AMETHIS

DISCLOSURE STATEMENT

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

2023
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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 the following Amethis funds 92.9% of Amethis’ total assets under management, which totaled at EUR 1.1 billion\(^1\) as of 30\(^{th}\) June 2023 and are divided across the following six funds:

1. Amethis Fund I
2. Amethis Fund II
3. Amethis Fund III
4. Amethis MENA Fund I
5. Amethis MENA Fund II
6. Amethis Europe Expansion

Luc Rigouzzo, Managing Partner

Laurent Demey, Managing Partner

30/09/2023

\(^1\) USD 1.15 billion
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. **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.

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**Figure 1 – Overview of the Operating Principles for Impact Management**

1. Define strategic impact objective(s), consistent with the investment strategy.
2. Manage strategic impact on a portfolio basis.
3. Establish the Manager’s contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage potential negative impacts of each investment.
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
7. Conduct exits considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
9. Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.
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 ESG risks and material negative impacts of their activity.**

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

**PILLAR 1**
Investing in companies whose primary objective is to provide quality goods and services to African consumers

**PILLAR 2**
Improving the social and climate performance of portfolio companies, incl.
- i. Gender equality
- ii. Employee healthcare coverage
- iii. Climate efficiency

**PILLAR 3**
Managing E&S risk and negative impact

In doing so, we follow [France Invest’s definition](#) of what a thorough impact investment approach is:

**Intentionality**
- Strong intention to contribute to measurable social and environmental benefits
- This intention concerns all of the fund’s investments and occurs at the time of the investment decision (therefore ex-ante)

**Additionality**
- It is the specific and direct contribution of Amethis which enables the invested company to increase its positive impact
- Additionality answers the question: if the company had not been funded by Amethis in particular, what would be the difference?

**Impact Assessment**
- This is the assessment of the social and/or environmental externalities of investments against the intended impact objectives
- The assessment can be qualitative or quantitative and its results are communicated to investors

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

- SDG 1: eliminate poverty and establish social protection systems,
- SDG 5: gender equality, economic empowerment of women,
- 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 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 ESG and impact for all its new deals, allowing aggregation at a portfolio level. This approach is summarized in the figure below:

**Figure 2 – ESG 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.
For its latest fund (Amethis Fund III) Amethis has designed a variable remuneration policy that makes carried interest conditional on the achievement of portfolio social and environmental objectives. The payment of a part (“ESG-linked pocket”) of the carried interest to the holders is conditional on the achievement of an ESG-linked ratio. This ratio depends on the achievement of ESG characteristics of the portfolio. The higher the share of ESG characteristics achieved, the higher the ratio. Two thresholds are set for the ESG-linked ratio:

- If the ratio reaches or exceeds 80%, Amethis retains the entire ESG-linked pocket.
- If the ratio is below 50%, Amethis donates the entire ESG-linked pocket to an association involved in the ESG topics targeted by the mechanism.

To ensure that this mechanism is consistent with Amethis' overall impact approach, objectives are set amongst the central themes of our strategy: management of social and environmental risks, economic inclusion of women, carbon efficiency, certifications / labels / recognized initiatives demonstrating the quality of companies' processes / products / services, health cover for employees of portfolio companies.

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, social and governance issues would not be addressed by investors without our support.

Our contribution is achieved through the governance and structuring of ESG 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 ESG and impact at investee level, and systematic discussion of ESG 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 ESG and impact organization within investees, we also introduce new ESG 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 topics like gender, carbon efficiency, certification / labels / comparable initiatives, 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 ESG topic within new investee companies, 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 has also set up technical assistance budgets, which allow us -with the support of development finance institutions- to mobilize qualified service providers to the benefit of portfolio companies of Amethis Fund II, Fund III, and MENA Fund II on topics such as ESG risk management, 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 ESG considerations at each stage of the investment process, including in ex-ante due diligence. We develop ESG action plans to set goals for each potential investee.

This process is completed by a systematic review of expected impact of each investment:

- The potential impact on our main impact topics (gender, climate, employee health, certifications / labels / comparable initiatives) 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 ESG 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:

<table>
<thead>
<tr>
<th>Impact dimension</th>
<th>Impact questions each dimension seeks to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What □</td>
<td>- What outcome occurs in period?</td>
</tr>
<tr>
<td></td>
<td>- How important is the outcome for the people (or the planet) experiencing it?</td>
</tr>
<tr>
<td>Who O</td>
<td>- Who experiences the outcome?</td>
</tr>
<tr>
<td></td>
<td>- How underserved are the affected stakeholders in relation to the outcome?</td>
</tr>
<tr>
<td>How much Ξ</td>
<td>- How much of the outcome occurs - across scale, depth and duration?</td>
</tr>
<tr>
<td>Contribution +</td>
<td>- What is Amethis’ contribution to the outcome, accounting for what would have happened anyway?</td>
</tr>
<tr>
<td>Risk Δ</td>
<td>- What is the risk to people and planed that impact does not occur as expected?</td>
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As explained in section 2, for Amethis Fund III, a part of the carried interest is linked to the achievement of some of the impact objectives listed above.

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 ESG risks and negative impacts is presented on Figure 2. Key features of our ESG risk management system include:
ESG categories

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Examples of projects</th>
<th>Supervision arrangements</th>
</tr>
</thead>
</table>
| Category A | Business activities with potentially significant adverse environmental or social risks and/or impacts that are diverse, irreversible or unprecedented. | - Building infrastructure  
- Waste management | Monthly meetings, site visits every 6 months |
| Category B | Business activities with limited potential for adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible and easily addressed by mitigation measures. | - Processing of raw materials  
- Limited extension of commercial or industrial building | Meetings every 3 months until the completion of the ESGAP, 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 labor, 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 ESG and impact due diligence

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

- Identify potential ESG 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 ESG action plan to mitigate risks.

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

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

Options to sell based on ESG 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 ESGAP or significant ESG issues. These provisions may include, for example, punitive put options against the sponsor or majority shareholder.

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

<table>
<thead>
<tr>
<th>Deal stage</th>
<th>ESG process</th>
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| Screening and ESG 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 ESG due diligence to be presented. Presentation to the investment committee. |
| Due diligence                       | Selection of a subcontractor specialized in ESG due diligence 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 ESG due diligence, the ESG manager will provide the investment committee with:  
  1. A presentation of the ESG risks  
  2. axes of negotiation for the ESG action plan aiming either at mitigating ESG risks, achieving compliance, or exploiting a compelling opportunity.  
  3. a monitoring plan |
| Investment agreement                | We incorporate appropriate ESG 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 ESGAP are effectively implemented, and that the ESG performance of the company improves. Exchanges between Amethis and the company generally take place in three complementary forms: 1. Exchanges dedicated to ESG topics 2. Mention of ESG topics during general committees such as board meetings 3. Update of the ESGAP 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 ESG 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 ESG 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 ESG issues. This governance allows us to ensure continuity in the management of ESG issues, even after the departure of Amethis, and constitutes a strong added value of our participation. |

Table 1 – ESG 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 ESG data annually from all portfolio companies. This reporting campaign is used to monitor and measure progress on various ESG topics, and against ESGAP items.

We have used this reporting process to 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/comparable standards obtained or achieved by investees,
- GHG emissions.

These indicators are monitored annually against objectives set in the ESG action plans.

In addition to this reporting process, we are in regular contact with investee companies, via telephone calls or site visits. We also provide support to companies, either directly through our teams or indirectly through a specialized service provider.

Progress against impact objectives are communicated regularly to investors through an ESG 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 ESG progress done during the years of joint work, and to define the next steps post-sale. The objective is to ensure that the ESG 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 ESG issues. A strong ESG governance allows to ensure continuity in the management of ESG issues, even after the departure of Amethis.

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

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 ESG performance of its investments against ESG 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 publicly discloses, on an annual basis, the alignment of its impact management systems with the Impact Principles. This disclosure statement is updated to reflect any improvements and changes made to our impact management system.

Amethis underwent a third-party verification of its alignment with the Impact Principles in July 2022. British International Investment (“BI”) 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.

The next external audit will take place for our 2024 disclosure.