

**SFS OCTOBER SME V**

**SFDR DISCLOSURES**

**Annex 4**

**Periodic disclosures for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

*Date of publication: 30/06/2023*

Product name:  
October SME V

Legal entity identifier:  
96950020OU1UVV3NP516

**ENVIRONMENTAL AND / OR SOCIAL CHARACTERISTICS**

**1. Did this financial product have a sustainable investment objective?**

<b>Did this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 16% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It made <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>

## 2. To what extent were the environmental and/or social characteristics promoted by this financial product met?

*List the environmental and/or social characteristics promoted by the financial product.*

In line with October's commitments as signatory of the United Nation Principles for Responsible Investment (UNPRI), OCTOBER SME V an SFDR Article 8 fund 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 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:

- **Social objectives within the scope of SDG 8**
  - (i) Finance a community of European SMEs representing a sizeable amount of total jobs / % of GDP / economic turnover / % of economic turnover within the 5 countries the Issuer operates in (France, Italy, Spain, the Netherlands, Germany)
  - (ii) Finance a community of European SMEs creating and / or protecting a certain amount of jobs
  - (iii) 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
  - (iv) Facilitate access to financing for a community of European SMEs that is overall performing in key social performance indicators as measured by October's ESG Score. These include but are not limited to: workforce gender balance, job creation and protection, timely wage and tax payments, workplace health and safety.
- **Environmental objectives within the scope of SDG 13**

- (i) 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
- (ii) Facilitate financing with a sustainable use of funds, notably emission reduction and overall environmental impact reduction, in line with the Paris Agreement  
*Examples may be to decrease CO2 emissions of their activities, replace existing equipment, or adopt more efficient sources of energy*
- (iii) Facilitate access to financing for a community of European SMEs opting for, or seeking to switch to, the use of green energy – key element in contributing to decarbonisation, pollution prevention and overall to the European green transition
- (iv) Facilitate access to financing for a community of European SMEs that is overall performing in key environmental performance indicators as measured by October's ESG Score.

Additionally, please also note the below focus points concerning the Issuer's Responsible Investment Strategy:

- The Issuer promotes certain minimal environmental and social standards and therefore applies exclusion criteria with regards to products (including controversial weapons, tobacco, palm oil, fossil fuel) and business practices that the Management Company believes are detrimental to society and incompatible with sustainable investment strategies.
- The Issuer promotes adherence to and conducting business activities in accordance with the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises, by scrutinizing companies that violate these principles.
- The Issuer thoroughly assesses the sustainability risk profile of companies and limits investments in companies with an elevated sustainability risk profile.

### **3. How did the sustainability indicators perform?**

Please refer to the complete *Statement on principal adverse impacts of investment decisions on sustainability factors* (PAI Report) for 2022, equally available on October's website.

### **4. What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Please refer to answer 2.

### **5. How did this financial product consider principal adverse impacts on sustainability factors?**

#### **Identification and prioritization of social and environmental characteristics / objectives**

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 (see below)
- 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.

## Chosen PAIs and their performance

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. For those PAI where SME-level data is not available, a set of best efforts and approximations are adopted and described in the dedicated section.

Please refer to the *Statement on principal adverse impacts of investment decisions on sustainability factors* (PAI Report) for all further details on:

- the performance of the selected PAI at portfolio level;
- policies and instruments currently in place at October for ESG assessment;
- data sources and methodologies adopted;
- best efforts for regulatory alignment.

The Statement for the 2022 reporting year is equally available on the October website.

With OCTOBER SME V being an SFDR Article 8 fund, the promotion of 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 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.

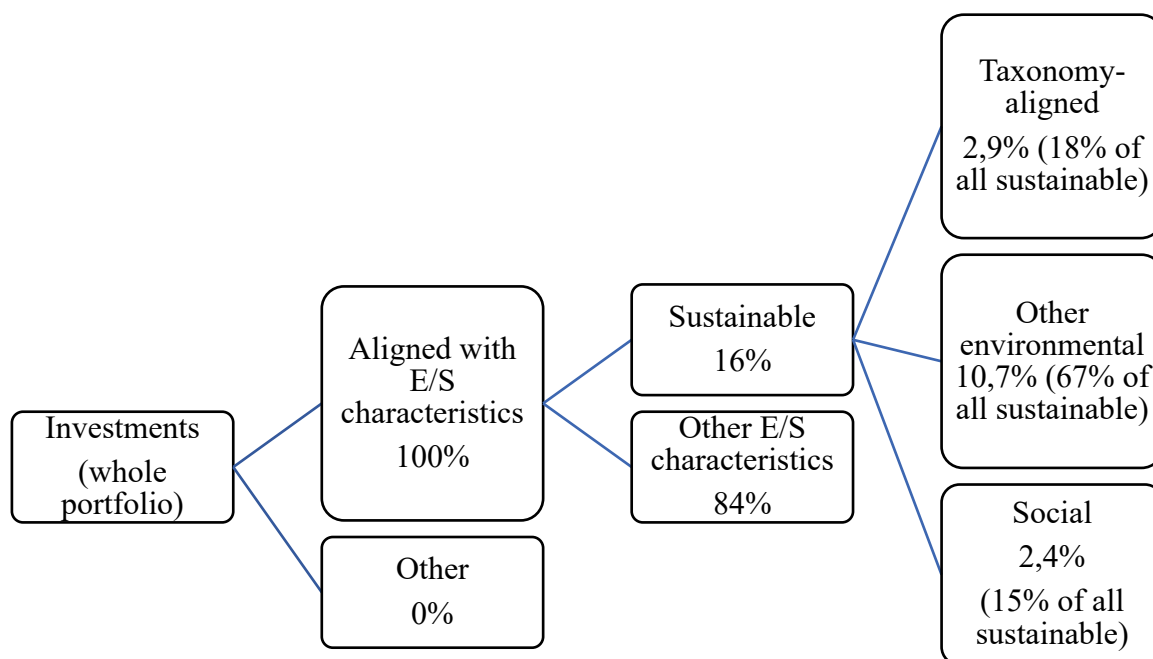
## 6. What were the top investments of this financial product?

15 Largest Investments	Sector	% Assets	Country
#1	Financial and insurance activities – NACE code K.64.20	7,33%	Spain
#2	Accommodation and food service activities – NACE code I.55.30	6,53%	Netherlands
#3	Manufacturing – NACE code C.13.92	2,07%	Italy
#4	Construction – NACE code F.43.21	2,07%	Italy
#5	Administrative and support service activities – NACE code N.82.99	2,07%	Italy
#6	Trade – NACE code G.45.19	2,07%	Germany
#7	Accommodation and food service activities – NACE code I.56.10	1,83%	Netherlands

#8	Trade – NACE code G.47.59	1,62%	Netherlands
#9	Real estate – NACE code L.68.10	1,52%	France
#10	Information and communication – NACE code J.62.02	1,49%	Netherlands
#11	Information and communication – NACE code J.62.01	1,48%	Netherlands
#12	Legal, accountant, management, consultancy, architectural and technical activities – NACE code M.70.22	1,45%	Italy
#13	Manufacturing – NACE code C.21.20	1,43%	Italy
#14	Construction – NACE code F.43.91	1,24%	Italy
#15	Transporting and storage – NACE code H.49.41	1,24%	Italy

## 7. What was the proportion of sustainability-related investments?

### 8.1. What was the asset allocation?



The category ‘Aligned with E/S characteristics’ includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

100% of deals financed by October SME V have been subject to environmental and social performance assessment via the October ESG Score and have been assigned the correspondent ESG *bonus/malus* on pricing included in final offer, to further reward the promotion of E/S characteristics within the investment strategy.

The sub-category ‘Sustainable’ covers environmentally and socially sustainable investments. These refer to investments having an environmentally or socially sustainable purpose linked to the SDGs defined as guiding principles of the Fund’s investment strategy as well as to European

Taxonomy objectives. Such investments are classified according to the system described in answer 8.3 and amount to 16% of total lent in 2022.

Please refer to the detail in answer 8.3. concerning the split of sustainable investments by type of investment objective:

- Environmental objective aligned with EU Taxonomy;
- Other environmental objective;
- Social objective.

The sub-category ‘Other E/S characteristics’ covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments. Following from the above, this corresponds to 84% of the Fund’s portfolio.

## 8.2. In which economic sectors were the investments made?

Sector	% of Assets
Accommodation and food service activities – NACE section I	10,44%
Administrative and support service activities – NACE section N	5,66%
Arts, entertainment and recreation – NACE section R	1,21%
Education – NACE section P	0,61%
Electricity, gas, steam and air conditioning supply – NACE section D	0,52%
Financial and insurance activities – NACE section K	7,59%
Manufacturing – NACE section C	15,83%
Construction – NACE section F	9,57%
Human health – NACE section Q	0,88%
Information and communication – NACE section J	7,70%
Legal, accountant, management, consultancy, architectural and technical activities – NACE section M	3,96%
Other service activities – NACE section S	0,90%
Real estate – NACE section L	2,71%
Trade – NACE section G	22,86%
Transporting and storage – NACE section H	5,83%
Water supply, sewerage, waste management and remediation activities – NACE section E	3,73%
<b>Grand Total</b>	<b>100,00%</b>

## 8.3. What was the share of investments made in transitional and enabling activities?

‘Transitional economic activity’ indicates an economic activity that complies with the requirements laid down in Article 10(2) of Regulation (EU) 2020/852. Such are those activities ‘contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with

the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations’. Such specific and granular data on emission mitigation responding to the above definition is most frequently not tracked or not made available by the SME companies targeted by the Fund’s investment strategies.

‘Enabling economic activity’ means an economic activity that complies with the requirements laid down in Article 16 of Regulation (EU) 2020/852. Such are those activities ‘contributing substantially to one or more of the environmental objectives set out in Article 9 by directly enabling other activities to make a substantial contribution to one or more of those objectives’.

Since the launch of OCTOBER SME V, the evaluation of portfolio alignment to the EU Taxonomy is enhanced by systematically applying a new classification system to all incoming loan requests. Such system, complementary to the application of the ESG Score, allows to identify the portfolio loans contributing to a set of environmental and social sustainability purposes associated to the European Taxonomy and to the Sustainable Development Goals identified as guiding principles of OCTOBER SME V’s Investment Strategy – SDG 13 (Climate Action) and SDG (Decent Work and Economic Growth).

Over the deals financed by the Fund in 2022, 16% of amount lent had an environmentally or socially sustainable investment purpose linked to the SDG that are defined as guiding principles of the Fund’s investment strategy as well as to European Taxonomy objectives, according to the system detailed below.

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. If yes, they are then requested to indicate the primary purpose of their investment within a specifically crafted list, defined in line with the six European Taxonomy objectives and with October’s privileged insight on the main sustainability-related standards for SMEs demanded from investors and regulators in the current market situation. Among those, reported below is the list of the investment purposes (‘reasons for financing’) focusing on reduction of environmental impact and contribution to EU Taxonomy objectives.

Linked to SDG 13 – Climate Action: 8 reasons for financing focusing on reduction of environmental impact and contribution to EU Taxonomy objectives:

- Sustainable facilities: construction or renovation to increase energy efficiency or decrease carbon emissions  
*Associated EU Taxonomy objectives: Climate Change Mitigation, Climate Change Adaptation, Sustainable Use and Production of Water and Marine Resources, Protection and Restoration of Biodiversity and Ecosystems.*
- Sustainable transport: adoption of lower-emitting means of transportation, related infrastructure or equipment  
*Associated EU Taxonomy objectives: Climate Change Mitigation.*
- Sustainable materials: adoption of more sustainable raw materials; recycling, reusing or reconditioning current materials; extending lifecycle and durability of final product  
*Associated EU Taxonomy objectives: Transition to a Circular Economy.*
- Sustainable resources: improvement of existing energy, water or waste management systems; adoption of greener sources of energy



*Associated EU Taxonomy objectives: Climate Change Mitigation, Climate Change Adaptation, Sustainable Use and Production of Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control.*

- Technological and digital solutions to improve environmental impact  
*Associated EU Taxonomy objectives: Climate Change Mitigation, Climate Change Adaptation, Sustainable Use and Production of Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control, Protection and Restoration of Biodiversity and Ecosystems.*
- Climate exposure action: adaptation, resilience, risk protection plan or activities  
*Associated EU Taxonomy objectives: Climate Change Adaptation, Sustainable Use and Production of Water and Marine Resources.*
- Pollution reduction, prevention or control  
*Associated EU Taxonomy objectives: Pollution Prevention and Control.*
- Preservation or restoration of nature, biodiversity and ecosystems  
*Associated EU Taxonomy objectives: Protection and Restoration of Biodiversity and Ecosystems.*

Linked to SDG 8 – Decent Work and Economic Growth: 3 reasons for financing focusing on company growth and socio-economic development:

- Company expansion (national or international)
- Asset acquisition
- Recruitment

Below further repartition of the sustainable investment objectives (Environmental, Social or Other) indicated within the overall 16%:

Type of sustainable objective	% of overall sustainable objectives (in loan amount)
Social	15%
Environmental	18%
Other	67%

**8. What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

As provided by answer 8.1, no ‘Other’ sub-category is applicable; 100% of the investments of October SME V are systematically subject to ESG evaluation ahead of financing and promote E/S characteristics.

The system ensuring minimum safeguards and social guarantees (EU Taxonomy Minimum Safeguards) within the whole Investment Strategy of October SME V is laid out in the Prospectus and summarised below.

As established in the Prospectus of October SME V, 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.).

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.

**9. What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

Please refer to the applicable descriptions of methodologies, tools adopted, actions and best efforts implemented as provided in the *Statement on principal adverse impacts of investment decisions on sustainability factors* (PAI Report) for 2022, equally published on the October website. Particular reference shall be made to the sections '*Actions taken, and actions planned and targets set for the next reference period*' and '*Description of policies to identify and prioritise principal adverse impacts on sustainability factors*'.