

Disclosure Statement Operating Principles for Impact Management

Obviam AG

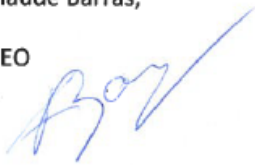
March 27, 2022

Obviam AG is a founding signatory to the Operating Principles for Impact Management (the Impact Principles). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms that Obviam's core business (e.g. Manager of SIFEM AG), including (a) impact management systems; (b) policies and practices; and (c) investments (fund investments and loans) are managed in alignment with the Impact Principles. Total assets under management in alignment with the Impact Principles is **US\$ 894.5 million**¹ as of December 2021.²

Claude Barras,

CEO



Philip Walker

Managing Director



¹ Portfolio exposure includes equity and quasi-equity instruments, as well as current income earning instruments, and represents total active commitments as of December 31, 2021.

² The sole purpose of this Disclosure Statement is to fulfill Obviam'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. Obviam 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 analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, Obviam 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 Obviam 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.

Principle 1 – Define strategic impact objective(s), consistent with the investment strategy: The Manager shall define strategic impact 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.

- *Obviam has been appointed to manage the portfolio and in the investment function of SIFEM, the development finance institution of the Swiss Government. SIFEM belongs to the instruments of bilateral development assistance financed by the Swiss government to foster private sector development in developing and emerging countries, complementing other measures of economic development assistance.*
- *In the context of this mandate, the Swiss Government has set strategic objectives to SIFEM including specific development impact objectives. The current strategic framework assigned to SIFEM for the period 2021-24 includes a variety of development objectives aligned with the Agenda 2030 for Sustainable Development (SDGs) and with the Paris Agreement on climate change. As the Manager of SIFEM, Obviam is responsible for the operationalization of these strategic objectives.*
- *As reflected in the SIFEM impact policy adopted developed by Obviam, all SIFEM investments are made with the specific intent to generate a measurable development impact, with specific monitoring indicators. SIFEM uses a specific Theory of Change -which was developed by Obviam- at the level of its portfolio linked to a results framework to assess, analyze and monitor its investments. This framework is based on the SDGs, and used in a consistent manner to maximize the development effects linked to SIFEM's investment decisions throughout the whole investment cycle, starting with the analysis of investment opportunities.*

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.

- *The result measurement framework used by Obviam in the context of the SIFEM mandate is composed of three different levels. First, an internal rating tool, is used to appraise investments and track their development performance over time. In order to do this, a benchmark is established prior to investment to reflect the expected development effects. Second, a number of indicators are collected for each investment to measure development effects, which are aggregated at the portfolio level and reported to the Swiss Parliament. Third, case studies are conducted on an annual basis to take a closer look at the effects and value-add of SIFEM's investments managed by Obviam in specific contexts.*
- *Performance against the achievements of the strategic objectives -including development impact- is built into the staff incentive system.*

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.

- *As per its mandate and strategic framework, all SIFEM investments need to respect the principles of sustainability, financial additionality, value additionality and leverage. A scoring system against these principles is used by Obviam to qualify each investment proposal submitted to SIFEM’s investment committee.*
- *Each investment proposal contains a detailed development impact section, which establishes the expected contribution to specific development outcomes, as per SIFEM’s impact policy developed by Obviam. SIFEM’s development role and expected contribution is part and parcel of the presentation of each transaction to the Investment Committee, including a description of the financial and value additionality of SIFEM.*

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.

- *Obviam assesses the contribution of all prospective SIFEM investments to specific development priorities reflected in its strategic objectives, as well as the impact intentionality of Fund Managers/Financial institutions through which SIFEM may invest. This analysis is supplemented by contextual analysis and research in order to come up with a credible assessment of the expected development effects of the investment, considering the particular institutional, socio-political and economic context.*
- *The contribution and link to specific SDGs is assessed in the light of the credibility of the expected contribution (logical contribution) and the ability to use specific metrics/indicators to measure the expected contribution. Obviam uses internationally-accepted harmonized approaches and indicators whenever possible, such as metrics coming from the IRIS+ catalogue of indicators managed by the Global Impact Investing (GIIN) network -of which Obviam is an active member- and harmonized indicators used by the EDFI institutions.*

- *These metrics capture portfolio-wide effects applicable to all investments, as well as sector-specific effects. The main metrics and indicators collected annually by Obviam in the context of the SIFEM mandate for development effects tracking and reporting are shown below, in relation to their corresponding SDGs. A maximum of three SDGs per investment can be claimed, so as to focus the analysis on the most relevant development effects.*

SDG 2 - ZERO HUNGER



- Food produced
- Farmers reached

SDG 3 - GOOD HEALTH & WELL BEING



- Healthcare facilities served
- Caregivers employed
- Patients reached

SDG 4 - QUALITY EDUCATION



- Education Facilities served
- Teachers employed
- Students trained

SDG 5- GENDER EQUALITY



- Share of women ownership
- Business founded by a woman
- Share of women in senior management
- Share of women on the Board or Investment Committee
- Share of women in the workforce
- Products or services specifically or disproportionately benefiting women

SDG 7 - AFFORDABLE & CLEAN ENERGY



- Clean energy installed
- Clean energy produced
- GHG emissions (for investees with more than 25000 mtCO2e per year)
- GHG emissions avoided during reporting period

SDG 8 - DECENT WORK & ECONOMIC GROWTH



- Employment (Permanent, Temporary, Outsourced and Construction, disaggregated by gender)
- Employee Turnover (Involuntary, Voluntary, disaggregated by gender)
- Formal training provided to employees,
- Number of employees trained and hours of training
- Grievance Mechanism (number of complaints)
- Number of serious Incidents

SDG 9 - INDUSTRY, INNOVATION & INFRASTRUCTURE



- Number of subscriptions (mobile phone, internet)
- Volume of potable water produced
- Passenger use
- Number & amount of SME loans
- Number of clients/beneficiaries

SDG 10 - REDUCED INEQUALITIES



- Amount of outstanding microfinance loans
- Number of outstanding microfinance loans

SDG 11- SUSTAINABLE CITIES & COMMUNITIES



- Housing units constructed
- Number & amount of housing loans

SDG 12 - RESPONSIBLE CONSUMPTION & PRODUCTION



- Waste disposed through reuse/recycling (tons)

SDG 15 - LIFE ON LAND



- Forestry managed (hectares)
- Planted area (hectares)

SDG 17 - PARTNERSHIP FOR THE GOALS



- Corporate income taxes
- Other taxes and governmental fees

- *Each investment proposal identified by Obviam is submitted to SIFEM's investment committee contains a development impact section, which establishes the expected contribution to specific development outcomes, as per SIFEM's Impact Policy. Opportunities to enhance the impact – as recognized by SIFEM's Impact Policy – are also part of the investment committee decision process.*
- *In the context of the SIFEM mandate, Obviam uses a corporate rating tool, which provides a standardised rating based on a qualitative assessment. Obviam has been using this tool to evaluate and measure the development effects of SIFEM's investments since 2006. This system allows to compare the impact of any SIFEM investment on an indicator-by-indicator basis, but also on*

an aggregate investment-by-investment basis. The index also provides a way to benchmark each investment against the average score of the entire portfolio and to monitor its evolution over the entire investment lifecycle.

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.

- *In the context of the SIFEM mandate, Obviam commits all financial intermediaries to observe its Responsible Investment Policy³ and requires those intermediaries to ensure compliance with that policy at the level of their respective investees and clients. Portfolio companies adhere to national regulations and work towards the adoption of the relevant international standards defined in the Responsible Investment Policy.*
- *Obviam works to ensure that there is a meeting of the minds by discussing respective expectations regarding ambition to meet, or even exceed the requirements contained in its Responsible Investment Policy, and the extent to which those expectations are aligned. Obviam also assesses the support that partners may need to adopt more responsible business practices.*
- *Recognizing that some of our partners may need time to reach compliance with internationally accepted standards, Obviam may draft legally binding Environmental and Social Action Plans (ESAPs) that outline the steps and timeframes needed to meet requirements. These ESAPs are integrated into the side letter accompanying investment legal agreements, which are legally binding documents.*
- *In line with its procedures, Obviam regularly monitors the ESG performance of its investments and intervenes whenever necessary to ensure compliance with its Responsible Investment Policy.*

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.

- *In order to track the progress of an investment over time, the corporate rating tool described in Principle 4 is used to establish an ex-ante benchmark at the investment appraisal stage. After the*

³ https://www.obviam.ch/fileadmin/user_upload/pdf_docs/200115_Responsible_Investment_Policy_V1.3_Website_Version_01.pdf

execution of an investment, assessments are conducted every second year to monitor and track the occurrence of actual development effects (ex-post process).

- *Each year, Obviam uses standardized reporting templates to collect and monitor data on the key development effects of the underlying portfolio companies. The data is provided to Obviam by financial intermediaries (Fund Managers and Financial institutions), based on the reporting requirements explicitly mentioned in the legal agreements for each transaction.*
- *The data collected annually is aggregated internally, with a series of quality and consistency checks, including follow-up calls with Fund Managers and Financial Institutions. Standardized protocols are used for the statistical treatment of missing data and cross-investments. Aggregated datasets are then used for reporting to SIFEM's and its shareholder, and to the general public.*

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.

- *Obviam considers the effect on maintaining development impact when making exit decisions in SIFEM's equity portfolio. This can affect the timing, structure, and choice of who to sell to.*
- *Obviam invests on behalf of SIFEM primarily in local or regional investment funds as a limited partner. When a particular fund reaches the end of its expected life with no underlying assets remaining, the fund structure is dissolved.*
- *Direct debt investments made by Obviam on behalf of SIFEM are self-liquidating without exit decisions.*

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.

- *Obviam uses the corporate impact rating tool mentioned in Principle 4 to analyse the expected development effects of SIFEM's new commitments, compares actual development effects measured through ex post data collection of the active investments versus expectations formed prior to investment, and presents conclusions for investments exited during the year.*
- *In the context of the SIFEM mandate, Obviam conducts various cases studies on an annual basis to take a closer look at the effects and value-add of SIFEM's investments in specific contexts. Since 2018, Obviam has developed Impact Reports for SIFEM which look at specific thematic issues and report on the lessons learned. External reviews, evaluations or thematic studies are also carried out during each strategic cycle, which are either commissioned by the Board or the Shareholder.*

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 Obviam’s procedures with the Impact Principles and will be updated annually.*
- *Obviam plans to conduct an independent verification of its practices every four years, unless there are significant changes to its practices that warrant a more frequent review. The first independent verification of Obviam’s alignment took place in November 2020.*
- *Information on the current independent verifier is as follows:*

Name and Address: *Steward Redqueen
Kinderhuissingel 4a/b
2013 AS Haarlem, The Netherlands*

Qualifications: *Steward Redqueen is a specialized consultancy that works across the globe advising organizations on impact and sustainability, with 20 years of experience working for multilateral development institutions and bilateral development finance institutions.*

Most Recent Review: *November 20, 2020*
