Disclosure Statement

Operating Principles for Impact Management

April 4, 2025

The *Swiss Investment Fund for Emerging Markets* (SIFEM) is a founding signatory to the Operating Principles for Impact Management (the Impact Principles). The Impact Principles serve as a framework for designing and implementing comprehensive impact management systems and provide a reference for assessing alignment with best practices across asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms that SIFEM's core investment activities, including (a) impact management systems; (b) policies and practices; and (c) investments (fund investments and loans) are managed in alignment with the Impact Principles.[1] The Disclosure Statement applies to all assets under management for SIFEM.

Total assets under management, in alignment with the Impact Principles, are **USD 1,051 million** as of December 2024.[2]

Jörg Frieden
Chair of the Board

[1] The sole purpose of this Disclosure Statement is to fulfil SIFEM's obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. SIFEM makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analysed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, SIFEM shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and SIFEM does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.
[2] Portfolio exposure includes equity and quasi-equity instruments, as well as current income earning instruments, and represents total active commitments as of December 31, 2024.

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.

SIFEM is the development finance institution of the Swiss Confederation and is an integral part of the instruments of international development cooperation. SIFEM provides long-term financing for small and medium-sized enterprises and rapidly growing companies, through local or regional investment funds, to foster private sector development in developing and emerging countries.

The Swiss Confederation sets the Strategic Objectives of SIFEM for four-year cycles, including specific development impact objectives as well as financial objectives.[3] The assets covered in this Disclosure Statement, representing SIFEM's portfolio as of December 2024, were managed under the strategic framework for the 2021–2024 period, which includes a variety of development objectives aligned with the United Nations Agenda 2030 for Sustainable Development and with the Paris Agreement.

All SIFEM investments are made with the specific intent to achieve a measurable development impact, guided by a detailed Theory of Change and a results framework to assess, analyse, and monitor its investments. This framework is based on the Sustainable Development Goals (SDGs) and used consistently to optimize the development effects linked to SIFEM's investment decisions throughout the investment cycle, starting with the analysis of investment opportunities.

Central to SIFEM's Theory of Change is the role of financial intermediation in private sector growth in emerging markets.[4] SIFEM focuses on strengthening local intermediaries in their capacity to supply capital to local small and medium enterprises (SMEs). SIFEM's role is thus both financial (provision of long-term finance) and non-financial (hands-on advice to financial intermediaries), and the combination of these two roles contribute to the sustainability of SIFEM's outcomes.

SIFEM contributes to four key outcomes, all aligned with specific SDGs:[5]

1. **Economic viability and resilience:** Investing in financially viable financial intermediaries, adhering to ESG standards, and aligning with the objectives of the Paris Agreement (SDG 17).
2. **Economic opportunities and decent jobs:** Facilitating access to long-term capital and financing for SMEs through these intermediaries to support business growth and decent job creation (SDG 5,8 and 9).
3. **Social inclusion:** Broadening access to essential goods and services for underserved groups, particularly women and entrepreneurs (SDG 3, 4, 5, 9 and 10).
4. **Climate change mitigation and adaptation:** Supporting businesses that contribute to transformative climate outcomes consistent with the Paris Agreement (SDG 7, 12 and 13).

SIFEM's Theory of Change is grounded in extensive internal research, captured in a series of strategy and sector-specific papers that outline the pathways to impact for its priority themes, including economic and social inclusion, gender equality, and climate action. These papers consolidate lessons learned from SIFEM's historical portfolio, draw on international best practices, and reference

[3] *Strategic Objectives.* https://sifem.ch/about-us/strategic-objectives.
[4] *Theory of Change.* https://sifem.ch/impact/theory-of-change
[5] *SIFEM Impact Framework.* https://sifem.ch/our-impact/impact-framework/

global research and development literature. While these documents are not made publicly available, they serve as the analytical foundation to provide a credible basis for linking investment activities to measurable development outcomes.

Looking ahead, the Swiss Confederation has set new Strategic Objectives for the 2025–2028 period, which include increased commitments to gender equality and climate action. Under this updated mandate, at least 30% of investment commitments are expected to contribute to gender equality in line with the 2X Challenge,[6] and an equal 30% to climate mitigation and adaptation (see Principle 2 for more details). In alignment with these priorities, SIFEM's Theory of Change will be revised in 2025 to reflect the updated strategic framework.

[6] *2X Criteria.* https://www.2xchallenge.org/2xcriteria

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.

As detailed under Principle 1, SIFEM's Strategic Objectives are established by the Swiss Government, including development impact objectives.

To manage and monitor impact achievement across its portfolio, SIFEM uses a combination of tools and processes that allow it to assess performance against its Strategic Objectives on an aggregated basis. These include:

1. **Impact rating methodologies** (see Principle 4 for more details): In 2024, SIFEM used two parallel methodologies to assess development impact at the investment level, the long-standing GPR tool and a new internally developed Impact Rating Tool (IRT), which was tested during the year. Both tools assess expected development contributions prior to investment and actual impact performance throughout the investment period. Under the 2021–2024 Strategic Objectives, SIFEM aimed for at least 75% of investments to be rated as "good" or "very good" in ex-post assessments.

2. **Development indicators** (see more details under Principle 6): These are collected annually after an investment is made and include a set of standard impact indicators for all investees, as well as a limited number of specific indicators tailored to each investment. In the case of fund investments, the data not only covers the direct investee level (fund managers) but also every portfolio company. In the case of financial institutions, the data collected covers the institution itself, and the development effects such as indirect jobs induced by loans provided to clients.

Both impact ratings and the development indicator data are aggregated at a portfolio level to evaluate the impact achievement of the portfolio in line with its Strategic Objectives. Specifically, under the 2025–2028 period, SIFEM's portfolio-level targets include:

- At least 50% of investment commitments to funds should occur at a first closing.
- Mobilise a minimum of CHF 100 million in direct private and institutional co-investments, and CHF 200 million according to the OECD Development Assistance Committee (DAC) methodology.
- All investments should be made in developing countries and emerging economies (as defined by the OECD), with at least 60% of investment commitments directed towards Swiss International Cooperation priority countries or regions.
- Allocate at least 12% of commitments to investments in Least Developed Countries (LDCs), based on the United Nations definition as of 1 January 2025.
- Support the creation and/or maintenance of at least 10,000 jobs per year (pro rata based on SIFEM's shareholding).
- Ensure that at least 30% of investment commitments contribute to climate protection objectives, in line with OECD methodology, and that all investment commitments are compatible with the goals of the Paris Climate Agreement and the national climate targets of the investee countries.
- Allocate at least 30% of commitments to investments that contribute to gender equality in line with the 2X Criteria.

The results are reported annually to the Swiss Government and to the public through SIFEM's Impact Report, and its Business & Financial Report.[7]

Performance against development impact targets is linked to the incentive structure of SIFEM's Portfolio Manager through two components. First, the annual bonus framework is determined by the achievement of objectives defined and assessed annually by SIFEM's Board of Directors, including both financial and impact-related criteria. Second, there is a variable fee determined at the end of each four-year strategic cycle, based on the level of achievement of the Strategic Objectives as evaluated by the Board and acknowledged by the shareholder. The Portfolio Manager considers the outcome of the annual and strategic objective-related bonus in its allocation of variable pay to key staff members working on the mandate.

[7] *Reports.* https://sifem.ch/reports/

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.

SIFEM's contribution to impact is embedded in its mandate as the development finance institution of the Swiss Confederation and is further articulated through its Strategic Objectives and Approach to Responsible Investment. SIFEM seeks to contribute to impact through both financial and non-financial channels, in line with emerging best practice.

SIFEM's contributes to the achievement of impact through the following key channels:

- **Capital allocation to underserved markets**: SIFEM invests in geographies and market segments that face significant capital constraints, particularly Least Developed Countries (LDCs). Its participation is often catalytic, helping new or first-time fund managers reach viable first closings and enabling investees to access finance on terms or timelines that would not otherwise be available.
- **Mobilisation of private capital:** SIFEM aims to mobilize additional capital from private and institutional investors to co-invest with SIFEM, thereby contributing additional resources for sustainable development. These co-investment resources complement the investment capital of the Swiss Confederation. Additionally, SIFEM seeks to encourage the mobilisation of local capital, remittances, and diaspora capital, recognising their potential to enhance economic resilience and inclusive growth. Mobilised capital is tracked and reported by SIFEM on an annual basis.
- **Value additionality through engagement:** SIFEM offers to its investees, alongside its investment, non-financial value which is supplementary to the private sector with the aim of achieving better development outcomes. To this end, SIFEM is an active investor that participates, whenever possible, in the governing bodies of its investments (e.g., Limited Partner Advisory Committees, E&S Panel), to contribute expertise, strengthen governance, enhance Environmental, Social and Governance (ESG) standards, and provide strategic guidance.
- **Technical assistance:** In 2024, SIFEM launched a new Technical Assistance Facility (TAF) to increase its non-financial contribution. This facility supports fund managers and portfolio companies, for example, in strengthening ESG systems, addressing thematic priorities (e.g., climate action, gender equality), and improving operational capacity. The TAF operates on a grant basis, guided by clear additionality criteria and a scorecard methodology to assess value-added and requiring a contribution from the grant beneficiary.

SIFEM's development role and expected contribution are assessed during the due diligence process for each transaction and documented in Investment Committee materials, supported by knowledge of market conditions and evidence, where possible. Up to and including 2024, SIFEM also used the GPR to evaluate its contribution to impact.

SIFEM's investor contribution is therefore multi-dimensional and context specific. It is designed to address capital gaps, improve investee capacity and standards, and enable more impactful investment ecosystems in developing and emerging markets.

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 results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

SIFEM assesses the expected development impact of all prospective investments using a systematic approach that aligns with its Strategic Objectives. This approach evaluates the impact intentionality of fund managers and financial institutions through which SIFEM may invest, supplemented by contextual analysis and research to produce a credible assessment of the expected development effects of the investment.

During the 2021-24 strategic cycle, SIFEM applied the *Geschäftspolitisches Projektrating* (GPR) methodology, originally developed by the German development finance institution (DEG). The GPR framework assessed investment contributions across eight development areas: employment, gender equality, training, mobilization of local capital, financial sector diversification, diversification of credit allocation, institution building and company development.

To improve assessment accuracy and alignment with its Strategic Objectives for 2025–28, SIFEM developed a new **Impact Rating Tool (IRT)** in 2024. The GPR and IRT were used in parallel during the second half of 2024 to ensure continuity during the transition. As of January 1, 2025, the IRT is the standard methodology applied to all investments. This Disclosure Statement reflects assets under management as of December 2024, assessed primarily under the GPR framework, while recognizing that the IRT is now the primary tool for future investments.

The IRT is structured to address the fundamental questions specified in Principle 4:

1. **What is the intended impact?**
   SIFEM's intended impact is defined through its Strategic Objectives, which are operationalised in the IRT across **four impact dimensions**:

   - **Job Quantity and Quality (People):** Generating employment opportunities, particularly permanent and stable jobs, with an emphasis on job creation where it is most needed (e.g., countries with high unemployment or a significant share of informal labour). It also considers gender parity in employment and training opportunities.

   - **Inclusion (People):** Promoting access to essential goods and services, especially for underserved groups, including women, low-income, or rural clients. The IRT also considers innovative business models and investments aligned with gender-lens investing principles (the 2X Challenge).

   - **Climate (Planet):** Supporting climate change mitigation and adaptation efforts, including GHG avoidance, clean energy production, and climate resilience initiatives, particularly in high-emission or climate-vulnerable countries.

- **Economic Development (Profit):** Contributing to economic growth through productive payments to governments, enhancing infrastructure through access to electricity, supporting SMEs, and targeting investments in LDCs.

These dimensions are measured through 17 indicators, which provide a structured framework for evaluating potential impact. Each investment is scored based on quantitative data, allowing for consistent evaluation and comparison across the portfolio as well as over time.

2. **Who experiences the intended impact?**
The IRT framework identifies and monitors the specific **stakeholders and beneficiaries** of each investment, including:

- **Workers:** Particularly those who are underemployed or more vulnerable, including women, those employed in sectors with significant informal employment and temporary or outsourced workers.
- **SMEs:** Receiving improved access to capital and operational support.
- **Underserved populations:** Such as women, rural communities, and low-income clients, especially where financial inclusion or essential service access is prioritised.
- **Countries with critical needs:** Including LDCs, regions with high unemployment, and areas particularly vulnerable to climate change.

3. **How significant is the intended impact?**
The significance of the impact is assessed through the IRT's **scoring and weighting system**, which considers the magnitude of expected benefits per million dollars invested and its relevance to SIFEM's Strategic Objectives.

The IRT provides a structured approach to assessing impact magnitude through quantitative thresholds that distinguish between high, medium, and low levels of performance across all indicators. The thresholds are based on the historical impact performance of the SIFEM portfolio as well as sector-specific benchmarks and contextual factors (e.g., local unemployment rates, female labour force participation, and climate vulnerability), where applicable.

The weights assigned to different indicators vary according to the expected contribution of each investment type to SIFEM's overall impact objectives, ensuring that performance is assessed appropriately for the nature of each investment, and allows for comparability within the portfolio.

- **Generalist Funds:** Expected to contribute primarily to economic development and quality job creation.
- **Small Business/Inclusion Funds:** Expected to contribute to inclusive growth through jobs and innovative business models.
- **Climate Funds:** Expected to demonstrate impact through GHG avoidance, clean energy production, and climate strategies.
- **Financial Institutions:** Expected to contribute to financial inclusion by expanding access to finance, particularly for underserved segments.

4. **What is the likelihood of achieving the expected impact?**
The likelihood of achieving the expected impact is assessed through due diligence processes that identify risk factors which could cause deviations from expected outcomes. These include country risks, sector risks, and operational risks (e.g., the capabilities of fund managers and financial institutions to implement and monitor effective ESG practices). While this component is

not directly quantified within the IRT, it is documented and presented in Investment Committee materials to inform decision-making.

5. **What is the relative size of the challenge assessed?**
   The IRT framework considers the size and urgency of the challenge addressed by each investment through country-specific indicators such as unemployment rates, the proportion of informal employment, financial inclusion levels, GHG emissions per capita, and climate vulnerability indices. The IRT assigns a higher score to potential investments when they address pressing challenges within countries or regions based on these indicators.

Each investment proposal submitted to SIFEM's Investment Committee contains a development impact section, which establishes the expected contribution to specific development outcomes and SDGs. Opportunities to enhance the impact are also part of the Investment Committee decision process. Finally, SIFEM ensures that all investees commit to reporting on development outcomes annually to monitor their performance throughout the life of the investment (see Principle 6).

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.

SIFEM commits all its investees (funds and financial institutions) to comply with its Approach to Responsible Investment and requires those investees to guarantee that their respective underlying portfolio companies also adhere to the Approach.[8] Investees must abide by national regulations and work towards the adoption of the relevant international standards defined in the Approach to Responsible Investment.

In addition to assessing investees' compliance with its Approach to Responsible Investment, SIFEM identifies and assesses the ESG risks of each of its investments using criteria that is harmonised among European Development Finance Institutions (EDFIs) and based on the IFC Performance Standards on Environmental and Social Sustainability.[9] This includes a risk assessment of the sector of investment, macroeconomic indicators, and the investee's governance practices. Each investment is assigned separate risk categorizations for E&S risks and corporate governance risks.

After identifying the potential risk, SIFEM assesses the ability of the institution to manage and mitigate those risks. ESG risks are monitored annually for all investments, resulting in a Compliance Score.

SIFEM maintains distinct ESG requirements for funds and financial institutions, as detailed in its Approach to Responsible Investment. To enforce these standards, all investees are required to develop and implement an Environmental and Social Management System (ESMS) prior to making their first investment. This entails, among other things, adhering to a set of excluded activities aligned with the SIFEM Exclusion List[10] and Harmonized EDFI Fossil Fuel Exclusion List.[11]

Recognising that some of our partners may need time to reach compliance with internationally accepted standards, SIFEM may draft Environmental, Social and Governance Action Plans (ESGAPs) that outline the steps and timeframes needed to meet requirements. These ESGAPs are integrated into the investment legal agreements, which are binding documents. Where possible, SIFEM collaborates with other DFIs to draft ESGAPs, enhancing the effectiveness of engagement while minimising the reporting burden on investees.

SIFEM regularly monitors the ESG performance of its investments through a structured process that includes:

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[8] *SIFEM's Approach to Responsible Investment.* https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/200303__SIFEM_Approach_to_Responsible_Investment.pdf

[9] *IFC's Performance Standards on Environmental and Social Sustainability.* https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards

[10] *Harmonized EDFI Exclusion List.* https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Exclusion-List_-September-2011.pdf

[11] *Harmonized EDFI Fossil Fuel Exclusion List.* https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2021/02/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf

- **Annual reporting** to track ESG performance and compliance.
- **Follow-ups on ESGAP implementation.**
- **Review and feedback** on the first three and high-risk investments of newly invested funds, through review of the ESG analysis, due diligence documents and ESAPs.
- **Direct engagement with ESG-dedicated staff** at investees, including participation in ESG sub-committees to the LPAC, where relevant.
- **Incident reporting:** Investees are required to report serious ESG incidents within three business days of becoming aware of them. Reported incidents are thoroughly reviewed, with follow-ups to undertake appropriate corrective actions, such as root cause analyses, enhanced training, or improved safety protocols. Any systemic issues identified require ongoing close monitoring and engagement.

In cases of serious ESG incidents, SIFEM follows a structured escalation process outlined in its Crisis Communication Policy. The policy defines criteria for classifying serious incidents, establishes immediate reporting and escalation protocols to the Board of Directors, and mandates the formation of a Crisis Unit to coordinate incident management. The Crisis Unit is responsible for fact finding, stakeholder engagement, and timely, transparent communication.

Additionally, SIFEM provides technical assistance and strategic advisory to investees to help address gaps in areas such as climate, gender, and business ethics. This support may include training programs, development of management systems or the implementation of new processes.

Through these processes, ESG compliance is systematically tracked, and investees with higher risk profiles receive more intensive monitoring and engagement to address gaps or unexpected issues. This proactive approach helps ensure that ESG underperformance and unexpected risks are effectively identified and managed throughout the investment lifecycle.

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 Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

As described under Principles 2 and 4, SIFEM relies on impact rating methodologies and the collection of development indicators to systematically monitor the progress of each investment in achieving development impact compared to pre-investment expectations.

Monitoring Tools and Methodologies

- **Impact Rating Tool**: Introduced in 2024 and officially adopted from January 1, 2025, the IRT assesses both expected (see Principle 4) and actual impact performance annually (ex-post). While the GPR methodology applied during the 2021–24 strategic cycle involved assessments every other year, the IRT requires annual monitoring. The tool facilitates the comparison of expected and actual performance on impact indicators for each investment over its lifetime, with results benchmarked and aggregated for portfolio-level analysis. The indicators used to calculate the IRT score are a subset of the annual development indicators described below.

- **Development indicators**: SIFEM annually collects a set of standard impact indicators from all investees, as well as a minimum of three specific indicators tailored to each investment. These metrics capture portfolio-wide effects applicable to all investments, as well as sector-specific effects, demonstrating SIFEM's commitment to the SDGs identified in its Theory of Change.

  SIFEM uses internationally accepted harmonized approaches and indicators whenever possible. This includes indicators from the IRIS Catalogue of Metrics managed by the Global Impact Investing Network (GIIN) – of which SIFEM is an active member – and the Harmonized Indicators for Private Sector Operations (HIPSO), which are used by multilateral development banks and development finance institutions, as well as the Joint Impact Indicators (JII), which are harmonized between both the GIIN and HIPSO.

- **Independent impact assessments:** To complement routine monitoring, SIFEM periodically conducts independent impact assessments with external consultants to gain deeper insights into investment outcomes and the effects on end-stakeholders. These evaluations focus on priority areas where SIFEM identifies knowledge gaps, or seeks an independent opinion to assess its impact performance. For example, the most recent assessment was conducted in 2024 by Steward Redqueen, exploring the impact of SIFEM's climate portfolio on the Just Transition agenda, including assessing investment outcomes for end-stakeholders.

Roles and Responsibilities

The impact monitoring processes are supported by clearly defined responsibilities and procedures:

- **Investees** are responsible for reporting on their development impact. Reporting obligations are defined in the legal agreements pre-disbursement, including the list of indicators required, frequency of reporting, and reporting channels. Fund managers report on all underlying portfolio companies, while financial institutions report directly on their portfolios.

- The **Portfolio Manager** is responsible for collecting, monitoring, and managing annual impact data from all investees and computing the IRT scores for each investee.
- The **Business Services Manager** is responsible for analysing the performance of investments using collected data and identifying gaps in performance.
- The **Performance and Impact Committee**, comprising three SIFEM board members, is responsible for reviewing the impact performance at a portfolio level through the review of the annual impact report (see Principle 8), as well as identifying topics for independent impact assessments.[12]

Monitoring and Response

Monitoring results from the IRT and impact indicators will be assessed against pre-investment expectations. When deviations are identified, SIFEM will respond through engagement with investees to better understand the causes of underperformance and identify potential adjustments. SIFEM's approach ensures that progress is monitored consistently, results are benchmarked against expectations, and appropriate actions are taken to enhance impact performance where needed.

[12] For more details on SIFEM's organisation and governance, please visit: https://sifem.ch/about-us/organisation/

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.

SIFEM, as a vehicle primarily investing through private equity funds, structures its exit approach to preserve the impact achieved during the investment period, recognising that exit decisions may influence the long-term sustainability of development outcomes. As a patient investor, SIFEM prioritises maintaining partnerships and engaging closely with investees to enhance their ESG and impact management practices throughout the investment lifecycle.

SIFEM's approach to exits varies depending on the **investment type**:

- **Fund investments:** SIFEM invests primarily in local or regional investment funds as a Limited Partner (LP), often participating in the first close of the fund. When a fund reaches the end of its expected life with no underlying assets remaining (over a 10–12-year period), the fund structure is dissolved. SIFEM remains invested until the fund is dissolved and does not actively sell equity stakes in the secondary market, as its objective is to support fund managers throughout the entire investment lifecycle. During the due diligence stage, SIFEM requires or recommends that investees establish a Responsible Exit Policy to promote long-term impact after the investment exit.
- **Financial institution investments:** SIFEM's debt investments in financial institutions are inherently self-liquidating, as they reach maturity without a separate exit process. Although there is no specific exit strategy for debt, SIFEM supports financial institutions in maintaining or strengthening their ESG and impact management practices during the investment period. This approach increases the likelihood that the institutions will maintain sustainable practices even after the loan is repaid. Future investment decisions for a debt investment may be affected by the investment's impact performance and adherence to ESG standards.

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.

SIFEM reviews and documents the impact performance of its investments by comparing expected and actual impact performance and integrating lessons learned to enhance investment processes and decision-making.

Impact Performance Review and Documentation

As described under Principles 4 and 6, SIFEM uses the IRT to assess the expected development effects of new commitments and compare them against actual impact performance measured through ex-post data collection for active investments. The results of these assessments are consolidated into an **annual impact report**, which provides a comprehensive overview of performance at a portfolio level.

The **Performance and Impact Committee**, comprising three board members, plays a central role in assessing the quality and consistency of these reviews. Its responsibilities include:

- Reviewing the annual impact report, which consolidates results across the portfolio and provides insights into progress against SIFEM's Strategic Objectives.
- Evaluating methodologies and tools used for impact measurement, including the IRT, and recommending adjustments when necessary.
- Identifying priority topics for deeper evaluation through case studies or independent assessments to gain additional insights into impact performance.

The annual impact report is discussed with the Board of Directors to support strategic oversight and decision-making. This structured review process helps ensure that findings are systematically documented and incorporated into operational improvements.

Independent Evaluations and Case Studies

In addition to routine monitoring, SIFEM periodically conducts independent impact assessments and case studies to gain deeper insights into specific investments or thematic areas.

- In 2025, SIFEM will undertake 2–3 case studies of its portfolio to highlight investment impact, successes, and best practices. These case studies will be published on SIFEM's website to promote transparency and share learnings with stakeholders.
- Independent assessment, such as the Just Transition study described in Principle 6, provide external perspectives on the broader effects of SIFEM's investments, including their impact on end-stakeholders. These evaluations offer valuable lessons that are integrated into future decision-making and methodologies.

Annual Reporting and Strategic Cycle Review

SIFEM reports annually on the achievement of its Strategic Objectives to the Swiss Federal Council, presenting both quantitative results and qualitative analyses of lessons learned. These reports describe achievements, challenges, and an outlook for the following period.

At the end of each four-year strategic cycle, SIFEM prepares a consolidated report summarising overall performance against the Strategic Objectives. These reports serve as a key input for consultations with SIFEM's shareholder to inform the development of new objectives for the upcoming cycle.

By combining annual monitoring, periodic evaluations, and structured reporting, SIFEM demonstrates a holistic approach to reviewing and documenting impact performance. The inclusion of a dedicated Performance and Impact Committee, systematic use of the IRT, and periodic case studies and independent evaluations enable SIFEM to effectively learn from its experience and improve its processes over time.

Principle 9 – Publicly disclose alignment with the 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 SIFEM's procedures with the Impact Principles and will be updated annually.

The independent verification report on the alignment of SIFEM with the Operating Principles for Impact Management is published on SIFEM's website.[13]

Steward Redqueen conducted the first verification in November 2020, and BlueMark conducted the second verification in March-April 2025. The next verification will be conducted in Q1 2029 unless there are significant changes to SIFEM's practices that require an earlier review.

Information on the current independent verifier is as follows:

Name and Address: BlueMark, 154W 14th Street, New York, NY, 10011, USA

Qualifications: BlueMark is a specialized consultancy that works across the globe to evaluate and verify how organisations approach impact management based on accepted industry standards and provide impact management and measurement verification services in the impact investing market, to bilateral development finance institutions and private sector actors.

Most Recent Review: March-April 2025.

[13] *Impact Framework.* https://sifem.ch/our-impact/impact-framework/