



# Sienna Private Credit Impact Policy

April 2023

Sienna Private Credit is the commercial name of Sienna AM France, an AMF approved portfolio management company n°GP97118

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# Today's Impact Investing definitions

Sienna Private Credit relies on several Impact Investing definitions.

## GIIN's definition

« Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.»



## Institut de la Finance Durable's definition

« Impact finance is an investing or a financing strategy that aims to accelerate the fair and sustainable transition of the real economy, by demonstrating its beneficial effects. It builds on the pillars of intentionality, additionality and impact measurement to demonstrate : »

**Intentionality** : « The joint search for ecological and social performance and financial profitability, while controlling the occurrence of negative externalities. »

**Impact measurement** : “The adoption of a clear and transparent methodology describing the causal mechanisms through which the strategy contributes to environmental and social objectives defined upstream, the relevant period of investment or financing, as well as the measurement methods, according to the so-called theory of change framework.”

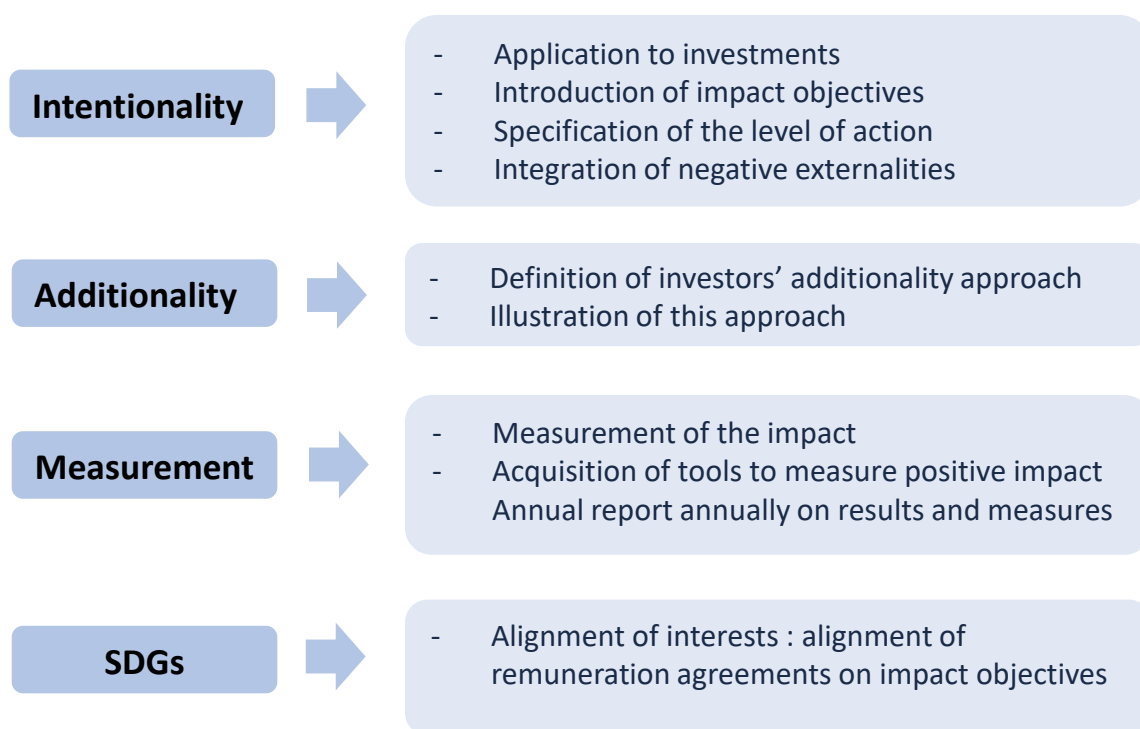
**Additionality** : « The joint search for ecological and social performance and financial profitability, while controlling the achievement of these environmental and social objectives is part of reference frameworks, including the Sustainable Development Goals, applied at the international, national and local levels. »

GIIN : [What You Need to Know about Impact Investing | The GIIN](#)  
IFD : [Tous les travaux de l'Institut de la Finance Durable sur la Finance à Impact](#)

# Ongoing upgrade of impact funds industry definition in 2023

French *Institut de la Finance Durable* is driving market practice evolution. Sienna is an active member of the Private Debt Impact subcommittee.

## From 4 to 10 qualitative criteria



## Overall impact score computed into 5 underlying scores

Criteria	Weight of the score
Definition of the general objectives Actions deployed by the fund to achieve the objectives	30%
Operational implementation	30%
Monitoring results	15%
Quality of results observed	15%
Communication and credibility	10%

**If the overall impact score is above 70%, Then, the fund can claim to be classified as an impact fund**

A test of this demanding approach is currently ongoing – Implementation is expected in H2 2023

# Focus on the definition of a Sustainability Linked Loan

## From the Loan Market Association

“Sustainability linked loans are any types of **loan instruments** and/or **contingent facilities** (such as bonding lines, guarantee lines or letters of credit) which **incentivise** the borrower’s achievement of ambitious, predetermined **sustainability performance objectives**. The borrower’s sustainability performance is measured using **sustainability performance targets** (SPTs), which include key performance indicators, external ratings and/or equivalent metrics and which measure improvements in the borrower’s sustainability profile.

The use of proceeds in relation to a sustainability linked loan is not a determinant in its categorisation and, in most instances, sustainability linked loans will be used for general corporate purposes. Instead of determining specific uses of proceeds, sustainability linked loans look to **improve the borrower’s sustainability profile** by **aligning loan terms to the borrower’s performance** against the relevant predetermined SPTs.

For example, sustainability linked loans will often align the borrower’s performance to margin redetermination over the life of the sustainability linked loan. In some instances, a loan may be structured to allow for its categorisation as both a green loan, aligned with the Green Loan Principles , and a sustainability linked loan.”





# How SPC applies the different definitions to assess impact

## 1. Case of Article 9 SFDR funds

### Impact criteria

- They have specific and definite SDG objective(s) (intentionality)
- That applies to 100% of investments all of them being deemed sustainable
- With one or two measurable criteria (impact measurement)
- Bilateral deals which channel new money to borrowers (additionality)
- They often come with external labels
- Sienna requires an external validation from a recognised third party

Fund	Activity	SDG	Criteria	Label*
F2E	Energy efficiency	   	Tons of CO2 avoided	
Predirec EnR 2	Renewable energy production	   	Tons of CO2 avoided	
Sienna Rendement Avenir IV	Finance Eligible Training Institutes and Research expenses	 	Number of qualified researchers Number of training hours	

\*<https://certification.afnor.org/en/sustainable-development-csr/greenfin-label>

# How SPC applies the different definitions to assess impact

## 2. Case of Article 8 SFDR funds

### Definition of Sustainability Linked Loans in line with ICMA and France Invest recommendations

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








- Sustainability performance targets are set by Sienna Private Credit which include quantified ESG KPIs for the borrower

2

- Sustainability Linked Loan will include a ratchet down mechanism on the loan rate directly linked to the KPIs

### Additional principles and external validation

- Article 8 funds will collect data on the 14 PAI (+3 for Real Estate)
- Article 8 funds can be qualified as impact funds if the triple 50% rule is respected
  - More than 50% sustainable loans (as defined in SFDR 2§17) (intentionality)
  - More than 50% sustainability linked loans linked to SDGs
  - More than 50% direct origination and negotiation of impact clauses (additionality)
- Amplitude of impact clauses : 30 to 300 basis points on loan IRR (additionality)
- Measurable criteria are implemented (impact measurement)
- Sienna requires an external validation from a recognised third party

Funds	SFDR	Activity	SDG	Typical impact clauses	Validation
ABL 3	8	Secured corporate lending	 	SBTi trajectory Anti-relocalisation clause Environmental certification Limitation of accidents at work	EthiFinance
RED VI	8	Real Estate Debt	   	Water, waste, energy	EthiFinance
FIS	9	Secured corporate lending	  	Parity, Senior inclusion, Inclusion of persons with disabilities	x



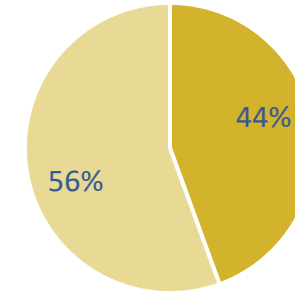
# Distribution of Sienna Private Credit impact funds

In 2022, impact funds represent 1/3 of our funds



Distribution of impact funds in 2023 according to SFDR classification

- Article 8
- Article 9



Distribution by type of Sustainability Linked Loan clause in 2023

- Environmental Clauses
- Social Clauses
- Mixed Clauses

