symbiotics

SUSTAINABILITY-RELATED DISCLOSURES

BACKGROUND

Symbiotics France SA (the "Company" or the "AIFM") is a French Alternative Investment Fund Manager, under the AIFM Directive and supervised by the French Autorité des Marchés Financiers (financial markets authority, hereafter referred as the AMF). The AIFM is authorized, in accordance with the provisions of Articles L. 532-1 and L. 532-9 of the French Monetary and Financial Code, to perform portfolio management and risk management functions and, on an additional basis, perform in the course of the management of the AIF certain other functions (including valuation and distribution functions).

In accordance with the article 318-62 of the Règlement Général of the AMF (the "RG AMF"), Symbiotics France SA has delegated the portfolio management activity of the alternative investment funds ("AIF") to Symbiotics Asset Management SA ("SYAM"), a Swiss asset manager, approved and supervised by the Swiss Regulator, the FINMA.

The Company performs a regular oversight of SYAM to ensure they comply with the obligations of the AIFM.

The Company and SYAM are both entities of Symbiotics Group SA, a group focused on microfinance and impact investment services.
The Company is committed to transparently communicating how it engages with environmental, social and governance (ESG) standards and how it uses targeted impact strategies in order to contribute to the sustainable impact of the funds and sub-funds we manage and advise (the "Funds"). Therefore, the Funds and the Company are aligned with the requirements of the European Union's Sustainable Finance Disclosure Regulation (SFDR) (EU 2019/2088) for sustainability-related disclosures in the financial services sector.

DEFINITIONS

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR (EU 2019/2088 Sustainable Finance Disclosure Regulation) requires (1) financial actors to categorize their products based on each product's level of sustainability and (2) prove why and how this level is achieved. More specifically, the SFDR requires financial actors to disclose the integration of sustainability risks, the consideration of principal adverse impacts, and the promotion of sustainable investment objectives, if any, along with other specific disclosures.

Regulatory Technical Standards (RTS)

RTS, developed by European supervisory authorities (ESAs) and disclosed by the European Securities and Markets Authority (ESMA), bring clarity and specificity to the SFDR with additional content and detailed methodologies.

Sustainability Factors/ Environmental, Social and Governance (ESG) Factors/ Environmental and Social (E&S) Factors

These factors, refer, according to SFDR article 2 (24), to the Environmental and Social (E&S) Factors (e.g., employee matters, respect for human rights) that should be considered prior to an investment. By extension, Sustainability Factors also take governance-related issues (e.g., corruption and bribery) into consideration (with E&S Factors, these are ESG Factors).

Sustainability Risks

According to SFDR Article 2 (22), a Sustainability Risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

Principal Adverse Sustainability Impacts (PASI)/Principal Adverse Impacts (PAI)

A 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). PAIs are commonly used to explain the set of quantitative indicators (e.g., greenhouse gas emissions) to be disclosed according to SFDR, at an aggregated level as described in the RTS.

Target Investee

The emerging market borrowers that Symbiotics France SA finances through the collective investment schemes or Funds it manages and advises are further defined in each collective investment scheme's prospectus according to each investment strategy.

Capitalized terms in the following disclosures shall have the meanings found in the list of definitions of the document or integrated within this disclosure statement (Disclosure).

INTEGRATION OF SUSTAINABILITY RISKS INTO THE INVESTMENT DECISION-MAKING PROCESS (SFDR ARTICLE 3)

SYAM, as Portfolio Manager, has an investment strategy which purpose is to have a material positive impact on society – and the environment – while mainly investing in microfinance, small and medium enterprise (SME) banking and impact finance markets through private debt strategies and impact bonds in emerging and frontier economies.

In order to take investment decisions integrating the full scope of risks an investment may bear, SYAM also integrates Sustainability Risks in its investment process.
The assessment is performed on each investment and is periodically monitored. This ensures for the Funds 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 Fund. On an ongoing basis, the trends regarding the evolution of Sustainability Risks for a specific Fund are analyzed. Significant evolution of the risk level triggers reviews by the SYAM's risk function.

The Sustainability Risk assessment relies on both macro and micro dimensions. Symbiotics Group built a proprietary model to evaluate the risk that Environmental, Social or Governance externalities 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 from the Investees 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 Investees.

The two main dimensions embedded in the Sustainability Risk framework are the transition and physical Risks, as defined below:

- 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.

On one hand, such risks relate to the acute events (typhoons, floods, extreme drought,…) and the increase of their occurrence, while on the other hand the analysis of these risks helps assess the long-term shifts in terms of climate trends (raining patterns, change of average temperature, rise of sea-levels, etc.).

INTEGRATION OF SUSTAINABILITY RISKS INTO A REMUNERATION POLICY (SFDR ARTICLE 5)

The Company's focus on responsible finance flows into its corporate culture. Thus, the AIFM's remuneration practices are no different. They are designed in a manner that delivers long-term sustainability by (i) considering the long-term interests of investors, employees and shareholders by focusing on pay equality, market rates, and risk management, and (ii) not encouraging risk taking that is inconsistent with the risk profile of the collective investment schemes and that could lead to negative environmental and social impacts.

Compensation at an individual employee level consists of a fixed salary and potential additional financial incentives, such as bonuses at the sole discretion of the Company, not indexed to volume of sales. The AIFM pursues salary and remuneration standards that preclude any conflict of interest between its employees and the investors. In particular, the AIFM refrains from providing any financial incentive for conduct that could damage investor interests. The employees are also required to comply with the AIFM's Conflict of Interest policy and Staff Regulations clauses pertaining to gifts and other benefits received from third parties. In addition, the AIFM ensures that SYAM adheres to the same principles. SYAM is also compliant with the Swiss Federal Act on Gender Equality, meaning that men and women in a similar position are paid equally, as measured and certified by an independent evaluator.

PRINCIPAL ADVERSE IMPACTS 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 end December 2022 and shall be updated annually.

b) DESCRIPTION OF PAI

Please find below the Symbiotics France PAI Statement as referred in Annex I of the RTS, for the year 2022, published on 30 June 2023.

SYMBIOTICS FRANCE PAI STATEMENT 2022

c) DESCRIPTION OF PROCESSES TO IDENTIFY AND PRIORITIZE PAI

Principal Adverse Impacts ("PAI") on Sustainability Factors are taken into account 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 guidance to SYAM regarding the impact of its investment decisions on Sustainability Factors, and those potential principal adverse impacts are quantified and weighted through it. It is done based on the level of exposure of the investment to the risk of doing harm to any of the Sustainability Factors depending on factors such as its business activity or the industries it finances, among others.

For Private Debt instruments, specific data points are collected on a yearly basis from Investees, when possible, to ensure the provision of the mandatory PAI indicators of the RTS, as well as a selection from additional ones. The objective is to be able to draw an analysis based on the impact of end-borrowers, using a look-through approach when investments are directed towards financial institutions, as it remains the more meaningful way to estimate the PAI of the AIF's investments on Sustainability Factors.

On listed debts, selected data providers will collect the information from the Investees or indicators will be calculated using proxies.

Recognizing that some of the required PAI indicators are especially difficult to collect from non-EU Investees, proxy calculations may be used. This is done notably for certain indicators such as GHG emissions.

d) DESCRIPTION OF ACTIONS AND ENGAGEMENT POLICIES TO ADDRESS PAI

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, in its role of Portfolio Manager,may require Investees to set up 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.

e) INTERNATIONAL STANDARDS

SYAM, as Portfolio Manager, sets a number of minimum safeguards regarding the compliance of its investments to some international standards. The methodology used by SYAM partly relies 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. Although 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.

For social stakes that are more specific to financial intermediation, SYAM refers to the Cerise Alinus Social Performance Management tool, addressing notably client protection.