symbiotics

REPORT ARTICLE 29
THE CLIMATE ENERGY LAW

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Symbiotics France S.A.

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1. REGULATORY CONTEXT

The decree No. 2021-663 of 27th May 2021 details the content of the report 29 that aims at strengthening the transparency of the financial players around their extra-financial practices, in particular the consideration of climate and biodiversity risks.

The purpose of this regulation aims to coordinate French regulations with European Sustainable Finance Disclosure Regulations ("SFDR") and Taxonomy Regulation ("TR"). Those reports must be sent to the *Authorité des Marchés Financiers* ("AMF") and published annually on the website of the *Agence de l'Environnement et de la Maîtrise de l'Énergie* ("ADEME").

As an Alternative Investment Funds Manager ("AIFM") of EU-domiciled Alternative Investment Funds ("AIF"), Symbiotics France S.A. ("the Company"), part of Symbiotics Group S.A., is bound by the SFDR, TR and associated regulations such as the Regulatory Technical Standards ("RTS").

The Company has classified its Financial Products under Article 9 SFDR, meaning that its AIF target a sustainable investment objective that is defined, and which achievement is monitored. Article 9 Funds are also required to assess the AIF portfolio against the precautionary principle of Do Not Significantly Harm ("DNSH") by considering the Principal Adverse Impacts ("PAI"), and incorporating considerations of the minimum safeguards specified in the TR.

For reasons of clarity, the term "impact investing" through the report refers to Financial Products or AIF with a sustainable investment objective or classified as Article 9 under SFDR. A definition section is also available in Appendix 10.1 for the sake of clarity.

The Company publishes a Sustainability policy and sustainability-related disclosures on Symbiotics' website (visit https://symbioticsgroup.com/symbiotics-france/).

2. SYMBIOTICS FRANCE SA

The Company contributes to Symbiotics Group S.A.'s mission and vision to foster sustainable development in emerging and frontier economies by connecting investors to local financial intermediaries, enterprises and projects.

At the date of the report, the Company is managing one AIF, Symbiotics SICAV II, a Luxembourg *société anonyme* qualifying as undertaking for collective investment under part II of the UCI Act, whose registered office is located at 5, allée Scheffer, L-2520 Luxembourg and who is registered with the Luxembourg Register of Commerce and Companies under number B 233748.

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 AIF to Symbiotics Asset Management SA ("SYAM"), an entity of Symbiotics Group S.A., which is a Swiss asset manager, approved and supervised by the Swiss Regulator, the FINMA.

In the context of its delegation, the Company is working closely with SYAM and performs periodical due diligence and regular oversight controls to ensure the appropriateness of the methodology applied and assesses properly the related risks.

3. INVESTMENT STRATEGY AND PHILOSOPHY

The Company's investment strategy 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.

The investment philosophy is to make sustainable investment within the meaning of **article 9** of SFDR by focusing on businesses and projects which target Low and Middle Income Households ("LMIH") as well as MSME.
The investment philosophy will include these three pillars:

- **Emerging** - Investment universe filtering, applying a bias towards emerging, underserved and innovative market segments globally.
- **Responsible -** Counterparty risk screening, applying ESG integration and sustainable finance principle, essentially filtering the investment universe using ESG ratings in the decision-making process.
- **Sustainable -** Impact objective assigning, applying Sustainable Development Goals ("SDG") intentionality and impact investing principles, essentially assigning an intentionality to each investment, and measurement indicators thereto.

4. SUSTAINABLE INVESTMENT PROCESS

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.

The Company's investment universe is mostly debt products, either private or listed. Most of the investments are provided by SymInvest, a sister entity. Nevertheless, portfolios also include instruments originated by originators external to the Symbiotics Group S.A. as well as listed exposures.

The Company reviews the sustainability investment process implemented by SYAM when performing its regular monitoring of the Portfolio Management's delegation. The Company has developed a procedure regarding the delegation's monitoring.

4.1 Integration of Social or Environmental Objective

The AIF managed by the Company defines its Sustainable Investment Objectives ("SIO") using the SDGs.

These SIOs are then used as criteria to select 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 their investment decision making, the Portfolio Managers of SYAM make 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 in 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 loan portfolio composition of the Financial Institution, the outreach or other relevant KPIs to measure contribution.
Depending on the investment type (listed or private), the Portfolio Manager of SYAM 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 AIF.

4.2 Do Not Significantly Harm

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, the portfolio manager, SYAM, uses two tools to filter out investments:

- **Exclusion list.** This list is used for private debt instruments and is in line with international standards set forth by development finance institutions like the IFC (International Finance Corporation) and FMO (Dutch Entrepreneurial Development Bank). The objective is to ensure that the Target Investees do not finance activities included in the Standard Exclusion list or activities included in the specific supplement to the Exclusion list required by the specific AIF. Specifically, Investees are prohibited to perform themselves or to finance any borrower involved in the activities listed in the Exclusion list.

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

- **ESG assessment.** An ESG assessment is performed for the Investee and is included in the 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.

4.3 Principal Adverse Impact on Sustainability Factors

SYAM takes into consideration PAI on Sustainability Factors all along the investment value chain, as required under SFDR Article 4. Publications are done on Symbiotics' website at entity and product level (visit https://symbioticsgroup.com/symbiotics-france/).

5. INTEGRATION OF THE SUSTAINABILITY RISK INTO THE INVESTMENT DECISION-MAKING PROCESS

5.1 Sustainability Risks approach

The Sustainability Risk assessment relies on both macro and micro dimensions. The portfolio manager, SYAM 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 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 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, …).

5.2 Consideration of Sustainability Risk in the investment process

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

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.

6. INTEGRATION OF SUSTAINABILITY RISKS INTO A REMUNERATION POLICY

The Company focus on responsible finance flows into its corporate culture. Thus, the Company'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.

The Company pursues salary and remuneration standards that preclude any conflict of interest between its employees and the Investors. In particular, the Company refrains from providing any financial incentive for conduct that could damage investor interests. In addition, employees are required to comply with the Company's Conflict of Interest policy and Staff Regulations clauses pertaining to gifts and other benefits received from third parties.

The Remuneration policy of the Company is reviewed on a regular basis and published on Symbiotics' website (visit https://symbioticsgroup.com/symbiotics-france/).

The Company also ensures that its delegates comply with the same principles.

7. TAXONOMY ALIGNMENT

The Company makes a limited number of sustainable investments with environmental characteristics that are hardly eligible for the climate change mitigation objective of the Taxonomy as the Funds invest in emerging markets where the technical standards required by the European regulation are not adapted, and whose market participants are not subject to report against European regulations. The investments that are contributing to achieving the social objectives of the Funds are nevertheless assessed in terms of environmental quality through a comprehensive assessment tool and, for green and sustainability bonds, through the ICMA Standards.

8. INTERNAL MEANS

The Company has delegated the portfolio management of the Funds to SYAM who has dedicated teams in charge of developing and implementing methodologies in compliance with the regulation to properly integrate the sustainable aspects in the decision-making process and properly report to different stakeholders. SYAM has the duty to implement and respect the sustainable investment process.

The methodology used by SYAM considers 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.

The Company, as part of the Symbiotics Group S.A., is monitoring and reviewing the different methodologies used and their implementation. The Compliance and Internal Control function of the Company is responsible for overseeing the regulatory framework and its proper implementation in the Company processes. The Risk Management function of the Company performs an independent review of the investment strategies and reviews how the sustainability matters are taken into account. Finally, the Sales function of the Company ensures that the sustainability preferences and impact objectives of the (current and potential) Investors are appropriately reflected in the design of new Financial Products. The Sales function also guarantees the transparency of the communication materials regarding the impact and sustainability objectives and performance.

The Company performs regular Due Diligences and ad-hoc reviews on its delegates to ensure, among others, the proper integration of the ESG criteria and the sustainability risk in the decision-making process.

The Company also encourages its employees to be trained on the sustainable finance related topics (i.e. AMF Finance Durable certification).

9. REPORTING

In order to achieve the objective of transparency, the Company communicates relevant information at the Company and product level.

9.1 Product level sustainability-related disclosures

9.1.1 Prospectus

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

9.1.2 Audited Financial Statement

As per SFDR, AIFs managed by the Company 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 AIF 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).

9.1.3 Information to Investors

The Company produces a snapshot of the Financial Products performance using information which include, among other items, information on the impact performance of the Financial Product.

9.1.4 Website disclosures

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

9.1.5 Impact reports

The assessment of the impact can be further consolidated at product level and integrated into an Impact Report. This document presents in qualitative and quantitative fashion how the Financial Product contributed to sustainable development during the reporting year.

9.2 The Company Level

The Company aligns its communication with the requirements of SFDR for sustainability-related disclosures in the financial services sector.
The website disclosure is available at the Company level. The disclosures are reviewed yearly.

Disclosures 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.

10. APPENDIX

10.1 Definitions

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.

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.

Investee means borrowers that the Company finances through the AIF it manages as further defined in each AIF's prospectus according to each investment strategy.

Principal Adverse Impacts ("PAI") are negative effects 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") refer 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.

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