgations anticipées en ce qui concerne ses premières obligations de divulgation SFDR normalement applicables. Pour les participants aux marchés financiers (FMP) comptant moins de 500 employés, comme October, la SFDR et le Règlement Délégué de la Commission européenne consolidant les normes techniques de la SFDR d'avril 2022 fixent la première date de publication obligatoire du reporting SFDR au 30 juin 2024. October prouve ainsi son engagement fort en faveur de l'intégration ESG en publiant déjà des informations SFDR à la première date limite disponible, le 30 juin 2023. Néanmoins, en raison de cette phase précoce de reporting et de la disponibilité généralement faible de données alignées sur les PAI au sein du marché européen des PME, l'approche à certains indicateurs PAI est toujours en cours de développement pour l'année de référence actuelle, et adopte des proxies ou des approximations au meilleur effort possible. Le cas échéant, merci de faire référence aux détails fournis dans la section "Efforts déployés pour obtenir l'information" (“Best efforts used to obtain information”).

Sintesi (IT)

La SFS OCTOBER SME V, LEI 96950020OU1UVV3NP516, considera i principali effetti negativi delle proprie decisioni di investimento sui fattori di sostenibilità. La presente dichiarazione è la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità della SFS OCTOBER SME V. Questa dichiarazione sui principali effetti negativi sui fattori di sostenibilità copre il periodo di riferimento dal 30 settembre 2022 (data di lancio dell'OCTOBER SME V) al 31 dicembre 2022.

Sintesi dei principali effetti negativi: tutti i mutuatari richiedenti un prestito presso il fondo OCTOBER SME V sono soggetti a una valutazione sistematica della propria performance ESG, compreso un punteggio di impatto ESG basato su dati proprietari a October ("October ESG Score"). Tale punteggio comprende oltre 30 KPI ESG basati su dati a livello aziendale, settoriale e nazionale. Essendo automatizzato e di natura non dichiarativa, si basa in gran parte sull'estrazione automatica di dati provenienti dai documenti d'identità e finanziari delle PMI mutuatari, preferendo non affidarsi a dati dichiarativi, soprattutto per quanto riguarda indicatori ambientali. Nella strutturazione del proprio processo automatizzato di punteggio e valutazione ESG, October ha compiuto il massimo sforzo per includere dati utilizzabili per la valutazione dei PAI applicabili alla propria popolazione target di mutuatari e asset class.

Essendo OCTOBER SME V un fondo SFDR Articolo 8, la promozione delle caratteristiche ESG nel suo portafoglio viene ulteriormente perseguita assegnando un impatto tariffario al punteggio ESG. Ciò avviene attraverso l'implementazione di un sistema di *bonus/malus*. Da un lato, ai progetti con un buon punteggio ESG viene assegnato un incentivo tariffario (*bonus*); dall'altro, i progetti con un punteggio ESG basso subiscono una conseguenza tariffaria in termini di *malus*. L'intervallo totale dei possibili aggiustamenti tariffari è di 40 bps, ovvero un *bonus* massimo di 20 bps per il miglior punteggio ESG A e un *malus* di 20 bps per il peggior punteggio ESG E, mentre il punteggio ESG mediano C è neutro. Il *bonus/malus* ESG ha un impatto sull'intera griglia di pricing di October (tasso massimo, medio e minimo) e si riflette sul tasso finale offerto al mutuatario, collegato alla Valutazione di Credito (Credit Note) complessiva.

Nota: si sottolinea che con il presente rapporto October sta effettuando una pubblicazione anticipata rispetto ai suoi primi requisiti di pubblicazione SFDR normalmente applicabili. Per i partecipanti ai mercati finanziari (FMP) con meno di 500 dipendenti, come October, l'SFDR e il Regolamento Delegato della Commissione europea consolidante gli standard tecnici dell'SFDR di aprile 2022 fissano la prima data obbligatoria per la pubblicazione dei report SFDR al 30 giugno 2024. October dimostra così il suo forte impegno nell'integrazione ESG pubblicando già le informazioni SFDR alla prima scadenza disponibile, il 30 giugno 2023. Tuttavia, a causa di questa fase iniziale di reporting e della generale scarsa disponibilità di dati allineati al PAI all'interno del mercato europeo delle PMI, per l'anno di riferimento in corso l'approccio ad alcuni indicatori PAI è ancora in fase di sviluppo, e adotta perciò proxies o le migliori approssimazioni possibili. Ove applicabile, si rimanda ai dettagli descritti nella sezione "Migliori sforzi utilizzati per ottenere informazioni" ("*Best efforts used to obtain information*").

Resumen (ES)

El SFS OCTOBER SME V, LEI 96950020OU1UVV3NP516, tiene en cuenta los impactos adversos principales de sus decisiones de inversión en factores de sostenibilidad. El presente informe constituye la declaración consolidada sobre los impactos adversos principales en los factores de sostenibilidad del SFS OCTOBER SME V.

Esta declaración sobre los impactos adversos principales en los factores de sostenibilidad abarca el período de referencia desde el 30 de septiembre de 2022 (fecha de lanzamiento de OCTOBER SME V) hasta el 31 de diciembre de 2022.

Resumen de los impactos adversos principales: todos los prestatarios que solicitan un préstamo bajo OCTOBER SME V están sujetos a una evaluación sistemática del desempeño de ESG, que incluye una puntuación de impacto ESG basada en datos exclusivos de October ("October ESG Score"). Esta puntuación incluye más de 30 KPI ESG basados en datos a nivel de empresa, sector y país. Dado su carácter automatizado y no declarativo, se basa en gran medida en la extracción automatizada de datos de los

documentos de identidad y financieros de los prestatarios de las PYMES, evitando depender de datos declarativos, especialmente en el ámbito ambiental. Al estructurar su proceso automatizado de evaluación y puntuación ESG, October realizó esfuerzos máximos para incluir datos utilizables para evaluar los PAI (Impactos Adversos Principales) aplicables a su población objetivo de prestatarios y clase de activos.

Dado que OCTOBER SME V es un fondo conforme al artículo 8 del SFDR, la promoción de características ESG en su cartera se persigue aún más mediante la asignación de un impacto en los precios en función de la Puntuación de ESG. Esto se logra mediante la implementación de un sistema de *bonus / malus*. Por un lado, se asigna un incentivo de precios (*bonus*) a los proyectos con una buena puntuación ESG. Por otro lado, los proyectos con una puntuación ESG negativa experimentarán una consecuencia en los precios en forma de un *malus*. El rango total de los incentivos de precios posibles abarca un rango de 40 bps, lo que significa un *bonus* de precios máximo de 20 bps en la mejor puntuación de ESG A, y un *malus* de 20 bps en la peor puntuación de ESG E, siendo la puntuación de ESG mediana C neutral. El *bonus/malus* de ESG afecta a la gama completa de precios de October (tasa máxima, intermedia y mínima) y se refleja en la tasa final ofrecida al prestatario, vinculada a la Nota de Crédito (Credit Note) global.

Nota: Se destaca que con el presente informe, October está realizando divulgaciones tempranas con respecto a sus requisitos de divulgación de SFDR normalmente aplicables en primer lugar. Para los Participantes en el Mercado Financiero (PMF) con menos de 500 empleados, como October, el SFDR y el Reglamento Delegado de la Comisión Europea que consolida las Normas Técnicas de SFDR de abril de 2022 establecen la primera fecha obligatoria de presentación de informes de SFDR el 30 de junio de 2024. October demuestra su firme compromiso con la integración de ESG al publicar divulgaciones de SFDR en la primera fecha de presentación disponible, el 30 de junio de 2023. No obstante, debido a esta fase inicial, así como a la disponibilidad generalmente limitada de datos alineados con PAI en el mercado europeo de las PYMES, para el año de presentación de informes actual el enfoque hacia algunos indicadores de PAI aún está en desarrollo y se utilizan aproximaciones de mejor esfuerzo o proxies. Por las situaciones que correspondan, consulte los detalles en la sección "Mejores esfuerzos utilizados para obtener información" ("*Best efforts used to obtain information*").

Samenvatting (NL)

Het SFS OCTOBER SME V, LEI 969500200U1UVV3NP516, houdt rekening met de belangrijkste negatieve effecten (Principal Adverse Indicators – “PAI’s”) van haar investeringsbeslissingen op duurzaamheidsfactoren. Deze verklaring is de geconsolideerde verklaring over de belangrijkste negatieve effecten voor de duurzaamheidsfactoren van het SFS OCTOBER SME V.

Dit overzicht van de belangrijkste nadelige gevolgen voor de duurzaamheidsfactoren heeft betrekking op de referentieperiode van 30 september 2022 (lanceringsdatum van OCTOBER SME V) tot 31 december 2022.

Samenvatting van de belangrijkste nadelige gevolgen: alle kredietnemers die een lening aanvragen uit OCTOBER SME V worden onderworpen aan een systematische evaluatie van hun ESG-prestaties, waaronder een data-gedreven ESG-impactscore die eigendom is van October (de "ESG-score van October"). Deze score omvat meer dan 30 ESG KPI's op basis van gegevens op bedrijfs-, sector- en landniveau. De score is geautomatiseerd en niet-declaratief van aard en is grotendeels gebaseerd op geautomatiseerde data-extractie uit de identiteits- en financiële documenten van MKB-kredietnemers. Bij het structureren van haar geautomatiseerde ESG-score en beoordelingsproces heeft October zich maximaal ingespannen om gegevens op te nemen die bruikbaar zijn voor het beoordelen van de PAI's die van toepassing zijn op haar doelgroep van kredietnemers en haar assetklasse.

Aangezien OCTOBER SME V een SFDR Artikel 8-fonds is, wordt de bevordering van ESG-kenmerken in onze portefeuille verder nagestreefd door een prijsimpact toe te kennen aan de ESG-score. Dit gebeurt door de implementatie van een bonus/malus-systeem. Enerzijds wordt een prijsprikkel (bonus) toegekend aan projecten met een goede ESG-score. Aan de andere kant krijgen projecten met een slechte ESG-score

een prijssimpact in de vorm van een malus. Het totale bereik van de mogelijke prijssimpact beslaat een bandbreedte van 40 basispunten, wat een maximale prijssimpact van 20 basispunten betekent voor de beste ESG-score A en een malus van 20 basispunten voor de slechtste ESG-score E, waarbij de mediaan van de ESG-score C neutraal is. De ESG-bonus/malus heeft invloed op het volledige raster van de Octoberprijsstelling (maximum-, midden- en minimumtarief) en wordt weerspiegeld in het uiteindelijke tarief dat aan de kredietnemer wordt aangeboden, gekoppeld aan de totale kredietaanvraag.

Opmerking: Er wordt op gewezen dat October met deze reporting vervroegde bekendmakingen doet met betrekking tot zijn normaliter toepasselijke eerste SFDR-kennisgevingsvereisten. Voor Financiële Markt Deelnemers (FMP) met < 500 werknemers, zoals October, stellen de SFDR en de Gedelegeerde Verordening van de Europese Commissie ter consolidatie van de Technische Standaarden van de SFDR van april 2022 de eerste verplichte SFDR-rapportagedatum vast op 30 juni 2024. October bewijst hiermee zijn sterke betrokkenheid bij ESG-integratie door al op de vroegst beschikbare rapportagedatum van 30 juni 2023 SFDR informatie te publiceren. Vanwege deze vroege fase en de over het algemeen geringe beschikbaarheid van op de PAI-indicatoren afgestemde gegevens binnen de Europese MKB-markt, is de benadering van sommige PAI-indicatoren voor het huidige verslagjaar echter nog in ontwikkeling en worden proxy's of zo goed mogelijke benaderingen gebruikt. Indien van toepassing, wordt verwezen naar het onderdeel "Inspanningen gedaan om informatie te verkrijgen" (*"Best efforts used to obtain information"*).

Zusammenfassung (DE)

Der SFS OCTOBER SME V, LEI 969500200U1UVV3NP516, berücksichtigt die wichtigsten negativen Auswirkungen (principal adverse impacts) seiner Anlageentscheidungen auf Nachhaltigkeitsfaktoren. Bei der vorliegenden Stellungnahme handelt es sich um die konsolidierte Stellungnahme zu den wichtigsten negativen Auswirkungen auf Nachhaltigkeitsfaktoren des SFS OCTOBER SME V.

Diese Stellungnahme zu den wichtigsten negativen Auswirkungen auf Nachhaltigkeitsfaktoren deckt den Referenzzeitraum vom 30. September 2022 (Einführungsdatum von OCTOBER SME V) bis zum 31. Dezember 2022.

Zusammenfassung der wichtigsten negativen Auswirkungen: Alle Kreditnehmer, die einen Kredit im Rahmen von OCTOBER SME V beantragen, unterliegen einer systematischen ESG-Leistungsbewertung, einschließlich eines datenbasierten ESG-Impact-Scores, der eigens für October entwickelt wurde (der „October ESG Score“). Diese Bewertung umfasst mehr als 30 ESG-KPIs basierend auf Daten auf Unternehmens-, Branchen- und Länderebene. Sie ist automatisierter und nicht deklarativer Natur und basiert größtenteils auf der automatisierten Datenextraktion aus den Identitäts- und Finanzdokumenten von KMU-Kreditnehmern, wobei es vorgezogen wird, sich nicht auf deklarative Daten zu verlassen, insbesondere im Umweltbereich. Bei der Strukturierung seines automatisierten ESG-Score- und Bewertungsprozesses hat October größtmögliche Anstrengungen unternommen, um Daten einzubeziehen, die zur Bewertung der PAIs verwendet werden können, die für die Zielgruppe der Kreditnehmer und die Anlageklasse gelten.

Da es sich bei OCTOBER SME V um einen SFDR-Artikel-8-Fonds handelt, wird die Förderung von ESG-Merkmalen in unserem Portfolio weiter verfolgt, indem dem ESG-Score ein Einfluss auf die Preisgestaltung zugewiesen wird. Dies geschieht durch die Implementierung eines Bonus-Malus-Systems. Einerseits wird Projekten mit einem guten ESG-Score ein Preisanreiz (Bonus) zugewiesen. Andererseits erfahren Projekte mit einem schlechten ESG-Score eine preisliche Konsequenz im Sinne eines Malus. Die Gesamtspanne der möglichen Preisanreize erstreckt sich über einen Bereich von 40 Basispunkten, was einen maximalen Preisbonus von 20 Basispunkten auf den besten ESG-Score A und einen Malus von 20 Basispunkten auf den schlechtesten ESG-Score E bedeutet, wobei der mittlere ESG-Score C neutral ist. Der ESG-Bonus/Malus wirkt sich auf das gesamte Preistraster bei October aus (Höchst-, Mittel- und Mindestzinssatz) und spiegelt sich im endgültigen Zinssatz wider, der dem Kreditnehmer angeboten wird und mit der Gesamtgutschrift verknüpft ist.

Hinweis: Es wird hervorgehoben, dass October mit dem vorliegenden Bericht frühzeitige Offenlegungen im Hinblick auf seine normalerweise geltenden ersten SFDR-Offenlegungsanforderungen durchführt. Für Finanzmarktteilnehmer (FMP) mit < 500 Mitarbeitern, zu denen October gehört, legen die SFDR und die delegierte Verordnung der Europäischen Kommission zur Konsolidierung der technischen SFDR-Standards vom April 2022 den ersten obligatorischen SFDR-Meldetermin auf den 30. Juni 2024 fest. October beweist hiermit sein starkes Engagement zur ESG-Integration durch die Veröffentlichung von SFDR-Offenlegungen bereits zum frühestmöglichen Meldetermin am 30. Juni 2023. Aufgrund dieser frühen Phase sowie der allgemein geringen Verfügbarkeit von PAI-abgestimmten Daten innerhalb des europäischen KMU-Marktes befindet sich der Ansatz für einige PAI-Indikatoren im laufende Berichtsjahr noch in der Entwicklung und werden Proxys oder Best-Effort-Approximationen verwendet. Bitte beachten Sie ggf. die Einzelheiten im Abschnitt „Beste Anstrengungen zur Beschaffung von Informationen“ (“*Best efforts used to obtain information*”).

Description of the principal adverse impacts on sustainability factors

Please refer to:

- the below tables for detail on the selected principal adverse impacts;
- the section *Description of policies to identify and prioritise principal adverse impacts on sustainability factors* for the information referred to in Art. 7.

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric		Impact (year 2022)	Impact (year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1 444 710 t CO ₂	-	Including carbon emissions in ESG evaluation allows to better assess financial risks related to companies with a significant carbon impact or operating in carbon-intensive sectors. Moreover, the assessment of	October's Exclusion Policy details, in the form of a list of forbidden NACE codes, certain sectors and industries that are excluded <i>a priori</i> from October's lending activities. Notably, October systematically excludes from

					carbon emissions is key for the alignment with several upcoming regulations, in the financial as well as in the climate / environmental sector.	its investments all companies operating in an extensive list of energy-intensive and/or high CO2-emitting industries and of fossil-fuel-based energy production and related activities, classified by NACE code.
		Scope 2 GHG emissions	Not readily available. Please see justification and best efforts in the <i>Descriptions of policies to identify and prioritise principal adverse impacts on sustainability factors</i> section below.	-		
		Scope 3 GHG emissions	Not readily available. Please see justification and best efforts in the <i>Descriptions of policies to identify and prioritise principal adverse impacts on sustainability factors</i> section below.	-		
2. Carbon footprint	Carbon footprint	1 444 710 t CO2	-	Carbon footprint is intended as the result of the estimation of	Direct data on company-level GHG emissions can be extracted	

					the total CO2 emitted by a company throughout all its activities.	from the SME borrower's carbon footprint assessment, if available. In such case, October would have the possibility to request borrowers to upload their carbon footprint assessment report among the other identity and financial documents submitted during the borrower assessment process, and scan it through its proprietary technological tools to direct extract additional data on company GHG emissions.
	3. GHG intensity of investee companies	GHG intensity of investee companies	1 444 710 t CO2	-	In line with regulation requirements and suggested calculations, total GHG intensity is here calculated summing all scopes of emission of a company (benchmarked at sector level as explained below).	

<p>4. Exposure to companies active in the fossil fuel sector</p>	<p>Share of investments in companies active in the fossil fuel sector</p>	<p>0%</p>	<p>-</p>	<p>All fossil-fuel based energy production and related activities are systematically excluded <i>a priori</i> from October's lending activities. These Restricted Sectors are classified in October's Exclusion Policy.</p>	<p>October's Exclusion Policy is the first clear-cut filter systematically applied in the first step of each loan application process. It is clearly formalised in dedicated documents and updated whenever necessary to inform changes in credit policy. Exclusion of fossil fuel sectors being a pillar of October's approach as Sustainable and Socially Responsible Lender, it will certainly be retained in future updates of the Policy.</p>
<p>5. Share of non-renewable energy consumption and production</p>	<p>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</p>	<p>Not readily available. Please see justification and best efforts in the <i>Descriptions of policies to identify and prioritise principal adverse impacts on sustainability factors</i> section below.</p>	<p>-</p>		

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Metric on energy consumption is not readily available. However, October adopts a defined approach to high impact climate sectors as defined, many of which are either systematically excluded from financing or under strict surveillance. Please see all detail in the <i>Descriptions of policies to identify and prioritise principal adverse impacts on sustainability factors</i> section below.	-		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	88%	-	In line with the provision of the Delegated Regulation Consolidating the SFDR Technical Standards, ‘protected area’ means designated areas in the European Environment Agency’s Common Database on Designated	October is able to extract the location of the borrower company and match it against the applicable mappings of biodiversity sensitive areas. Activities linked to protection and restoration of biodiversity are also assessed through the

					Areas (CDDA).	system whereby all prospective borrowers submitting a financing request on the October platform are requested to systematically indicate whether the requested financing pertains to a social or environmental sustainability related purpose. The loan purpose classification system proposed to borrowers is defined in line with with the six European Taxonomy objectives, of which the 6 th is <i>Protection and Restoration of Biodiversity and Ecosystems</i> .
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	56 889 552 t	-	Metric referring to the external cost of direct and indirect land & water pollutants. Water pollutants can be classified as: pathogens, suspended solids, nutrients and agriculture pollutants,	Activities linked to sustainable use of and approach to water resources are also assessed through the system whereby all prospective borrowers submitting a financing request on the October

					thermal, radioactive, and other pollutants. water pollutants causes significant cost in several aspects: first, the treatment of the wastewater used, then the measures to mitigate the damage to the diversity and functionality of marine species, and finally the health costs associated with the consumption of products from aquatic sources. The metric attributes a monetary value to land and water pollutant quantities, which represents the global average damage of each environmental impact.	platform are requested to systematically indicate whether the requested financing pertains to a social or environmental sustainability related purpose. The loan purpose classification system proposed to borrowers is defined in line with with the six European Taxonomy objectives, of which the 4 th is <i>Sustainable Use and Production of Water and Marine Resources</i> .
Waste	9. Hazardous waste and radioactive waste ratio	Hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a	188,32 m EUR	-	Metric already refers to the converted external cost in m EUR of hazardous and non-hazardous waste produced by	

		weighted average			<p>the company and in its supply chain (exchange rate with USD as of 30/06/2023). Direct external environmental impact refers to the company's environmental impact through its own activities. Indirect environmental impacts are the one produced through the goods and services that they purchase, i.e. its supply chain.</p> <p>Hazardous and non-hazardous waste generate important consequences on the environment, whether it is at the ground, water, or air level. It poses also a risk to human health, especially as a result of poor hazardous waste management.</p>	
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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Ad-verse sus-taina-bility indi-cator	Metric	Impact (year 2022)	Im-pact (year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	-	<p>The Management Company ensures that the applicable minimum safeguards and social guarantees are respected by operating exclusively in countries that are signatories and recognised upholders of the main international treaties, guidelines and charters in such regard (e.g. UN Guiding Principles on Business and Human Rights, European Convention on Human Rights, OECD Guidelines on Multinational Enterprises, etc.).</p> <p>It is therefore assumed that companies registered and operating in those countries:</p> <ul style="list-style-type: none"> • are subject to international or local standards, association or initiatives related to ESG matters; • are not subject to 	<p>Along with the preceding assumptions on compliance of borrower companies and target markets with UNGC and OECD standards, the Management Company is committed to carrying out thorough background checks and due diligence processes on all prospective portfolio companies during the borrower application phase and including in the portfolio only the companies passing such checks.</p>

					<p>settings of severe controversy regarding ESG impacts.</p> <ul style="list-style-type: none"> • operate in a legal economic activity; • do not operate in countries at risk of being concerned by systemic money laundering, terrorist financing or other country-specific critical ESG situations. 	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for	0%	-	See above	See above

		Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Not readily available. Please see justification and best efforts in the <i>Descriptions of policies to identify and prioritise principal adverse impacts on sustainability factors</i> section below.	-		
	13. Workforce gender diversity	Average ratio of female to male workforce in investee companies, expressed as a percentage	36.75%	-	Making gender diversity and balance a priority in the workplace is a sign of a company's commitment to a diverse, inclusive and fair corporate culture. For the company, this allows to increase business productivity; for the community, this grants access to equal employment and income opportunities to whoever is deserving, regardless of gender – in line with SDG 5 on Gender Equality.	A particular attention to gender diversity is also reflected in October's commitment to fundamental principles and rights at work under its engagements as Sustainable and Socially Responsible Lender. October's ESG Score includes a gender balance indicator in the form of the share of women in the total workforce of the company. The latter is among the main social performance indicators within the

						borrower's ESG assessment. The relevant information is obtained from a dedicated question in the Borrower Questionnaire.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	-	All sectors linked to weapons manufacturing and trade are systematically excluded <i>a priori</i> from October's lending activities. These Restricted Sectors are classified in October's Exclusion Policy.	October's Exclusion Policy is the first clear-cut filter systematically applied in the first step of each loan application process. It is clearly formalised in dedicated documents and updated whenever necessary to inform changes in credit policy. Exclusion of sectors linked to weapons and ammunition being a pillar of October's approach as Sustainable and Socially Responsible Lender, these will certainly be retained in future updates of the Policy.

Other indicators for principal adverse impacts on sustainability factors

19. Additional climate and other environment-related indicator:
Possession of an environmental / ESG label.

Impact: 3%

(3% of SMEs financed by the Fund in 2022 possess an internationally recognised ESG label)

Explanation: Whether the company possesses an internationally or locally recognised ESG labels (B-Corp, ISO, UN Global Compact, PMEPlus, Lucie, etc.). The possession of a label implies that the company has already complied with a number of ESG-related performance and reporting standards, that it is making recognised efforts in its environmental, social and governance performance and got rewarded for best-in-class efforts. Going into the loan application process with an ESG label or certification is a recognized industry standard that the company is committed to conducting business under ESG principles, underwent a series of relevant ESG checks, submitted satisfactory ESG-related documents and reporting data to a relevant organisation which verified their quality, and complied with demanding performance and reporting standards.

Actions taken: For SMEs, especially those of smaller size, obtention of an ESG label is all the more complicated with respect to large companies. It is a choice requiring high dedication of strategic focus, time and resources to virtuous ESG performance, so to achieve the strict standards required. Consequently, a low percentage of label possessors is of course expected within a population of SMEs, likely to have limited budget and other strategic priorities; at the same time, however, it is also the very reason why label possession reasonably entails a much higher quality, advancement and reliability of a company's ESG performance and standards. This gives labelled SMEs clearly higher standing in overall ESG alignment with respect to other loan applicants who do not possess labels. Hence, this indicator carries a greater weight than others within the October ESG score.

20. Additional indicator for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters:

Social Security & Tax Payments

Impact: 49%

(49% of financed companies carry out their social security and tax payments perfectly on time and in full with no alerts)

Explanation: As the International Labour Standards point out, social security is a human right which responds to the universal need for protection against certain life risks and social needs. Effective social security systems guarantee income security and health protection, thereby contributing to key SDGs, such as decent work and economic growth (key for October SME V's investment strategy), reduction of poverty and inequality, promotion of social inclusion and of human dignity. October includes in its ESG score a dedicated indicator to verify whether prospective borrowers guarantee to their employees the provision of social security, by making these payments on time and in full; closely linked to that is the current and timely payment of taxes as well. Both these aspects can be verified by scanning borrowers' bank statements with October's proprietary technological tool Bank X-Ray. A positive outcome (payments present, on time and in full amounts with no delays) assigns points to the company, while a negative one does not assign any.

Actions taken: October's proprietary tool Bank X-Ray performs an analysis of the company's bank transactions (up to 12 months old) on all its different bank accounts and statements, collected both via PSD2 connection and PDF bank extracts (data extraction is automatic). On top of being used to extract non-financial indicators like this one, Bank X-Ray is also a key element of borrowers' financial assessment. When the Bank X-Ray tool detects poor quality, subpar or suspicious elements within the company's bank transactions, it produces a red flag output. This causes the borrower's loan application to halt and pass under a detailed review from October analysts. If the critical element is not given clearance, the red flag becomes disqualifying from the loan application process.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

a. Date of investment policy approval:

July 2022 – Formulation of policy of alignment to UN SDG and identification of social and environmental objectives. Laid down in a dedicated Appendix to the Prospectus of the SFS October SME V.

September 2022 – official launch of October SME V fund, with investment strategy including approach to sustainability factors being defined in the Prospectus (Chapter 5, Appendix 5, Appendix on alignment to UN SDGs and sustainable objectives)

b. Responsibility for implementation:

For what concerns the definition of overall company strategy, which resides with high management, ESG and climate related concerns are always taken into account given how closely embedded they are with our daily investment activity, especially on the October SME V fund given its SFDR Art. 8 status. Advisory Boards with LPs are organised quarterly and ESG issues if any are brought on the agenda.

All subjects relating the evaluation and integration of sustainability risks within October's activities are part of the responsibilities of October's ESG Taskforce. First appointed in September 2021, it is organised as follows:

- Currently led by our Inside Sales Executive from the October Netherlands branch and by our Sustainability Lead, based in France.
- Including our CEO, who ensures that the development of the ESG framework is perfectly integrated with the rest of October's activities and strategic priorities. He holds the ultimate decision-making power for key decisions and power of signature for any third-party agreements or contracts.
- Gathering expertise from several different October teams – Product, Tech, Data, Credit, Institutional Investors, Sales – across all our five countries. Such a diversified team can thus deploy the most specific and targeted competences needed for every step of our ESG development.

October has developed a scalable investment strategy with mostly standardized deal terms detailed in the risk & credit policy based on company size, country specific sectors, type of project financed, etc. The underwriting process, including our responsible investment policy is centralized and common to all countries. Specific approaches to certain sectors and additional case-by-case approaches are documented in Risk & Credit Policy, Exclusion Policy, Industry Classification and in fund documentation. Fund documentation for October SME V has a particular focus on the responsible investment strategy envisaged for this specific Fund, in virtue of its status as Article 8 SFDR. Consequently, all revisions of such elements are systematically linked to our responsible investment strategy and duly reflected in it.

c. Methodologies for selecting PAI indicators taken into account:

Materiality approach: October's ESG assessment is based on a « double-sided approach to materiality » as defined by SASB and GRI standards, i.e., consider not only the "outside-in" side (impact of ESG aspects on the company activities), but also the "inside-out" side (impact of the company on surrounding ESG aspects, with particular attention to environment and society). To this aim, the new score will include both top-down and bottom-up indicators carefully drawn from a variety of data sources, both internally and externally sourced.

Regulatory alignment approach : SFDR imposes a standardised set of extra-financial criteria for all management companies to systematically integrate in investment decisions. KPIs included in October's ESG assessment process are accurately chosen to cover to the maximum extent possible the new

international requirements set by SFDR and EU Taxonomy, which align OCTOBER SME V to the standards of an Article 8 fund:

- Principal Adverse Impact Indicators (PAIs). The regulation classifies PAIs into two different levels of materiality and priority according to asset class: Compulsory and Optional, for which different levels of disclosure obligations apply. In line with such classification and the requirements set out by Art. 4 SFDR, October includes in its ESG score the compulsory PAIs for its asset class and target population, and the majority of the optional PAIs (subject to data availability).
- Sustainability Risks
- Environmental Hazards
- Physical Country Risks
- Systemic Risks

Indicators Choice and Data Sourcing approach:

The starting benchmark adopted for the KPI selection process for the definition of October's second-generation ESG Score (works between 2021 and 2022) was the European Banking Authority's (EBA) list of key ESG indicators. This comprehensive list of ESG factors, indicators and metrics offers a valuable and internationally recognised overview of the most material, non-industry-specific parameters that can be used by players in the financial industry to develop ESG ratings.

These factors are defined based on:

- The main existing regulations, standards and frameworks on sustainability and ESG already implemented in the market (Capital Requirements Directive, Investment Firms Directive, Sustainable Finance Disclosure Regulation, European Taxonomy, ILO standards etc.);
- The guidelines from different competent Authorities on how financial players should approach and integrate the evaluation of ESG risks;
- National or EU-wide reports on specific ESG topics;
- The methodologies adopted by leading credit rating agencies;
- Information from non-financial corporates' Annual Reports and sustainability reporting;
- The responses of banks to the EBA survey on market practices;
- The responses received from experts and market after the publication of the EBA Report on the subject.

Starting from this benchmark list, October then worked to select the most material indicators for its target population of borrowers – i.e. European Small-Mid Caps and SMEs – and sectors. The initial EBA list was updated and refined according to the following methodology:

- Some indicators were deemed not relevant and/or not applicable for October's target population of SMEs / Small-Mid Caps or could not be integrated due to unavailability of relevant data – mainly linked to the low resources and monitoring capacities of SMEs, as already referred to in previous sections. They were thus excluded from the list.
- Other indicators considered as key factors for October's target population were instead added to the list. This is especially valid for indicators derived from data October extracts directly from the documents submitted by prospective borrowers.
- For what concerns sectors:
 - A particular focus was put on the sectors October's borrowers most frequently belong to according to our historical portfolio data and track records, as well as on the sectors classified as most material for October's activity / targeted asset class ;
 - The indicators and metrics only applicable to sectors that are already restricted *ex ante* by October's Exclusion Policy were dropped, no matter their status according to the regulation (Compulsory PAI, Optional PAI, etc.). In fact, due to the Exclusion Policy being the first hard cut in October's credit process, it is *a priori* certain that the October portfolio will not include any borrowers belonging to such sectors. Examples: manufacture of chemicals, fossil fuel-related activities, agricultural activities, etc. Please refer to October's Exclusion Policy.

- Regulatory alignment needs according to Art. 8 status, target borrowers and asset class – see previous section.

For further detail, please also refer to Section e) “Data sources used” below.

d. Associated margins of error or approximation:

For October’s target population of SMEs, it is particularly challenging to report on environmental indicators. This occurs mainly due to low availability of resources, low monitoring capacity, or low awareness on which parameters to monitor and report on. Furthermore, from a regulatory standpoint, it is highlighted that at all early ESG disclosure requirements contained in SFDR, EU Taxonomy and Delegated Regulation on the SFDR Technical Standards were only applicable to large companies (500+ employees). However, October decided to embrace an early commitment to ESG implementation and reporting, and commits to complying at the earliest moment possible, at the same time as large companies. Especially in the current reporting year, such obstacles made it harder for the Management Company to gather from its prospective borrowers company-level environmental information that is relevant and granular to a satisfactory level.

Hence, October’s ESG assessment focuses on indicators that do not rely primarily on information given by borrowers, which can be declarative or incomplete, but rather on information that can be extracted and analysed directly through technological means. This data-based approach minimizes the declarative side and the risk of inaccuracy, and maximises comparability and scalability. October selected the regulatory indicators applicable to its activity, asset class and borrower type, in line with the methodologies detailed above; then, if the indicator can be reasonably associated to and measured by a metric extractable by the October technological tools from borrowers’ identity and financial documents, that metric is prioritized and adopted for the assessment.

e. Data sources used:

October’s ESG analysis is built by leveraging a mix of internal and external data sources. This choice enables October to build a score powered by data which is on one hand as company-specific as possible, when available, and on the other hand validated by external experts and international sector-specific organisations. Such combination was engineered to establish a score that is as company-specific as possible, credible and reliable for market players, and applicable to European SMEs.

This approach is key in creating a data pool that is reliable and relevant enough for the construction of an ESG Score. This is true especially considering that for all debt providers in the SME space it is a challenge to gather reliable company data from their customer base since SME companies most frequently don’t have the resources and time to measure various ESG data points that fund managers and investors alike can use to assess their performance.

For these reasons, October’s ESG assessment process used throughout the 2022 reporting year combines three main different data sources that bring coverage at three different levels of granularity:

- internal company data, extracted internally by October directly from the identity and financial documents of borrower companies leveraging its proprietary technology when possible. Several relevant indicators for October’s ESG Score, specifically in the social and governance sphere, can be extracted directly through the scan of borrowers’ identity and financial documents via October’s proprietary technology. This is done by leveraging an array of powerful automated tools developed in-house, including:
 - Bank X-Ray: performs an analysis of the company’s bank transactions (up to 12 months old) on all its different bank accounts and statements, collected both via PSD2 connection and PDF bank extracts (data extraction is automatic).
 - Manager X-Ray: performs an analysis of the company governance structure and history. It provides a background score based on the evaluation of management, main shareholders and company history, based on past default indicators.

- Doc X-Ray: performs a qualitative assessment of the quality and integrity of the documentation received from borrowers (anti-fraud checks, falsification check, digital footprint match).

By leveraging these tools, October is able to obtain directly-sourced, highly borrower-specific key data on the environmental, social and governance sphere, which highly enrich the specificity and relevance of the ESG score. These include, for example, loan repayment, wage payment behaviour, timely social payments, provision of social security to employees, instances of fraud, involvement in legal proceedings, etc.

- industry- and country-specific data, from an internationally recognised data provider, contracted for specific ESG data packages.

For October's target population of SMEs, it is particularly challenging to report on environmental indicators. This occurs mainly due to low availability of resources, low monitoring capacity, or low awareness on which parameters to monitor and report on. The result is frequent impossibility to obtain from the target SMEs direct environmental data, including some metrics that are part of SFDR requirements.

Given the lack of uniform standards and the low availability of environmental data coming directly from the target population of SMEs, October decided to expand its environmental data pool for the construction of its ESG Score by relying on a contracted external data provider.

After a thorough due diligence process, October decided to partner with a globally recognised provider of sustainability intelligence. The chosen data package is comprehensive of specific and technical indicators for all-around ESG performance with a particular focus on environmental impact and SFDR and EU Taxonomy alignment.

Specifically, KPIs were carefully selected so to include most of the indicators requested by SFDR – Compulsory and Optional PAIs, Physical Risks, Country Risks and Environmental Hazards.

- public, open source data from sector-specific, internationally-recognised databases, such as Transparency International's Corruption Perception Index and the World Bank's Worldwide Governance Indicators, or open source information recovered via web scrapping tools and algorithms.

f. Best efforts used to obtain information

It is highlighted that with the present report October is carrying out early disclosures with respect to its normally applicable first SFDR disclosure requirements: as a FMP with <500 employees, these would be foreseen for June 2024, per Preamble SFDR.

Due to this early phase as well as to the generally low availability of PAI-aligned data within the European SME market, the approach to some PAI indicators is still under development, adopts proxies or best efforts approximations.

- **Scope 2 and Scope 3 GHG Emissions** – The GHG Protocol Corporate Standard classifies a company's GHG emissions into three dimensions, the so-called 'scopes'. Scope 1 emissions are direct emissions from a company's owned or controlled sources. Scope 2 emissions are indirect emissions, mainly accounted by the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Most of the largest companies in the world have now started reporting on Scope 1 and 2 emissions. The SME market however is still struggling with reporting on Scope 1, with figures on Scope 2 and 3 being largely unavailable or unreliable. Furthermore, Scope 3 is generally the hardest scope to report on, due to the difficulty of monitoring the activities and the emissions of all partners across a company's value chain. This is especially true for SMEs, who most likely do not possess the monitoring capacity nor the resources for doing so.
- **Share of non-renewable energy consumption and production** – October is currently committed to providing further depth to this analysis by developing a way to extract direct data on the energy provider used and on the renewable/non renewable nature of the energy mix used. In incoming updates of October's ESG Score, October's X-Ray tools will be exploited to extract the name of the energy provider to which periodical payments are made. The result

will be automatically benchmarked against an extensive list of all energy providers considered as green or sustainable within October's five countries of operations.

Actions taken and future commitments : overall, including energy efficiency indicators in October's ESG assessment will allow to assess and reward the effort made by borrowers to contribute to the energy transition and comply with the objectives set by European regulation. A clear commitment in such direction is also an integral part of October's policy as Sustainable and Socially Responsible Lender.

- **Energy consumption intensity per high impact climate sector** - 'High impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council (NACE rev.2 system).

Below the systematic approach to such high impact climate sectors taken in October's credit policy. Several are excluded a priori from October's lending activities (cf Exclusion Policy), others are kept under strict vigilance at risk management / credit policy level and represent a minor share of the portfolio.

- A - Agriculture – all sectors excluded
- B - Mining and quarrying – majority of sectors excluded, the rest high vigilance.
- C - Manufacturing – allowed except for Exclusion Policy items, which eventually correspond to the highest-impact sectors: tobacco, weapons, fur, energy-intensive manufacturing, chemicals, metals, etc.
- D - electricity, gas, steam: gas (highest-emitting) excluded, electricity and steam (lowest-emitting, more sustainable) included.
- E - water - all allowed.
- F - Construction: almost all sectors are high vigilance, with high-emitting construction activities excluded by Exclusion Policy.
- G - Trade - allowed except for Exclusion Policy items.
- H - Transportation and Storage: allowed with several sectors high vigilance, except for airborne transport (high-emitting and excluded as per Exclusion Policy).

Actions taken and future commitments: October's Exclusion Policy is the first clear-cut filter systematically applied in the first step of each loan application process. It is clearly formalised in dedicated documents and updated whenever necessary to inform changes in credit policy. Exclusion of high climate impact sectors being a pillar of October's approach as Sustainable and Socially Responsible Lender, it will certainly be retained in future updates of the Policy.

- **Unadjusted Gender Pay Gap** – information impossible to extract directly from borrower companies' identity or financial documents currently requested by October. Future best efforts envisaged may include either adding a dedicated question in the short Borrower Questionnaire (which already includes a question on gender diversity) or obtain this information from other type of borrower documents to be added in the borrower evaluation / KYC process.
- Approximations of some environmental indicators via sector-level benchmarking – In line with the arguments developed above in section (d), for October's target population of SMEs it is particularly challenging to report on environmental indicators. This occurs mainly due to low availability of resources, low monitoring capacity, or low awareness on which parameters to monitor and report on. The result is frequent impossibility to obtain from the target SMEs direct environmental data, including some metrics that are part of SFDR requirements. Given the lack of uniform standards and the low availability of environmental data coming directly from the target population of SMEs, October decided to expand its environmental data pool for the construction of its ESG Score by relying on an internationally-recognised external data provider contracted for the purpose. When direct borrower-level data for the indicators in question is not available, October uses such external provided data as best-effort sector-level proxies.

Starting from the source high-coverage, recognised and audited ESG database, we adopted the best practices and sample matching efforts possible, to make our sector-level calculation achieve a best fit with the October population. We derived percentile rankings of high- and low- impact NACE codes for each environmental metric that material for and / or requested of our target population.

The following processes were adopted to tune the sample fit of the large source database to the October target population and industry classification while calculating the sector-level benchmarks, all while avoiding exclusion bias or non-significant results:

- Regrouping the source database universe according to the NACE code classification, the same sector classification adopted at October to classify borrower companies
- Applying a percentile ranking system to the database thus regrouped, to compute relative impact rankings of NACE sectors. This system also allows to easily and immediately verify if the target company is operating in a high-impact sector on a variety of levels of ESG performance that are identified as material for SMEs
- Build a proxy for the sector-level benchmark by associating the indicator average for each NACE code to the NACE code of the incoming request
- Creating percentile rankings of high-impact NACE codes for each sector-level metric that is relevant / requested for our target population (PAIs, Sustainability Risk)
- Applying an automatic grid matching the sector-level ranking thus derived to the NACE codes of the October population.

The objective was for the calculation of sector-level indicators to properly reflect the sector benchmarks calculated based on the source universe, matching the sector classification adopted at October, all while avoiding to incur *ex ante* exclusion bias, size bias or excessive skewness of the distribution.

Engagement policies

Engagement policies referred to in Directive 2007/36/EC do not apply to October, which is not a publicly listed company.

Otherwise, the Management Company's engagements to social and environmental objectives are embedded into the following policies and tools:

- the investment strategy of the October SME V fund, in line with SDGs 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action), as described in the dedicated Prospectus appendix.
- October's systematic ESG performance evaluation, applied to 100% of prospective borrowers / loan financing requests. It is systematically integrated in the Sales process (relationship with borrowers and management of loan application) as well as in the Credit and Underwriting process, with the ESG Score being updated throughout whenever more ESG-related information becomes available at different stages of the loan analysis. A loan requests cannot be forwarded to the October Credit Committee for a financing decision without having a complete ESG Score too.
- ESG impact on Loan Pricing: With OCTOBER SME V being an SFDR Article 8 fund, the promotion of the ESG characteristics in our portfolio is further pursued by assigning a pricing impact to the ESG Score. This occurs through the implementation of a *bonus / malus* system. On one hand, a pricing incentive (*bonus*) is assigned to projects with a good ESG score. On the other hand, projects with a poor ESG score will experience a pricing consequence in terms of a *malus*. The total range of the possible pricing incentives will span 40 bps range, meaning a maximum pricing *bonus* of 20 bps on the best ESG score A, and a *malus* of 20 bps on the worst ESG score E, with the median ESG score of C being neutral. The ESG bonus/malus will impact the full grid of October pricing (max, mid and min rate) and be reflected on the final rate offered to the borrower, linked to the overall Credit Note.

In case of need for revision of their composing elements, objectives or implementation process, the above investment strategies and policies will be promptly subject to review and adaptation exactly like other elements of October's investment strategy and process management. In fact, October has developed a scalable investment strategy with mostly standardized deal terms detailed in the risk &

credit policy based on company size, country specific sectors, type of project financed, etc. The underwriting process, including our responsible investment policy is centralized and common to all countries. Specific approaches to certain sectors and additional case-by-case approaches are documented in Risk & Credit Policy, Exclusion Policy, Industry Classification and in fund documentation. Fund documentation for OCTOBER SME V has a particular focus on the responsible investment strategy envisaged for this specific Fund, in virtue of its status as Article 8 SFDR. Consequently, all revisions of such elements are systematically linked to our responsible investment strategy and duly reflected in it.

References to international standards

Minimum safeguards and social guarantees (EU Taxonomy Minimum Safeguards):

As established in the Prospectus of October SME V, the Management Company ensures that the applicable minimum safeguards and social guarantees are respected by :

- i. operating exclusively in countries that are signatories and recognised upholders of the main international treaties, guidelines and charters in such regard (e.g. UN Guiding Principles on Business and Human Rights, European Convention on Human Rights, OECD Guidelines on Multinational Enterprises, etc.).

It is therefore assumed that companies registered and operating in those countries:

- a. are subject an international or local standards, association or initiatives related to ESG matters;
 - b. are not subject to settings of severe controversy regarding ESG impacts.
 - c. operate in a legal economic activity;
 - d. do not operate in countries at risk of being concerned by systemic money laundering, terrorist financing or other country-specific critical ESG situations;
- ii. Considering that the Issuer's obtention of the ELTIF label automatically entails compliance with all the main European and international standards;
 - iii. Carrying out thorough due diligence processes on all prospective portfolio companies during the borrower application phase and including in the portfolio only the companies passing such checks.

Degree of alignment with Paris Agreement or United Nations Sustainable Development Goals (UN SDGs):

Alignment to the United Nations Sustainable Development Goals (“SDGs”) is both a means to mobilise resources for the implementation of the United Nations 2030 Agenda and a value proposition for the private sector to preserve the long-term value of assets by channelling resources towards long-term sustainable development.

In line with October's commitments as signatory of the United Nation Principles for Responsible Investment (UNPRI), as well as its status as an SFDR Article 8 fund, OCTOBER SME V adopts a specific investment strategy taking into close account ESG performance and alignment to selected UN Sustainable Development Goals (SDGs). These latter are adopted as key guiding principles of the Fund's investment strategy and indicate the thematic areas of environmental and social development to which the Fund shall aim to positively contribute with its investments, in line with its status as an SFDR Article 8 fund. The SDGs selected by the Management Company are the following:

- Social dimension – SDG 8: Decent Work and Economic Growth. In line with October's mission to facilitate access to financing for European SMEs, the #1 job creator in the European economy. October's loan granting activities support the sustainable growth of thousands of European SMEs and the creation and maintenance of tens of thousands of jobs.

This translates into a positive socioeconomic impact on surrounding communities and a concrete push to the growth of the core of the European economy.

- Environmental dimension – SDG 13: Climate Action. October integrates the evaluation of environmental impact criteria within its credit and decision-making processes via its list of restricted sectors as well as the ESG Score systematically computed for all financing requests. The Issuer focuses on identifying and rewarding prospective borrowers with good environmental performance as well as financing requests aimed at decreasing the company's carbon emissions and overall environmental impact, in line with the Paris Agreement.

Within the scope of the selected SDGs, the Management Company has identified and set in the Fund's documentation a set of measurable objectives of positive impact for the Fund's investment activities. These include quantitative contributions and key sustainability-related features that are systematically analysed, taken into account and rewarded during the Issuer's investment selection process. Some examples:

- Facilitate access to financing for a community of European SMEs adopting recognised sustainable practices and standards, as certified by a recognised environmental, sustainability or ESG-related label
- Facilitate financing with a sustainable use of funds, notably emission reduction and overall environmental impact reduction, in line with the Paris Agreement.
- Finance a community of European SMEs creating and / or protecting a certain target of job positions
- Improve gender balance in a community of European SMEs by facilitating access to finance for women entrepreneurs and promoting the growth of companies that encourage equal opportunities.

The Management Company has identified a set of metrics apt to concretely and befittingly track the progress made on the above objectives. These include but are not limited to:

- key financial and non-financial data collected at origination and updated on a yearly basis
- the 30+ KPIs included in October's systematic ESG Score, applied to all incoming loan requests
- a new classification system allowing to identify the portfolio loans contributing to a set of environmental sustainability purposes, associated to European Taxonomy objectives.

For more detail, refer to the dedicated Prospectus appendix on the Issuer's alignment to UN Sustainable Development Goals and definition of social and environmental objectives.

Reference to other international standards:

World Bank – Worldwide Governance Indicators:

With the goal of assessing the quality of governance standards and practices embedded into the country environment, October's ESG score integrates the World Bank's Worldwide Governance Indicators, which report on six key dimensions for over 200 countries and territories:

- Voice and Accountability: measures the perception of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media;
- Political Stability and Absence of Violence / Terrorism: measures the perception of the likelihood of political instability and/or politically-motivated violence, including terrorism;
- Government Effectiveness: measures the perception of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies;
- Regulatory Quality: measures the perception of the ability of governments to formulate and implement sound policies and regulations that permit and promote private sector development;

- Rule of Law: measures the perception of the extent to which economic agents have confidence in and abide by the rules of society, with particular focus on the following aspects: quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence;
- Control of Corruption: measures the perception of the extent to which public power is exploited for private gains, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Transparency International – Corruption Perception Index:

October’s ESG score integrates as a key governance performance indicator the violations of anti-corruption and anti-bribery laws. According to the World Bank, the average income in countries with a high level of corruption is about a third of that of countries with a low level of corruption. Corruption leads to an uneven distribution of wealth and resources and to distortions in the competitive environment, as small businesses may face unfair competition from large companies that used their resources and outreach to establish illegal connections with government officials, public institutions or regulators, resource suppliers etc.

For obvious reasons, the availability of directly reported data on bribery and corruption is very low. Moreover, since the phenomena of bribery and corruption permeate and influence the whole economic environment on a country level (as outlined above), October decided to assess these indicators through country-level data. To this aim, October relies on an internationally recognised open data source, Transparency International’s Corruption Perceptions Index. It ranks world countries “by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys”, and assigns country-level aggregate scores. A list of classes is defined based on ranges of such index for each country.

Historical comparison

The present report refers to the 1st year of SFDR reporting obligations for the SFS OCTOBER SME V. Therefore, no historical comparison is applicable.

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in investee companies		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Investment in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	0% (Sectors excluded <i>a priori</i> by October’s Exclusion Policy).
Emissions of inorganic pollutants	Tonnes of inorganic pollutants emitted, expressed as a weighted average	15.88 t

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in investee companies		
Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings	0%
Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0