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AFISAR© Methodology, Governance and Regulatory Disclosures

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Acronyms

AfI	Agents for Impact GmbH
AFISAR©	Agents for Impact Sustainability Alignment Rating
ESG	Environmental, Social and Governmental
EU	European Union
MD	Managing Director

1 Purpose & Version History

This document provides a consolidated overview of the AFISAR© methodology, rating process, governance arrangements and regulatory disclosures applicable to AfI's ESG rating activities. It is intended to promote transparency regarding how AFISAR© ratings are developed, assessed and governed, and to provide clients, rated entities and other stakeholders with the information required to understand the basis, scope and limitations of the AFISAR© rating.

The document also sets out the key policies, controls and disclosures maintained by AfI in accordance with applicable regulatory requirements, including Regulation (EU) 2024/3005.

The version history below records the development of the AFISAR© methodology and, from version 11 onwards, the incorporation of the governance arrangements and regulatory disclosures applicable to AFISAR© rating activities. Each version records the principal changes made, together with the relevant review, approval and effective dates.

Version	Date	Author	Reviewed by:	Approved by MD on:	Effective from:	Reason for Change:	Status
v.01	30.06.2018	Yannick Rust	Kalpesh Gada	30.06.2018	30.06.2018	First methodology	*Superseded*
v.02	12.12.2019	Yannick Rust	Sabine Spohn	13.12.2019	31.12.2019	Annual Review	*Superseded*
v.03	12.12.2020	Juliane Boeselager	Manuela Fritzsch	13.12.2020	31.12.2020	Annual Review	*Superseded*
v.04	21.06.2021	Juliane Boeselager	Manuela Fritzsch	30.6.2021	30.6.2021	Added "Environment"-Section	*Superseded*
v.05	30.11.2021	Manuela Fritzsch	Pratibha Singh	3.12.2021	3.12.2021	"Environment"-Section sub-divided in "Resources, Portfolio & Strategy"	*Superseded*
v.06	12.12.2021	Manuela Fritzsch	Pratibha Singh	13.12.2021	31.12.2021	Annual Review	*Superseded*
v.07	12.12.2022	Manuela Fritzsch	Pratibha Singh	13.12.2022	31.12.2022	Annual Review	*Superseded*
v.08	12.12.2023	Yannick Rust	Manuela Fritzsch	13.12.2023	31.12.2023	Annual Review	*Superseded*
v.09	12.12.2024	Yannick Rust	Pratibha Singh	13.12.2024	31.12.2024	Annual Review	*Superseded*
v.10	12.12.2025	Yannick Rust	Pratibha Singh	13.12.2025	31.12.2025	Annual Review	*Superseded*
v.11	16.06.2026	Yannick Rust	Shreya Shankar	11.08.2026	11.08.2026	Incorporating disclosures required under EU ESG Regulations	Approved

2 AFISAR© - Objective and Scope

I. Objective of AFISAR©

AFISAR© is a questionnaire-based rating tool which combines the assessment of an entity against the United Nations Sustainable Development Goals (**"UN SDGs"** or **"SDGs")** and Environmental, Social and Governance (**"ESG")** criteria across seven key sections (staff, clients, rights protection, governance, environment – ressources, environment – portfolio & risks, environment - strategy).

The United Nations Sustainable Development Goals (SDGs) are 17 global goals adopted by all UN Member States in September 2015 as part of the 2030 Agenda for Sustainable Development, to be achieved by 2030. Detailed information on all 17 goals is available on the official UN website: https://sdgs.un.org/goals.

Reflecting the industry AFISAR© currently caters to, the methodology focuses on the SDGs most relevant for banking, microfinance and MSME finance.

Individual entities provide their responses to the questions (qualitative and quantitative information) and each response is translated into a score. All individual scores are then aggregated into an overall rating score. The aggregate rating score indicates the degree of alignment with the SDGs, as expressed in % and on a 9-grade rating scale from A++ to D (with A++ being a very strong likelihood of contributing to the SDGs). The AFISAR© 9-grade rating scale is reflected in the Annex hereinbelow. A stronger SDG alignment generally indicates stronger sustainability-related policies, governance and operational practices that may contribute to an entity's potential to generate positive sustainability outcomes.

II. Scope of AFISAR©

The basis of the AFISAR Questionnaire is the database of all SDG indicators outlined by the UN Global Compass, specifically which of those indicators can be met by a microfinance institution.

Each question that forms part of the questionnaire thus affects one or more Sustainable Development Goal as outlined by the UN Global Compass. For each question, the benchmarks have been defined so that an institution can reach between 0 (lowest) and 6 (highest) points on each question. By adding the scores from 0 to 6 achieved on each question per SDG, one arrives at a score per SDG.

Next, all questions of the AFISAR questionnaire were divided into 7 thematic sections:

- Staff
- Clients
- Rights protection
- Governance
- Environment – ressources
- Environment – portfolio & risks
- Environment - strategy

By adding the scores of the all questions comprising one section, one arrives at the score for one section.

From this, the E (Environment), S (Social) and G (Governance) score can be deducted in the following way:

- **Environmental Score:** adding the sub-scores of sections:
  - "Environment – resources"
  - "Environment – portfolio & risks"
  - "Environment – strategy"
- **Social Score:** adding the sub-scores of the sections:
  - "Staff"
  - "Clients"
  - "Rights Protection"
- **Governance Score:** is represented by the score achieved by an institution on the section "Governance" in AFISAR

The weightage of each section and thus the respective E-, S- and G-dimension are the result of the maximum number of points that can be scored on each section relative to the overall maximum number of points that an institution can score on AFISAR.

This results in the following weightage:

1- Staff	18%
2- Clients	24%
3- Rights´ Protection	13%
4- Governance	26%
5- Environment – resources	4%
6- Environment – portfolio & risk	8%
7- Environment – strategy	7%

Following the above-mentioned classification of each of the 7 sections to the E-, S- and G-dimensions, the following weightage for those can be deducted:

Environment	19%
Social	55%
Governance	26%

Weightage of indicators

For some business indicators, the SDG Compass defines multiple linkages, i.e. the same indicator contributes to more than 1 SDG target. After further research and discussion of case studies, AfI decided on a weightage ranging from 0,05 to 2 to differentiate one indicator's contribution on several SDG and to avoid that the inflation of one indicator's total contribution to the SDGs. For example, *3.1.1. + 3.1.2. Share of female staff in top as well as senior and middle management* appears under SDG 5 "Gender Equality" and SDG 8 "Decent work and economic growth". In that case, AfI considers the direct link on SDG 5 (Target 5.5) to be considerably higher than on SDG 8 (Target 8.5). Therefore, this specific indicator is

weighted higher for SDG 5 (the result scored on this indicator is calculated by a factor of two), while the indicator is weighted half for SDG 8 (the result scored on this indicator is calculated by a factor of 0,5).

Relevance of SDGs

At this point AfI differentiates for a specific sector between SDGs with a

- Low Relevance (not measured, =/>0%)
- Lower Relevance (=/>1%)
- Medium Relevance (=/>5%)
- High Relevance (=/>9%)

Therefore, the SDGs with high relevance for a microfinance institution are:

- SDG 1: No Poverty
- SDG 5: Gender Equality
- SDG 8: Decent Work & Economic Growth and
- SDG 16: Peace, Justice and Strong Institutions.

Conversely, the SDGs with a low relevance for a microfinance institution are

- SDG 11: Sustainable Cities and Communities
- SDG 14: Life below Water
- SDG 15: Life on Land
- SDG 17: Partnership for the Goals

The AFISAR methodology comprises three principal stages: (i) designing the assessment questionnaire, (ii) translating responses into rating scores using predefined scoring criteria, and (iii) aggregating the individual scores into the final rating. The extent to which a private commercial entity can achieve an alignment with the SDGs depends on the nature of its business operations, frameworks, policies and practices.

AFISAR combines predominantly backward-looking and current-state assessments of a rated entity with selected forward-looking elements. The rating is primarily based on evidence of existing policies, governance arrangements, operational practices, quantitative indicators and supporting documentation that are in place as of the assessment date. In addition, AFISAR considers forward-looking elements, including sustainability strategies, climate-related strategies, governance frameworks and formally adopted policies that are intended to guide the entity's future sustainability performance. AFISAR© does not seek to predict future ESG performance or provide forecasts; rather, it assesses the extent to which an entity has established credible systems, policies and strategic commitments that support future alignment with the UN SDGs.

Unless otherwise stated, AFISAR© assesses information relating to the most recently completed financial or reporting year together with policies and governance frameworks that are in force at the date of assessment.

3 Industry Classification

AFISAR© currently applies a sector-specific methodology designed for entities whose principal business activity is the provision of banking, microfinance institutions and / or MSME finance services. Entities are classified according to their principal business activity and are assessed using the AFISAR© methodology applicable to that sector. As AFISAR expands into additional sectors, separate methodologies may be developed where ESG and SDG materiality differs.

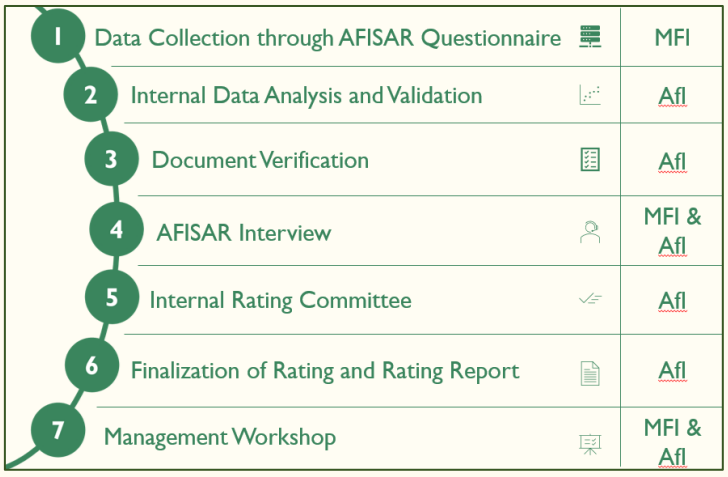
4 The Rating Process

The AFISAR© rating is produced through a structured, sequential process comprising seven steps, with clearly defined responsibilities at each stage.

The process begins with data collection, whereby the assessed entity (the MFI) completes the AFISAR© online questionnaire (**Step 1**). AfI then performs an internal analysis and validation of the submitted data (**Step 2**) and verifies the responses against the supporting documents provided by the entity (**Step 3**).

Where the review identifies open points, defined as unanswered questions, unclarities defined as cases where information provided in the questionnaire does not match the supporting documents, or where two sources of information on the same topic are inconsistent, or plausibility concerns, defined as data that is internally consistent but appears implausible given the entity's size, sector, or operating context, AfI and the entity jointly conduct an interview to clarify these points and corroborate the underlying information. Interviews are triggered where such points are material to the rating outcome, ensuring that the process remains proportionate and focused on the issues that matter most. (**Step 4**).

The validated results are subsequently reviewed by AfI's internal Rating Committee (**Step 5**). The Rating Committee reviews the consistent application of the methodology and the supporting evidence before confirming the final rating. On this basis, AfI finalises the rating and prepares the rating report (**Step 6**). Finally, AfI and the entity hold a management workshop (**Step 7**), in which the results, key findings and areas for improvement are discussed with the entity's management. This sequence ensures that the rating is based on validated data, subject to independent review, and transparently communicated to the assessed entity.



All the aforementioned steps are performed by AfI's ESG rating analysts, who hold relevant academic qualifications and professional experience in sustainable finance, ESG analysis and/or financial-inclusion markets.

Each rating is prepared by at least one analyst and is subsequently reviewed in Step 5 by AfI's internal Rating Committee in accordance with the four-eyes principle, ensuring that no rating is determined by a single person.

5 Data & Data Quality

AFISAR© is built primarily on first-party data obtained directly from the assessed entity, supplemented, where available, by publicly available information and sector benchmarks used to contextualise the entity's responses. Publicly available information is supplementary and does not replace primary data.

The data is collected through a structured online questionnaire, which captures both qualitative and quantitative information across the categories relevant to the entity's SDG and ESG performance. To ensure the reliability and accuracy of the responses, AfI applies a two-step validation process:

- first, the information provided is cross-checked against supporting documents that the assessed entity uploads directly within the AFISAR© online questionnaire, attaching each document, for example, the applicable policy to the question it substantiates. This allows AfI to verify each statement against the underlying documentary evidence rather than relying on self-reported answers alone; and
- second, where a response cannot be substantiated by supporting documentation, or where the documentation provided is materially outdated, the corresponding question is treated as unverified and scored with the lowest score, reflecting the reduced reliability of the claim. Any discrepancies identified at this stage, whether between the questionnaire and the supporting documents or between the two sources addressing the same topic, are addressed through the interview process as described in the Rating Process in Section 4 hereinabove, ensuring that no material inconsistency remains unresolved before the rating is finalised.

Where feasible, AfI also visits the assessed entity's premises or branches in person. These visits are not a standard part of every assessment, since they depend on logistics, accessibility, and resourcing, but where they can be organised, whether announced in advance or unannounced, they give AfI a direct view of operations on the ground. This offers a useful complement to document review, helping to confirm that what is described on paper reflects what actually happens in practice.

6 Limitations to Methodology

AFISAR© relies primarily on information and supporting documentation provided by the rated entity, supplemented where appropriate by publicly available information. While AfI undertakes validation procedures designed to improve the reliability of the assessment, AFISAR© is not an audit, assurance engagement, certification or legal verification of the information provided by the rated entity. The rating

reflects the information available and the methodology in force as at the date of the assessment of the rated entity and should be interpreted within that context and the scope of the applicable methodology.

7 Methodology Review Process

AfI keeps the AFISAR© methodology up to date through a structured review process. The methodology is reviewed at least once a year, and on an ad-hoc basis whenever significant regulatory or international frameworks, or other material developments affecting the methodology warrant it. Such reviews cover, if applicable the assessment criteria, benchmarks, weightage and data sources.

Any change must be adopted by Afl's methodology review committee, which requires at least two of its members to be present and in agreement, so that no change can be made by a single person and is approved by Afl's MD before it takes effect. Where a review leads to a material change, Afl publishes the updated methodology summary on its website.

8 Sources Informing Methodology

The following reference sources are used to used to develop the AFISAR© methodology, define the rating categories and/or support the verification of information submitted by rated entities:

- Alliance for Financial Inclusion (AFI)
- CGAP – Consultative Group to Assist the Poor
- Convergences (Microfinance Barometer)
- Global Impact Investing Network (GIIN / IRIS+)
- Global Partnership for Financial Inclusion (GPFI / G20)
- Global Reporting Initiative (GRI)
- International Corporate Governance Network (ICGN)
- International Finance Corporation (IFC)
- International Labour Organization (ILO)
- International Monetary Fund (IMF)
- Microfinance Information Exchange (MIX / MIX Market)
- CDP (Carbon Disclosure Project)
- Greenhouse Gas Protocol (GHG)
- International Finance Corporation Performance Standards
- UN Global Compact
- Principles for Responsible Investment
- UN Guiding principles for Business and Human Rights
- UN Environment Programme Finance Initiative
- IMF reports
- Cerise+SPTF
- World Bank (World Bank Group) Open Data/ World Development Indicators
- Transparency International Corruption Perception Index

- UNDP Human Development Index
- International Organisation for Standardization
- WRI Aqueduct
- INFORM Risk Index
- Global Climate Risk Index
- UN Reports
- International Labour Organization statistics database

9 Conflict of Interest

AfI provides both ESG rating services (AFISAR©) and, through a function that is organisationally and operationally separated, consulting services.

To safeguard the independence, objectivity and integrity of its AFISAR© ratings, AfI maintains a company-wide Conflicts of Interest Policy applicable to all of its business activities, including AFISAR© rating activities. In carrying out AFISAR© ratings, AfI adheres to the principles of independence, objectivity and conflict management set out in Regulation (EU) 2024/3005 and has implemented appropriate organisational, operational and governance measures to identify, prevent, manage and, where appropriate, disclose actual, potential and perceived conflicts of interest. These measures include:

- the organisational and operational separation of the AFISAR© Rating Team and the Consulting function, including separate teams, service agreements, access to information and communication channels;
- a minimum 12-month separation period between the provision of consulting services and the commencement of an AFISAR© rating engagement for the same client;
- remuneration and performance evaluation arrangements that are independent of rating outcomes and are not linked to the fees or revenue generated from a particular rating engagement; and
- an independent Compliance Function responsible for maintaining the conflicts of interest register, reviewing disclosed conflicts, investigating reported violations and monitoring compliance with AfI's conflict management framework.

Actual and potential conflicts of interest are identified, managed and, where required, disclosed in accordance with Regulation (EU) 2024/3005 and AfI's internal governance framework.

AfI is currently developing a dedicated AFISAR© Conflicts of Interest Procedure to supplement its existing company-wide Conflicts of Interest Policy. The procedure will establish additional governance arrangements and operational controls specifically applicable to AFISAR© rating activities.

10 Complaints and Feedback Procedure

AfI maintains a Complaints and Feedback Procedure through which clients and rated entities may submit complaints relating to AFISAR© rating activities, including the application of the AFISAR© Rating Methodology, factual inaccuracies or procedural aspects of the rating process. In addition, clients and other stakeholders may submit feedback or other requests to assist AfI in the continuous improvement of the AFISAR© rating process and related governance framework.
Complaints and feedback may be submitted to rating@agentsforimpact.com. Eligible complaints are reviewed by the AFISAR© Review Committee in accordance with AfI's Complaints and Feedback Procedure. The outcome of the review is communicated to the Submitter (as defined in the aforementioned policy) together with the reasons for the decision. You can access the full Procedure here.

11 Contact Point for Methodology Questions

Questions relating to the AFISAR© methodology, methodology updates or the interpretation of this methodology summary may be directed to Agents for Impact's ESG Rating Team at:

Yannick Rust
Director, ESG Rating & Risk
Email: yannick.rust@agentsforimpact.com

Pratibha Singh
Deputy Director, ESG Rating
Email: pratibha.singh@agentsforimpact.com

Annexure 1

(AFISAR© 9-Grade Rating Scale)

Score in %	Degree of Alignment	Score expressed in letters	Description
94% <= x < 100%	Best-In-Class	A++	The entity's operations have a best-in-class degree of alignment with the SDGs, with systematic integration of all SDGs identified most relevant for its sector into strategy, governance, and day to day operations. Contribution is consistently evidenced through robust, verifiable data and represents a leading benchmark within rated institutions.
84% <= x < 93%	Exceptional	A+	The entity's operations have an exceptional degree of alignment with the SDGs, with well embedded policies and practices addressing nearly all SDGs identified as most relevant for its sector. Contribution is strong and consistently demonstrated, with only minor gaps in measurement, coverage, or systematization.
74% <= x < 83%	Advanced	A	The entity's operations have an advanced degree of alignment with the SDGs, with established policies and practices addressing most SDGs identified as most relevant for its sector. Contribution is significant, though some areas remain unevenly applied or are still being systematized.
66% <= x < 73%	Strong	B++	The entity's operations have a strong degree of alignment with the SDGs, with clear practices in place for the majority of SDGs identified as most relevant for its sector. Contribution is substantial, though monitoring, evidence, or coverage across all relevant SDGs is not yet fully consistent.
58% <= x < 65%	Emerging	B+	The entity's operations have an emerging but solid degree of alignment with the SDGs with foundational practices established for several of the SDGs identified as most relevant for its sector. Contribution is above average, but implementation remains inconsistent and tracking mechanisms are limited.
50% <= x < 57%	Moderate	B	The entity's operations have a moderate degree of alignment with the SDGs, with practices addressing some of the SDGs as most relevant for

			its sector. Contribution is moderate, often reflecting partial or ad-hoc initiatives rather than systematic integration.
43% <= x < 49%	Low	C+	The entity's operations have a low degree of alignment with the SDGs, with isolated or fragmented initiatives addressing only a limited number of SDGs identified as most relevant for its sector. Contribution is small, and supporting evidence or policy frameworks are largely absent.
22% <= x < 42%	Very Low	C	The entity's operations have a very low degree of alignment with the SDGs, with minimal or no formal practices addressing the SDGs identified as most relevant for its sector. Contribution is small and supporting evidence or policy frameworks are largely absent.
0%<= x < 21%	No Alignment	D	The entity's operations have no meaningful alignment with the SDGs with no practices, policies, or evidence addressing the SDGs identified as most relevant for its sector. The entity does not demonstrate any contribution.

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1. This document has been prepared by Agents for Impact GmbH ("AfI") for the purpose of describing the governance, methodologies, policies and procedures applicable to the Agents for Impact Sustainability Alignment Rating (AFISAR©) and, where applicable, to comply with the transparency requirements under Regulation (EU) 2024/3005.
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