

AMETHIS

DISCLOSURE STATEMENT

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

2022



**EDMOND
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Amethis is a signatory to the Operating Principles for Impact Management (“the Impact Principles”) since September 2021. The Impact Principles offer a reference against which impact management practices of organizations and funds can be reviewed. They incorporate best practices from a variety of asset owners and managers, as well as development finance institutions.

This Disclosure Statement covers Amethis’ total assets under management, which totaled at USD 855¹ million as of 30th June 2022 and are divided across the following four funds:

1. Amethis Fund I
2. Amethis Fund II
3. Amethis MENA Fund I
4. Amethis MENA Fund II

Luc Rigouzzo, Managing Partner



Laurent Demey, Managing Partner



30/09/2022

¹ Original data is in EUR. An estimate equivalent in USD is provided here as of June 30th 2022.

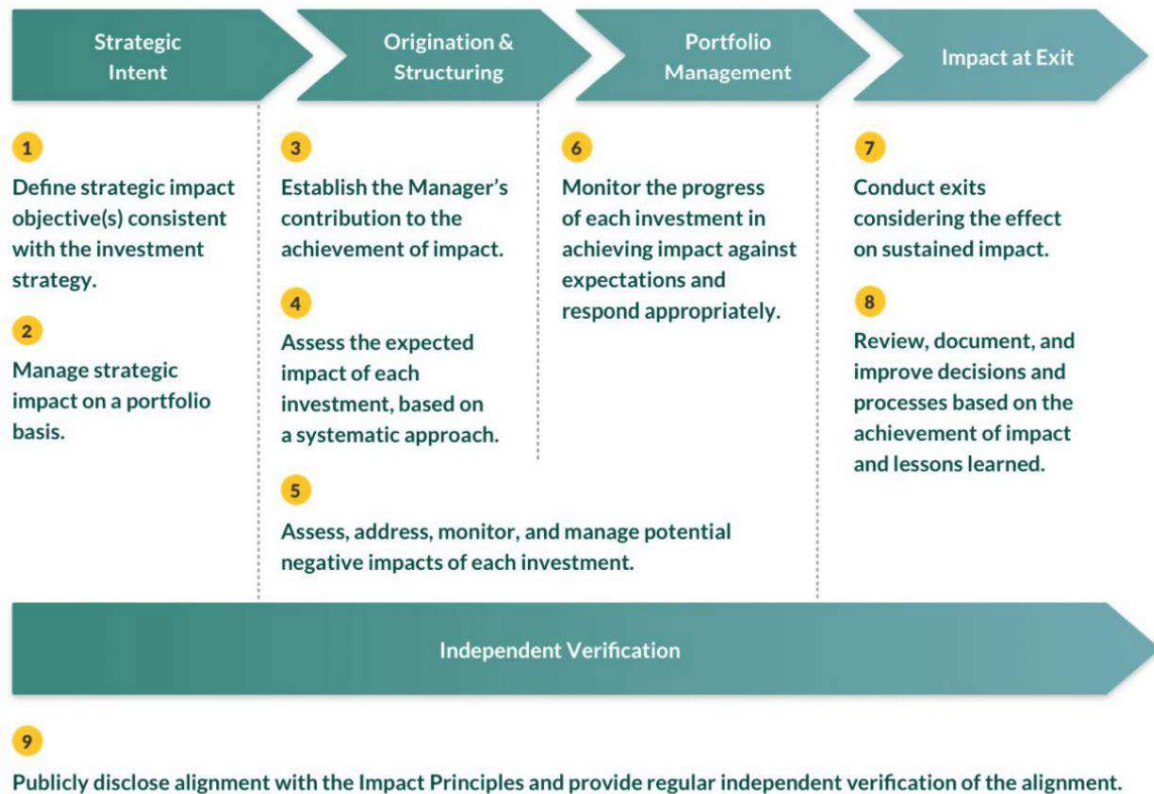


Figure 1 – Overview of the Operating Principles for Impact Management²

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.

Amethis invests in securities that respond to some of the major challenges facing the African continent, in particular:

1. **Investing in economically and socially disadvantaged communities.** By investing in African countries where there is little private investment, we aim to support the development of local economies in Africa, and act as a catalyst for development finance on the continent.

² Disclaimer: <https://www.impactprinciples.org/copyright-disclaimer>

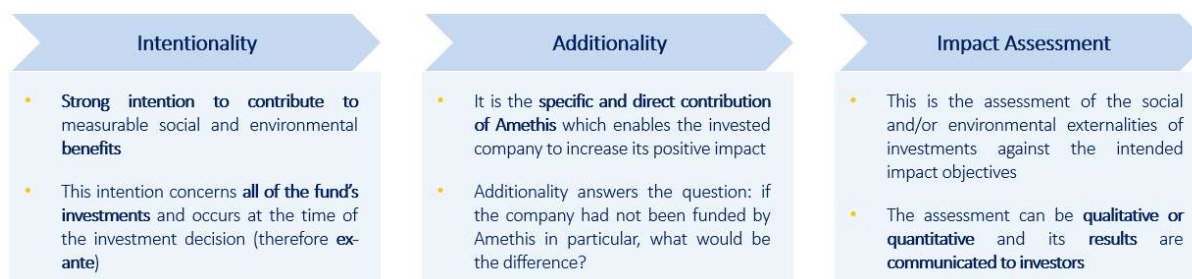


2. **Investing in companies that aim to provide quality products and services** to the African consumer. To do so, Amethis invests in companies which obtained (or are committed to obtaining) sufficient certifications (such as ISO certifications) demonstrating the quality of their processes and practices.
3. **Investing in companies that contribute to the economic and social integration of women** on the African continent.
4. **Investing in human capital** on the African continent. Amethis invests in companies that offer health protection to their employees, or that are engaged in a structured approach to increase health protection in the short term.
5. **Investing in climate efficiency.** Amethis aims at improving the climate efficiency of relevant portfolio companies, as measured by the decrease of greenhouse gases emissions per unit of production or turnover.
6. **Investing in companies that commit to manage environmental and social risks and material negative impacts of their activity.**

This approach can be summarized as follows, across three main pillars:



In doing so, we follow France Invest's definition of what a thorough impact investment approach is:



Our investment approach allows us to **address several Sustainable Development Goals (SDGs)**, in particular:

- SDG 1: eliminate poverty and establish social protection systems
- SDG 8: decent work and economic growth, by defending workers' rights, promoting health and safety at work
- SDG 12: responsible consumption and production, by improving waste management, and chemicals, improving resource consumption and its impact on soil air and water.
- SDG 5: gender equality, economic empowerment of women
- SDG 13: climate action.

Where relevant, in addition to the objectives 1 to 6 listed above, Amethis will identify specific SDGs to which portfolio companies can contribute, and engage with them to strengthen their contribution and measure it in quantitative terms.



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.

Amethis applies the same standardized E&S and impact for all its new deals, allowing aggregation at a portfolio level. This approach is summarized in the figure below:

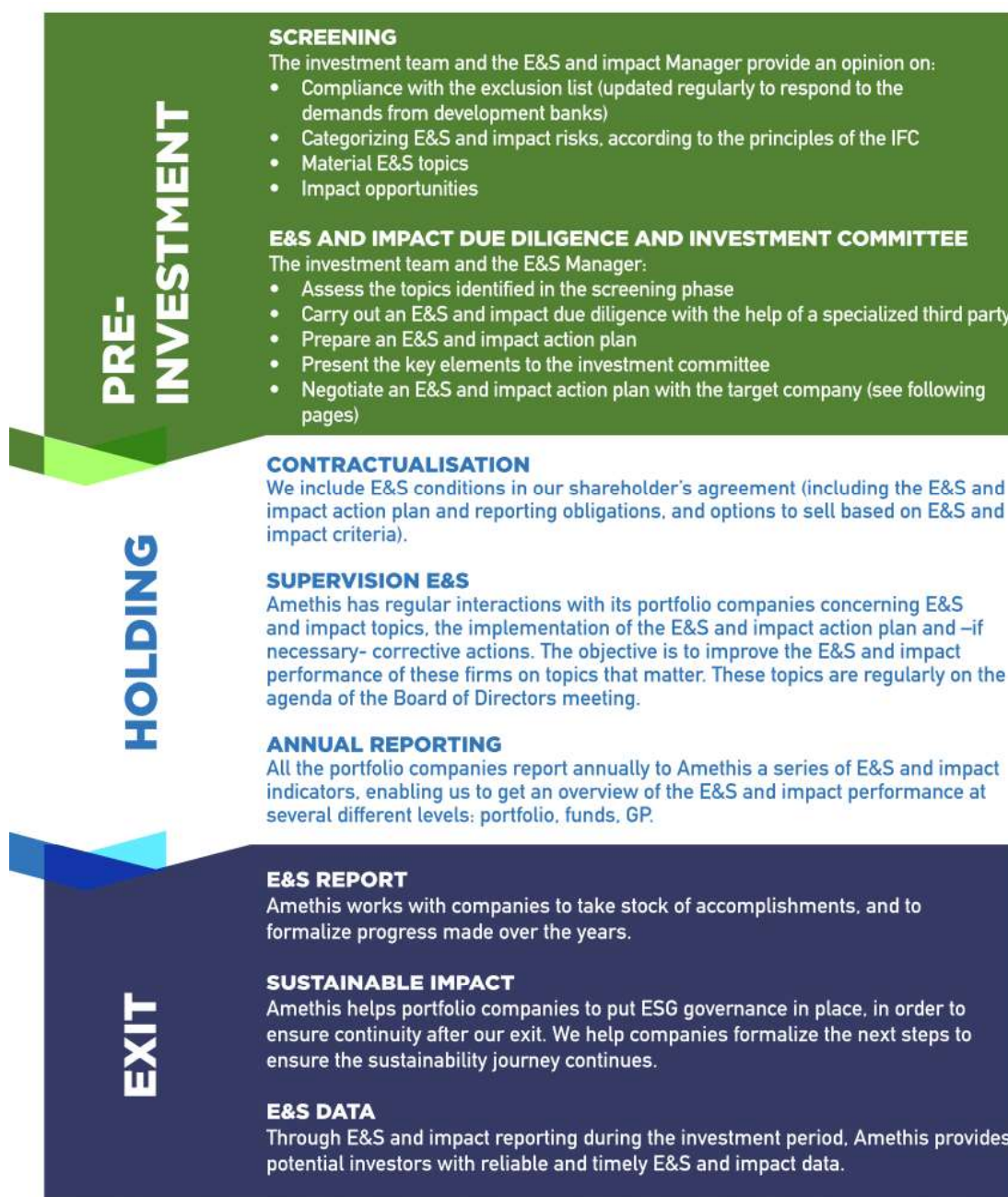


Figure 2 – E&S and impact integration within Amethis investment process

Impact results and indicators are measured for each investee annually. These results are then aggregated and reported at both the company and the portfolio level. A follow-up on both levels is communicated to investors annually.

Amethis is currently designing a variable remuneration policy that makes carried interest conditional on the achievement of portfolio social and environmental objectives.

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.

Amethis wants to have an additional approach, and we believe that many environmental and social issues would not be addressed by investors without our support.

Our contribution is achieved through the governance and structuring of E&S and impact matters that we put in place with each investee: setting formalized objectives signed by the investee in shareholder agreements, transparency requirements, requirement to have teams in charge of E&S and impact at investee level, and systematic discussion of E&S and impact at board meetings. This structured and engaging approach is generally new for the companies in which we invest, which are often small or medium-sized family businesses in Africa.

In addition to structuring E&S and impact organization within investees, we also introduce new social and environmental topics, which are not always addressed by the company before our investment. We try to systematically set qualitative and sometimes quantitative objectives (depending on the case) on gender, climate and employee health. Depending on the materiality of the topics for each specific company, we also work on initiatives such as safety at work, waste management, greening of products or services, training, supply chain, water management, etc.

After designing action plans and structuring the E&S topic within new investees, Amethis supports them in achieving their objectives. This is done through regular exchanges (several times a year), site visits, and ad hoc support depending on the specific needs of each investee. Amethis is working on the implementation of technical assistance budgets, which will allow us to regularly request the support of specialized service providers on topics such as climate, gender, sustainability of products and supply chains, etc.

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.

Amethis has a process for including E&S considerations at each stage of the investment process, including in ex-ante due diligence. We develop E&S action plans to set goals for each potential investee.

This process has now been completed by a systematic review of expected impact of each investment:

- The potential impact on our main impact topics (gender, climate, employee health, certifications) is formalized and shared with the investment committee, prior to the external due diligence



- During each due diligence, an assessment of each impact objective (including the four aforementioned and additional impact areas depending on the specific target company profile) is carried out and formalized using the IMP's Five Dimensions of Impact (see below).
- Impact action items are included in the E&S action plans of all new investees, and monitored during the holding period and until exit.

The IMP's Five Dimensions of Impact, used in all our new due diligences, are listed below:

Impact dimension	Impact questions each dimension seeks to answer
What □	<ul style="list-style-type: none"> - What outcome occurs in period? - How important is the outcome for the people (or the planet) experiencing it?
Who ○	<ul style="list-style-type: none"> - Who experiences the outcome? - How underserved are the affected stakeholders in relation to the outcome?
How much ≡	<ul style="list-style-type: none"> - How much of the outcome occurs -across scale, depth and duration?
Contribution +	<ul style="list-style-type: none"> - What is Amethis' contribution to the outcome, accounting for what would have happened anyway?
Risk Δ	<ul style="list-style-type: none"> - What is the risk to people and planed that impact does not occur as expected?

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.

The process to manage our E&S risks and negative impacts is presented on Figure 2. Key features of our E&S risk management system include:

E&S categories

We assess each potential investment against the environmental and social categories principles defined by the IFC³. These principles guide our approach to identifying and monitoring project risks and impacts. As part of this process, we categorise all our investments into one of three categories (A, B or C), and tailor an appropriate monitoring programme accordingly.

Category	Definition	Examples of projects	Supervision arrangements
Category A	Business activities with potentially significant adverse environmental or social risks and/or impacts that are diverse, irreversible or unprecedented.	<ul style="list-style-type: none"> - Building infrastructure - Waste management 	Monthly meetings, site visits every 6 months

³ [Environmental and Social Categorization \(ifc.org\)](https://www.ifc.org/Environmental-and-Social-Categorization)

Category B	Business activities with limited potential for adverse environmental or social risks and/or impacts that are few in number, generally sitespecific, largely reversible and easily addressed by mitigation measures.	<ul style="list-style-type: none"> - Processing of raw materials - Limited extension of commercial or industrial building 	Meetings every 3 months until the completion of the ESAP, site visits every 18 months
Category C	Business activities with minimal or no negative environmental or social risks and/or impacts.	Business services without building extension projects	Meetings every 6 months, site visits every 24 months

Exclusion list

We have adopted an exclusion list, which is systematically applied ex-ante. No investment is therefore possible in the excluded sectors. Any investment opportunities in these sectors would be excluded from the screening phase of analysis (companies involved in child labour, unsustainable fishing, production of racist content, tobacco, coal etc.). Our full exclusion list is available in our Environmental and Social Management System on our website.

Systematic E&S and impact due diligence

For all deals subject to preliminary analysis, Amethis contracts with an E&S due diligence provider. This due diligence, generally carried out in one to two months, aims at the following:

- Identify potential E&S impacts, risks and issues associated with a proposed investment project.
- Conduct a gap analysis to define areas of project non-compliance with the requirements of Amethis Responsible Investment policy, which include IFC's Performance Standards and the World Bank Environmental, Health and Safety (EHS) Guidelines, as well as host country regulatory requirements.
- Assess the commitment and capacity of the client to comply with requirements and standards, mitigate identified impacts and define corrective actions.
- Develop a draft E&S action plan to mitigate risks

E&S action plans

For each investment, we deploy an Environmental and Social Action Plan (ESAP), which aims to improve the environmental and social practices of the company. By implementing an ESAP with each holding, we contribute to:

- Formalizing the company's E&S procedure (drafting of policies, procedures, action plans)
- Strengthening the governance of subjects (appointment of E&S managers)
- Strengthening performance monitoring (structuring of reporting, transparency of practices to third parties)
- Improving E&S performance (regulatory compliance and adoption of best practices)

Options to sell based on E&S criteria

Progress against the Environmental and Social Action Plan is recorded in a document shared between Amethis and the stakeholder. The investment documentation includes provisions to protect Amethis in the event of non-achievement of the ESAP or significant E&S issues. These provisions may include, for example, punitive put options against the sponsor or majority shareholder.

The table below summarizes how we integrate E&S risks in our investment process. More information is available in our Environmental and Social Management System on our website.

Deal stage	ESG process
Screening and E&S categorization	For the initial review conducted by the deal team, the Sustainability Manager will provide a first opinion on: - Compliance with the exclusion list - Risk Categorization. This categorization is based on the categorization principles defined by the IFC.
Briefing	Presentation by the Sustainability Manager of 1. Compliance (or non-compliance) with the exclusion list 2. Risk categorization 3. Material topics to be further investigated during due diligence.
Investment committee 1	The Sustainability Manager will further investigate the material issues identified in the screening phase. Each material issue is assigned a priority level and a risk or opportunity rationale. Key expected outcomes of the E&S due diligence to be presented. Presentation to the investment committee.
Due diligence	Selection of a subcontractor specialized in E&S due diligences in the countries of intervention of Amethis. The basic scope of work covers at least: 1. local regulatory framework 2. IFC Performance Standards. An additional perimeter can be defined jointly between Amethis and the subcontractor according to the material issues identified at the screening stage, and added to this standard perimeter. Deliverables include a summary of the deviations from the standards and IFC PS, a remediation action plan, associated costs, and a remediation schedule.
Investment committee 2	After completion of the E&S due diligence, the E&S manager will provide the investment committee with: 1. A presentation of the E&S risks 2. axes of negotiation for the E&S action plan aiming either at mitigating E&S risks, achieving compliance, or exploiting a compelling opportunity. 3. a monitoring plan
Investment agreement	We incorporate appropriate E&S representations, warranties and covenants in the binding documentation between Amethis and the investee company.
Ownership and monitoring	During the ownership phase, we want to ensure that items of the ESAP are effectively implemented, and that the E&S performance of the company improves. Exchanges between Amethis and the company generally take place in three complementary forms: 1. Exchanges dedicated to E&S topics 2. Mention of E&S topics during general committees such as board meetings 3. Update of the ESAP Excel document. In addition, an annual reporting takes place: the company reports to Amethis a list of quantitative or qualitative indicators, on which Amethis communicates in turn to the LPs. Serious incidents or accidents (in particular fatalities) are immediately reported to Amethis by the company. Monitoring frequency depends on the categorization of the project. High-risk projects are monitored more frequently, while low-risk projects are monitored less frequently.
Exit	Amethis accompanies the company to synthesize the E&S work done during the years of joint work, and to define the next steps of post-sale work. The objective is to ensure that the E&S dynamics will continue after the departure of Amethis from the company's capital. In order to do so, Amethis works with the companies to set up a governance adapted to the management of E&S issues. This governance allows us to ensure continuity in the management of E&S issues, even after the departure of Amethis, and constitutes a strong added value of our participation.

Table 1 – E&S risk management in our investment process

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

The Manager shall use the results framework (referenced in Impact 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.

Amethis has a system in place to collect E&S data annually from all portfolio companies. This reporting campaign is used to monitor and measure progress on various E&S topics, and against ESAP items. Indicators collected

We have used this reporting process to recently incorporate impact indicators, such as:

- The percentage of women in the workforce and in the management
- The percentage of employees covered by a complementary insurance paid by the employer



- The number of quality/environmental/health and safety certifications/labels/standards obtained by investees
- GHG emissions

These indicators will now be monitored annually against objectives set in the E&S action plans. The list of indicators has been updated in February 2022, in order to collect harmonized information for all our investee companies. Amongst other purposes, these indicators are based on the following sources:

- Gender KPIs are based on 2X Challenged metrics.
- Negative impact indicators (social and environmental) are based on the European Commissions Principale Adverse Impacts list (PAI).
- Many indicators in our reporting template are based on indicators monitored by development finance institutions in their own reporting (IFC, BII, EBRD, Proparco etc.), hence these are indicators commonly used by development institutions.

In addition to this reporting process, we will be in regular contact with the investee companies, via telephone calls or site visits. We can also provide support to companies that wish to do so, either directly through our teams or indirectly through a specialized service provider.

Progress against impact objectives will be communicated regularly to investors through an E&S and impact report.

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.

Amethis accompanies the company to synthesize the E&S work done during the years of joint work, and to define the next steps of post-sale work. The objective is to ensure that the E&S dynamics will continue after the departure of Amethis from the company's capital. In order to do so, Amethis works with the companies to set up a governance adapted to the management of E&S issues. A strong E&S governance allows to ensure continuity in the management of E&S issues, even after the departure of Amethis.

All E&S work, including E&S reporting, E&S action plan and any other relevant document is shared with potential investors to inform them about the E&S characteristics of the company.

Amethis is currently designing an Exit IC Template informed by BII's Investment Cycle ESG Exit Guidance. This includes consideration of how progress on E&S topics achieved during the holding period will enable the investee to continue improving post-exit.

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.

Amethis regularly reviews the E&S performance of its investments against E&S action plans, in quarterly meetings and periodic training sessions. This allows us to detail investment-specific lessons learned and identify areas of improvement for the following year.

Amethis is developing a template for evaluating impact performance, explicitly comparing expected and actual impact performance at the portfolio level, to identify areas for improvement and inform future investment and portfolio management decisions.

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.

Amethis will publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles. This disclosure statement will be updated to reflect any improvements and changes made to our impact management system. An independent verification will be carried out every two years.

Amethis underwent a third-party verification of its alignment with the Impact Principles in July 2022. We engaged BlueMark, a Tideline company, to undertake an independent verification of the alignment of Amethis' impact management system for Amethis with the Operating Principles for Impact Management. BlueMark's assessment findings cover both areas of strength and areas for improvement.



Verifier Statement

Independent Verification Report

Prepared for Amethis, 10/10/22

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Amethis engaged BlueMark to undertake an independent verification of the alignment of Amethis' impact management (IM) system with the Impact Principles. Amethis' assets under management covered by the Impact Principles (Covered Assets) totals \$855 million², for the period ending 09/2022.

Summary assessment conclusions

BlueMark has independently verified Amethis' extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: Amethis has defined strategic objectives for its funds and identifies the SDGs to which it aims to contribute. To further align, Amethis should more explicitly define a Theory of Change, distinguish between impact and ESG objectives and draw on industry frameworks to support the classification of their objectives and a clearer articulation of their impact approach.

Principle 2: Amethis manages the achievement of E&S goals on a portfolio basis and reviews performance using a dashboard of key KPIs. To further align, Amethis should establish practices to support the management of performance against impact targets linked to selected SDGs and ensure the targets in the impact-linked carry programme they are currently designing incentivise impact performance beyond what it would otherwise have been.

Principle 3: Amethis actively engages with portfolio companies and provides technical assistance to support progress on identified E&S issues. To further align, Amethis should further document the specific contribution strategies it employs and articulate its intended non-financial contribution as part of the ex-ante assessment process.

Principle 4: Amethis assesses E&S risks ex-ante and develops Environmental and Social Action Plans (ESAPs) to set improvement goals for each investee. Amethis should continue to develop and implement its new process for assessing expected impact ex-ante using the IMP's Five Dimensions as a foundational framework.

Principle 5: Amethis has developed a robust ESG risk management system and identifies risks ex-ante via externally commissioned due diligence and internal screening. Investments are categorised based on their risk, with the frequency and rigour of monitoring based on this. Progress against ESAPs occurs regularly and is discussed at portfolio review meetings.

Principle 6: Amethis collects E&S data from portfolio companies annually to measure progress against ESAPs. To further align, Amethis should build out its process to include the monitoring of actual vs. expected impact against standardised KPIs.

Principle 7: Amethis is currently developing an Exit IC Template which includes consideration of how progress on E&S topics enables investees to continue improving post-exit. To further align, Amethis should establish a process for considering how impact will be maintained beyond each investment's holding period.

Principle 8: Amethis regularly reviews the E&S performance of investments against ESAPs and documents lessons learned on an ad hoc basis. To further align, Amethis should develop a process for evaluating impact performance and systematically document and share learnings to improve operational processes and investment decision-making.

¹ Principle 9 states that signatories "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."

² Assets under management figure as reflected in Amethis Disclosure Statement as of 06/30/2022. BlueMark's assessment did not include verification of the AUM figure.

Verifier Statement

Independent Verification Report

Prepared for Amethis, 10/10/22

Assessment methodology and scope

Amethis provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark's work was limited to processes in place related to the Covered Assets as of June 2022. BlueMark's assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.³

BlueMark's full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark's proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system's design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Amethis staff responsible for defining and implementing the IM system;
3. Testing of selected Amethis transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Amethis, outlining areas of strong alignment and recommended improvement, as well as BlueMark's proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Amethis in accordance with the agreement between our firms, to assist Amethis in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Amethis to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Amethis' alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Amethis for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognised leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

³ The scope of BlueMark's assessment procedures does not include the verification of the resulting impacts achieved. BlueMark's assessment is based on its analyses of publicly available information and information in reports and other material provided by Amethis. BlueMark has relied on the accuracy and completeness of any such information provided by Amethis. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from Amethis.