# DISCLOSURE STATEMENT

## Operating Principles for Impact Management

INOKS Capital
31/08/2023

INOKS Capital belongs to the first 75 adopters of the Operating Principles for Impact Management ("the Impact Principles").

INOKS Capital hereby affirms that its impact measurement management systems, policies and practices, and all investments are managed in alignment with the Impact Principles as of 31 August 2023.

Disclosure Statement applies to all funds managed by INOKS Capital. Total assets under management in alignment with the Impact Principles are USD 692M as of 30 June 2023.

The reporting period for the purposes of this verification runs from 1 September 2022 to 31 August 2023.

| | |
|---|---|
| Nabil Abdul-Massih<br>CEO | Ivan Agabekov<br>CFO |

## Content

## Principle 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.

### INOKS Capital

INOKS Capital is a Swiss asset manager prudentially regulated by FINMA providing customized financing solutions via collective investment schemes or segregated mandates to companies active non-speculatively in mainly the Agriculture/Food sector. INOKS Capital aims to be the market leader in capital access for added value resilient activities in the real economy, by (a) focusing primarily on fast developing geographies in Sub-Saharan Africa, Asia, Latin America and Europe, and (b) by applying its proprietary Impact/ESG framework.

Since 2006, the investment funds managed by INOKS Capital channel capital for growth (short-term, mid-term and long-term direct investments) to companies ranging from SMEs to Majors with a focus on emerging markets and the agricultural/food sector.

### Impact Strategy and Strategic Objectives

INOKS Capital's Impact Strategy, grounded on its Theory of Change (figure 1), is to invest across (predominantly) emerging economies into companies in the commodity value chain (mainly food and agriculture) that generate a positive impact, to contribute to sustainable commodity value chains.

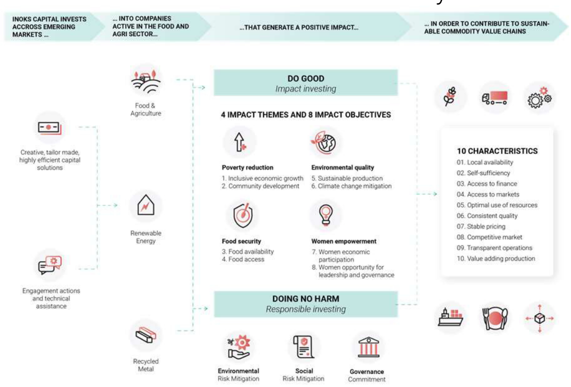


*Figure 1. INOKS Capital's Theory of Change*

Our vision of sustainable value chains encompasses ten characteristics: local availability, self-sufficiency, access to finance, access to markets, optimal use of resources, consistent quality, stable pricing, competitive markets, transparent operations, and value adding production.

To achieve its mission, INOKS Capital deploys a two-fold investment strategy implemented through clear principles, standards and tools. This strategy consists of **investing** its capital **responsibly** by mitigating negative effects according to **ESG criteria** and **impactfully** by contributing to address specific sustainability challenges and generating positive impact according to **four impact themes** (poverty reduction, food security, environmental quality and women empowerment). Eight specific impact objectives are targeted:

- Inclusive economic growth
- Community development
- Food availability
- Food access
- Sustainable production
- Climate change mitigation
- Women economic participation
- Women opportunities for leadership and governance

Over the years, INOKS Capital has developed, implemented and refined strong proprietary impact screening, measurement and management tools as well as processes to guide investee selection and assess progress towards the achievement of the impact objectives at the level of both the investee and the investor.

### Alignment with the SDGs

INOKS Capital's impact objectives and themes are aligned with 6 of the Sustainable Development Goals (figure 2).

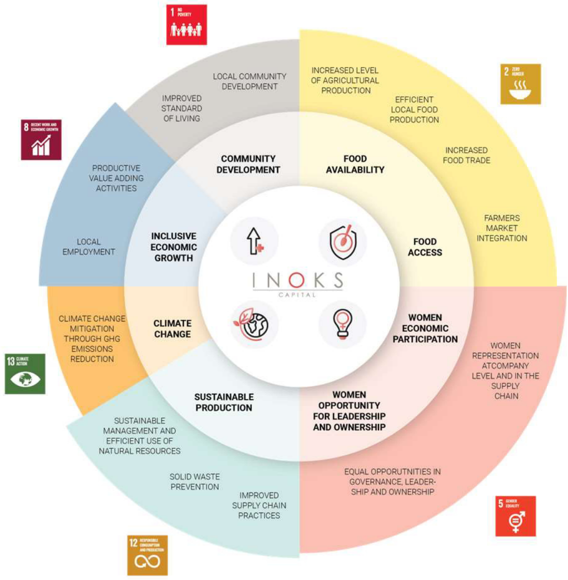


*Figure 2. Link between INOKS' impact themes, strategic goals & outcomes and the SDGs*

To ensure that INOKS Capital's Investment Strategy is aligned with its Impact Strategy:

- INOKS Capital has developed an Impact Framework (which applies to all funds managed) to ensure conformity of INOKS Capital's investing activities by defining standards, formalising procedures, outlining tools and setting clear responsibilities for staff and management along the investment cycle.
- INOKS Capital has built a specialized Impact/ESG team working closely with all Investment, Legal, Risk and Operation teams.
- INOKS Capital has set up dedicated committees (Impact and Sourcing Committees) where Impact opportunities and ESG risks are discussed and decisions taken.
- INOKS Capital's Investment Committee approves investments considering both financial and impact performance based on complete investment assessment including ESG/Impact due diligence and on-site visit conducted by INOKS Capital's members.

**Alignment with overall Investment Strategy**

## Principle 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.

**Impact Management at Portfolio Level**
INOKS Capital has developed a clear process, formalised in its Impact Framework, to manage impact achievement at portfolio level.
An Impact Monitoring Survey is sent on an annual basis to collect input from the investee, track and analyse its Environmental and Social impact. Individual key impact indicators are then aggregated, achievements as well as impact performance of the overall portfolio are reported within INOKS Capital Annual Impact Report.
INOKS applies an internally developed Impact Scoring mechanism to all investments, that enables (1)comparability of impact performance among the portfolio companies and (2) the tracking of portfolio trends and progress towards impact generation across INOKS' four impact themes.

**Incentive system**
INOKS Capital's investment strategy is grounded on the application of its Impact and ESG principles. Each investment is selected and monitored considering the achievement of INOKS Capital's impact objectives.
With a select number of prospective investees, in 2023 INOKS Capital introduced - financial or other - incentive systems aligned to the achievement of specific impact objectives, where tangible indicators can be applied and accurately monitored. For instance, discounted interest rates may be offered at renewal if specific Impact targets have been achieved by investees and validated by INOKS' team.

## Principle 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.

On an annual basis, INOKS Capital monitors its contribution to the achievement of impact as well as the provision of financial and non-financial additionality. Contribution and additionality are assessed each year during the course of the investment and formalised within INOKS' Impact Management Tool.

**Contribution**
Contribution relates to the share of investees' impact that INOKS can attribute to its intervention. It is considered during Due Diligence, when INOKS analyses the share that an investment would represent of an investee's total funding and/or their funding available for a specific project. This analysis takes into consideration country level factors, such as the availability and potential hurdles of a counterparty to access working capital funding in their local market. Contribution is regularly monitored, INOKS tracks on an annual basis the level of its participation vis a vis other funding providers.

**Additionality**
INOKS Capital's investments must demonstrate additionality i.e. unique contribution that INOKS Capital brings to a private investment that is not typically offered by sources of finance that pursue only commercial objectives. Additionality is composed of financial additionality and non-financial additionality.

- **Financial additionality:**
  - How INOKS Capital's' financing helps filling the gap in financing availability. Two criteria are analysed: current state of development of the local capital market and the company's access to financing.
- **Non-financial additionality:**
  - How INOKS Capital contributes to signal that impact matters (value alignment and dialogues with investees on ESG/Impact issues),
  - How INOKS Capital engages actively to bring knowledge and networks, improve ESG practices, leverage positive impact through technical assistance and encourage to integrate sustainability information into the investee's reporting cycle.

## Principle 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 result 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.

This Principle is about assessing the expected impact of an investment during the pre-investment phase, before capital commitment. INOKS Capital has developed a consistent methodology to assess the expected impact of an investment across the three pre-investment phases: origination, screening and due diligence.

**Origination**

INOKS Capital has developed a *Systematic Sourcing Data Base* which identifies High Impact Areas (HIAs) and High-Risk Areas (HRAs) at country, commodity and value-chain segment level. This resource offers a preliminary view of where investing would add the greatest value by:

a) Answering country specific development needs such as lack of finance access, improving country self-sufficiency and food security, developing local agricultural value chain by linking smallholder farmers to markets and fostering local processing to support value adding activities.

b) Avoiding negative impacts by identifying areas where environmental and social risks such as deforestation, child labour, poor working conditions are high.

**Screening**

During this phase, the potential investee's activities are screened to obtain a first overview of the expected impact and determine the project/investee's contribution to INOKS Capital's four impact areas (poverty reduction, food security, environmental quality, women empowerment) and long-term objective (creating sustainable agricultural value chains).

**Due Diligence**

The full Impact and ESG assessment is done during the due diligence phase. It consists of:

- A **global context analysis** highlighting countries and commodities specificities, ESG issues and impact opportunities.
- An **ex-ante quantification** of the impact of the investment based **on INOKS' Impact Measurement Framework** *(figure 3)* covering the three impact dimensions WHAT, WHO, HOW MUCH.
  The quantification includes:
  - A set of measurable indicators aligned with IRIS indicators, used to quantify the investee's actual impact. **This data will serve as a baseline to monitor** the investee's impact performance over the year.
  - An **impact score** assessing the overall contribution of an investee to each impact themes. Impact score thresholds have been established through publicly available data from development organisations.

- An **Impact analysis** produced from the global context analysis, answers obtained from the potential investee through the impact due diligence questionnaire, impact indicators, interviews and on-site visits. The analysis is formalised in an Impact Factsheet.

- **Impact improvement opportunities** and potential engagement actions are identified from the above Impact analysis and are then discussed with the investee.

- **Expected potential impact** is evaluated by taking into account the financing purpose/amount, the company's strategy, the company's actual impact and improvement opportunities, the financial and non-financial additionality of the financing. It is formalised through an Impact and ESG engagement letter including quantitative impact targets when identifiable and measurable.

| What is the intended impact? | | | | | | Who experiences the intended impact | How significant is the intended impact? | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Impact Theme** | **Impact theme dimensions** | **Strategic Goals** | **Outcome** | **Investee obj** (YES/NO) | **Source of impact** | **Stakeholder** | **Outcome indicator** | **Indicator reference** | **Indicator source** | **Related SDGs** | **Measure unit** | **Baseline** (ex-ante impact) |
| POVERTY REDUCTION | INCLUSIVE ECONOMIC GROWTH | SG1 Fostering local employment | Support of local jobs | Yes | Activities | Employees | **Total employees** | INO01 | INO | 8.5 / 1.2 | # | 2 325 |
| | | | | | | | *Permanent employees: Total* | INO02 | OI8869 | 8.5 / 1.2 | # | 675 |
| | | | | | | | *Temporary Employees: Total* | INO03 | OI9028 | 8.5 / 1.2 | # | 1 650 |
| | | | | | | | *Middle managers* | INO62 | INO | 8.5 / 1.2 | # | 645 |
| | | | | | | | *Top managers* | INO63 | INO | 8.5 / 1.2 | # | 825 |
| | | | | | | | *Non-management employees & first level managers* | INO52 | INO | 8.5 / 1.2 | # | 855 |
| | | | | | | | *Employees & 1st level mgt from Local Communities: Total* | INO04 | INO | 8.5 / 1.2 | # | 40 |
| | | | | | | | *Managers (middle and top) from Local Communities: Total* | INO05 | INO | 8.5 / 1.2 | # | 100 |
| | | | Improved employees' dvpt and work progression | Yes | Practices | Employees | **Employees Trained** | INO06 | OI4229 | 8.5 | # | 3 |
| | | SG2 Improving standard of living and livelihood | Increased wages paid to employees | Yes | Practices Activities | Employees | **Wage Premium** | INO07 | OI9767 | 1.2 | Ratio | 1.30 |
| | | | | | | | *Employees: Above Minimum Wage* | INO08 | INO | 1.2 | # | 250 |
| | | | Increased income to suppliers | Yes | Practices Activities | Supply chain | **Producer Price Premium** | INO09 | PI1568 | 1.2 | Ratio | 1.05 |
| | | | | | | | *Payments to Supplier Individuals: Smallholder* | INO10 | PI7852 | 1.2 | USD | USD 150 000.00 |
| | | | Improved timely payments to suppliers | Yes | Practices | Supply chain | **Average (raw mat) supplier payment period** | INO11 | INO | 1.2 | Days | 25.00 |
| | | SG3 Supporting productive, value-adding and profitable activities | Increased local value addition, business growth and investee profitability | | Activities | Investee | **Local value addition** | INO55 | INO | 8.1 | Options | Yes |
| | | | | | | | **Revenue growth** | INO56 | FP4761 | 8.1 / 8.3 | % | 10% |
| | | | | | | | *Total Revenue* | INO13 | FP6510 | 8.1 / 8.3 | USD | USD 10 000 000.00 |
| | | | | | | | **Net Income** | INO12 | FP1301 | 8.1 / 8.3 | USD | USD 200 000.00 |
| | COMMUNITY DEVELOPMENT | SG4 Contributing to local community development | Increased company's engagement / support to local community development | Yes | Practices | Community | **Level of contribution to community development** | INO14 | N/A | 1.2 | Options | Medium-high contribution |

*Figure 3. Extract of INOKS' Impact Measurement Framework*

## Principle 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.

**ESG Definition and Integration**
ESG risks are the actual or potential negative impacts that business activities can have on the environment, on society, or on company governance.

INOKS Capital is primarily involved in the agricultural sector, which carries substantial environmental and social (E&S) risks that need to be rigorously identified and managed. These include child labour, harmful activities (such as the use of machetes and unsafe machines), heavy loads, exposure to hazardous materials, limited access to personal protective equipment, agricultural pollution, poor land management, and loss of biodiversity. These risks may be greater in emerging markets, where our investees mainly operate, because regulation in many of these areas is less institutionalized and law enforcement is often weaker in these regions.

Over the years, INOKS Capital has developed consistent, integrated and systematic processes to identify, mitigate, and monitor potential ESG risks related to its investees' activities. Assessment and monitoring proprietary tools have been designed in accordance with international standards, such as the IFC Performance Standards and SME Governance Guidebook, these tools are adapted to new investment mandates that target specific business, such as AgriTech, FinTechs and Alternative Trade Financiers. All standards, processes, tools and responsibilities are described and defined in INOKS' internal Impact Framework, available on INOKS' website.

**E&S Risks assessment**
E&S risks are analysed at three levels, including inherent risk (commodity and value chain segment), contextual risk (country of operations), and specific risk (level of compliance with standards and regulation).

INOKS Capital uses the IFC Performance Standards to identify and assess E&S risks associated with a prospective investee and its operations. If a specific performance standard is triggered by the nature of the operation, INOKS Capital will examine whether the company complies with the performance criteria of that standard, via both a desk review and field visits. Desk reviews include a questionnaire addressed to investees, written and oral follow-ups between the two parties, potential external research audits by third parties.

These elements are processed by a tool measuring the level of compliance of the investee to IFC Performance Standards, leading to an assessment report (the ESG Factsheet) and final scoring according to IFC categorisation system.

**E&S Mitigation**
In the case of noncompliance with the identified performance standard:

- And if noncompliance is considered as major and non-manageable, INOKS Capital would usually decide not to invest.
- And if noncompliance as non-avoidable but manageable, INOKS Capital would engage with the prospective investee to develop a corrective action plan to address the issue in a reasonable timeframe and/or stipulate this as a requirement in the contract agreement.
- And if noncompliance is considered as minor and non-priority, it is still specified in the assessment report and final investment approval document.

**E&S Monitoring**
ESG performance includes both the level of compliance with INOKS Capital ESG Standards and the successful implementation of the defined improvement measures. It is monitored on an annual basis through on-site visits and by collecting data on the occurrence of any ESG issue, change in ESG policies, validity of environmental permits, media attention. It also includes a verification of the implementation of the improvement measures specified in the corrective plan.

**Governance assessment, mitigation and monitoring**
INOKS Capital assesses potential investments' governance risks based on data collected through a proprietary due diligence questionnaire set up in accordance with international standards, especially the IFC Corporate Governance Guidelines. Depending on the stage of growth of the company, it notably further assesses its ability to:

- set up an internal structure enabling proper growth and ensuring long-term operations continuity avoid reliance on key people threatening short to long term operations continuity,
- mitigate corruption risks threatening business ethics and reputation (of both investee and investor).

A governance action plan is setup in case the company is not complying with the expected level of structuring of its governance / organization.

An annual monitoring ensures that the defined action plans have been setup by the company, as well as assesses key governance indicators such as departure of top managers or support to political parties.

## Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The Manager shall use the results framework (referenced in 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.

**Monitoring of positive impact**
The achievement of positive impacts is monitored on an annual basis. We require our investees to report on a set of quantitative and qualitative indicators by responding to our Annual Impact Survey. The indicators used are a combination of IRIS+ indicators and INOKS internally developed indicators (based on market data and aligned to industry standards), in order to be adequately tailored to the sectors and value chain segments in which we operate. An impact score is also produced, per Impact theme (poverty reduction, food security, environmental quality and women empowerment). Impact score thresholds have been established on the basis of academic

research and publicly available data from development organisations. This impact score allowsto determine the level of impact contribution of an investee, these are compared with previous years' scores and variances are analysed. Five threshold levels have been identified:

| SCOING LEVELS | NO IMPACT | IMPACT POTENTIAL | COMMITMENT | PROGRESS ON POSITIVE IMPACT CONTRIBUTION | ADVANCED PROGRESS | SUCCESS MAXIMAL IMPACT CONTRIBUTION |
|---|---|---|---|---|---|---|
| | 0 | 1 | 2 | 3 | 4 | 5 |

Monitoring calls and on-site visit may also be planned to complement the monitoring analysis.

By comparing these results with the baseline data (incl. initial impact score) and the expected impact targets, we are able to monitor the impact generated by our investees' products, services and activities across INOKS Capital's four impact areas and understand how INOKS' financing has helped contribute to the positive impact achievement.

**Impact Management Tool**
To improve and facilitate this impact monitoring phase, INOKS Capital has developed its proprietary Impact Management Tool (IMT), an internal application which allows to:

- Store and consult impact and ESG data for each investee (baseline data included),
- Monitor the impact performance by comparing impact data across the years (monitoring dashboard),
- Follow-up on engagement actions,
- Assess the level of INOKS Capital's contribution and additionality,
- Disclose required information regarding EU Taxonomy and SFDR regulations (percentage of Taxonomy alignment and Principal Adverse Impact Indicators.

## Principle 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.

**Working Capital Financing**
As a provider of working capital financing (primarily in the form of short-term debt) and to a lesser extent of capital expenditure financing, the "exits" of INOKS investments rather corresponds to the end of the financing's asset conversion cycle and the allocation duration or maturity decided between both parties at the beginning of the financing relationship. The counterparty's risk level, liquidity needs, repayment capacity as well as compliance with Impact/ESG standards are also considered in the renewal decision.

Most of the financing agreements do offer an extension of the financing period if the conduct of the financing was at the positive appreciation of both parties, including Impact and ESG assessments. Track record shows that the majority of investments are effectively renewed resulting into a mid-term or long-term financing relationship or mutually beneficial economic partnership with the Investees.

**Exit criteria**
To ensure that investees' operations and related impact remain sustainable, INOKS Capital considers three aspects before ending any financing facility line:

- The exit will not undermine the existence and growth of the investee's activities. The investee shall have access to additional financing with improved financing terms to continue its journey.
- Changes induced by INOKS financing at various levels (operational, E&S impact, etc) are anchored sustainably in the investee's activities/processes.
- The company has become a vector of change in its industry/value chain thanks to internal development/work and external support (incl. INOKS Capital Technical Assistance).

## Principle 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.

**Review and documentation**

Since 2019, INOKS Capital created a process (formalised in its Impact Framework) to improve its review and documentation of the impact performance of each investment. For each investee, the documentation should include:

- The impact performance of the investment including the comparison between baseline, expected and actual impact,
- A flag report on any ESG issues that could arise from work accidents, environmental fines and penalties, stakeholder complaints, covenant breach,
- The progress on completion of engagement actions,
- INOKS Capital's contribution level.

All information is stored in INOKS' Impact Management Tool.

**Operational and strategic investment decisions**

Findings at each investment level did not led yet to operational and strategic investment decisions improvement, or change in management processes, however it has, in certain cases, led to the launch of Technical Assistance support programmes for the investees. Nevertheless, results of monitoring assessment often led to various engagement actions aiming at improving the investee's practices in case of non-compliance or low impact performance.

In addition, INOKS Capital follows a constant improvement approach since 2006 with an objective of formalizing and deepening its integration of ESG and impact criteria and considerations all along its investment process.

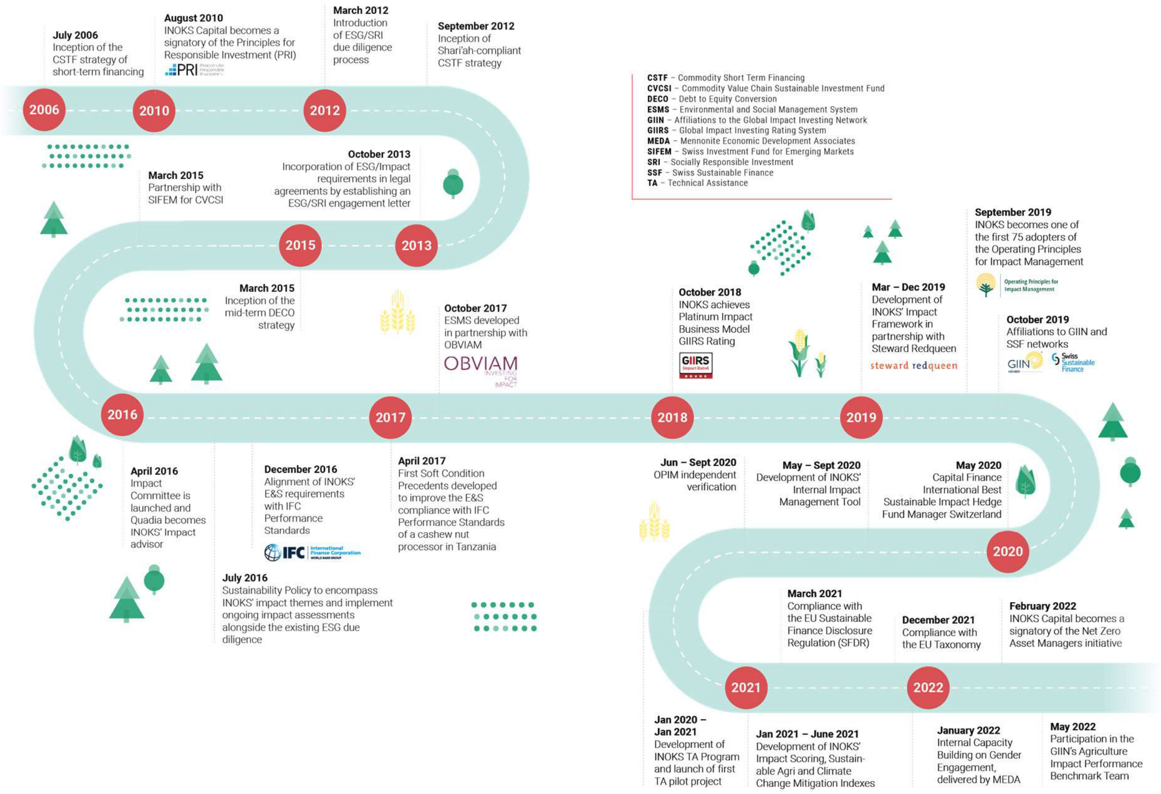


*Figure 4 – INOKS Capital's key impact developments and achievement*

## Principle 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.

This Disclosure Statement re-affirms the alignment of INOKS Capital's procedures with the Impact Principles, and areas for improvement. It will be updated annually and posted on INOKS Capital's [website](website).

INOKS Capital has engaged Steward Redqueen as its independent verifier. The independent assurance report on the alignment of INOKS Capital with the Operating Principles for Impact Management is available at [https://www.inokscapital.ch/impact-publications/](https://www.inokscapital.ch/impact-publications/)

***Information on the current independent verifier:***
**Name and address**

**Steward Redqueen**
Teerketelsteeg 1
1012 TB Amsterdam
The Netherlands

**Qualifications:** Steward Redqueen is a specialized consultancy that works across the globe advising organizations on impact and sustainability.

**Most Recent Review:** September 2023
**Next Planned Review:** September 2025