

# SUSTAINABLE INVESTMENT POLICY

SYMBIOTICS ASSET MANAGEMENT SA

Reference: 01900

Version: 2

Application date: 12/2022

Last modification date: 12/2022

	<b>Function</b>	<b>Date</b>
Responsible	Legal, Risk and Compliance Division	12/2022
Validation	Executive Committee	12/2022
Reviewer	Chief Risk & Compliance Officer Chief Investment Officer	12/2022
Review frequency	Annual (category: 1)	
Audience	Public	

**TABLE OF CONTENTS**

- 1. **PURPOSE**.....3
- 2. **SCOPE**.....3
- 3. **DEFINITIONS** .....3
- 4. **SYMBIOTICS IMPACT PROMISE** .....4
- 5. **REGULATORY FRAMEWORK** .....5
- 6. **SUSTAINABLE INVESTMENT PROCESS** .....5
- 7. **MONITORING**.....8
- 8. **SUSTAINABILITY RISK** .....9
- 9. **ENGAGEMENT** .....9
- 10. **REPORTING**.....10
- 11. **ROLES AND RESPONSIBILITIES** .....11
- 12. **APPROVAL** .....12

### 1. PURPOSE

The purpose of this policy ("the Policy") is to define the framework that Symbiotics Asset Management SA ("the Company" or "SYAM") uses to achieve its impact objective as described in Article 3 of the Articles of Incorporation and deliver Symbiotics Group Impact Promise. The Company remain true to its positioning as an asset manager of reference for impact strategies. SYAM contributes to the Symbiotics' mission and vision to foster sustainable development in emerging and frontier economies by connecting investors to local financial intermediaries, enterprises and projects.

Since the Company needs to comply with the relevant sustainability regulation, this policy should be read within the meaning of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**"). For the sake of clarity, all investment products managed or advised by SYAM are classified under Article 9 SFDR, meaning sustainability is part of their objective.

### 2. SCOPE

This policy applies to SYAM and shall be complied with by all staff of the Company (the "Employees").

Sustainability is at the heart of each stage of the investment decision process, from the genesis of an investment idea to the portfolio construction, investment decision making process, monitoring and evaluation. This policy extends to all impact management activities all along the life cycle of an investment applying to all mandates of the Company.

The Company commits to applying this policy consistently across its activities through procedures and methodologies.

### 3. DEFINITIONS

**"CIS"** means Collective Investment Scheme, also referred as "**Fund**".

**"Deal Originator"** means an external entity providing to SYAM certain investment services comprising, but not limited to, analysis and research, due diligence, deal origination, deal documentation, investment servicing, investment monitoring and distressed investment recovery, when applicable.

**"DNSH"** means precautionary principle of Do Not Significantly Harm, ensuring neither the environmental nor the social objective is significantly harmed by an investment. The DNSH means that the E&S risks are sufficiently low or mitigated.

**"Financial Products"** means CIS domiciled within the EU managed or advised by the Symbiotics Asset Management SA.

**"SDG"** means the United Nations Sustainable Development Goals 2030 adopted by all United Nations Member States in 2015.

**"SFDR"** means "Sustainable Finance Disclosure Regulation", Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

“**Sustainability Factors**” means environmental, social, and employee matters, as well as matters relating to human rights, anti-corruption, and anti-bribery.

“**Sustainability Risk**” means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

“**SymInvest**” means Symbiotics Investments SA, a Deal Originator part of Symbiotics Group.

“**Investee**” means borrowers that the Company finances through the CIS it manages and advises as further defined in each CIS’s prospectus according to each investment strategy. “**Target Investee**” meaning a potential Investee for which financing is under consideration.

“**Principal Adverse Impacts (“PAI”)**” is a negative effect that an investment may have on Sustainability Factors (e.g., adverse impacts on the physical, natural or cultural environment and on surrounding community and workers resulting from the business activity supported by an investment).

“**Regulatory Technical Standards (“RTS”)**” refers to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of “DNSH”, including methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

“**Taxonomy Regulation (“TR”)**” refers to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

“**TPO**” means Third Party Originator, a Deal Originator not part of Symbiotics Group.

#### 4. SYMBIOTICS IMPACT PROMISE

Throughout its investment value chain, SYAM implements the Impact Promise:

- **Bottom of the Pyramid (BOP):** Each investment aims to *push the money where it does not normally flow*. All Financial Products managed or advised by SYAM will mostly invest in Low and Middle income countries, and in those economies, directly or indirectly in activities/businesses addressing the needs of low and middle income household or micro-, small and medium size businesses.
- **SDG:** To ensure that the Financial Products it manages or advises have a positive sustainable social or environment impact, SYAM ensures that each investment contributes to at least one SDG. SDGs are used as the reference framework to define the Sustainable Investment Objectives (‘SIOs’) of the Financial Products SYAM manages or advises. Impact indicators are required from Investees and periodically reported to investors so that they can measure the impact of the Financial Product they invested in.

- **ESG:** SYAM will ensure that an investment in a Financial Product it manages or advises does not significantly harm sustainability factors (“DNSH”). An ESG assessment is used as a filter in the investment decision making process for **all deals** and ESG risks are monitored and reported on.

## 5. REGULATORY FRAMEWORK

As a Fund Manager of EU-domiciled investment Funds, the Company is bound by the SFDR and associated regulations such as the TR and the RTS. The SFDR introduces obligations related to disclosures at entity and product level, including pre-contractual and periodic disclosures. These disclosures are required to ensure that investors have greater transparency before investing in a Financial Product or soliciting investment advice.

SYAM has classified its Financial Products under Article 9 SFDR, meaning that its CIS target a sustainable investment objective that is defined and which achievement is monitored. Article 9 Funds are also required to assess the CIS portfolio against the principle of “DNSH” by considering the Principal Adverse Impacts (“PAIs”), and incorporating considerations of the minimum safeguards specified in the TR.

For reasons of clarity, the term “impact investing” through the Policy refers to Financial Products with a sustainable investment objective or Article 9 under SFDR.

### Minimum Safeguards

SYAM sets a number of minimum safeguards regarding the compliance of its investments to some international standards. SYAM does not compromise to offer to its investors the highest and best sustainability standards. The methodology used by SYAM is partly relying on the International Finance Corporation Performance Standards, which are based on other international standards such as the United Nations (UN) Guiding Principles on Business and Human Rights, International Bill of Human Rights, International Labour Organization Standards, and Equator Principles.

SYAM also takes into account the OECD Guidelines for Multinational Enterprise for investments into Multinational companies and more specifically its Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises. Even if these standards are not always appropriate considering that most of SYAM’s investments flow to small to mid-size enterprises, all transversal standards such as human rights, employment, environment, corruption and bribery, consumer interests, competition and taxation, are considered and adapted to the Investee.

Additionally, as a Swiss regulated asset manager SYAM complies with FINMA Guidance 05/2021 Preventing and combating greenwashing. The Guidance sets out its expectations and current practice regarding the management of sustainability-related CIS at fund and institutional level.

## 6. SUSTAINABLE INVESTMENT PROCESS

SYAM’s investment universe is mostly debt products, either private or listed. At the date when this Policy was written, most of the investments that SYAM is exposed to, through the CIS it manages or advises, are provided by SymInvest. Nevertheless, SYAM’s portfolios also include instruments originated by TPOs external to the Symbiotics Group as well as listed exposures.

This section aims to describe all steps of the investment process allowing SYAM to fulfill its regulatory obligations and deliver its Impact Promise. It focuses on the methodologies and key principles used to ensure an investment can be deemed to be sustainable .

When SYAM is Fund Manager or Portfolio Manager of a given Financial Product, the sections below fully apply. When SYAM is a Portfolio Advisor for a Financial Product classified SFDR 9, SYAM is not responsible for the Investment Decision, but provides to the Portfolio Manager or Investment Manager the information related with their regulatory obligations under SFDR 9. For other types of mandates, SYAM generally applies the same SFDR 9 framework, which may be adjusted to the Financial Product specific contractual agreement .

The concepts disclosed further are not at asset type levels, which is developed in internal procedures. As SYAM did not commit to perform investments with the TR, no disclosure on this regulatory framework is made.

### **6.1 Integration of Social or Environmental Objective**

All the CIS managed or advised by SYAM define their Sustainable Investment Objectives ("SIO") using the SDGs.

These SIOs are then used as a criteria to select its investment opportunities. Nevertheless, a Financial Product can target an evolving list of SDGs as long as they remain in line with the investment strategy defined in the relevant documentation such as the prospectus.

In its investment decision making, SYAM makes sure that the Target Investee is contributing to at least one SDG and that this SDG corresponds to the specific SIOs of the Financial Product. This assessment relies on an internal methodology covering the full list of asset classes SYAM may be exposed to.

When the investments are made to Financial Institutions, the measurement of the contribution to a Social or Environmental objective is done by analyzing the use of the investments' proceeds, or, if not available, the portfolio composition, outreach or other relevant KPIs to measure contribution. Depending on the investment type (listed or private), the Portfolio Manager relies either on internal research based on public information or information from the Deal Originator to ensure that the instruments will contribute positively to the SIO of the CIS.

The specific methods used by SymInvest are detailed in the SDG Allocation Methodology.

Based on to this approach, SYAM manages to deliver its mission and can assess its contribution to the targets of each SDGs.

### **6.2 Do Not Significantly Harm ('DNSH')**

To comply with SFDR and more specifically the DNSH principle, the Investment must also avoid causing significant harm while focusing on generating positive impact. For that purpose, SYAM uses two tools to filter out investments:

- **Exclusion list.** For private debt instruments, SYAM ensures that the Target Investees do not finance activities included in the SYAM Standard Exclusion list or activities included in the specific supplement to the Exclusion list required by the specific CIS .SYAM's Exclusion list is broadly in line with international standards set forth by development finance institutions like the IFC and FMO. For primary issuance debt instruments SYAM ensures that the Exclusion

list is included in the loan agreements or promissory notes agreed with the Target Investees.

Specifically, Investees are prohibited to perform themselves or finance any borrower involved in the activities listed in the Exclusion list.

For listed debt instruments SYAM makes its best efforts to ensure that the Target Investees do not finance activities included in the SYAM Exclusion list by using global databases and in-house analysis, at the time of investment and then periodically during the holding period.

- **ESG assessment.** SYAM takes into account an ESG assessment of the Investee in its investment decision making process. SYAM relies on different sources:
  - For private debt instruments, the Deal Originator is usually in charge of providing SYAM with the required level of information. SYAM agrees with each Deal Originator on the minimum level of information required to make sure it remains in compliance with the 'DNSH' principle.
  - On listed debt instruments, the assessment can use a variety of resources including ESG Data providers, and Target Investees' publications such as annual reports that are analysed by the Portfolio Manager in order to monitor and ensure the 'DNSH' principle.

For Financial Products managed by the Company, the Investment Committee Charter that applies to each Fund further specifies how the ESG assessment is taken into account in the investment decision making, defining notably the use of the ESG assessment as a filter and adjusting the approval process to the risk of doing harm to Sustainability Factors.

For Financial Products advised by the Company or other mandates, the ESG assessment is used as a filter to select the deals proposed for those advisory mandates. The precise level of the filter is defined within the advisory mandate documentation.

### 6.3 Principal Adverse Impact on Sustainability Factors

SYAM takes into consideration Principal Adverse Impacts ("PAI") on Sustainability Factors all along the investment value chain, as required under SFDR Article 4.

Notably, most of the key topics underlying the PAI indicators defined in the RTS, are part of the ESG assessment undertaken during the initial due diligence and monitoring of the Target Investees. During the due diligence, the ESG assessment considers, when possible, the exposure of Target Investees to the fossil fuel sector, high impact climate sector, sectors likely to generate emissions to water, hazardous waste, and activities likely to affect biodiversity sensitive areas. The ESG assessment also considers the human resources practices of the Target Investees including gender considerations. Other adverse impacts, depending on the specificity of the Target Investees' activities are assessed, such as the lack of grievance/complaints handling mechanisms related to employee matters. This ESG assessment is meant to provide a guidance to SYAM regarding the impact of its investment decisions on Sustainability Factors.

For Private Debt instruments, specific data points are collected on a yearly basis through the Deal Originators directly from the Investees, when possible, to ensure that the Company will be able to provide the mandatory PAI indicators of the RTS, as well as a selection from additional ones. The objective of SYAM is to be able to draw an analysis based on the impact of end-borrowers, using a

look-through approach when SYAM investment are directed towards financial institutions, as it remains the more meaningful way to estimate the PAI of SYAM's investments on Sustainability Factors.

On listed debts, SYAM relies on data providers who collect the information from the Investees annual reports or calculate some indicators using proxies.

Recognizing that the direct collection of some of the required PAI indicators are especially difficult to collect from non-EU Investees, SYAM may use proxy calculations. This is done notably for certain indicators as GHG emissions. SYAM coordinates with peers to align approaches in terms of data collection and calculation. The goal being to maximize the chances that the Investees will be able to provide relevant and comparable data.

## **7. MONITORING**

### **7.1 Compliance with the minimum shares of sustainable investment**

Based on the pre-contractual disclosures of each Financial Product, SYAM monitors on an on-going basis if each Financial Product respects its obligations towards their investors, especially the minimum share of Sustainable Investments, whether Social or Environmental (TR aligned or not), in the CIS's portfolios.

SYAM sets up internal guidelines more restrictive than the regulatory disclosures to be able to generate alerts and react if the thresholds are getting close to be breached.

It is understood that a breach on the SIOs (Environmental or Social) should be avoided.

An investment decision bringing the portfolio in breach of the minimum share of Sustainable Investment will be considered as an active breach of Investment restrictions and should be fixed as soon as possible.

A monitoring of information which could have impact on the ESG assessment and SDG contribution of an investment is performed on a regular basis. A material change in any indicator that would bring an investment to not be considered as sustainable anymore and bringing the exposure on the Fund below the minimum share of Sustainable Investments, would be considered as a passive breach. An External Event, such as FX market movements, that SYAM does not have control over and which would bring the portfolio in breach of these minimums will also be considered as a passive reach of Investment restrictions.

Passive breaches should be fixed in due course, by acting in the best interests of the investors.

Such incidents (active and passive breaches) would fall in the coverage of the following procedures: Investment Compliance Procedure and Operational Incident Management Procedure.

More details on the roles and responsibilities regarding the management of the breaches is found in the Investment Compliance Procedure.



## **7.2 Achievement of SIOs and related sustainability indicators**

The achievement of its SIOs by each Financial Product is periodically evaluated based on evolving sustainable performance standards. At the time of writing this Policy, the sustainability indicators are the portion of investments considered classified by the main SDGs they contribute to as well as outreach indicators reported by investees on a recurring basis, when possible.

Throughout the life of an investment, SYAM periodically monitors these sustainability indicators and reviews whether their performance is in line with the SIO of each Financial Product. Results of these reviews are presented to the relevant stakeholders.

## **8. SUSTAINABILITY RISK**

### **8.1 Sustainability Risks approach**

The Sustainability Risk assessment relies on both macro and micro dimensions. The Company built a proprietary model to evaluate the risk that Environmental, Social or Governance externalities that may impact an Investee, using public quantitative and qualitative information complemented by an internal assessment.

The method used to identify, analyze and mitigate Sustainability Risks is limited by the level of information available and the use of proxy makes the assessment more subjective. As such, there is no guarantee that the same level of information will be systematically available for all the Investees.

The two main dimensions embedded in the Sustainability Risk framework are the Transition and Physical Risks:

- The Transition Risk integrates the risks inherent for each Investee to a transition towards a society with greener and environmentally-friendly practices, and higher social standards;
- The Physical Risk is about the direct consequences of the climate changes triggered by human activities. In one hand it relates to the acute events (typhoons, floods, extreme drought,...) and the increase of their occurrence, while on the other hand it assesses the long-term shifts in terms of climate trends (raining patterns, change of average temperature, rise of sea-levels, ...).

### **8.2 Consideration of Sustainability Risk in the investment process**

In order to take investment decisions integrating the full scope of risks an investment may bear, SYAM integrates Sustainability Risks in its investment process. The assessment is performed on each investment and is periodically monitored. This ensures that the Financial Products will provide an exposure to Sustainability Risk that is scaled with the desired risk/return of the investment strategy.

The Sustainability Risk assessment notably provides guidance regarding how a new potential investment may impact the overall risk level of the Financial Product. On an ongoing basis, the trends regarding the evolution of Sustainability Risks for a specific Financial Product are analyzed. Significant evolution of the risk level triggers reviews from Risk unit.

## **9. ENGAGEMENT**

### **9.1 Action Plans**

To enable the investment to maximize its positive impact or to minimize its risks of causing significant harm to the Sustainability Factors, in some contexts and if possible, SYAM may require the Investees to setup improvement practices through Environmental or Social Action Plans (ESAPs). These may be completed with Technical Assistance facilities to help the Investee on such

implementation.

In these cases, periodic monitoring to assess the progress of the ESAP is done on a regular basis, and if the Investee fails to comply with it even after remediation measures are proposed, no new investment would be considered.

## **9.2 Affiliations**

SYAM works in collaboration with its peers in order to develop and implement standards of the impact investment industry. The Company believes that keeping the dialogue opened and constructive with other actors of the industry is one of the best way to guarantee the delivering of its promise: having an important positive Social or Environmental impact.

To nurture this promise and to contribute to increasing awareness on sustainable investment principles, SYAM is a member of several global well-recognized sustainable investment initiatives:

- The Global Impact Investing Network (GIIN)
- Operating Principles for Impact Management (IFC)
- United Nations Principles for Responsible Investment (UN PRI)
- The Luxembourg Finance Labelling Agency (LuxFLAG)
- The Social Performance Task Force (SPTF)

## **10. REPORTING**

The achievement of the SIOs claimed by a Financial Product and identified in relevant documentation such as prospectus are reported on a regular basis in compliance with SFDR requirements.

### **10.1 Product level sustainability-related disclosures**

#### **10.1.1 Prospectus**

Each Financial Product managed or advised by SYAM complies with the SFDR obligation to include an SFDR Annex in its Prospectus.

#### **10.1.2 Audited Financial Statement**

As per SFDR, CIS advised or managed by SYAM report annually on their PAI indicators, in the SFDR Annex V to their Annual Financial Statements. They disclose information on:

- The extent to which the CIS invests in Environmental and Social sustainable Investment;
- The alignment with the TR regarding the share of Environmental Sustainable Investment;
- The overall sustainability-related impact of the Financial Product by means of the relevant sustainability indicators;
- The consideration of the PAI on sustainability factors;
- The minimum safeguards regarding the non-sustainable investments and their purpose (i.e cash and liquidity management).

### **10.1.3 Factsheets**

When requested by the Financial Product investors or Board of Directors, SYAM produces periodically a snapshot of the Financial Products performance using Factsheets which include, among other items, information on the impact performance of the Financial Product.

### **10.1.4 Website disclosures**

Each Financial Product managed or advised by SYAM complies with the SFDR obligation to publish SFDR related disclosure on a webpage. The disclosures are reviewed yearly.

### **10.1.5 Impact reports**

When requested by the Financial Product investors or Board of Directors, the assessment of the impact is further consolidated at product level, and integrated into an Impact Report. This document leverages on internal and external research and data provided by SYAM and its Deal Originators to present in qualitative and quantitative fashion how the Financial Product contributed to sustainable development during the reporting year.

## **10.2 SYAM Level**

The Company aligns its communication with the requirements of SFDR for sustainability-related disclosures in the financial services sector.

### **10.2.1 Website**

The website disclosure is available at SYAM level. The disclosures are reviewed yearly.

Disclosures at entity level consist in describing the:

- integration of sustainability risks into the investment decision-making process;
- integration of the PAI in the investment decision-making process; and making the summary accessible and downloadable;
- integration of sustainability risks into the Remuneration Policy.

## **11. ROLES AND RESPONSIBILITIES**

### **11.1 Board of directors**

In the decision-making process, the Board of Directors shall take into account the short- and long-term interests of the Company, the Company's goal of creating a positive material impact on society and the environment, and the impact of their actions on stakeholders, inter alia:

- (i) its employees;
- (ii) its clients;
- (iii) the regions and communities in which it operate; and
- (iv) the environment (the "stakeholder interests").

### **11.2 Executive Committee**

The Executive Committee ("EC") shall review and approve this Policy annually.

The EC has the overall responsibility to ensure this Policy is implemented and to deliver SYAM's mission as described in the Articles of Association and the Group Impact Promise.

### **11.3 Portfolios division**

The Portfolio Division has the duty to implement and respect the sustainable investment process. Through the Investment Committee, for Financial Products where SYAM has the role of Portfolio

Manager or Fund Manager, the Portfolio Division ensures that investment decisions consider the sustainability matters as described in this Policy.

#### **11.4 Legal, Risk and Compliance division**

The Legal, Risk and Compliance (“LRC”) division is responsible for overseeing the regulatory framework and its proper implementation in SYAM’s investment processes.

- The LRC have especially a role regarding the monitoring of regulatory updates and the right implementation of policies and procedures related to sustainability matters described in this Policy.
- Risk unit is expected to have an independent review of the investment strategies and how the sustainability matters described in this Policy are properly taken into account.
- The Risk unit ensures that the Deal Originators provide the information required for the ESG Assessment, verify that the investments contribute to the achievement of the SIO of the CIS, monitor the level of achievement through Sustainability Indicators and properly implement the Exclusion list.
- Risk will monitor during the Due Diligence that the Deal Originator properly implement its obligations.
- The Legal team ensures that the responsibilities of Deal Originators related to this Sustainability Policy are properly described in the contractual documents. Legal will coordinate with them to ensure that sustainability assessment obligations and exclusion list are well integrated.

#### **11.5 Clients division**

The Clients division ensures that the sustainability preferences and impact objectives of the investors are appropriately reflected in the design of new Financial Products. The Client division guarantees the transparency of the communication materials regarding the impact and sustainability objectives and performance.

### **12. APPROVAL**

This document was approved by the EC during the meeting held on 15 December 2022.