



Operating Principles for Impact Management

DISCLOSURE STATEMENT

–
31 August 2024

Symbiotics Group SA ("Symbiotics") hereby affirms its status as signatory to the Operating Principles for Impact Management (the "Impact Principles"). This disclosure statement applies to all the assets under management or advisory by Symbiotics, amounting to USD 2.8 billion as of March 2024.

DocuSigned by:
Christophe Favre
99DFE8865290461...

Christophe Favre
Chief Financial Officer

Signé par :
Imane Abourabi
09605F0A585C45A...

Imane Abourabi
Head of HR

Symbiotics Group SA
31 August 2024



Principle 1

Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Symbiotics is the leading market access platform for impact investing, dedicated to financing micro-, small and medium enterprises (MSMEs), and low- and middle-income households in emerging and frontier markets. Founded in 2004, Symbiotics offers impact investors a comprehensive range of services, focusing on investment advisory and portfolio management, as well as technical assistance management.

Our mission is to foster sustainable development in emerging and frontier economies by connecting investors to local financial intermediaries, enterprises and projects. Our key impact objective is therefore to push money to where it normally doesn't flow, to financially excluded and underserved populations in low- and middle-income countries.

Our Impact Promise consists of three principles which encompass our vision, our mission, our impact management philosophy and our investment process.

Emerging Economies	Sustainable Objectives	Responsible Investments
Symbiotics defines its investment universe as emerging and frontier economies, targeting low- and middle-income markets and beneficiaries. Symbiotics seeks to deploy capital to where it normally doesn't flow, reaching out through investments.	Symbiotics assigns sustainable objectives to each of its investments and reports on the key impact indicators tracking them, aligned with the Sustainable Development Goals (SDG) framework. Symbiotics aims to measure the positive development and contributions of its activities.	Symbiotics integrates environmental, social and governance (ESG) risks that might affect the value of its investments in its investment process. Symbiotics also screens for environmental and social adverse impact that its activities may have on its target markets.



To achieve its mission and impact promise, Symbiotics integrates impact management in every step of its investment process, from prospection to monitoring:

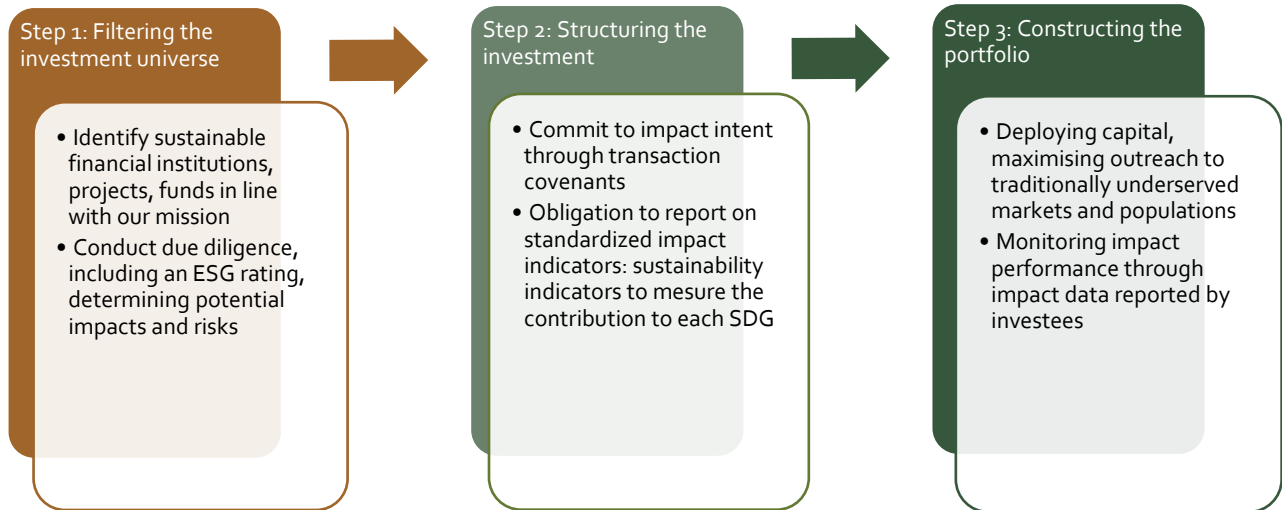








Figure 1: Impact Management in the Investment Process

Our investments target the below SDGs, the main ones being “No Poverty”, “Gender Equality” and “Decent Work and Economic Growth”, as demonstrated in the following table. Depending on the specific activities financed by each intermediary or project, we align each transaction to one SDG target, focusing on its core SDG contribution.

Table 1: SDG Mapping

How does Symbiotics contribute to the SDGs?		% of portfolio outstanding (quarterly weighted average)
Main SDGs targeted		
	Ensuring that low-income individuals have access to financial services, including microfinance and savings products	26%
	Providing women with equal access to economic resources and opportunities	17.7%
	Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all and encouraging the growth of MSMEs	35%



Contribution to other SDGs		
	Providing small-scale food producers with access to productive resources through financial services and products	5.1%
	Ensuring equal access for all women and men to affordable and quality education	0.7%
	Ensuring universal access to affordable, reliable and modern energy services and increasing the share of renewable energy	7.5%
	Contributing to remittance cost reductions	2%
	Ensuring access to adequate, safe and affordable housing and basic services	4.1%
	Providing small-scale and/or internationally certified fishing and aquaculture producers with access to productive resources through financial services and products.	1%

(Source: Symbiotics 2023, impact report)



Principle 2

Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

As demonstrated in Figure 1, impact management is incorporated throughout Symbiotics' investment strategy. For each of the funds managed or advised by Symbiotics, we aggregate the impact performance at a portfolio level, using our ESG rating methodology and standardized impact indicators. The portfolio-aggregated impact indicators for each fund are included in fund factsheets and shared with investors on a regular basis, allowing them to monitor the impact performance of their investments.

In addition, upon investor request, Symbiotics prepares annual impact reports for some of the funds, including a comprehensive overview of the funds' impact performance with additional indicators and narrative accounts from end-beneficiaries.

Symbiotics' investment strategy ensures that all investments have a positive social or environmental impact. The staff incentives are not currently linked to impact performance, but it is being considered.



Principle 3

Establish the Manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Symbiotics seek to deploy capital to where it normally doesn't flow, reaching out through each and every of its investments. We have a direct investment impact through allocation of capital to intermediary investment managers in undersupplied capital markets.

The financial markets of emerging economies are less developed, yet their population and economic growth patterns outpace those of more advanced economies.¹ This creates a significant financial need to sustain such growth and fill capital inflow gaps. With each of our investments, we aim to bridge those gaps by providing channels and pipelines for capital needs.

To measure the extent to which Symbiotics succeeds in pushing money to where it normally doesn't flow, we measure the outreach of our investments to the base of the pyramid. We focus on:

- **market outreach**, using indicators that demonstrate the extent to which the markets we invest in are typically financially excluded (e.g. banking penetration, GNI per capita);
- **investee outreach**, using indicators about the type and size of institutions that we invest in, which otherwise have limited access to alternative sources of financing, and;
- **end-client outreach**, illustrating the number and characteristics of our end-beneficiaries (e.g. gender, location) and the types of financial products they use (e.g. microcredit, SME loans, housing loans, etc.).

Symbiotics' investor contribution or additionality is also particularly delivered through innovative instruments, terms tailored to the needs of investees (e.g., maturity, local currency financing in the absence of alternatives²) and technical assistance services provided to some of our investees.³ This year we secured the Environmental Finance's Sustainable Debt Awards in Innovation from for the fourth consecutive year for pioneering the first gender-focused bond in Mongolia.⁴

¹ Low- & middle-income country populations grow by 0.9% and their economies (measured as gross national income (GNI) growth) by 13.5%. In high-income countries, these numbers are 0.3% and 7.6% respectively. ([World Bank Open Data | Data](#))

² [Symbiotics first local currency transaction in Pakistan \(symbioticsgroup.com\)](#)

³ [Symbiotics enhances access to affordable housing in Kenya \(symbioticsgroup.com\)](#)

⁴ [Symbiotics secures Innovation Award - fourth year \(symbioticsgroup.com\)](#)



Principle 4

Assess the expected impact of each investment, based on a systematic approach

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact.

In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

In line with Symbiotics' threefold impact management approach, we assess each investment in advance. This involved determining its contribution to sustainable objectives and SDGs ex-ante, as well as assessing its performance and attainment of sustainable investment objectives post-investment through defined key impact indicators.

- What is the intended impact ex ante?

During the prospection stage, we identify the main SDG target which the potential investee contributes to (Table 1), thereby determining the intended impact in alignment with the SDGs. For example, our investments in small business finance are intended to expand access to finance for small entrepreneurs, and ultimately promote decent work and job creation (SDG 8).

Most of our contracts also include use of proceeds clauses to ensure that the funds are used for a general (MSME+LMIH) or specific (e.g. Solar panels) purposes. When the use of proceed clause is specific, an annual reporting on the amounts deployed towards such targets is required.

- Who experiences the intended impact?

During the due diligence process, we collect preliminary data on the outreach of each potential investee to the base of the pyramid, using the indicators described under Principle 3. These indicators allow us to see who the end-beneficiaries of each investment will be and determine whether they are among our target population of MSMEs, and low- and middle-income households.



- How significant is the expected impact?

During the due diligence process, we also collect impact indicators allowing us to assess ex ante the magnitude of the expected impact. The list of such impact indicators results from a detailed selection process which ultimately guarantees their ability to accurately measure the potential investee's contribution to the selected SDG. For example, the selected indicator for financial institutions linked to SDG 8 (Decent work and economic growth) relates to the number of end-borrowers reached with SME loans. As data quality is key to measuring the expected impact, we ensure such indicators are well-defined and properly understood by the potential investee.

As per the SDG framework, progress on the SDG targets is measured using 230 indicators.⁵ Similarly, we measure the achievement or contribution to sustainable objectives by assigning targets and measurement indicators for each transaction that we onboard in a portfolio. We first allocate an SDG target to each investee and associated transactions. This allows us to aggregate the sustainable objectives of an entire portfolio and produce comprehensive SDG mapping of the portfolio aims.

Most of our investment funds pre-define specific sustainable objectives they wish to contribute to in their prospectuses and offering documents. These funds are then classified as sustainable impact funds, now defined clearly under the Sustainable Finance Disclosure Regulation (SFDR) as Article 9 funds. We then measure and report on those sustainable objectives regularly.

By mapping sustainable objectives to investment portfolios, we enable portfolio managers and investors to use finance and capital gains as a means to an end, rather than as an end in itself. By incorporating a sense of purpose into institutional portfolios or personal savings, we give investors the opportunity to create value in the real economy through private markets while also limiting the volatility, correlation and concentration risks associated with public capital markets. (please refer to Table 1).

⁵ [SDG Indicators — SDG Indicators \(un.org\)](https://un.org/sdgs/indicators)



Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage. Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good. international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Symbiotics embrace the double materiality of responsible investing. We strive to act responsibly with respect to shareholders and investors from a risk/opportunity perspective as well as with respect to the impact the investment has on multiple stakeholders along the value chain (investee employees, communities, local authorities and environment). Our due diligence, valuation, and credit risk processes integrate this approach via certain ESG criteria.

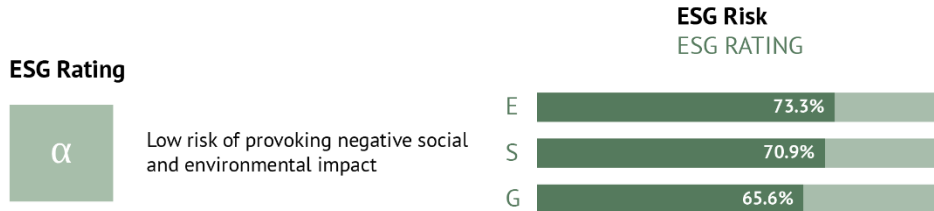
First, we assess the potential impact that external market elements, linked to environmental, social or governance criteria, might have on the value or risk of an investment for its shareholders or financiers. This is the "outside-in" approach to our ESG integration review. Before making an investment decision, we define sustainability risks and work to minimize material threats and establish mitigants to protect the value of an investment.

Second, Symbiotics assesses the potential impact that an investment may have on its surrounding environment using our proprietary rating methodology, which integrates ESG norms. We select indicators from various sources, and we establish our own list. This is the "inside-out" approach to our ESG integration review. We do this by measuring Principal Adverse Impact indicators ("PAIs"), as defined in the SFDR, and integrating the results into our investment decision-making process. This minimizes material threats, establishes establishing mitigants, and in turn, protects outside stakeholders (investors) from negative impacts of the investment. The rating produces a grade from γ (lowest) to $\alpha\alpha\alpha$ (highest), assessing the risk of doing harm.

Both the outside-in risks and the inside-out impacts are pre-identified and integrated in Symbiotics' selection and decision-making processes. They allow us to filter out investees that are incompatible with Symbiotics' investment philosophy and approach. During the term of and investor's holding, we measure and report on these to investors via the Symbiotics ESG Rating. The tool evaluates investees' exposure to ESG risks and the systems in place to mitigate them.



Fig. 3 – ESG Rating – Integrating ESG criteria in the investment



Symbiotics also has a specialized Capacity Building team, responsible for managing technical assistance projects for investees using donor funding. Symbiotics’ Capacity Building team designs customized projects covering product development, risk management, social performance management, and digital financial services. This activity supports implementing best practices in terms of E&S or Client Protection. Through these projects, Symbiotics furthers its impact by engaging with investees and enabling them to ultimately improve the services they provide to end-beneficiaries.

Symbiotics actively aims to achieve a positive social or environmental impact through each of its investments. To that end, the first is to ensure that its investments do not cause any social or environmental harm. As such, Symbiotics carefully filters out potential investees and systematically assesses ESG risks through our ESG rating tool.

Exclusion list

In an effort to mitigate the risk of causing negative social or environmental impacts, Symbiotics applies an exclusion list to all of its investments. This list, at a minimum, includes the following elements or restrictions, in line with international standards set forth by development finance institutions like the IFC and FMO:

- Alcohol (excluding beer and wine), drugs, tobacco
- Asbestos fiber, cement
- Drift net fishing
- Forced and child labor
- Pornography and/or prostitution
- Gambling, casinos
- Hazardous chemicals
- Land grab and Indigenous people’s rights
- Radioactive material
- Weapons, munition
- Wildlife protocols

Before making an investment, Symbiotics ensures that each potential investee is able to guarantee that these activities are excluded from its portfolio, i.e. that the potential investee does not finance activities included in the exclusion list, or activities that are deemed illegal in the investee’s country of operation. When applicable, we assess that the potential investee has its own exclusion list in place and that this exclusion list is aligned to ours. In addition, loan



and bond legal agreements all include an exclusion list covenant, which contractually commit investees not to engage in these activities thereafter.

ESG Rating

Symbiotics' ESG rating, conducted for each institution before an investment is made, (see Principle 4) assesses the risk of harming a rated company from an environmental, social, and governance (ESG) risk perspective. The tool evaluates the company's exposure to E&S risks and its practices towards such risks. It evaluates companies on their direct and indirect ESG footprint, where the indirect impact can be related to the company's borrowers, clients, or suppliers.

The ESG Rating focuses on:

i) the measurement of the exposure to ESG risks:

- E: risk of doing harm to the environment (ecosystems, air, water, land, biodiversity, etc.)
- S: risk of doing harm to people (employees, clients, communities, etc.)
- G: risk of doing harm due to governance weaknesses (such as non-transparency, lack of commitment to company's values, weak internal controls, etc.)

ii) The assessment of the management of ESG risks: policies, practices and E&S risk management procedures in place to efficiently mitigate E&S risks and protect the People & the Planet from such risks.

The rating is conducted by Symbiotics' investment analysts during the on-site due diligence and involves a detailed review of the potential investee's practices, governance and policies, as well as interviews with key staff members. Assessed risks include risk of fraud, corruption, occupational injury, over-indebtedness of end-beneficiaries, or causing environmental damage, among others. Each potential investee's ESG rating grade determines its risk level, on a scale ranging from γ (extreme risk) to $\alpha\alpha\alpha$ (negligible ESG risk).

The full ESG rating report is included in the information package reviewed by the Investment Committees and is taken into account in the investment decision making.

Symbiotics monitors any changes to the investee's ESG practices at subsequent due diligences (every 12 to 18 months) and engages with the investees in case of material deviation compared to the previous rating. If it turns out that the company is no longer aligned with an acceptable ESG risk level, Symbiotics does not renew its loan beyond the current outstanding one or may even decide to terminate the relationship with the investee.

Engagement with investees

When possible, we engage with investees on ESG best practices. We do it for certain DFI funds via ESAP (contractual E&S action plan, e.g. on client protection best practices, or ESMS processes). ESAP comes with a Technical Assistance program to support the investee in the implementation of the ESAP. In other words, we do engage with investees to enable them to commit to take concrete actions to address gaps in systems, processes, and standards.

More can be found on this topic in our Sustainable Investment Policy on our website.



Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Using Symbiotics' threefold impact management approach, we monitor the progress of each investment in achieving impact. As described under Principles 4 and 5, Symbiotics collects data from its investees during the due diligence process (through the ESG rating, outreach indicators and impact metrics). These indicators serve as an early baseline for the standardized impact indicators that investees commit to report on after an investment is made. In addition, Symbiotics' loan and bond legal agreements include specific clauses to ensure adherence to Symbiotics' impact approach under Principle 3, thereby reserving the right to act in case of impact drift. Occurrences of perception of mission drift at investee level are treated on a case-by-case basis and several actions can be taken from waiving a grant, asking for an action plan and in the worst cases gradual divestment.

Symbiotics' investees are required to submit impact indicators on an annual basis. Such indicators allow Symbiotics to assess whether investments fulfill our promise to investors, i.e. reaching out to low- and middle-income households and MSMEs in emerging and frontier markets and providing them with responsible financial services that increase financial inclusion, improve women access to economic resources and opportunities, foster job creation, and access to primary goods such as affordable housing, food, and energy. Failure to report on time is considered as a covenant breach and might result in early repayment request and/or jeopardize future potential investments.

In addition to the indicators mentioned under Principle 3, other examples include:

- Number of depositors
- Average loan and deposit size
- Availability of non-credit products (savings, insurance, money transfer, etc.)
- Number of end borrowers reached with micro loans
- Number of end borrowers reached with a loan for agricultural activity
- Number of women end borrowers reached



- Number of end borrowers reached with renewable energy supply loans
- Number of end borrowers reached with SME loans
- Number of end borrowers reached with housing loans

Symbiotics also monitors its impact performance through impact measurement studies. It offers investors the option of conducting tailored research projects that collect data directly from a sample of end clients.

This enables the measurement of progress toward specific objectives, using indicators that our investees would otherwise not measure. Symbiotics has been conducting impact studies that include surveys of end clients since 2017 and is a founding partner of the 60Decibels Microfinance Index.



Principle 7

Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Symbiotics invests through private debt instruments, which are self-liquidating once the loans have been repaid. The time of exit is determined by the maturity of the instruments, which is set when each investment is made. Therefore, there is no separate exit strategy.

Even though the time of exit of our private debt investments is ordinarily determined by the maturity of the investments, there are processes allowing for some flexibility. We always aim at flexibility to the extent possible when an investee struggles to meet payments deadlines due to liquidity or solvency issues but has delivered as expected on impact.

On the other hand, we have contractual clauses allowing us for some control on changes in the ownership of an investee that may allow us to exit if we believe that mission and impact are endangered by the change in ownership. In all cases, Symbiotics considers the long-term well-being of the investee and its stakeholders by applying a responsible exit strategy. This ensures the ongoing success and sustainability of the investee whenever possible.



Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

We are committed to putting impact at the core of our decision-making process, and learning from our past experiences. As mentioned earlier, Symbiotics conducts an annual on-site due diligence for every investee in its portfolio, during which we update the ESG rating score. In addition, we collect standardized impact data for all investees on a regular basis, as described under Principle 6.

We review the data and update our reporting template regularly, adding new impact indicators, if needed, and ensuring that all indicators are defined consistently. This data is not only used to monitor our impact performance, but also plays a critical role in investment decisions, particularly in cases of loan renewal. Both the ESG rating and the impact data are included in the Investment Advisory Report, which is presented to the Investment Committee for every new transaction. The investment decision therefore relies on the investee's impact performance, as well as their financial performance, taking into account any changes to their ESG rating and end-client outreach.

Our impact performance also informs our internal processes, strategic planning and impact narrative on a wider scale. Since Symbiotics was launched, we have regularly reviewed and refined our impact narrative along with its methodologies as we learned from our past investments and our research. In 2017, we described our approach to social performance management in a white paper, titled *Measuring and Managing Social Performance*⁶. The approach described in this paper has been fine-tuned through several iterations over the past three years, allowing us to reach our current threefold impact management approach, demonstrated in Principle 1.

⁶ <https://symbioticsgroup.com/publications/white-paper-managing-and-measuring-social-performance/>



Principle 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Through this disclosure statement, Symbiotics has demonstrated the alignment of its impact management systems with the Impact Principles. Symbiotics commits to updating this disclosure statement on an annual basis.

Symbiotics completed on 31 August 2024 its second independent verification demonstrating that its impact management process is aligned with the Operating Principles for Impact Management. These verifications were conducted by Tameo Impact Fund Solutions located at Rue de l'Arquebuse 12, 1204 Geneva, Switzerland.⁷

Tameo is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customized analyses, and independent valuations. Through its research and advisory services, Tameo empowers clients to move towards best-in-class impact measurement & management.

Symbiotics will regularly arrange for an independent verification every three years. Therefore, the next one will be completed by 31 August 2027.

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

⁷ https://symbioticsgroup.com/wp-content/uploads/2021/07/Verification_Statement_Tameo.pdf