

Operating Principles for Impact Management

DISCLOSURE STATEMENT

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31 August 2023

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 July 2023.



Christophe Favre
Chief Financial Officer



Imane Abourabi
Head of HR

Symbiotics Group SA
31 August 2023

Principle 1

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

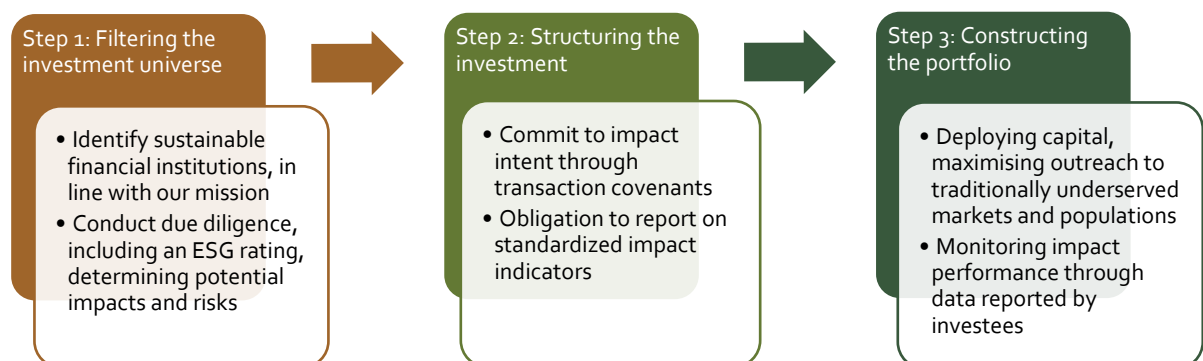
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. 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.

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.	27%
 Providing women with equal access to economic resources and opportunities.	20%
 Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all and encouraging the growth of MSMEs.	34%
Contribution to other SDGs	
 Providing small-scale food producers access to productive resources through financial services and products.	5%
 Ensuring equal access for all women and men to affordable and quality education.	1%
 Ensuring universal access to affordable, reliable and modern energy services and increasing the share of renewable energy.	5%
 Contributing to remittances costs reduction.	2%
 Ensuring access to adequate, safe and affordable housing and basic services.	3%
 Providing small-scale and/or internationally certified fishing and aquaculture producers' access to productive resources through financial services and products.	1%

* Investment aligned with 98.3% of the total. The remaining 1.7% pertains to transactions lacking a specific SDG target, mainly related to activities initiated prior to 2022. Since March 2023, Symbiotics has linked all new transactions to an SDG and its corresponding target. (Source: Symbiotics 2022 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 ratings 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 investors' requests, 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.

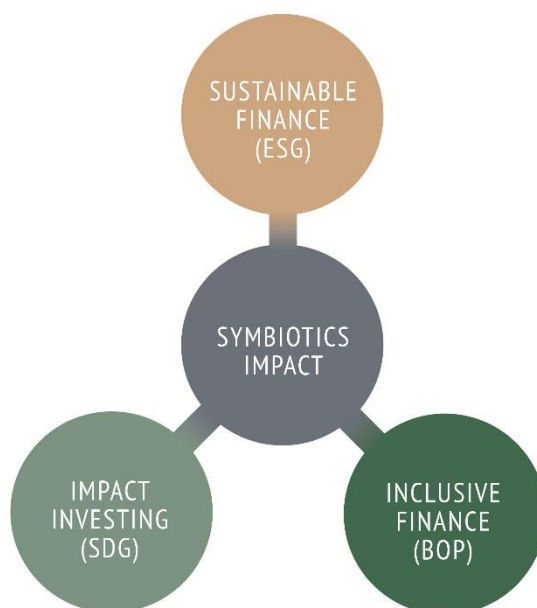
Symbiotics' investment strategy ensures that all investments have a positive social or environmental impact. The staff incentives are not currently linked to impact performance but it is being considered.

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' contribution to the achievement of impact is described in our Impact Promise, where we illustrate our investment strategy and threefold impact management approach: 1. measuring sustainable finance filtering through ESG ratings, 2. impact investing intentionality through SDG mappings and 3. inclusive finance through measuring our outreach to the base of the pyramid.



1. Sustainability: ESG Ratings

Symbiotics assesses each potential investee using our proprietary rating methodology, which integrates ESG norms. The rating produces a grade from γ (lowest) to $\alpha\alpha\alpha$ (highest), assessing the risk of doing harm. This ESG rating, which is included in the information package submitted to all Investment Committees, allows us to filter out investees that are incompatible with Symbiotics' investment philosophy and approach.

2. Impact Investing: SDG Intent

This is followed by the evaluation of the impact investing intentionality of the potential investees and their contribution to the SDGs. Each investment is tagged to a single SDG target focusing on its core SDG contribution. Symbiotics identifies the key SDG contribution for each transaction based on the business models, and in the case of financial intermediaries, on the composition of their loan portfolio. (please refer to Table 1).

3. Inclusion: Outreach to the Base of the Pyramid

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.).

We select indicators from various sources and we establish our own list.

Symbiotics also has a specialized Capacity Building team, who are responsible for managing technical assistance projects for investees using donor funding. Symbiotics' Capacity Building team designs customized projects covering topics such as product development, risk management, social performance management and digital financial services. Through these projects, Symbiotics furthers its development impact by enabling investees to ultimately improve the services they provide to end-beneficiaries.

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, determining the expected positive impacts, and assessing the likelihood that each investment will achieve these impacts.

What is the intended impact?

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).

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 outreach 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.

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 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 filter our potential investees and systematically assess 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, drugs, tobacco
- Asbestos fiber, cement
- Drift net fishing
- Forcer and child labor
- 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. In addition, loan and bond legal agreements all include an exclusion list, which prevents investees from engaging in these activities thereafter.

ESG Ratings

Symbiotics' ESG rating, conducted for each institution before an investment is made, (see Principle 4) assesses the sustainability of 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 the assessment of the company's risk of doing harm:

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)
- 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 y (extreme risk) to aaa (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.

More can be found on this topic in our Sustainability 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.

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.

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 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*. 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 3.

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 30 June 2021 its first independent verification demonstrating that its impact management process is aligned with the Operating Principles for Impact Management. The verification was conducted by Tameo Impact Fund Solutions.

Symbiotics will regularly arrange for an independent verification every three years. Therefore, the next one will be completed by 30 June 2024.

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.