



# INOKS CAPITAL IMPACT FRAMEWORK

**POLICY DEVELOPMENT**  
2019

## **POLICY UPDATE**

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# 1 INTRODUCTION

INOKS Capital (“INOKS”) is an asset manager seeking the best interest for all stakeholders, both in terms of financial return and sustainability performance. To ensure the latter, INOKS has an Impact Strategy in place. This strategy outlines how INOKS aims to invest its capital responsibly by *doing good* (contributing to solutions that address specific sustainability challenges) and *doing no harm* (mitigating the negative effects of its investments on people and planet).

In order to adhere to the principles of the Impact Strategy in its daily operations, INOKS has implemented a set of policies, procedures and tools which are in turn structured in an Impact Framework.

The objective of the Impact Framework is to ensure conformity of INOKS’ activities by:

- Defining (national and international) standards INOKS adheres to;
- Formalising procedures outlining how INOKS’ principles and standards are implemented in practice throughout the full investment cycle;
- Outlining the tools that enable staff to apply the relevant standards consistently and correctly to all their transactions;
- Setting clear responsibilities for staff and management to operate and implement the Impact Framework.

In this document, INOKS’ Impact Framework is further explained in the following sections:

- *About INOKS Capital*: an introduction to INOKS and its key activities;
- *Impact Strategy*: a clarification of INOKS’ Impact Strategy and its key elements;
- *Do good*: explanation of principles, standards and tools INOKS has in place to achieve a positive impact;
- *Do no harm*: an explanation of principles, standards and tools to mitigate Environmental, Social and Governance (“ESG”) risks;
- *Implementation*: an explanation of the procedures to bring the Impact Strategy into practice;
- *Learning & improvement*: a description of activities to ensure continuous learning and improvement.

It is important to note that the principles, standards, tools and responsibilities as described in section ‘5. Do no harm’ as well as the implementation of that set as described in section ‘6. Implementation’ correspond with the building blocks of a so-called Environmental & Social Management System (ESMS). Please refer to these sections to see how INOKS incorporates the environmental and social risk management standards of its investments.

## 2 About INOKS Capital

**INOKS Capital is an independent asset manager of collective investment schemes, prudentially regulated by FINMA and headquartered in Geneva, Switzerland.**

INOKS' mission is to provide substantial and resilient wealth creation for stakeholders by impact investing in sustainable commodities (agriculture, food, renewable energy, recycled metals) value chains. INOKS' vision is to become the market leader by adapting how capital is most efficiently channelled to the real economy using both innovation and its values (rigor and excellence, team work, integrity).

Since its inception in 2004, INOKS channels capital for growth to companies ranging from SMEs to Majors with a high focus on Emerging Markets through managed collective investments schemes (Ancile Fund Lux SICAV-FIS and Ancile Fund Cayman) and segregated portfolios.

In April 2022, INOKS Capital launched the Africa-focused Ancile Trade Access Program ("TAP") Sub-Fund, with initial capital of US\$ 25million from British International Investment (BII), the UK's development finance institution and impact investor. The mandate extends credit directly to SMEs and to alternative trade financiers ("ATFs"); trade-based services and products providers, including aggregators, e-commerce platforms, SME-focused banks, and non-bank financial institutions. Whilst the existing INOKS' Impact Framework caters for the direct SME borrowers targeted within this mandate, INOKS has adapted the ESG risk management system in order to adequately assess and mitigate ESG risks associated with INOKS' lending activities to ATFs.

INOKS understands that its fiduciary duty extends to seek the investment community's best interest considering economic and sustainability matters alike, allowing both views to work in aligned interest or synergy rather than being adverse. INOKS will therefore always seek to generate through an investment - on equal grounds - a real economic value generation and a tangible profit in sustainability provided the investment complies at any time with INOKS' ESG and Impact requirements.

INOKS, as a delegated asset manager of several funds managed according to its Impact and ESG strategy, complies with the 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 as amended by the Taxonomy Regulation (EU) 2020/852 of 18 June 2020. All Funds managed by INOKS Capital qualify as Article 9 SFDR.

### 3 Impact Strategy

INOKS' Impact Strategy is to invest across (predominantly) emerging economies into companies in the commodity value chain that generate a positive impact, in order to contribute to sustainable commodity markets worldwide.

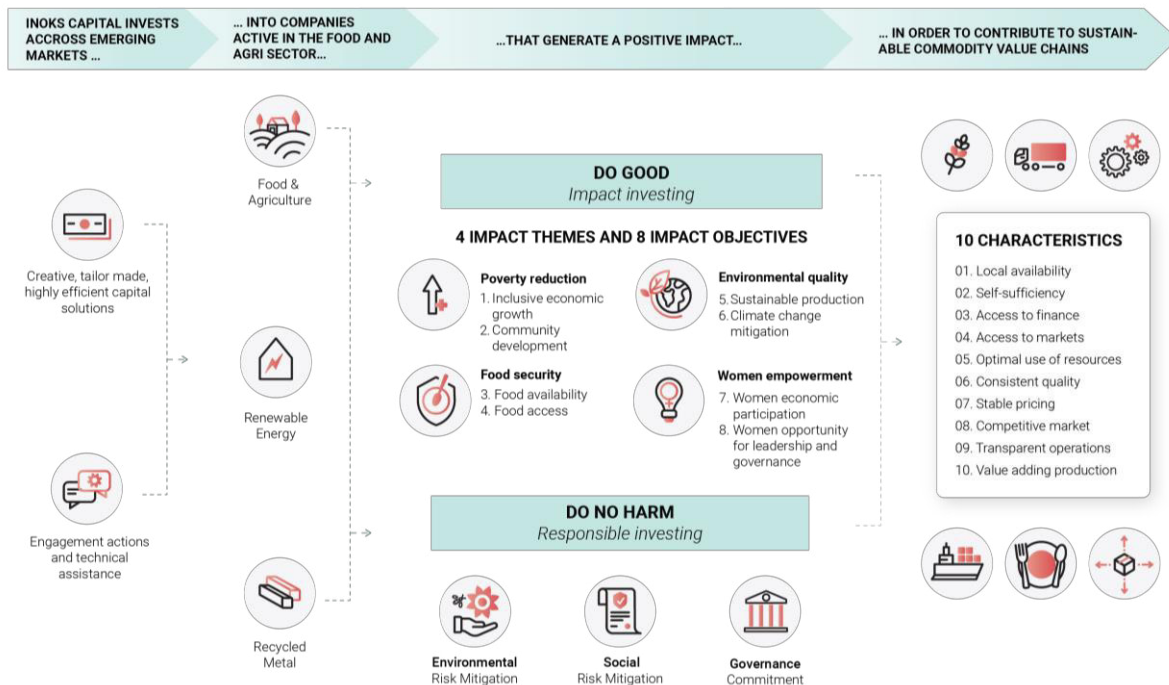


Figure 1. INOKS' Theory of Change

Each of the elements depicted in Figure 1 are further described below.

#### *INOKS invests across emerging economies...*

INOKS offers highly efficient capital solutions that are bespoke and adapted to the real needs of (predominantly emerging market) companies or Alternative Trade Financiers/Aggregators (as part of the Africa-focused Ancile Trade Access Program "TAP") which aim to sustain and/or support sustainable local business growth.

#### *...into companies in the commodity value chain...*

INOKS provides capital to non-speculative commodity value chain participants with a high focus on agriculture and food and selected interventions in the energy and metal sectors.

#### **Agriculture and Food – Main investment sector**

Global food security constitutes one of the main important challenge of this century given a growing population to feed and climate change risks degrading agriculture productivity, food availability and quality. To tackle this challenge, INOKS has the capacity to intervene at each segment along the agricultural value chain and support companies involved in value-adding activities such as production, aggregation, processing, conditioning, transport and distribution that contribute to the development of sustainable agriculture and food markets.

## Energy (subsistence and renewable) – Selected interventions

In emerging markets, energy supply infrastructures remain poor leading to unreliable access to electricity. By helping energy companies to provide reliable electricity from renewable sources, INOKS seeks to improve access to (cleaner) electricity for rural households. In addition, the wide use of toxic fuels is a major concern: fuels with high sulphur content are increasing air pollution from transport and have serious consequences for public health. INOKS supports energy companies in producing higher standard fuels, to reduce those environmental effects of transportation.

## Metal (recycled and efficient) – Selected interventions

Metal is an integral component of our global economy by being connected to almost all industries. Yet, actions are required to shift the industry toward better sustainability practices. INOKS invests in metal companies that maximise production efficiency (high level of metal recovery, optimised use of resources, reduced energy use and emissions) and adhere to strict environmental standards and/or companies that leverage innovative processes such as recycling and circularity into their business models to avoid resources depletion.

*... that generate a positive impact...*

Within its three focus sectors of agriculture, energy and metal, INOKS seeks to select those companies that can generate a positive impact. This means that companies are only eligible for financing if they contribute to addressing specific sustainability challenges (ergo they *do good*) and they commit to mitigating the negative environmental or social impact of their operations (ergo they *do no harm*).

## Do good

INOKS believes that efficient and innovative companies in the commodity value chains have strong potential to help solve some of the most pressing sustainability challenges that our world is facing. With this logic in mind, INOKS selects companies that contribute to solutions in one of the following areas:

1. *Poverty reduction*: the company's activities, products or services contribute to (i) the reduction of individuals living below national poverty line; and/or (ii) building the resilience of the poor and those in vulnerable situations through productive employment and decent work, safe and secure working environment;
2. *Food security*: the company's activities, products or services contribute to (i) increasing food availability through improved agricultural productivity, local and efficient food production systems and increased level of food trade; and/or (ii) strengthening food access; and/or; and/or (iii) ensuring sustainable food production systems and implementing resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaption to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality;
3. *Environmental quality*: the company's activities, products or services contribute to (i) improving business capacity on climate change mitigation; and/or (ii) achieving the sustainable management and efficient use of natural resources: and/or (iii) reducing waste generation through prevention, reduction, recycling and reuse.
4. *Women empowerment*: the company's activities, products or services contribute to (i) increasing women's full and effective economic participation (at both company and value chain levels); and/or (ii) ensuring women's equal opportunities for leadership at levels of decision-making; and/or (ii) ensuring women's equal opportunities for ownership.

More details on INOKS' principles, standards, tools and responsibilities with regards to impact management are provided in Section 4.

## Do no harm

At the same time, economic activity also brings a risk of harmful effects on the environment and/or society. Yet there are ways to mitigate, and sometimes even eliminate, these risks by operating a company in a sustainable way. INOKS selects the companies it works with based on environmental, social and governance standards they adhere to and the commitment they show to further improve their performance in the following areas:

- *Environmental & social risk mitigation:* the commitment and capacity of a company to mitigate its negative social risks and environmental footprint through greenhouse gas emissions reduction, waste management and energy efficiency as well as its adherence to human rights, labour standards, and health & safety regulations.
- *Corporate governance:* the company's commitment and capacity to ensure strong business ethics and international standards regarding transparency, accountability, responsibility and fairness in its operations.

More details on INOKS' principles, standards, tools and responsibilities with regards to ESG risk management are provided in Section 5.

### *... in order to contribute to sustainable commodity markets worldwide.*

In the long term, INOKS wants to help the commodity value chains it supports to become mature and efficient markets that make a positive difference in the world based on the following characteristics:

1. *Self-sufficiency:* countries are self-sufficient in meeting the commodity demand of their population;
2. *Competitiveness:* multiple companies compete to meet consumer demand;
3. *Optimal use of resources:* companies efficiently use human and natural resources;
4. *Access to finance:* companies have access to financial resources to sustain/grow their business;
5. *Access to markets:* all actors across the value chain are well integrated into markets;
6. *Local availability:* commodity products are available on the local market;
7. *Consistent quality:* quality of commodity products is reliable and constant;
8. *Stable pricing:* prices of commodities do not experience high fluctuation;
9. *Value adding production:* production activities are adding value to local markets;
10. *Transparency:* relevant market information (prices, production, weather, trade, consumption and stocks) is available to enhance market efficiency and reduce unfair trading practices.



## 4 Do good: principles, standards and tools for managing impact

INOKS Capital carefully assesses the positive impact that companies can make and selects those companies that can deliver the strongest contribution to its impact strategy.

### 4.1 Principles

Beyond the financial criteria that it applies to its investment selection, INOKS uses two explicit 'do good' principles to decide if it wants to engage with a prospective investee; a short-term and a long-term one.

**A company generates positive impact on INOKS' impact areas by the nature of its products, services or activities**

For a prospective investee to be eligible for financing, it should prove that – by the nature of its products, services or activities – it contributes to at least one of INOKS' four impact areas:

- Poverty reduction;
- Food security, or;
- Environmental quality, or;
- Women Empowerment

**A company offers solutions to help achieve sustainable commodity value chains worldwide in the long term**

As a second eligibility criterion, a prospective investee should be able to show how its nature of business (again products, services or activities) positively contributes to the transformation towards a sustainable commodity value chain (*e.g. relocation of processing activities in the country of production, etc.*).

### 4.2 Standards

#### The Operating Principles for Impact Management ("The Principles")

INOKS Capital has been one of the first 75 early adopters of the Operating Principles for Impact Management in September 2019. The Principles are intended to be a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle (Figure 2). INOKS Capital implements the nine principles throughout its *Do Good* Strategy and *Do no Harm* Strategy (the latter being addressed via principle 5). INOKS' Independent Verification and Disclosure Statement can be found on INOKS' [website](#).

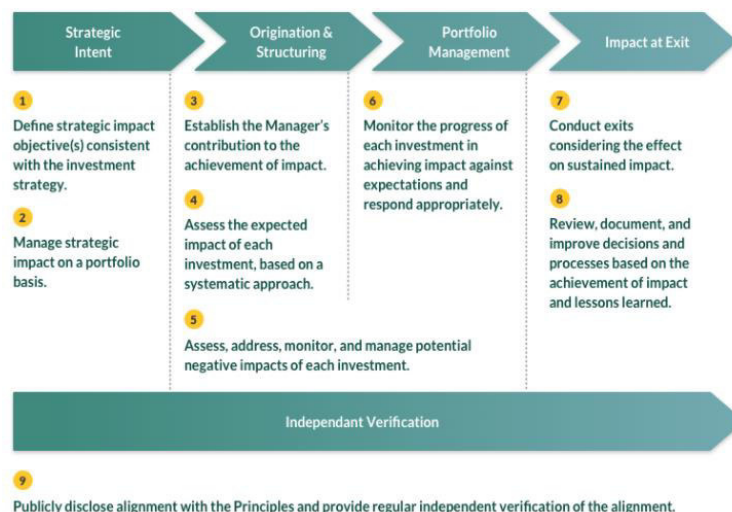


Figure 2. The 9 Operating Principles for Impact Management

## The Sustainable Development Goals

The Sustainable Development Goals (SDGs) are the universally recognised framework to combat poverty, climate change as well as other pressing global sustainability issues. INOKS will report the achievements of its own operations as well as those of investees on impact in alignment with the SDGs. Figure 3 shows how INOKS' four impact themes are linked to the SDGs and their targets, while Table 1 provides more details on INOKS' contribution to each SDG.

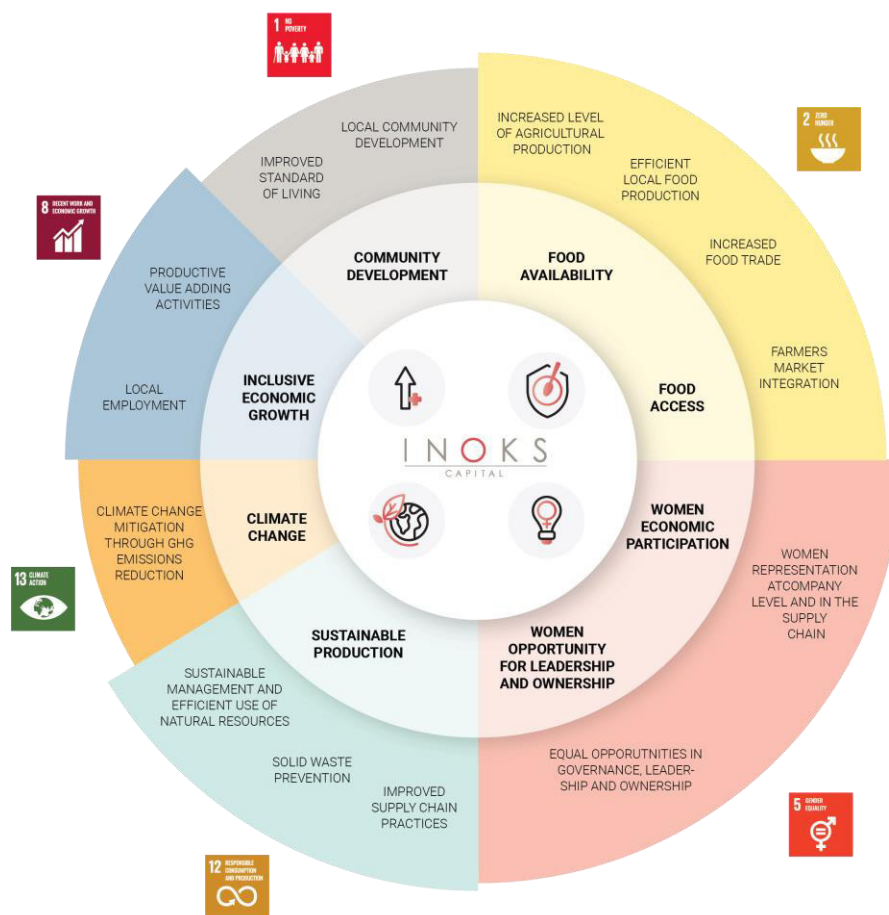



Figure 3. Link between INOKS' impact themes, strategic goals & outcomes and the SDGs

Table 1: INOKS' contribution per SDG target

SDG	TARGET	INOKS' CONTRIBUTION
	<b>1.2:</b> By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	<p>Support companies that promote local value-adding activities, generate local employment and offer decent work to enhance the livelihood of low-income household.</p> <p>Help local organisations that employ small-scale food producers directly or indirectly in their value chains and have a mechanism, policy or certification that seeks to ensure that smallholder farmers are paid a fair price for goods, services, and/or crops supplied to the company.</p> <p>Support companies that participate in community development programs.</p>



**2.1:** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

Finance local food production and processing companies to raise national production and contribute to countries' self-sufficiency.

Increase local and global markets access to safe and nutritious food by supporting sustainable trade.

**2.3:** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

Finance companies in agricultural value chains to create a strong and sustainable food system where smallholder farmers are well integrated and empowered to transition away from subsistence farming.

**2.4:** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Require and support companies to improve their operations, implement sustainability standards and sustainable agricultural practices to enhance soil quality and food production, while building strong capacities to manage climate change effects.



**5.1:** End all forms of discrimination against all women and girls everywhere.

Raise awareness on gender issues by evaluating investees' gender practices and discussing identified issues with management.

**5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Promote gender balance amongst employees, executive management and at supply chain level on both quantitative and qualitative aspects taking into consideration the nature of the investee's activity as well as the country's socio-economic context.

Promote women ownership by increasing the number of portfolio companies that are women-owned.



**8.1:** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries

Help companies to sustain and/or boost local business growth and employment opportunities.

**8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Provide financial support to small and medium companies in emerging markets, through efficient and tailored capital solutions, that may otherwise struggle to obtain financing from traditional banking systems to develop their local activities.

**8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Require and support companies to meet decent work standards and/or improve their policies and practices; support companies that promote and/or seek to improve equal opportunities (e.g. non-discrimination and equal opportunities policies, fair income, social protection, average working hours, personal development and training programs, women in managerial position, etc.).

	<p><b>8.8:</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<p>Put in place a thorough assessment of companies in order to ensure that at least fundamentals of labour standards are implemented before investment (e.g. security in the work place, HR policy and terms of employment, provision of PPE, grievance mechanisms, etc.).</p> <p>Push companies to go beyond the fundamentals and develop best practices standards.</p>
	<p><b>12.2:</b> By 2030, achieve the sustainable management and efficient use of natural resources</p>	<p>Support companies that implement energy, material and water conservation measures.</p>
	<p><b>12.5:</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p>Support companies that take measures to reduce wastes and develop efficient waste management systems.</p>
		<p>Finance business models based on recycling and circularity.</p>
	<p><b>13.1:</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p>Invest in low-carbon activities to reduce GHG emissions and support transition toward renewable and cleaner energies.</p>
	<p><b>13.3:</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<p>Educate companies on sustainability risks and opportunities through sustainability check and technical assistance.</p>

## IRIS+

INOKS has based some of its impact indicators on IRIS+ metrics which is the generally accepted system for measuring, managing, and optimizing impact.

## 2X Challenge Criteria

INOKS uses the 2X Challenge Criteria to qualify an investment and/or company as women supporting, women-led, women-owned.

## EU Regulatory Framework (SFDR and Taxonomy)

INOKS relies on Regulatory Technical Standards (RTS) from European Supervisory Authorities (ESAs) with regards to content, methodology and presentation of SFDR disclosures both at entity level and at product level.

The EU Taxonomy regulation framework is also used as part of the Impact Assessment to assess the investments' performance on EU Taxonomy objectives.

## 4.3 Tools

INOKS uses numerous instruments to manage impact throughout different stages of its investment cycle. The most important tools used are:

1. *ESG/Impact pre-screening checklist:* This checklist allows INOKS to check that a potential investee complies with its Impact and ESG principles and to get an initial estimation of (a) the potential positive impact of a prospective investee on INOKS' impact areas; (b) the investee's ESG risk pre-classification (based on inherent and contextual risks). The outcome of this estimation determines a prospective investee's eligibility for financing. The ESG/Impact pre-screening checklist is used at origination.
2. *Impact Questionnaire:* This questionnaire goes beyond the estimation of potential impact and helps

quantify the actual impact performance of a company – either based on current production or future capacity figures. This questionnaire is used at due diligence.

3. *Impact Due Diligence tool and Impact Scoring*: This Due Diligence tool allows to review and analyse data collected through the Impact Questionnaire. This tool also includes an *Impact Scoring* which rates the level of impact contribution of a prospective investee across INOKS' four impact themes as well as computes the investee scores to the Sustainable Agriculture Index and Climate Change Mitigation Index. The outcome of this tool informs INOKS' opinion regarding a prospective company's impact level and its potential to improve in the future.
4. *Impact Factsheet*: The impact factsheet is used to formalize the ex-ante impact analysis of the potential investee. This factsheet is produced at due diligence.
5. *Impact Plan*: This plan is used to describe the measures that the prospective company needs to take in order to achieve the impact that INOKS deems necessary and feasible. The plan is used at contracting.
6. *ESG/Impact Letter*: This is a formal agreement between INOKS and the investee stipulating the measures that the company is committed to take. The ESG/Impact Letter is part of the legal loan documentation and formalized during contracting.
7. *Impact/ESG Monitoring Questionnaire*: This questionnaire is sent on an annual basis to collect input from the investee, track and analyse its E&S impact and report on the investee's impact performance as well as the funds' achievements across INOKS' impact themes.
8. *Impact Monitoring tool*: This monitoring tool allows to review and analyse data collected through the Impact Monitoring Questionnaire.
9. *Impact Management Tool*: in 2019, INOKS developed a proprietary monitoring tool aiming at centralizing all Impact and ESG data. It enables to better track/monitor the evolution of INOKS' counterparties impact/ESG performance over the years, follow-up on engagement actions and assess INOKS' contribution and additionality.
10. *Impact Report*: Both at the level of individual loans and aggregated portfolio level, INOKS tracks and reports the achievements on impact performance on an annual basis. This report is produced during post-investment monitoring.
11. *EU Regulation disclosures tools*: set of excel tools allowing to compute and report on the proportion of sustainable investments (with E&S objectives), compliance with pre-contractual limits, key sustainability indicators, Principal Adverse Indicators, alignment with EU Taxonomy.

## 4.4 Responsibilities

INOKS has formally appointed three permanent assignees for impact management: one impact analyst, and two impact managers delegated from Senior Management. Other non-permanent roles are assigned to other staff. The responsibilities with the INOKS team are further described below.

FUNCTION	RESPONSIBILITIES
<b>Permanent Assignees</b>	
Impact Analyst	<ul style="list-style-type: none"> <li>Collect data and necessary documentation (such as certificates, policies) in conjunction with Business Developers.</li> <li>Evaluate the ex-ante E&amp;S impact of a prospective investee and contribution to INOKS' four impact themes through a qualitative and quantitative (Impact Scoring / Impact Measurement Framework) analysis.</li> <li>Ensure that all investment decisions are supported by appropriate due diligence documentation, including, but not limited to, an Impact Factsheet, an Impact section in each Final Investment Approval ("FIA") and that the Conditions Precedent / Subsequent or Undertakings pertinent to E&amp;S impact, and an Impact Action Plan if any, prior to disbursement are part of the investment contractual documentation.</li> <li>Monitor and manage impact of INOKS' investments on an annual basis. Conduct analyses during</li> </ul>

	<p>and after the investment period (ex-post) to complement the ex-ante analysis and capture the impact generated throughout the investment period.</p> <ul style="list-style-type: none"> <li>• Monitor progress on the implementation of the impact action plan measures (if any).</li> <li>• Report on impact generated by INOKS' investments both at portfolio and counterparties' levels via the edition of the Annual Impact Report.</li> <li>• Identify, manage and monitor impact engagement initiatives. Coordinate Technical Assistance projects between TA beneficiary (INOKS investee) and TA delivery consultant/agent.</li> <li>• Document the procedures in INOKS' Impact Framework.</li> <li>• Contribute to the implementation of the EU Regulatory Framework (SFDR and EU Taxonomy), produce required disclosures.</li> </ul>
Impact Manager	<ul style="list-style-type: none"> <li>• Oversee Impact management and implementation of Impact Framework.</li> <li>• Manage resources (budget and staff) for Impact management and training.</li> <li>• Ensure that there are adequate resources to fulfil Impact requirements.</li> </ul>
Impact Committee	<ul style="list-style-type: none"> <li>• INOKS Impact Committee brings together independent members as well as members from INOKS' top management. The Impact Committee's missions are to: <ul style="list-style-type: none"> <li>- provide advice to INOKS on emerging trends and best practices, and</li> <li>- bring impact knowledge and sector specific expertise</li> </ul> </li> </ul> <p>Through these missions, the IC aims to enhance INOKS' impact by promoting innovative financing approaches as well as rigorous impact measurement and management techniques.</p>
<b>Non-Permanent Assignees</b>	
Business Developer	<ul style="list-style-type: none"> <li>• Screen for potential investees along guidelines defined by INOKS' impact investment principles (<i>Do Good</i> principles) supported by (i) the Systematic Sourcing Database which incorporates the Country-Commodity value chain E&amp;S impact assessment combination (High Impact Areas "HIAs") and (ii) the Impact/ESG checklist that captures <i>potential</i>/impact first estimation.</li> <li>• Follow-up with the investee on the ICPTs (INOKS Capital Proprietary Tools) delivery to acquire the compulsory Impact data.</li> <li>• Conduct on-site due diligence.</li> <li>• Support the impact analyst in negotiating with the investee in the adoption and implementation of possible impact measures.</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>• Decide whether to proceed with a transaction after receiving conclusions from impact analyses and due diligence documentation.</li> </ul>
Legal Manager	<ul style="list-style-type: none"> <li>• Ensure that INOKS' Impact requirements are incorporated in legal agreements.</li> </ul>
Risk Manager	<ul style="list-style-type: none"> <li>• Proceed to 2nd level-controls of the ESG/Impact due diligences and monitoring on a quarterly basis.</li> <li>• Control investment decision consistency related to the ESG/Impact warning flags raised.</li> <li>• Follow-up on Impact/ESG warnings.</li> <li>• Monitor SFDR-compliance checks related to proportion of sustainable investments (as indicated in pre-contractual disclosure) on a monthly basis.</li> </ul>

## 5 Do no harm: principles, standards and tools for managing E&S risks

**INOKS Capital engages with companies to mitigate the negative environmental and social effects of their operations and improve their corporate governance practices**

### 5.1 Principles

When it comes to the negative effects of a company and the mitigation of these effects, INOKS applies the following principles to judge if a company is eligible for financing.

**A company does not develop any activities mentioned in the Exclusion List**

INOKS does not provide financing to companies with activities listed in INOKS' Exclusion List and, for the TAP, additionally those within BII's List of Excluded Activities.

**A company is in compliance with the Environmental, Social and Governance (ESG) standards of INOKS**

INOKS requires all companies to comply with its ESG Standards, which include the IFC Performance Standards and IFC Corporate Governance Guidelines as well as applicable local, provincial, and national laws and regulations on environment, health, safety, social and corporate governance issues.

**A company is committed and capable to mitigate its negative environmental and social effects**

INOKS seeks to work with companies operated by a team that has the willingness, knowledge and skills to reduce the company's environmental footprint, increase quality and safety of working conditions and improve corporate governance practices. INOKS also encourages companies to operate in accordance with good international industry practices.

### 5.2 Standards

INOKS evaluates prospective investees against all applicable local laws on environment, health and safety as well as the IFC Performance Standards and Corporate Governance Guidelines. Any red flag will stop the process.

**Regulatory framework**

INOKS requires companies to comply with all local legislation or international treaties applicable to its operations in the following areas: (i) environment protection, (ii) climate change and pollution, (iii) waste management and effluent criteria, (iv) social Laws – Labour Act, Employment, OHS, Land Act, (v) natural resource protection, and (vi) biodiversity protection.

**IFC Performance Standards**

The IFC Performance Standards ("IFC PS") offer a framework for understanding and managing environmental and social risks for potential investment. The IFC PS encompass eight topics:

- PS 1:** Assessment and Management of Environmental and Social Risks and Impacts
- PS 2:** Labour and Working Conditions
- PS 3:** Resource Efficiency and Pollution Prevention
- PS 4:** Community Health, Safety, and Security
- PS 5:** Land Acquisition and Involuntary Resettlement
- PS 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS 7:** Indigenous Peoples
- PS 8:** Cultural Heritage



As part of its due diligence process, INOKS uses the IFC PS to identify and assess environmental and social risks associated with a prospective investee and its operations. If a specific IFC PS is triggered by the nature of the operation, INOKS will verify if the company complies with the performance criteria of that standard. In case of non-compliance with the identified IFC PS, INOKS can – depending on the severity of the issue – require the prospective investee to develop a corrective action plan for addressing the issue in a reasonable timeframe and stipulate this as E&S Condition Precedents and/or Subsequent Conditions in the loan contract. Although the IFC PS are a guiding framework for INOKS' environmental and social standards, it is important to note that its investee base also requires a practical approach given the characteristics of its companies and markets. INOKS therefore requires investees to improve operations through means that are appropriate to the nature and scale of their operations and commensurate with the associated environmental and social risk.

### **IFC Corporate Governance Methodology**

The IFC Corporate Governance Methodology is an approach to evaluate (and improve) the corporate governance of a company depending on its characteristics (size and ownership structure).

It includes the assessment of six key CG parameters:

1. Commitment to Environmental, Social, and Governance (Leadership and Culture)
2. Structure and Functioning of the Board of Directors
3. Control Environment
4. Disclosure and Transparency
5. Treatment of Minority Shareholders
6. Governance of Stakeholder Engagement

INOKS Capital ensures by this way that the company can:

- setup an internal structure enabling proper growth and ensuring long-term operations continuity.
- avoid reliance on key people threatening short to long term operations continuity (*e.g., share of responsibilities, complementary skills at management level, existence of a supervisory board*).
- mitigate corruption risks threatening business ethics and reputation (of both investee and investor) (*e.g., setup of internal controls, bank account separated to the founder account, non-financing of political campaigns*).

### **EU Regulatory Framework (SFDR and Taxonomy)**

INOKS relies on Regulatory Technical Standards (RTS) from European Supervisory Authorities (ESAs) with regards to content, methodology and presentation of SFDR disclosures both at entity level and at product level.

The EU Taxonomy regulation framework is also used as part of the ESG Assessment to ensure that no significant harm on any EU Taxonomy objectives is done (DNSH analysis).

### **Additional standards**

INOKS may agree with an investor, such on an ad-hoc or continuous basis, to additional standards of terms, conditions and obligations (the "ESG Additional Requirement(s)"). Any such agreement by INOKS would need to be contracted by the inclusion and clear definition of the ESG Additional Requirement(s) in a written contractual arrangement at least similar to an investment agreement or a service agreement or a private placement memorandum.

- **TAP mandate**

Due to the specificities of the investees within the mandate, INOKS has expanded its approach in order to adequately assess the activities of ATFs. INOKS evaluates the internal capacity of an ATF to identify and manage their exposure to the environmental and social risks of clients/investees.



ATFs are required to:

- Comply with all applicable laws and the ILO Fundamental Conventions
- Not finance or re-finance any borrower involved in activities included in BI's List of Excluded Activities

In addition to the standards listed above, when relevant, INOKS applies the IFC Performance Standards for Financial Institutions and IFC's Environmental and Social Management System (ESMS) Diagnostic Tool.

#### *IFC's Environmental and Social Management System (ESMS) Diagnostic Tool*

The IFC's ESMS Diagnostic Tool assesses nine key elements of a financial institution's Environmental and Social Management System and benchmarks it against IFC'S Performance Standard 1 and good market practices.

1. Environmental and Social Risk Management Policy
2. Environmental and Social Risk Management Due Diligence Process
3. Quality of Environmental and Social Due Diligence
4. Organisational Structure and Environmental and Social Function
5. Organisational Capacity and Staff Training
6. Supervision Procedure and Portfolio Review
7. Control Environment
8. Environmental and Social Indicators and Data
9. External Communications

Using this combination of methodologies and standards, INOKS assesses the ATF's internal systems and their ability to identify, manage and monitor ESG risks and opportunities across pipeline and portfolio.

This analysis, which is discussed with the potential investee, is used as the basis of monitoring and potential engagement actions at investment phase.

## 5.3 Tools

INOKS uses numerous instruments to manage ESG risks in portfolio throughout different stages of its investment cycle. The most important tools used are:

1. *ESG/Impact pre-screening checklist*: this checklist allows INOKS to check that a potential investee complies with its Impact and ESG principles and to get an initial estimation of (a) the potential positive impact of a prospective investee on INOKS' impact areas; (b) the investee's ESG risk pre-classification (based on inherent and contextual risks). The outcome of this estimation determines a prospective investee's eligibility for financing. The ESG/Impact pre-screening checklist is used at origination.
2. *ESG Questionnaires*: a number of versions of questionnaires have been produced in order to accommodate for different business models, activities and sizes. These questionnaires are used to at due diligence phase to help quantify the environmental and social issues and corporate governance risks related to the company's activities. They are also used to identify the gaps with the ESG standards that INOKS applies to its investments. The outcome of the questionnaires informs INOKS of the prospective company's ESG risk and the measures that it needs to take in order to comply with INOKS' lending requirements.
3. *ESG Rating Tools*: an Environmental and Social Risk Identification Tool ("ESRI") and a Corporate Governance Tool have been developed to measure the level of compliance of the investee with IFC Performance Standards and IFC CG Methodology, and is used to produce a final scoring according to IFC categorisation system (from Category A – high risk - to Category C - low risk). The ESRI Tool also goes further by providing granularity in terms of nature of the risk (policy/action/result), risk occurrence and value chain segment where the risk might occur.

4. *ESG Factsheets*: the ESG Factsheets are used to formalise the ESG risk classification: INOKS classifies the ESG risk level of a transaction based on the assessment of inherent and contextual risks and in alignment with the IFC Risk Categorisation Methodology.
5. *ESAP and CGAP*: This Environmental and Social Action Plan and Corporate Governance Action Plan are used to describe the measures that INOKS wants the prospective company to take in order to mitigate the negative effects of its operations and enhance governance practices. The plan is used at contracting.
6. *ESG/Impact Letter*: This is a formal agreement between INOKS and the investee stipulating the measures that the company is committed to take. The ESG/Impact Letter is part of the legal loan documentation and formalized during contracting.
7. *ESG Report*: For internal use, INOKS tracks and reports the ESG breaches of its counterparties on an annual basis. This report is produced during post-investment monitoring.
8. *Impact/ESG Monitoring Questionnaire*: This questionnaire is sent on an annual basis to collect ESG data from the investee, flag potential non-compliance with INOKS' standards and/or identify improvement actions.
9. *Impact Management Tool*: in 2019, INOKS developed a proprietary monitoring tool aiming at centralizing all Impact and ESG data. It enables to better track/monitor the evolution of INOKS' counterparties impact/ESG performance over the years, follow-up on engagement actions and assess INOKS' contribution and additionality.
10. *EU Regulation disclosures tools*: set of excel tools allowing to compute and report on proportion of sustainable investments (with E&S objectives), compliance with pre-contractual limits, key sustainability indicators, Principal Adverse Indicators, alignment with EU Taxonomy.

## 5.4 Responsibilities

INOKS has formally appointed four permanent assignees for ESG management: one ESG Analyst, one Compliance Manager and two ESG Managers delegated from the Senior Management. Other non-permanent roles are assigned to other staff. The responsibilities with the INOKS team are further described below.

FUNCTION	RESPONSIBILITIES
<b>Permanent Assignees</b>	
ESG Analyst	<ul style="list-style-type: none"> <li>• Screen a prospective investee against INOKS <i>Do No Harm</i> Principles and Standards.</li> <li>• Conduct E&amp;S risks due diligence. This includes: <ul style="list-style-type: none"> <li>(i) Collection and treatment of necessary E&amp;S documentation (such as information, certificates, authorizations) in conjunction with the Business Developers,</li> <li>(ii) Evaluate investee's compliance with Applicable Requirements (including IFC Performance Standards and IFC Corporate Governance Methodology)</li> <li>(iii) Categorise level of E&amp;S risk of a prospective investee</li> <li>(iv) Develop mitigation measure through the implementation of an ESAP and CGAP</li> <li>(v) On-site visits and report (if any)</li> <li>(vi) Preparation of ESG due diligence reports.</li> </ul> </li> <li>• Ensure that all investment decisions are supported by appropriate due diligence documentation, including, but not limited to, an ESG section in each Final Investment Approval ("FIA") and that the Conditions Precedent / Subsequent or Undertakings pertinent to ESG, and an ESAP/CGAP if any, prior to disbursement are part of the investment contractual documentation.</li> <li>• Ensure appropriate social and environmental representations, warranties, and covenants are incorporated into all legal agreements inclusive of the "ESG/Impact Engagement Letter".</li> <li>• Confirm that potential investments in the portfolio are in on-going compliance with the applicable Requirements on a regular basis including on-site visits with the Business Developers, annual monitoring.</li> <li>• Report any serious incidents related to ESG issues to senior management and in annual reporting to external parties.</li> <li>• Document the procedures as part of INOKS' Impact Framework.</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure that the procedures are implemented for each potential investment, and that records of environmental and social reviews are maintained.</li> <li>• Contribute to the implementation of the EU Regulatory Framework (SFDR and EU Taxonomy), produce required disclosures.</li> </ul>
Compliance Manager	<ul style="list-style-type: none"> <li>• Review Corporate Governance conclusions from the ESG analyst.</li> <li>• Collect and treat necessary Corporate Governance documentation</li> <li>• Issue conclusions and potential recommendations.</li> <li>• Ensure that an investee's non-compliance with INOKS' standards: <ul style="list-style-type: none"> <li>◦ Requires immediate disclosure by the investee.</li> <li>◦ Constitutes a breach of contract.</li> <li>◦ Is considered as an Event of Default under the terms of the legal agreement.</li> <li>◦ Is escalated to and followed up by Senior Management.</li> </ul> </li> </ul>
ESG Manager	<ul style="list-style-type: none"> <li>• Oversee ESG risk management and implementation of Impact Framework.</li> <li>• Manage resources (budget and staff) for ESG risk management and training.</li> <li>• Ensure that there are adequate resources to fulfil ESG requirements.</li> </ul>

### Non-Permanent Assignees

Business Developer	<ul style="list-style-type: none"> <li>• Pre-screen for potential investees along guidelines defined by INOKS' responsible investment principles (<i>Do no Harm</i> principles) supported by (i) the Systematic Sourcing Database which incorporates the Country-Commodity value chain E&amp;S risks assessment combination (Hot Risk Areas "HRAs") and (ii) the Impact/ESG checklist that captures <i>potential</i> ESG risks first estimation.</li> <li>• Follow-up with the investee on the ICPTs (INOKS Capital Proprietary Tools) delivery to acquire the compulsory ESG data with a view to allow the ESG Analyst to identify possible specific ESG issues.</li> <li>• Conduct on-site due diligence.</li> <li>• Support the ESG Analyst in negotiating with the investee the adoption and implementation of possible environmental and social mitigation measures, with a view to improve the risk profile, if not the prompt compliance.</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>• Decide whether ESG risks are acceptable to INOKS' overall exposure to risk before proceeding with a transaction.</li> </ul>
Legal Manager	<ul style="list-style-type: none"> <li>• Ensure that INOKS' ESG requirements are incorporated in legal agreements.</li> </ul>
Risk Manager	<ul style="list-style-type: none"> <li>• Proceed to 2nd level-controls of the ESG/Impact due diligences and monitoring on a quarterly basis.</li> <li>• Control investment decision consistency related to the ESG/Impact warning flags raised.</li> <li>• Follow-up on Impact/ESG warnings.</li> </ul>

## 6 Implementation

INOKS has implemented processes, standards and tools at each stage of the investment cycle to bring its Impact Strategy into action (Figure ). Each step is further detailed in subsequent sub-sections.

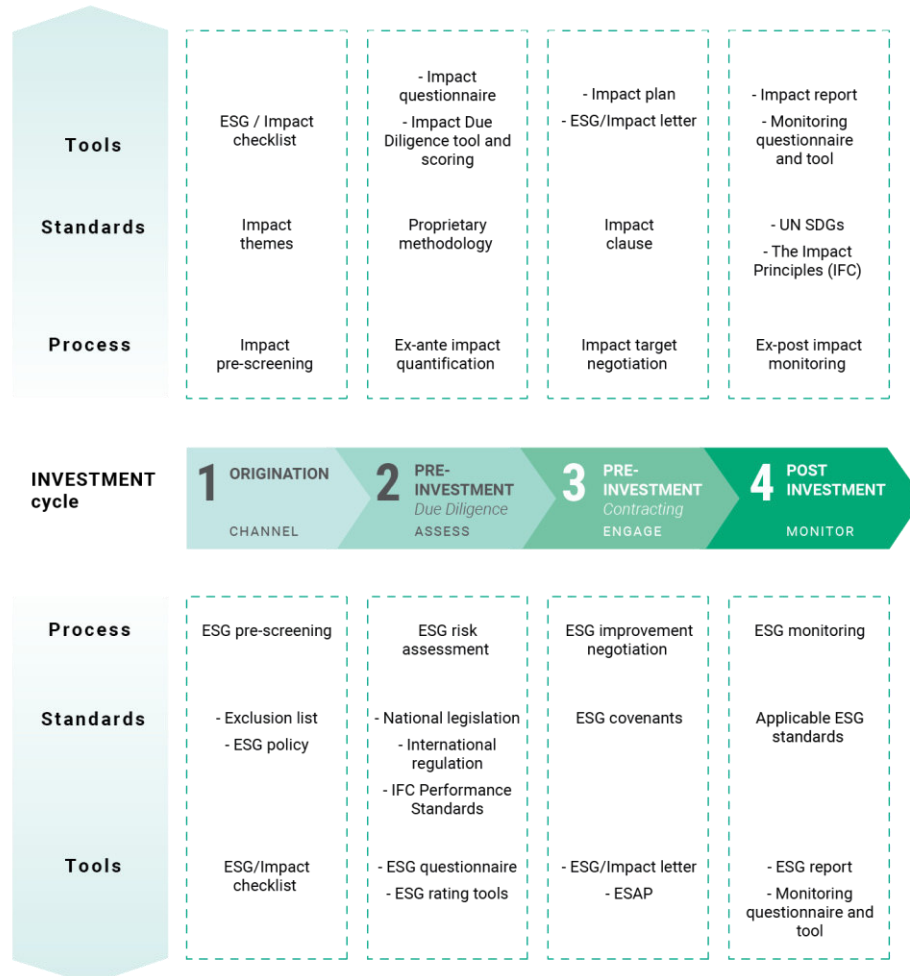


Figure 4. Process, standards and tools used by INOKS to implement its dual Do Good and Do no Harm strategy along the investment cycle.

The decision to continue or stop the investment will be taken at all stages. Figure 5 summarises relevant performed Impact and ESG decisions throughout the Transaction Cycle.

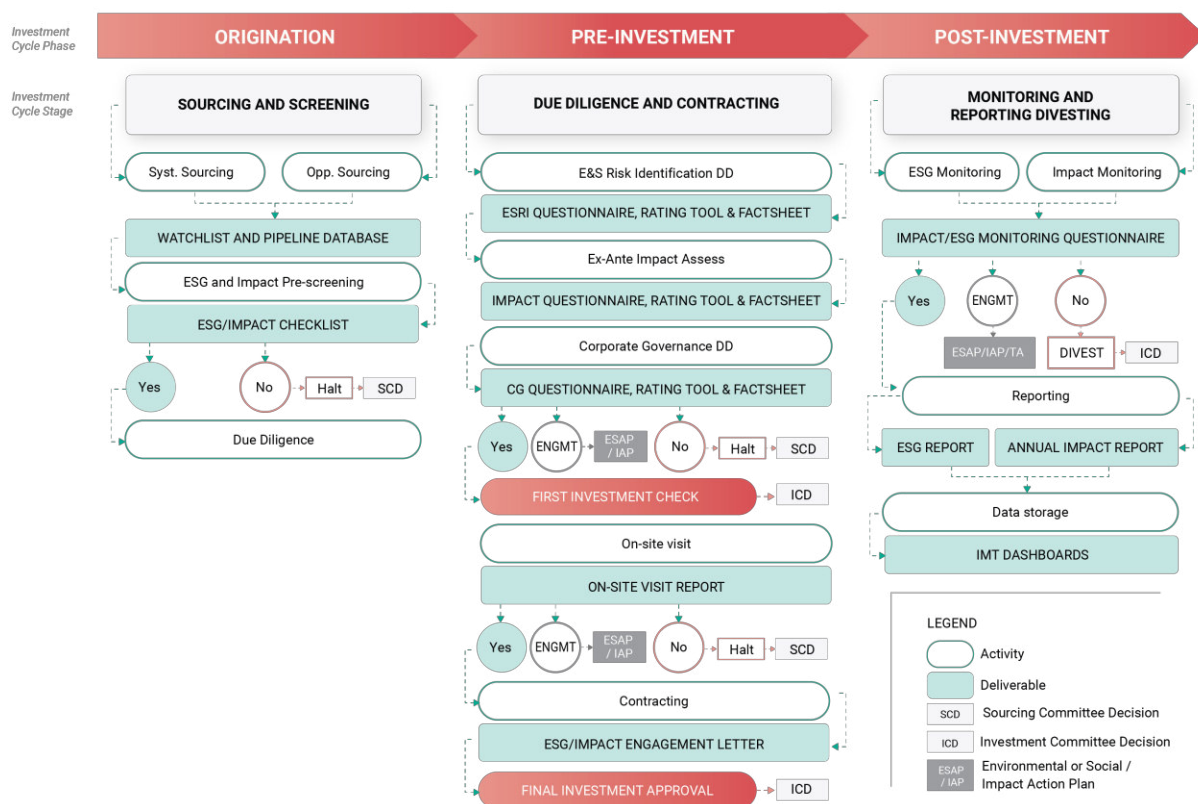


Figure 5. Flowchart of Impact and ESG decisions process

## 6.1 Origination

### 6.1.1 Sourcing

ACTIVITY	<ul style="list-style-type: none"> <li>Within the <b>Systematic Sourcing approach</b>, INOKS' Business Developers will <i>actively</i> source potential investments using the <i>Systematic Sourcing Data Base</i> which identifies High Risk Areas (HRAs) and High Impact Areas (HIAs) at country, commodity and value-chain segment level. This educational resource offers a preliminary view of where investing would add the greatest value and enables business developers to contextualise a potential investee's activity.</li> <li>Potential investees can also be sourced under an <b>Opportunistic Sourcing approach</b> which refers to any sourcing activity that does not arise from an active approach of the Business Developers or that arise from a potential investee liaising in an unsolicited manner with a Business Developer.</li> </ul>
RESPONSIBILITY	Business developers and Investee Relations Team
TOOLS	+ Systematic Sourcing Data Base
DELIVERABLE	+ Watchlist and pipeline database

### 6.1.2 Pre-term approval: Pre-screening

ACTIVITY	<p>At an early stage of a proposed investment, the activities of a potential investee are pre-screened against <i>Do no Harm</i> (ESG) and <i>Do good</i> (Impact) Principles:</p> <ul style="list-style-type: none"> <li><i>Do No Harm</i> Principles: <ul style="list-style-type: none"> <li>A potential investee does not develop any activities mentioned in INOKS Exclusion List</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>• <i>Do Good</i> Principles: <ul style="list-style-type: none"> <li>○ A potential investee generates positive impact on INOKS' impact areas by the nature of its products, services or activities</li> <li>○ A potential investee offers solutions to help achieve sustainable commodity value chains worldwide in the long term</li> </ul> </li> </ul>
RESPONSIBILITY	Business developers and Investee Relations Team
TOOLS	+ ESG/Impact Checklist
DELIVERABLE	+ PREFIC_QUEST.

## 6.2 Pre-Investment

### 6.2.1 Pre-First Investment Check ("FIC) Due Diligence

ACTIVITY	<p>During the Pre-FIC DD, INOKS will finalise a PI screening against the two last ESG principles:</p> <ul style="list-style-type: none"> <li>○ A potential investee is in compliance with INOKS' ESG Standards</li> <li>○ A potential investee is committed and capable to mitigate its negative E&amp;S effects</li> </ul> <p>• <b>E&amp;S Risks Assessment:</b> INOKS conducts an Environmental and Social (E&amp;S) Risks Assessment by using the IFC Performance Standards to identify and evaluate E&amp;S risks associated with a prospective investee and its operations. If a specific IFC PS is triggered by the nature of the operation, INOKS will verify if the company complies with the performance criteria of that standard. In case of non-compliance with the identified IFC PS, INOKS can – depending on the severity of the issue – require the prospective investee to develop a corrective action plan (ESAP) for addressing the issue in a reasonable timeframe and stipulate this as E&amp;S condition precedents and/or subsequent conditions in the contractual documentation (ESG/Impact Letter).</p> <p>The E&amp;S risks assessment process is composed of the following steps:</p> <ol style="list-style-type: none"> <li>1. Collection of E&amp;S data information</li> <li>2. E&amp;S risks identification and mitigation measures analysis</li> <li>3. Project E&amp;S risk categorisation</li> </ol> <p>• <b>Corporate Governance assessment:</b> The CG assessment process is comprised of:</p> <ol style="list-style-type: none"> <li>1. Collection of Corporate Governance data information</li> <li>2. Evaluation of the effectiveness of Corporate Governance of a prospective investee;</li> <li>3. Issuance of conclusions and potential recommendations.</li> </ol> <hr/> <p>• <b>Ex-ante Impact Quantification:</b> During the Pre-FIC Due Diligence phase, INOKS proceeds to a thorough impact assessment which aims at (1) understanding the investee business and impact models, 2) assessing the company's contribution to INOKS' impact themes and related SDGs, 3) producing the investee's impact scoring and quantifying the ex-ante impact that will serve as a baseline, 4) forecasting &amp; identifying expected impact, impact targets, INOKS' contribution and additionality, 5) assessing potential impact opportunities and/or TA needs.</p> <p>The ex-ante impact quantification process consists in:</p> <ol style="list-style-type: none"> <li>1. Impact Data Collection</li> <li>2. Impact Measurement (incl. scoring)</li> <li>3. Impact Analysis</li> </ol>
RESPONSIBILITY	<ul style="list-style-type: none"> <li>• Impact Analyst / ESG Analyst</li> <li>• Compliance Manager</li> </ul>
TOOLS	<p>+ ESRI_Questionnaire (Environmental &amp; Social Risk Identification)</p> <p>+ ESRI_Rating</p> <p>+ Impact_Questionnaire</p> <p>+ Impact_Due_Diligence_Tool (including scoring and indexes)</p> <p>+ Corporate_Governance_Questionnaire</p> <p>+ Corporate_Governance_Rating</p>

DELIVERABLE	<ul style="list-style-type: none"> <li>+ ESRI_Factsheet</li> <li>+ Impact_Factsheet</li> <li>+ Corporate_Governance_Factsheet</li> </ul>
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## 6.2.2 Post-Fic Due Diligence

ACTIVITY	<ul style="list-style-type: none"> <li>• <b>On-site visit:</b> During Post-FIC Due Diligence, an on-site due diligence will be conducted to confirm desk review and potentially uncover risks and impacts that were not previously identified: <ol style="list-style-type: none"> <li>1. Pre-FIC Due Diligence deliverables will be checked.</li> <li>2. The E&amp;S Risk Categorisation will be confirmed or amended in the ESRI Factsheet with regards to confirmed or newly identified E&amp;S issues during the on-site due diligence.</li> </ol> </li> <li>• <b>ESAP / IAP / CGAP</b> <ol style="list-style-type: none"> <li>3. Depending on the severity of the potential E&amp;S issues flagged (during desk review and/or on-site visit), an Environmental and Social Action Plan (ESAP) can be issued before a Final Investment Approval is given. The purpose of a corrective action plan is to mitigate potential environmental and social risks in the context of a transaction to an acceptable level for INOKS. The corrective action plan would include a description of the specific mitigation actions to be taken by the investee; a timeframe for implementation and a reporting requirement to inform INOKS on the status of completion.</li> <li>4. When impact improvement measures have been identified during the Pre-Fic due diligence and/or confirmed during the on-site visit and agreed upon with the investee, an Impact Action Plan (IAP) will be developed. This IAP will provide a clear framework for implementing agreed impact improvement measures related to INOKS' Impact Themes (including but not limited to key activities, responsibilities and delivery times).</li> <li>5. In the same way, a Corporate Governance Action Plan can also be setup.</li> </ol> </li> </ul>
RESPONSIBILITY	<ul style="list-style-type: none"> <li>• Business Developers</li> <li>• ESG/Impact Managers</li> <li>• Compliance Manager</li> <li>• Impact Analyst / ESG Analyst</li> </ul>
TOOLS	<ul style="list-style-type: none"> <li>+ On-Site Visit</li> <li>+ ESRI_Factsheet</li> <li>+ Impact_Factsheet</li> </ul>
DELIVERABLE	<ul style="list-style-type: none"> <li>+ On-Site Visit Report</li> <li>+ (Only if needed) ESAP, CGAP and/or IAP</li> </ul>

## 6.2.3 Contracting

ACTIVITY	<ul style="list-style-type: none"> <li>• <b>ESG/Impact Engagement Letter:</b> Following approval by our Investment Committee, beneficiaries certify that the information provided is accurate whilst agreeing to comply with INOKS' Impact and ESG principles and requirements as stipulated in the Impact Framework by signing and executing the ESG/Impact Engagement Letter.</li> </ul> <p>In case of breach and failing remedy in a time frame contractually agreed already at the level of the ESG/Impact Engagement Letter, a prompt divestment plan will be enacted if no immediate divestment is feasible.</p>
RESPONSIBILITY	<ul style="list-style-type: none"> <li>• Legal Manager</li> <li>• ESG/Impact Managers</li> <li>• Compliance Manager</li> </ul>
TOOLS	N/A
DELIVERABLE	+ ESG/Impact Engagement Letter

## 6.3 Post-investment

### 6.3.1 Monitoring and Reporting

#### ACTIVITY

- **ESG monitoring and reporting:**

The environmental and social performance of investees will be monitored and evaluated on a periodic basis to ensure on-going compliance with INOKS' Standards. After the decision to invest is made and disbursement started, the investee may modify its operations or production processes in a way that intensify previously identified risks or present new environmental and social risks. The purpose of monitoring an investee's environmental and social performance is to assess existing and emerging environmental and social risks associated with an investee's operations during the whole duration of an investment.

The ESG monitoring process consists in:

1. Publishing internally an annual ESG breach monitoring report (as well as ad-hoc flag report if needed) to report on:
  - o An incident, accident or circumstance pertinent to environmental, social, labour or health and safety associated with an investee's operations,
  - o Any fines and penalties for non-compliance with environmental and social regulations,
  - o Any complaints submitted by stakeholders about an investee,
  - o A breach of any contractual covenant or condition precedent that would potentially present a liability, financial, reputational, credit, market risk to INOKS.
2. Monitoring change in ESG policies and guidelines on an annual basis.
3. Assessing and monitoring the implementation of any mitigation measures specified in the ESAP (if any).
4. Checking the validity of Environmental and Social permits or licenses.
5. Media attention to environmental and social issues related to the investee.
6. Conducting spot on-site visit.

- **Impact monitoring and reporting:**

INOKS measures and manages the impact of an investment by collecting qualitative and quantitative indicators on an annual basis and comparing these results with the baseline data and the expected impact targets (if any).

The Impact monitoring and reporting process is composed of the following steps:

1. Collecting data on INOKS' Key Impact Performance Indicators for all of its investees by using the Impact/ESG Monitoring Questionnaire.
2. Analysing the impact performance of an investee through quantitative (impact scoring and evolution of key indicators) and qualitative measurement and assessment (interviews with investees).
3. Storing data and analysis comments (if any) on the Impact Management Tool.
4. Conducting portfolio analysis. Reporting and communicating on the overall impact of INOKS portfolio in the Annual Impact Report.

- **Technical Assistance**

In 2020, INOKS Capital launched its Technical Assistance Program based on the **Lean System Approach**.

The Lean System approach is a combination of 2 objectives:

- 1) "Lean": delivering **efficient TA** by using limited funds to maximise the sustainability and scale of impacts from investments;
- 2) "System": aligning TA with the **incentives** of all actors involved to ensure sustainability, while analysing and being responsive to issues within the broader **market system** to maximise scale of impact.

The TA process is as follow:

1. Identification of an investee's needs for TA during the monitoring phase.
2. Coordination between INOKS' TA provider and the investee to refine TA needs and project.
3. Rapid market system analysis: the aim of this phase is to identify binding constraints to firm- and system-level performance that could feasibly be addressed with and through the partner company.
4. Intervention design: developing interventions to tackle one or more of the constraints identified. Intervention design starts by considering the resources available to the project (e.g. whether a standalone project budget is to be made available, or whether the project will need to be run using existing staff time); considers sustainability from the outset (e.g. who will do and who will pay for project-supported change over the long-term?); and looks at how the project will be phased and monitored to enable it to adapt to real-world challenges and opportunities over its lifespan.
5. Implementation: supporting the firm and other actors to deliver the interventions developed in the intervention design phase. This includes project management input; technical advisory; and monitoring, evaluation and learning (MEL) support, delivered via regular checkpoint meetings and short, practical written inputs.



RESPONSIBILITY	<ul style="list-style-type: none"> <li>• ESG Analyst/Impact Analyst</li> <li>• ESG/Impact Managers</li> <li>• Compliance Manager</li> </ul>
TOOLS	+ Impact/ESG_Monitoring_Questionnaire + Impact_Monitoring_Tool + Impact_Management_Tool + On-site visit report + EU_Regulation_disclosures_tools
DELIVERABLE	+ Annual Impact Report + Ad-hoc flag report + ESG report + EU Regulation disclosures

### 6.3.2 Divestment for ESG non-compliance

ACTIVITY	<ul style="list-style-type: none"> <li>• <b>ESG non-compliance:</b> In case INOKS identifies an investee's non-compliance with ESG clauses stipulated in the legal agreement during monitoring and/or if the counterparty does not demonstrate its intent to implement corrective actions within a reasonable timeframe by implementing the ESAP or corrective action plan, INOKS will require: <ol style="list-style-type: none"> <li>1. A flag report with a follow up with the intent to resolve these in a reasonable timeframe, and/or</li> <li>2. A new corrective action plan</li> </ol> </li> </ul> <p>If an agreement is not reached or timely implemented:</p> <ol style="list-style-type: none"> <li>1. A default notice will be issued</li> <li>2. The Investment Committee will control divestment</li> </ol>
RESPONSIBILITY	<ul style="list-style-type: none"> <li>• ESG Analyst/ Impact Analyst</li> <li>• Compliance Manager</li> <li>• ESG/Impact Managers</li> <li>• Investment Committee</li> </ul>
TOOLS	N/A
DELIVERABLE	+ Ad-hoc flag report + New ESAP (if any) + Default notice

## 7 Learning and improvement

### 7.1 Capacity building

This framework will be communicated to all staff and operational employees of the company. Adequate training will be provided to make sure that requirements are understood and respected.

### 7.2 Evaluation

A revision of the Impact Framework will be done periodically to ensure that it remains relevant and effective over time. This includes:

- Identifying potential difficulties with operational aspects of Impact Framework implementation and making changes as necessary,
- Updating the procedure to reflect any internal changes and/or improvements in INOKS' ESG and Impact processes,
- Updating Impact Framework to include additional requirements resulting from revisions in applicable national laws on environment, health and safety and/or compliance with additional E&S Standards.

If any *major changes* in the Impact Framework, the revision(s) will need to be beforehand vetted by:

- (a) The Investment Committee,

and communicated to:

- (b) Any third party with whom INOKS would have contracted with as to its Impact Framework and any amendments thereto.

#### ON BEHALF OF MANAGEMENT COMMITTEE:

**Effective Date**

**Signed By**



01/08/2022

Nabil Marc Abdul-Massih (CEO)

Ivan Agabekov (CFO)