symbiotics

PAIs in the investment decision-making process (SFDR Article 4)

a) Summary

This section describes, as required under SFDR Article 4, how the PAIs of investment decisions are considered throughout the investment process.
This statement refers to the year ended December 2021 and shall be updated annually.

b) Description of PAI

The PAI indicators as referred in Annex I of the RTS shall be provided, mostly in a narrative manner, for the first year of reporting by the end of June 2022 for the year 2021, if there is no further delay in its implementation.

c) Description of processes to identify and prioritize PAI

The processes and tools used to identify and prioritize PAIs, and to consider them in investment decision-making, are defined and described in Symbiotics SA's Sustainability Policy, which is reviewed and approved periodically.

As described in the "Integration of Sustainability Risks into the investment decision-making process" section of this Disclosure, the teams involved in the identification and prioritization of PAIs are mainly:

- Investment Analysts who identify and prioritize risks depending on the context of the Target Investee (country, sector, size) and based on a due diligence of the practices and operations of each Target Investee.
- Symbiotics SA's Market and Credit Risk unit which sanctions the credit and ESG ratings, verifying that the methodologies to assess the Target Investee assessments are properly applied and ensuring consistency in the assessment's cross regions.
- The Portfolio team and, in particular, each collective investment scheme's Investment Committee, which prioritizes risks according to their specific investment strategy and Sustainable Investment Objective(s) (as described in SFDR Article 9 on related disclosures).
- An E&S Specialist, who supports these efforts as well.

Sources of information to identify (potential or effective) adverse impacts currently rely on answers from Target Investees, as they operate in regions where regulations do not always impose a high level of transparency and usually do not meet the minimum size criteria for such disclosure requirements. Despite the above, part of the Investment Analyst's work is to be in regular communication with local associations, regulators and peers in order to ensure a good understanding of contextual risks.

The prioritization of Sustainability Risks that could materially negatively impact both the value of the investment and lead to adverse sustainability impact jointly or along different time horizons is also undertaken in the ESG Rating of the potential Target Investee:

- 5-star rating: extremely strong likelihood of contributing to sustainable development/extremely low risk of having a negative social impact
- 4-star rating: very strong likelihood of contributing to sustainable development/very low risk of having a negative social impact
- 3-star rating: strong likelihood of contributing to sustainable development/low risk of having a negative social impact
- 2-star rating: moderate likelihood of contributing to sustainable development/moderate risk of having a negative social impact
- 1-star rating: low likelihood of contributing to sustainable development/high risk of having a negative social impact
- 0-star rating: very low likelihood of contributing to sustainable development/very high risk of having a negative social impact.

As described previously and observed through this ESG Rating, the investment decision is based on both the level of PAI (evaluated through the Sustainability Risk assessment) and positive impact. These include both social and environmental criteria, with a strong weight on social dimensions given the sectors and objectives targeted, though the environmental criteria will be expanded upon in the coming years.

Part of the indicators or criteria assessed to identify Sustainability Risks and PAI, in parallel with the SFDR list of indicators, are the following:

Potential adverse risk or impact indicator	E&S	Source	Additional source	Calculation
Exposure to investments with prohibited or harmful activities	E	Target Investee	No additional source used up to now	N/A
Share of variable wage vs total wage (measuring excess)	S	Target Investee	No additional source used up to now	N/A
Turnover level (assessing management of it if too high)	S	Target Investee	No additional source used up to now	Average number of employees that departed the organization/average number of employees in a year
Human rights, land rights, indigenous peoples, cultural heritage threats, resettlement (due to land acquisition)	S	Target Investee	No additional source used up to now	N/A

The investment decision also takes into account the potential materialization of Sustainability Risks into adverse impacts, notably through monitoring.

d) Description of actions and engagement policies to address PAI

No formal engagement policy and engagement monitoring system is in place. In case of important deficiency and/or occurrence of any adverse sustainability impact noticed either during due diligence or at the monitoring stage, the information is relayed to the relevant teams internally and the decision (e.g., non-renewal of the loan) made adequately.

e) International standards

The ESG Rating is partly based on the International Finance Corporation Performance Standards, which are broadly or partly based on other international standards such as the United Nations Guiding Principles on Business and Human Rights, International Bill of Human Rights, International Labour Organization Standards, and Equator Principles. The ESG Rating is not based on the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises as the collective investment schemes invest mostly in small to mid-size companies in emerging and frontier economies.

UN Guiding Principles on Business and Human Rights	Broadly considered and adapted to the companies targeted
International Bill of Human Rights	Broadly considered and adapted to the companies targeted
International Labor Organization Standards	Broadly considered and adapted to the companies targeted
Equator Principles	Broadly considered and adapted to the companies targeted
OECD Guidelines for Multinational Enterprises and Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises	Internal assessment: guidelines not applicable as the collective investment schemes invest mostly in small to mid-size companies in emerging markets. Note that all transversal standards, such as human rights, employment, environment, bribery, consumer interests, competition and taxation, are broadly considered and adapted to the companies targeted. Science and technology fall out of scope. All 6 measures of the key considerations for banks (considering partner lending institutions/microfinance institutions as concerned) are broadly covered by Symbiotics SA's methodology or are planned to be. Measure 1: Embed responsible business conduct into policies and management systems Measure 2: Identify and assess actual and potential adverse impact Measure 3: Cease, prevent and mitigate adverse impacts Measure 4: Track implementation and results Measure 5: Communicate how impacts are addressed Measure 6: Provide for or cooperate in remediation when appropriate

For social stakes that are more specific to financial intermediation, Symbiotics SA's ESG Rating is also inspired from the Cerise Alinus Social Performance Management tool, dealing notably with client protection. All indicators are collected through, when applicable and practicable, on-site visits, meetings with the Target Investees, answers to specific questionnaires, and periodic data monitoring.