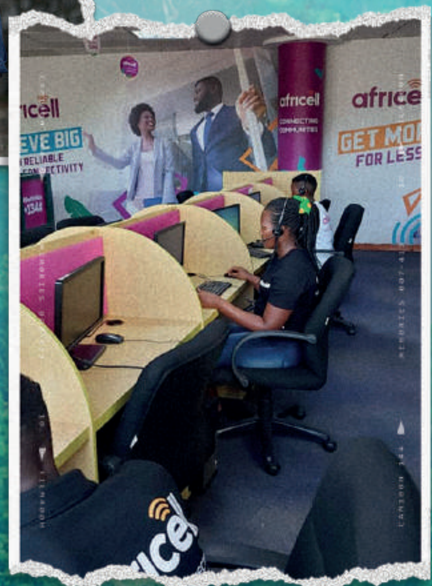
OBVIAM

INVESTING FOR IMPACT

IMPACT REPORT 2020

Fondation pour les Aires Protégées et la Biodiversité de Madagascar



MADAGASCAR
BIODIVERSITY FUND

Contents

The pandemic has presented society with a unique set of challenges. But Obviam, its investment partners and their employees, have responded.

On 31 December 2020, there were eight funds featuring 70 investee companies in the FAPBM portfolio. While there were no exits during the year six new investee companies were introduced into funds.

We are impressed by the key impacts delivered by the FAPBM portfolio during this difficult year. Employment increased 4% from 2019 to 2020, creating almost 60,000 new jobs – a notable achievement considering the job losses caused by the pandemic. Clean energy production also increased by 141%, as more renewable energy projects began their operations, and Kaizen II's investees reached nearly 5.3 million students in 2020, an increase of one million students since 2019.

That said, the pandemic has affected the funds in the FAPBM portfolio and impacted the financial and Environmental, Social, Governance and Impact (ESGI) performance of investee companies. We engaged with fund managers through the year, providing guidance and training where needed. Alongside financial considerations, we focused on ensuing workplace safety for all stakeholders.

We also supported investee companies to explore alternatives to retrenchment, following best practices wherever retrenchment was necessary. Summaries of the fund managers' pandemic responses are included in this report, together with the summaries of each fund.

This year's reporting has been expanded to include an overview of Environmental, Social and Governance (ESG) risk management and Impact, both at fund and portfolio level. We highlight our engagement with fund managers and support to help them minimise ESG risks and leverage Impact potential. Kaizenvest is the subject of this year's case study. In Championing Learning Beyond the Pandemic, we share its innovative impact framework and its Theory of Change which guides its investment decision-making. We also present Kaizenvest's invaluable views of the future of the education sector.

This report illustrates how the challenges of 2020 have been met with resilience, innovation and conviction by fund managers and their investee companies. For our part, we remain committed to the investment objectives of the FAPBM portfolio, recovering and enhancing value, maintaining high ESG standards and delivering developmental impacts that make a meaningful contributions to the selected United Nations Sustainable Development Goals over time.

Claude Barras
Obviam CEO

FOREWARD

Mandate & Portfolio Overview

Fondation pour les Aires Protégées et la Biodiversité de Madagascar

08
FUNDS
in the FAPBM portfolio

70
COMPANIES
active Fund investee companies

58,725
JOBS
supported in active underlying investee companies

18.8
MILLION
USD committed to investments

5.3
MILLION
Students Reached

236
GWh
Clean Energy Produced

Employment increased by 4% from 2019 to 2020, a notable achievement considering the significant number of job losses that took place in 2020 as a result of COVID-19. The introduction of new investees only contributed 1% of this increase, meaning the stronger effect came from new jobs created by some existing investees. While AGCF was again the largest contributor to jobs, supporting nearly 44,000 jobs, Adenia IV experienced the largest job growth (a 181% increase). Clean energy produced by funds' investees also increased by 141%, as more projects commenced operations. REAF II's investees accounted for 78% of this increase. Kaizen II's investees reached nearly 1 million more students than they did in 2019; a total of nearly 5.3 million students were reached in 2020.

Data as of December 31st 2020.

Mandate & Portfolio Overview

Fondation pour les Aires Protégées et la Biodiversité de Madagascar

The Fondation pour les Aires Protégées et la Biodiversité de Madagascar (FAPBM) has engaged Obviam to act as its Investment Advisor to invest a portion of the Foundation's portfolio into developing countries with a sustainable and responsible investment mandate. This investment mandate aims to reach a 60% exposure to equity and 40% exposure to debt investments, of which a minimum of 30% of commitments will be directed towards Africa and 30% of the commitments will be directed towards the environmental sector. The targets in the environmental sector may include investments into nature conservation, biodiversity protection, sustainable forestry, renewable energies, energy efficiency, decarbonization, and sustainable agriculture.

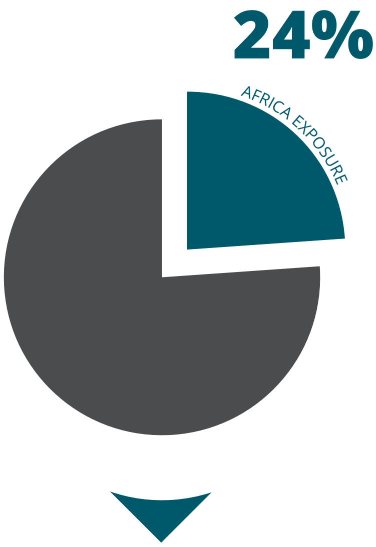
1. **Abraaj Global Credit Fund**
2. **Adenia Capital IV (Adenia IV)**
3. **Catalyst Fund II (Catalyst II)**
4. **Central American Small Enterprise Investment Fund III (CASEIF III)**
5. **Darby Latin America Private Debt Fund III (Darby III)**
6. **Frontier Energy II (Frontier II)**
7. **Kaizen Private Equity II (Kaizen II)**
8. **Renewable Energy Asia Fund II (REAF II)**

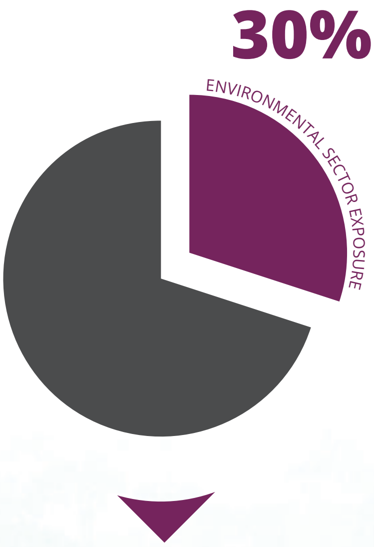
Mandate & Portfolio Overview

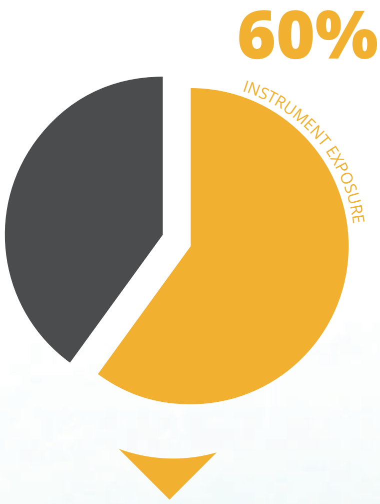
Fondation pour les Aires Protégées et la Biodiversité de Madagascar

As of 31 December 2020, FAPBM had invested in eight funds, which had, in turn, invested in 70 companies. While there were no exits during 2020, six new companies were introduced into the funds: BITEL (CASEF III); Bloom Farms and Cordeiro & Kelane (Darby III); Bihongora (Frontier III); and Sitanduk (REAF II).

More than 24% of the invested capital has been allocated to investments in Africa, while 30% of the invested capital has been allocated to companies in the environmental sector. The portfolio aims to maintain a 60/40 exposure to equity and debt.







AFRICA EXPOSURE

Of the total invested capital, 24.3% has been allocated to investments in Africa. Adenia IV, Catalyst II, and Frontier II are private equity funds focused on Africa.

The total invested capital will grow as these funds deploy further capital.

ENVIRONMENTAL SECTOR EXPOSURE

Of the total invested capital, 30% has been allocated to investments focusing on the environmental sector.

37 renewable energy investments have been made between REAF II and Frontier II, private equity funds in South and Southeast Asia, and sub-Saharan Africa, respectively.

INSTRUMENT EXPOSURE

Of the total committed capital, 60% was allocated to private equity funds (Adenia IV, Catalyst II, REAF II, Kaizen II and Frontier II) and 40% has been allocated to funds investing primarily via debt instruments (CASEIF III, AGCF, and Darby III).

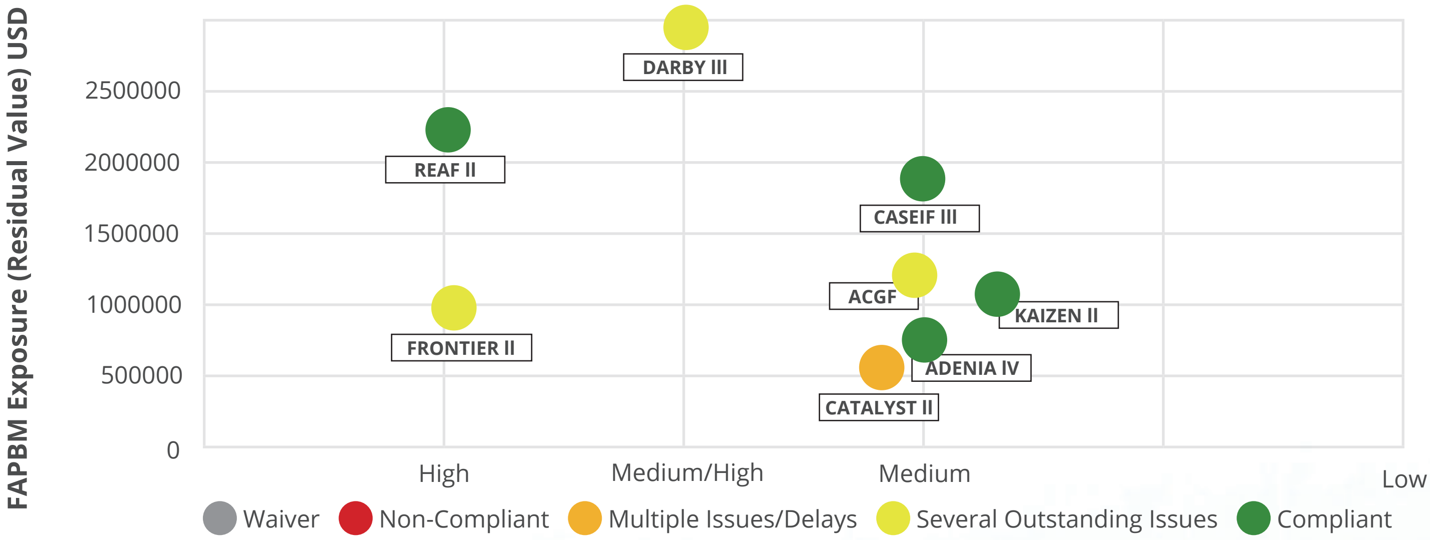
The invested capital figures are based on disbursed capital as of the end of 2020.

Mandate & Portfolio Overview

Fondation pour les Aires Protégées et la Biodiversité de Madagascar

The FAPBM portfolio features two investees categorized as 'high' ESG risk, one company as 'medium-high' ESG risk, and five 'medium' ESG risk investees. Despite 2020 being a challenging year, all but one fund was in, or near compliance with Obviam's robust ESG requirements. While the Abraaj Global Credit Fund and Darby III struggled with monitoring investee compliance, only minor deficiencies were uncovered. Catalyst II's lack of compliance was more acute, and reflected issues with Britania Foods (Britania Biscuits) and challenges faced by the fund manager.

FAPBM Exposure and Residual ESG Risk Categorizations



Contributions to the SDGs across the FAPBM Portfolio

	2 Zero Hunger	3 Good Health and Well-Being	4 Quality Education	5 Gender Equality	7 Affordable and Clean Energy	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	13 Climate Action	17 Partnerships for the Goals
Abraaj Global Credit Fund						✓	✓		✓
Adenia Capital IV						✓	✓		✓
Catalyst Fund II						✓	✓		✓
Central American Small Enterprise Investment Fund III (CASEIF III)	✓			✓		✓	✓		✓
Darby Latin America Private Debt Fund III							✓		✓
Frontier Energy II					✓			✓	
Kaizen Private Equity II			✓						
Renewable Energy Asia Fund II					✓			✓	

Abraaj Global Credit Fund

FAPBM Investment Year: **2017**
Sector: **Multi-sector**
Region: **Global**

Fund Size: **USD 218.5 million**
FAPBM Commitment: **USD 2.5 million**
Fund Manager: **Abraaj Credit Manager Limited**

FUND OVERVIEW

Abraaj Global Credit Fund (AGCF) is the first fund offering primarily mezzanine debt to mid-sized and growth-oriented companies operating in emerging markets and developing countries. It is a generalist fund focusing on industrial sectors, infrastructure (transport, energy), logistics and communication. The restructuring of Fund Manager Abraaj Group has led to a gradual winding down of the fund.

PORTFOLIO OVERVIEW

Aegis is a global Business Process Outsourcing services provider headquartered in India, and operating in the telecom, banking and financial services, travel, logistics, hospitality and energy and utilities sectors across nine countries.
DRD was established in 1998 and is a leading operational car fleet leasing company in Turkey. It has grown its fleet to 36,000 cars.
Africell is a mobile network operator providing mobile telecommunication and data services in Sierra Leone, Gambia, Uganda and Democratic Republic of Congo, and is currently expanding into Angola. It provides services to 11 million subscribers across its markets.

ESG Risk Rating	Compliance Status
MEDIUM	**YELLOW**

ESG

Based on the underlying investee companies in the ACGF portfolio, Obviam has assigned the fund a Medium ESG risk categorization. Before the fund's inception, the manager had established a robust Environmental and Social Management System that was tailored to the credit business. This system is aligned with Obviam's Responsible Investment Policy and allows the manager to identify, mitigate and manage the ESG-related risks of its investees. The manager also placed ESG requirements on its investee companies at the time of investment and has established Environmental and Social Action Plans to remediate gaps between the requirements and current practices. These Action Plans have been completed. However, given the nature of the fund (credit), the current re-structuring of the fund, and COVID-19 travel restrictions, Abraaj Credit Manager has not been able to adequately monitor its investees. Noting that enhanced monitoring is critical during the pandemic (particularly to ensure worker's health and safety and their livelihoods). Obviam has engaged with the manager on these shortcomings, and it is committed to making improvements throughout the remainder of the life of the fund.

While the restructuring of Abraaj has led to a gradual winding down of the AGCF Fund, we have been impressed by the team's commitment to supporting investee companies while pursuing exit strategies and still protecting the interests of LPs including FABPM. Abraaj's earlier work with its investees in the area of ESGI management has helped lay strong foundations to support their sustainable future growth, and we anticipate these companies will continue to generate positive impacts over the long term.

Maxime Guionie
Investment Officer

Abraaj Global Credit Fund Continued...

IMPACT

Gaining access to finance is a challenge even for mid-sized companies in developing countries, where foreign and local banks prefer to take on less risk and therefore extend fewer loans. AGCF aims to bridge this financing gap by providing mezzanine debt which is expected to mobilize additional senior debt for those companies, contributing to both financial sector innovation and financial deepening. Also, supporting the sustainable growth of mid-sized companies goes hand in hand with i) the creation of more formalized jobs providing better working conditions, including social and medical insurance benefits, as well as ii) increased government revenues through tax contributions.

Due to Abraaj Group restructuring, and the gradual winding down of AGCF, the fund's impacts have been less than expected at the time of investment. The number of jobs supported by the fund is quite high, primarily because of Aegis, which supports nearly 39,000 jobs. Due to COVID-19, Aegis was forced to retrench nearly 14% of its workforce in 2020, although it anticipates that many of these jobs will return as the company rebounds financially. While the manager has not professionally developed as anticipated (measured using Obviam's GPR tool), this attributed to the restructuring. That said, all its portfolio companies provide formal training to their employees, which is not only important in supporting their growth, but also supports their employees' professional development. While the gender effects (from the GPR tool) of the fund are neutral, it should be noted that nearly half of investee company employees are women. Again, this primarily reflects the inclusion of Aegis where 46% of the employees are women, and where women were not adversely affected by the retrenchment.

The fund has mobilized local private capital and credit allocation has been extended for export financing. And, as mentioned above, Abraaj Group has helped investee companies to establish or further develop their ESG policies, systems and practices.

IMPACT HIGHLIGHTS

Over **40,000** employees

100% of companies provide **formal training** to employees

USD 106 million of additional capital leveraged alongside AGCF's investments

IMPACT OF COVID-19 AND THE MANAGER'S RESPONSE

The pandemic had varying impacts on AGCF's investees. AfricCell, whose business is Wi-Fi and mobile data, benefited financially from increased customer demand and continued to perform according to Abraaj Credit Managers expectations. AfricCell enabled its employees to work from home where possible. COVID-19 affected Aegis heavily in the first quarter of 2020, setting the company back financially. However, it worked hard to get back on track by the third quarter, six months ahead of schedule. While the financial situation forced Aegis to retrench 14% of its workforce, it is expected that many of these jobs will return as the company's growth continues.

GPR SCORES Range is 1-100	**Pre-Investment Projection 2016**	**Post-Investment Assesment 2020**
Overall Development Effects	67	43
Employment Effects	100	100
Gender Effects	0	0
Training Effects	83	0
Mobilization of Local Capital	100	100
Diversification of the financial Sector	50	50
Diversification of Credit Allocation	100	25
Institution Building	50	25
Company Development	50	50

Adenia Capital IV (Adenia IV)

FAPBM Investment Year: **2016**
Sector: **Multi-sector**
Region: **West Africa & Indian Ocean**

Fund Size: **EUR 230 million**
FAPBM Commitment: **EUR 2.25 million**
Fund Manager: **Adenia Partners**

FUND OVERVIEW

Adenia Capital IV (Adenia IV) is a control-oriented, generalist private equity fund targeting SMEs in West Africa, particularly Côte d'Ivoire and Ghana, and also in Madagascar and Mauritius. The strategy for Adenia IV is to invest in under-managed, but well-established SMEs facing succession or transition issues, help them build capacity and introduce sufficient management to take the next crucial step in their development.

PORTFOLIO OVERVIEW

Kanu Equipment is a pan-African specialist in the supply of industrial mining, construction and agricultural 'heavy' equipment, operating in 12 countries throughout Southern, Eastern and Western Africa.
Newpack manufactures and distributes corrugated cardboard in Madagascar and the Indian Ocean region, with a total annual production capacity of more than 20,000 tonnes.
Quick Mart operates a chain of nine retail supermarkets in Kenya, offering a comprehensive selection for everyday shopping including bakery, hot foods, dairy and household items.

ESG Risk Rating	Compliance Status
MEDIUM	**GREEN**

ESG

Adenia IV has been given a Medium ESG risk categorization, and exceeds the requirements in our Responsible Investment Policy. In our view, Adenia is a leader in ESG risk management in sub-Saharan Africa, and its commitment to ESG and Impact matters is reflected by the engagement of its partners. Adenia places a strong emphasis on its Environmental and Social Management System (ESMS), which it applies to all of its funds, including Adenia IV. While Adenia has an ESMS Officer, each investment manager is also responsible for monitoring the ESGI performance of investee companies. Adenia also relies on a qualified third party consultant for technical support. As a control-oriented investor, Adenia is well positioned to ensure the compliance of its investees – starting with local regulations and then with IFC Performance Standards – both efficiently and within defined timeframes. For example, at the time of its inclusion within the portfolio, Quick Mart's environmental and social risk management was limited and it lacked relevant permits. Adenia actively worked with Quick Mart to reach compliance and undertook several vital initiatives, including improving its corporate governance framework, appointing an EHS officer, revising Quick Market's HR organization structure, and ensuring the company's store security met ethical requirements. These, and other measures, helped improve Quick Mart's responsible growth and impact performance.

As a control-oriented investor with local offices on the African continent, Adenia provided its portfolio companies with invaluable hands-on support during the COVID-19 pandemic. It was particularly focused on maintaining a safe work environment by implementing strict sanitary protocols, and its emphasis on cash management helped ensure the financial sustainability of its investees during the prolonged and unprecedented crisis. Adenia even managed to stay active on the investment front, with four new transactions closed in H1 2021.

Nicolas Muller
Investment Manager

Adenia Capital IV (Adenia IV) Continued...

IMPACT

"Impact needs the right institution, and the right people, for it to materialize." Adenia Partners

Prohibitive costs mean that African SMEs face difficulties in accessing long-term capital. Alongside the need for finance, companies in this target group often require assistance and external expertise to improve their business structures. Actively tackling topics such as poor management, low operating standards, sub-optimal management systems, and transition or succession issues, is therefore essential to delivering growth and improving their competitiveness. We believe Adenia takes significant value-adding roles in its investee companies. Adenia IV's development impact is strongly linked to its contribution to the institutionalization, growth and improved competitiveness of the SME sector in the target region, inherently enabling job creation. Adenia also helps its investees to mobilise additional private capital in local markets. Adenia IV has also diversified credit by providing financing for SMEs and exports, in the case of Newpack. These are reflected in its GPR 'mobilization of local capital' and 'diversification of credit' allocation scores.

In our view, Adenia has developed a robust impact framework based on the Operating Principles for Impact Management, and is a signatory to this important initiative. In the case of Adenia IV, Adenia has chosen to focus on enhancing its contributions to SDG 8 (particularly job quality), and SDG 9 (particularly standards and infrastructure), as well as several investee-specific indicators (such as SDG 12).

Remarkably, despite the COVID-19 challenges of 2020, the number of employees in Adenia IV investee companies increased to 4,060, representing a net increase of 1,529 new jobs, primarily due to Quick Marts' success. Adenia also continued to support improvements in the job quality offered by its investees, with emphasis placed on salaries, benefits, training, health and safety, and employee satisfaction. Improvements (above E&S compliance) were reported in all focus areas. With respect to Standards and Infrastructure, Adenia supported Newpack's journey to obtain Forestry Stewardship Council Certification. Notably, Adenia also undertook a 'carbon footprint project' in 2020 to consider how to reduce Adenia IV's ecological footprint, making it one of the first African-focused fund managers to undertake such an exercise.

IMPACT HIGHLIGHTS

4,060 employees, **35%** are female

100% of investees provide **formal training** to employees

67% of investee companies have obtained **international standards certifications**

IMPACT OF COVID-19 AND ADENIA'S RESPONSE

Adenia responded quickly to the pandemic by supporting Adenia IV's investees to adapt their supply, cash management and operations activities. For example, Quick Mart changed is business hours after a curfew was introduced in Kenya. Investees were also able to leverage their robust governance systems, put in place before the pandemic, to further improve health and safety protocols (including the provision of PPE, temperature controls and private transportation to and from workplaces). The investees also ensured that all workers capable of working from home were supplied with laptops and internet access.

GPR SCORES Range is 1-100	**Pre-Investment Projection 2016**	**Post-Investment Assesment 2020**
Overall Development Effects	70	67
Employment Effects	100	100
Gender Effects	0	0
Training Effects	83	83
Mobilization of Local Capital	100	100
Diversification of the financial Sector	50	50
Diversification of Credit Allocation	75	50
Institution Building	50	50
Company Development	100	100

Catalyst Fund II (Catalyst II)

FAPBM Investment Year: **2017**
Sector: **Multi-Sector**
Region: **East Africa**

Fund Size: **USD 152.5 million**
FAPBM Commitment: **USD 2.0 million**
Fund Manager: **Catalyst Principal Partners**

FUND OVERVIEW

Catalyst Fund II (Catalyst II) is a private equity fund which invests in East Africa, primarily targeting Kenya, Tanzania, Ethiopia, Uganda, and with a secondary focus on Rwanda, Zambia and the Democratic Republic of Congo. It invests in SMEs and other fast-growing companies operating in the consumer goods, financial services, manufacturing and healthcare sectors.

PORTFOLIO OVERVIEW

Britania Foods (Britania Biscuits) is a manufacturer of biscuits in Nairobi, Kenya.
Mammoth is an East African mattress manufacturing business, bringing together companies with operations in Kenya, Uganda and Malawi.
Prime Bank is a Kenyan commercial bank providing corporate, SME, and retail banking services with 21 branches in the country.

ESG Risk Rating	Compliance Status
MEDIUM	**ORANGE**

ESG

Catalyst II has been given a Medium ESG risk categorization. Catalyst has an Environmental and Social Management System in place and a trained ESGI Manager. While Catalyst initially actively supported improvements in its investees' environmental and social management – for example by supporting improvements in occupational health and safety for Britania and Mammoth during 2020, it has struggled with compliance with Obviam's ESG requirements. This can, in turn, be attributed the combination of the COVID-19 pandemic, to the manager's situation (facing possible restructuring) and investees' situation, particularly the poor financial situation of Britania. Britania's poor financial health has led to retrenchment and accusations from employees of unfair dismissals and delays in wage payments. While we understand that financial constraints often serve as a barrier to compliance, we continue to actively engage with Catalyst to ensure Britania's retrenchment is conducted according to best practice guidelines and that its workers are paid a timely fashion.

While Catalyst Principal Partners showed much promise to become a leading private equity manager in East Africa, the performance of Catalyst Fund II has been underwhelming and its impact performance has been disappointing. We are actively working with investors to restructure the fund with an objective of preserving capital and maximizing value and recapturing the investees' impact potential.

Phillip Walker
Managing Director
Private Equity

Catalyst Fund II (Catalyst II) Continued...

IMPACT

Access to capital is a major hurdle for SMEs in East Africa, with many businesses requiring strategic input as well as growth capital to reach the next stage of growth. Given the prevalence of the informal sector, the creation of formal jobs is of particular importance in this region. Formal jobs ensure better working conditions for employees, as well as social and medical insurance benefits, and increase government revenues through tax receipts. While operating in a challenging business environment, Catalyst II was expected to add value to its portfolio companies by working alongside management to ensure implementation of best practice corporate governance, health, safety, and other social and environmental standards.

Unfortunately, because of the COVID-19 pandemic, and the financial difficulties faced both by Catalyst and the investee companies, Catalyst has not been able to capture its investee's full impact potential. That said, it supported investees in implementing Environmental and Social Management Systems and improved practices, particularly at the time of investment or shortly thereafter. For example, Catalyst played a key role in improving Mammoth's occupational health and safety, life, and fire safety policies and practices. This contributed to an increase in Catalyst II's 2019 Institution Building GPR Score. Catalyst had also started to develop a gender strategy encompassing both the manager and its investees, which led to a similar increase in Catalyst II's GPR Gender Effects score.

IMPACT HIGHLIGHTS

- **1,636** employees, **53%** are female
- Companies provide **formal training** to employees
- Companies provide **employee benefits**, including employer pension contribution, medical insurance, performance bonus, meal subsidies, and company share scheme

Note: Complete data has not been provided by Catalyst

IMPACT OF COVID-19 AND CATALYST'S RESPONSE

While Catalyst's staff has been working from home during the pandemic, it reported its investees had taken proper measures to ensure the health and safety of their respective employees since the start of the pandemic (such as use of PPE, hygiene measures, and distancing) when at work. Aside from in lockdown periods, most of Britania and Mammoths' employees were working in workplaces. And, even during lockdown periods, many of Prime Bank's branch staff worked in the branches.

While we have not received a complete picture of investee company employment data, there has been substantial retrenchment at Britania. It is our understanding that employment in Mammoth and Prime Bank remained relatively stable in 2020.

GPR SCORES Range is 1-100	**Pre-Investment Projection 2017**	**Post-Investment Assesment 2019**
Overall Development Effects	71	80
Employment Effects	100	100
Gender Effects	0	67
Training Effects	83	100
Mobilization of Local Capital	100	100
Diversification of the financial Sector	83	50
Diversification of Credit Allocation	75	75
Institution Building	50	75
Company Development	75	75

Central American Small Enterprise Investment Fund (CASEIF III)

FAPBM Investment Year: **2016**
Sector: **Multi-sector**
Region: **Central America**

Fund Size: **USD 41.7 million**
FAPBM Commitment: **USD 2.0 million**
Fund Manager: **Lafise Investment Management**

FUND OVERVIEW

The Central American Small Enterprise Investment Fund III (CASEIF III) is a generalist fund investing primarily in Central America, and also opportunistically in the Dominican Republic and Colombia. It provides quasi-equity growth capital to SMEs. CASEIF III has a technical facility that provides non-financial support to its investees, such as developing necessary monitoring and reporting tools, improving company accounting practices or enhancing their environmental and social standards.

PORTFOLIO OVERVIEW

Be Fit (Gim Sal Corp) helps low- and middle-income earners achieve a healthy lifestyle by offering affordable, quality gyms in El Salvador, Honduras, Costa Rica and Nicaragua.
Delifrost is a pineapple farm and plant in Costa Rica that processes, packs, and freezes pineapples before distribution and export.
Paradise Ingredients produces, markets, and exports banana essence and puree. With a production plant located in Costa Rica, it is now exporting to new markets, including Japan and Israel, and is accelerating efforts to diversify its product range.
IATAI is a Colombian-based financial technology company. In 2018 it implemented its new business model to focus on a Visa loyalty solution, and has plans to expand this model across Latin America.
CCSD EM (Pandora) is the regional owner and operator of Pandora's jewellery franchise, managing the operations in Honduras, Nicaragua, El Salvador and Ecuador.
Meat Depot processes and distributes meat products for human consumption. The main line of business of the company is the sale of meat products including chicken, beef, pork, sausages, and other lines of related products through its central store in the Dominican Republic.
AMPM Panama is a chain of 24-hour convenience stores located in Panama.
BITEL is the holding company for a telecommunications greenfield project consisting of an underwater optical cable network between Ceiba (mainland) and Roatan Island, Honduras.

ESG Risk Rating	Compliance Status
MEDIUM	**GREEN**

"LIM had an impressive year in 2020! Although the portfolio suffered some setbacks due to the pandemic, the management team successfully close the raising of CASEIF IV, cementing its track record as the most established and credible long-term capital provider to SMEs in the region. This fundraise also celebrated the continuity of a stable and dedicated team who have embraced gender diversity into their management ethos. With Obviam's support, LIM has become the first 2x Challenge flagship fund in the Latin American region."

Florian Kohler
Managing Director
Private Equity

Central American Small Enterprise Investment Fund (CASEIF III) Continued...

ESG

CASEIF III has been assigned a Medium Environmental and Social (E&S) Risk categorization. This is based on the environmental and social risks in the underlying portfolio companies, with one investee (Delifrost) categorized as High E&S risk. We have supported LIM's further development of a robust E&S Management System, and believe it takes a systematic, hands-on approach to ESG risk management. The advanced nature of its approach is underlined by the introduction of a highly-qualified E&S Officer and a Corporate Governance Specialist, both of which have extensive experience of working with SMEs. The latter is an expert in corporate governance in family-owned SMEs, prevalent in CASIEF III, and understands the challenges and impact potential of working with these types of companies. For example, LIM has provided Delifrost with guidance on how to increase the professionalism of its board of directors, through holding regularly scheduled board meetings, building an accounting department, improving compliance with International Financial Reporting Standards, and documenting key controls.

Most SMEs, including CASEIF III's investees at the time of investment, lack corporate governance structures, ESG-related policies and capacity. Consequently, these companies often struggle to comply with local legislation. LIM drafts E&S and Corporate Governance Action Plans alongside its investees. Along with the employment of qualified resources and training, such plans are designed to institutionalize ESG through the development of boards and governance structures and the implementation of policies aligned with international ESG standards and capacity building.

We consider LIM to be a leader in its work with its investees to achieve internationally recognized certifications (such as ISO 9001, ISO 14001, OSHAS 18001 and HAACP). These certifications not only support further improvements in working conditions (for example, Occupational Health and Safety) and resource efficiency (such as reduced use of energy and water per unit of output), but they also make it easier for investees to access international markets. For example, through LIM's certification work with Paradise Ingredients, the investee now holds ISO 9001, ISO 14001, and OHSAS 18001 certifications, as well as Halal, Kosher, Sure-Global-Fair (SGF), Ecovadis, and Organic Product certificates for Costa Rica, the EU, US, Canada, and Mexico.

Across much of Latin America and the Caribbean, women often struggle to join and stay in the workforce. In 2019, only 50% of women worked outside of the home, compared with 75% of men. Also, due to social norms and family responsibilities, many women can only secure low paying, part-time jobs. We have worked with LIM to actively promote women's economic empowerment and gender parity, and LIM has made hiring, retaining and promoting women a pillar of their strategy. Notably, nearly 40% of the employees working in CASEIF's investees are women. With our support, LIM was recently named as the first 2X Flagship Fund in Latin America and the Caribbean, recognised for its commitment to promoting women's economic empowerment and gender parity in its own operations and funds. This achievement is reflected, in part, in the increase in CASEIF III's 'Institution building' GPR score.

Central American Small Enterprise Investment Fund (CASEIF III) Continued...

IMPACT

Characterized by small, fragmented markets, and a distinct sensitivity to US economic swings, Central America continues to be a challenging region in terms of economic development. Small companies in the region are often family-owned, weak in terms of governance, and lacking in transparency. Available debt financing usually comes at high interest rates and with short terms. As a result, such companies often have to rely on family and friends to find capital to grow and improve their business. The combination of capital and LIM's active role in improving its investees' ESGI performance is helping to improve the professionalism and competitiveness of its investees, and other small companies in the region. It also contributes towards economic development and several SDGs, particularly SDG 5, SDG 8, and SDG 9. This is reflected in improvements in CASEIF III's overall GPR score. Notably, in 2020, LIM provided webinar training on the private equity industry to the Costa Rican export agency and participants in Guatemala.

IMPACT HIGHLIGHTS

- **1,015** employees, **39%** are female
- **9,270** farmers reached
- **40,885** tonnes of food produced and/or processed
- **7,000,000** individual clients accessed financial services

IMPACT OF COVID-19 AND LIM's RESPONSE

COVID-19 hit Latin America very hard, with strict lockdowns imposed by governments across the continent. The pandemic and restrictions affected many Latin American businesses significantly. Several of the investee companies in CASEIF III were severally affected, while other investees have been able to sustain the pandemic or successfully navigate it.

LIM took proactive steps throughout the crisis to assist all its portfolio companies, such as coaching investees' Board of Directors on cash management as an essential business survival strategy. It also helped investees to introduce appropriate COVID-19 safety measures and protective protocols. LIM also helped support its investees in exploring alternatives to retrenchment, and when unavoidable, it ensured that retrenchment was carried out in accordance with best practices.

Unfortunately, the pandemic contributed to a -34% year-on-year decline in the total number of employees in CASEIF III. Most job loss can be attributed to B-Fit closing its gyms, and subsequently operating at limited capacity. Job losses were also reported at Meat Depot (due to the closure of its restaurants and food trucks) during lockdowns. Pandora closed its Nicaragua stores, which also led to job losses. In contrast, the success of AMPM's convenience stores was driven by higher volumes of home deliveries facilitated by mobile apps. This supported a 60% year-on-year increase in jobs. While not directly attributed to COVID-19, shifts in Delifrost's activities contributed to an 83% year-on-year increase in jobs.

GPR SCORES Range is 1-100	Pre-Investment Projection 2016	Post-Investment Assesment 2020
Overall Development Effects	70	75
Employment Effects	100	100
Gender Effects	67	67
Training Effects	83	100
Mobilization of Local Capital	83	83
Diversification of the financial Sector	0	0
Diversification of Credit Allocation	100	75
Institution Building	50	75
Company Development	75	100

Darby Latin America Private Debt Fund III (Darby III)

FAPBM Investment Year: **2018**
Sector: **Multi-sector**
Region: **Latin America**

Fund Size: **USD 300 Million**
FAPBM Commitment: **USD 3 Million**
Fund Manager: **Darby Overseas Investments**

FUND OVERVIEW

Darby Latin America Private Debt Fund III (Darby III) is a generalist fund with a broad focus on sectors such as infrastructure and logistics-related assets, natural resources and agribusiness, manufacturing, services, healthcare, and consumer products. It invests in mid-sized companies throughout Latin America, primarily in Colombia, Peru, Mexico and Brazil.

PORTFOLIO OVERVIEW

San Victoriano is an agricultural company in Uruguay dedicated to the production of cattle, soy and rice. The synergies between crops and raising cattle ensures the company has a product mix that maximises productivity all year round. The company is currently undergoing a litigation process with Darby.

NEOgas distributes compressed natural gas (CNG) to users in Brazil and Mexico who are not connected to gas pipelines. These users include industrial clients, gas stations for vehicular natural gas (VNG) or even local distribution companies that maintain gas grids not connected to pipelines.

Abengoa Peru is an Engineering, Procurement and Construction (EPC) contractor and Operation & Maintenance (O&M) service company for energy, mining, water and industrial projects. It also operates and maintains electric transmission lines through a subsidiary.

Biopas (also known as Pharma Consulting Group S.A.), is a pharmaceutical distribution company focused on licensing, selling and marketing innovative prescription pharmaceutical products, cosmetics and medical devices. Biopas has a presence in 14 Latin American countries, including Colombia, Peru, Ecuador, Chile and Argentina, and operates across five main business units: immunology, rare diseases, central nervous systems and oncology, specialist care and dermatology.

White Solder is a Brazilian company engaged in the tin supply chain market, from cassiterite (tin ore) purchase to tin alloys and solders production. Its main clients are from the automotive, electronics and chemical industries.

Bloom Farm is a Mexico-based vertically integrated producer of branded and predominantly off-season fresh blueberries, exported to the United States, Europe, Asia and the Middle East.

Cordeiro and kelene is an industrial company located in Brazil that manufactures highly specialized copper and aluminium wires and cables, sold mostly to key businesses in the construction, energy and industrial sectors.

ESG Risk Rating

MEDIUM / HIGH

Compliance Status

YELLOW

Darby continued to invest despite the pandemic, providing much-needed capital to companies in Latin America where COVID-19 took a high toll. They also helped navigate their portfolio companies through the pandemic by structuring relief measures tailored to their specific situations.

Andrea Heinzer
Chief Investment Officer

Darby Latin America Private Debt Fund III (Darby III) Continued...

ESG

Darby III has been assigned a Medium-High ESG categorization, based on the Environmental and Social (E&S) risks in the fund's underlying investee companies. In particular, Darby III's ESG status reflects San Victoriano's situation, where ongoing litigation means Darby is unable to monitor the ESG performance of the investee company, and delays in completing investees' E&S Action Plans. While Darby has an E&S Officer, he does not have technical qualifications and has other responsibilities. As a consequence, Darby relies on third-party consultants to support its E&S due diligence, monitoring (including training to the Darby team), and annual ESGI reporting. We rate this organization structure as adequate. While Darby views E&S matters as a compliance issue, and strives to ensure its investees achieve compliance, the work is done by the investees themselves, with little support from Darby. While this serves to reduce the investees' E&S risks, and reduces potential negative impacts, Darby's support could increase both the efficiency of this work and lead to value-adding improvements within the E&S space.

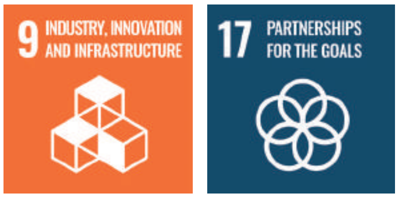
More positively, we appreciate that Darby takes a proactive role in improving its investees' corporate governance frameworks, which is unusual for a credit fund manager. Among other things, Darby always has a seat (or an observer) on its investees' board of directors. It also has the right to remove or replace board members and can appoint CEOs. It has assisted some of the investees (White Solder and Cordeiro) with their succession planning. Furthermore, Darby establishes or strengthens audit committees and requires external audits from Big 4 or Big 4 equivalent auditors.

IMPACT

Access to finance in the region is a major barrier to growth for SMEs. Available finance takes the form of short-term loans with high interest rates, high collateral, and cumbersome lending procedures. Also, many family-owned businesses (an essential element of the economic and social structure in the region) face sustainability challenges in terms of governance, informality, and management structure. Sound corporate governance can help make these companies stronger, more efficient and accountable.

The main objective of Darby III is to foster economic growth by supporting sustainable job creation, improving corporate governance in portfolio companies, and filling the gap for long-term debt finance in Latin America. Despite the pandemic, Darby III's investees supported 62% more jobs in 2020 than they did in 2019. However, most of this job growth (54%) can be attributed to the entries of Bloom Farms and Cordeiro into the fund.

Also, women in the rural area of Jalisco in Mexico account for two-thirds of Bloom Farms' 510 employees. Darby has continued to promote good corporate governance, not only with respect to its new investees, but also through its work with other investees, including helping several to access local private capital. Darby's diversification of credit allocation has already exceeded our expectations. This includes financing for new sectors and for exports (Bloom, Cordeiro, White Solder, BioPas), and also helping several investees expand their reach into new regions, including Bloom Farms, Abengoa and Neogas. This work has been reflected in Darbys III's 'Diversification of credit allocation' GPR score.



IMPACT HIGHLIGHTS

2,744 employees, **25%** are female

100% of investee companies have increased their average debt maturity as a result of Darby III's finance

Darby Latin America Private Debt Fund III (Darby III) Continued...

GPR SCORES Range is 1-100	Pre-Investment Projection 2016	Post-Investment Assesment 2020
Overall Development Effects	55	58
Employment Effects	100	100
Gender Effects	0	0
Training Effects	50	50
Mobilization of Local Capital	83	83
Diversification of the financial Sector	0	0
Diversification of Credit Allocation	75	100
Institution Building	50	50
Company Development	75	75

IMPACT OF COVID-19 AND DARBY'S RESPONSE

The pandemic had a severe impact on Latin America in 2020, with many governments imposing lengthy lockdowns. Several Darby III investee companies were significantly affected by closures and other economic disruptions. Darby held frequent discussions with its investees, focusing immediately on liquidity, cash management, and risks to workforces.

All of Darby's investees increased their focus on occupational health and safety in the workplace. Where working from home was possible, it was encouraged. For example, NEOgas held weekly safety meetings, distributed PPE and personal hygiene items to staff, and followed up with its employees and their families on their physical and mental health. Abegngoa installed a larger number of sinks for hand washing on sites. Along with requiring the use of additional PPE and taking increased sanitization measures, Solder distributed posters, videos and informative emails to raise awareness among its workers. Bloom Farms also spread health and safety information to its employees.

Several investee companies undertook unprecedented measures to keep employees and avoid retrenchment during lockdowns. as alternatives to retrenchment. For example, Biopas reduced salaries by 60%, and NEOgas suspended management bonuses.

Frontier Energy II (Frontier II)

FAPBM Investment Year: **2018**
Sector: **Renewable Energy**
Region: **Sub-Saharan Africa**

Fund Size: **USD 227.1 million**
FAPBM Commitment: **USD 2.25 million**
Fund Manager: **Frontier Investment Manangement**

FUND OVERVIEW

Frontier Energy II (Frontier II) is a renewable energy fund focused on developing, constructing and operating renewable energy generation projects. Its primary focus is on hydroelectric, geothermal, wind and solar opportunities in Kenya, Uganda, Rwanda and Tanzania. The largest part of the investment will be used for construction purposes and Frontier will oversee this critical phase to ensure that quality, time, budget, and ESG standards are met.

PORTFOLIO OVERVIEW

Frontier II had 24 investments at the end of 2020, most of which were still under development. Two of the investments are bridge financing loans to two hydro projects in Tanzania (Momba and Kiwira) that were waiting to be fully transferred from the prior fund to Frontier II. A third investment is a small loan to Bukwo Hydro in Uganda. The other investments consist of renewable energy projects in Djibouti, Kenya, Mozambique, Rwanda, Tanzani, Uganda and Zambia.

These include:

One geothermal installation (the 140 MW **BVC Geothermal** project in Kenya, which operates in conjunction with a license company, **Olsuswa Energy**)

14 mini hydro power installations, ranging from 4.5 MW to 40 MW

3 solar PV facilities, including **Radiant Energy** and **Eldosol Energy**, a pair of adjacent 40 MW solar projects in Kenya, and the 30 MW **Djibouti Solar Park**

5 wind power projects, including **Chania Green Generation** and **Esikipeto Power Generation**, two 50 MW wind farms in Kenya, and the 30 MW **Enventure Africa** project in Mozambique.

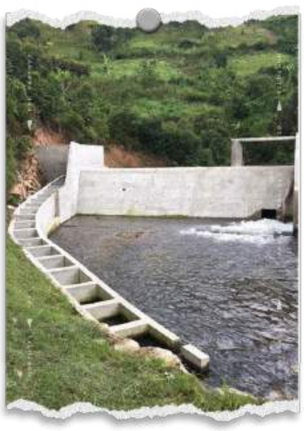
ESG Risk Rating

MEDIUM / HIGH

Compliance Status

YELLOW

FRONTIER
ENERGY



As government resources have been stretched by COVID-19, the political risk of Frontier II investments has increased and it is taking significantly longer to get new PPAs approved on the African continent. For example, Kenya has formed a task force to review all existing PPAs and new projects are on hold or delayed, and force majeure notices have been issued by several off-takers. Frontier has been able to navigate this difficult environment very well, including other localized events like severe flooding in Uganda, and has kept investors informed of all challenges. We remain confident in its ability to finalize the construction of Frontier II investments, and to bring these projects online in the medium term.

Nicolas Muller
Investment Manager

Frontier Energy II (Frontier II) Continued...

ESG

Frontier II has been assigned a High Environmental and Social (E&S) risk categorization. This is based on the E&S risks in its current projects and pipeline, which could include risks related to land acquisition and involuntary resettlement of indigenous peoples, biodiversity and cultural heritage. However, most of these risks can be mitigated and managed when identified early in the projects' development stages. Frontier has a robust Environmental and Social Management System (ESMS) that meets the requirements in our Responsible Investment Policy. Frontier also ensures its projects implement and integrate all of the key elements of its ESMS to achieve site safety and minimize potential negative impacts. At the end of 2020, there were 39 people working on E&S matters (five in Frontier Energy and the remainder working in projects). Notably, Frontier has made a deliberate attempt to recruit women for these positions and currently over 40% of the positions are held by women. While it appears as though Frontier's projects are in compliance with its E&S requirements, We are concerned about complaints made about several projects (For example, Nyamagasani, has had complaints regarding compensation for acquired land, Akiiara Geothermal Project has had complaints about land ownership, and Chania Wind Power has received complaints about shadow flicker from the wind turbines). We recognize that land ownership and acquisition are complex, yet commonplace themes in the countries and sector in which Frontier operates. While we are confident Frontier will amicably resolve these complaints, we are following the resolution processes closely.

IMPACT

Sub-Saharan Africa is home to 13% of the world's population but accounts for nearly 50% of the global share of people living without access to electricity. Because of the energy gap, companies across sub-Saharan Africa suffer from a competitive disadvantage, which leads to lost business opportunities and lower job growth. Investment in additional power capacity, investment in renewable energy in particular, is required in order meet the demand, and to ensure renewable energy is a significant part of the energy mix.

Frontier II's projects are expected to provide more than 2,700 GWh/year of additional renewable energy, which roughly equates to meeting nearly 2.5 million households' annual energy. However, COVID-19 in Frontier II's targeted countries led to further delays in bringing projects on-line in 2020. That said, there were six fully-operational projects which produced 53 GWh of clean energy.

Frontier has mobilized additional local private capital for some of Frontier II's projects, such as Kyambura in Uganda. It is also active in promoting sound regulatory frameworks that are conducive to investment in the sector. Frontier II also contributes to the diversification of credit allocation by providing financing for new project developments in underserved regions and for environmental purposes. It should be noted that Frontier II's low GPR employment effects score reflect a limitation of the GPR tool, which only accounts for direct permanent employment and not for the indirect and induced employment generated from projects. While difficult to quantify, these effects can be substantial.

IMPACT HIGHLIGHTS

74 employees, **27%** are female

57 MW of newly installed clean energy capacity
53 GWh of clean energy produced

Frontier Energy II (Frontier II) Continued...

IMPACT OF COVID-19 AND FRONTIER's RESPONSE

Frontier believes it has a responsibility to support the workers and communities in the areas in which it operates, since most rural areas are unlikely to receive direct support from national governments. Frontier supported local communities with food relief and distributed of hygiene packs. At the project level, it communicated with workers and communities on the virus, announcing preventive and treatment measures by putting up posters at strategic locations.

It also reduced overcrowding scenarios by limiting personnel numbers on construction sites, maintaining social distancing (including transport), closing canteens, and changing working hours. Frontier also improved hygiene standards and distributed free face masks among workers and their families. However, some of Frontier II's contractors were forced to furlough large numbers of casual workers (up to 300 workers) to comply with social distancing rules.

GPR SCORES Range is 1-100	**Pre-Investment Projection 2018**	**Post-Investment Assesment 2020**
Overall Development Effects	65	50
Employment Effects	33	0
Gender Effects	0	0
Training Effects	50	0
Mobilization of Local Capital	83	83
Diversification of the financial Sector	100	83
Diversification of Credit Allocation	100	100
Institution Building	50	50
Company Development	100	75

Kaizen Private Equity II (Kaizen II)

FAPBM Investment Year: **2017**
Sector: **Education**
Region: **South & Southeast Asia**

Fund Size: **USD 79.1 million**
FAPBM Commitment: **USD 2 million**
Fund Manager: **Kaizen Management Advisors (Kaizenvest)**

FUND OVERVIEW

Kaizen Private Equity II (Kaizen II) is a fund focused on the education sector in India and select countries in South and Southeast Asia, including the Philippines and Sri Lanka.

PORTFOLIO OVERVIEW

INSOFE (International School of Engineering) provides training to industry professionals on the subjects of data analytics and data science. Corporate customers also engage INSOFE to train their employees or provide consultancy services.

Thirumeni Finance (known as Varthana) is a non-banking financial company issuing loans to affordable private schools that target low- and middle-income families.

Toppr Technologies is an educational application for smartphones. It provides online classes and practice tests and exercises, using adaptive algorithms to create personalized learning paths for each individual student.

Yola is a leading English language training company in Vietnam. It started by providing test preparation (GMAT, IELTS, TOEFL) to high school and college students and has expanded to English language training programmes for primary and middle school children.

Phinma Education Holdings operates affordable higher education institutions that offer employment-oriented education in the Philippines.

ESG

Kaizenvest ensures its investees follow our Responsible Investment Policy. As of the end of 2020, Kaizen Fund II's investees were all in compliance. More specifically, Kaizenvest ensures all investees have fit-for-purpose Environmental and Social Management Systems, which measure involvement in excluded activities, adherence to relevant local E&S legislation, alignment with IFC Performance Standard 2 (Labour and Working Conditions) and IFC Performance Standard 4 (Community Health, Safety, and Security). We have been an active supporter of Kaizenvest's improvements in E&S risk management, in particular by providing training on ESG issues to its manager. This has led to investees developing fire and safety policies (including performing regular audits) and developing child safeguarding policies (including wellness programmes). Last year, we delivered training to the Kaizenvest team on remote ESG monitoring. We are also supporting Kaizenvest in developing a gender policy that covers its own operations as well as its investee operations, products and services. Finally, where Kaizenvest's investees offer financing for fees or tuition, they follow Client Protection Principles.

ESG Risk Rating

MEDIUM

Compliance Status

GREEN

"Kaizen II had a very difficult 2020 as COVID-19 ravaged most of India, shutting down schools and forcing the vast majority of the population to work from home. However, by Q1 2021, the economy started opening up, and schools slowly reopened. India continues to go through a difficult period, and it will take several months, if not years, for the economy and its people to recover."

Florian Kohler
Managing Director
Private Equity

Kaizen Private Equity II (Kaizen II) Continued...

IMPACT

Education is a human right that enables people to live healthier and more productive lives, and the development of human capital is critical for economic and social development, and is increasingly important for environmental sustainability. Underscoring its significance, the World Bank's World Development Report 2018 was the first ever report issue devoted entirely to education. The critical importance of education is also enshrined in the UN Sustainable Development Goal (SDG) SDG 4: Quality Education, which aspires to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".

While there has been much progress made in the past decade to improve access to, and the quality of, education in South and Southeast Asia, gaps still remain and there is still a continued need for private sector involvement in education.

Making a positive impact through education investments is a part of Kaizenvest's core philosophy. SDG 4 is central to Kaizenvest's impact framework, which it uses to understand and navigate the sector. The framework features four conceptual elements, plus a 'Theory of Change' that delineates a logical results chain from Kaizenvest's inputs to societal impacts. This robust education impact framework and Theory of Change are embedded into investment decision-making processes. For additional information, please see our Kaizenvest Case Study.

Kaizenvest has divided the education sector into three segments. The first segment 'core', comprises schools and universities, and investee companies include INSOFE Education and Phinma Education. The second segment, which includes investee YOLA, is 'parallel' services such as tutoring, test preparation, vocational studies and pre-schools. The third segment, 'ancillary', consists of products and services including loans, educational technology (EdTech), publishing and student housing, and currently includes Toppr Technologies and Thirumeni Finance (known as Varthana). Kaizenvest's investment thesis is based on companies driving learning innovations in three main areas: (i) using technology to increase access, improve quality or personalize learning at scale, (ii) catalysing innovations in pedagogy, curriculum, process or skills development, and (iii) providing finance, technology tools and services that accelerate learning transformation for all.

Kaizen II has served to mobilize local private capital for Toppr and Thirumeni Finance (Varthana), and has also promoted the diversification of credit allocation, including extending the reach of education services to disadvantaged (poorer, rural) populations. Toppr is reaching into new rural areas with its online products, while Varthana is providing financing for schools that cater to low-income families.

Kaizen II has served to mobilize local private capital for Toppr and Thirumeni Finance (Varthana), and has also promoted the diversification of credit allocation, including extending the reach of education services to disadvantaged (poorer, rural) populations. Toppr is reaching into new rural areas with its online products, while Varthana is providing financing for schools that cater to low-income families.

Kaizenvest has taken a proactive stance to supporting investees through COVID-19. However, the pandemic has had varying effects on investees, both with respect to their financial and ESGI performance. While year-on-year employment in Kaizen II's investee companies declined by nearly 17%, companies increased their student reach by more than 1 million students, to nearly 5.3 million students in total. We have actively supported Kaizenvest's E&S risk management work, for example by providing training to the Kaizen Team, which in turn now delivers regular training on E&S issues (such as life and fire safety, and wellness) to its investees.

Kaizenvest's passion for education reflects its own quest for knowledge. Not only does the E&S team receive regular training and also provide regular training to its investees, but it continues to take a leadership role in the education space, providing training for its staff and its investees, as well as the broader community, including hosting a biennial education symposium jointly with INSEAD.

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

IMPACT HIGHLIGHTS

4993 employees, **41%** of employees are female

3,200 + edicational facilities served

Nearly 5.3 million students reached

Kaizenvest has taken a proactive stance to supporting investees through COVID-19. However, the pandemic has had varying effects on

Kaizen Private Equity II (Kaizen II) Continued...

IMPACT OF COVID-19 AND KAIZENVEST'S RESPONSE

Kaizenvest's management reacted as soon as the pandemic hit its markets. Internally, it prioritised safety for its staff, using algorithms to create rosters for two-day or three-day weeks, complemented with structured learning from home. Kaizenvest also facilitated better communication, for example by setting up Zoom meetings for non-business reasons to check in on staff wellness and create a social space for mutual support. The Head of Thrive Global (a wellness platform in India) was engaged for a workshop session on how to best manage working from home. Kaizenvest also supported its investees in areas such as cost rationalization, leveraging of technology, training, and new product launches wherever possible. It also enabled cross-collaboration among its investees.

The pandemic had a varied impact on Kaizen Fund II's portfolio companies, depending on the segments they serve. Aside from school shutdowns, Phinma Education in the Philippines weathered the pandemic well, although it was affected more than EdTech companies. INSOFE remained resilient thanks to increasing enrollments in degree courses offered in partnership with universities across the world. As a provider of virtual training, Toppr Technologies experienced increased demand for its products. YOLA did comparatively well due to the Vietnamese government's handling of the pandemic, and Varthana found creative solutions to counter the effects of COVID-19 by adopting some of Toppr's digital products, as well as forgeing business lines that could thrive beyond the pandemic.

GPR SCORES Range is 1-100	Pre-Investment Projection 2016	Post-Investment Assesment 2020
Overall Development Effects	73	71
Employment Effects	100	100
Gender Effects	67	0
Training Effects	83	83
Mobilization of Local Capital	83	83
Diversification of the financial Sector	50	50
Diversification of Credit Allocation	75	75
Institution Building	50	75
Company Development	75	100

Renewable Energy Asia Fund II (REAF II)

FAPBM Investment Year: **2016**
Sector: **Renewable Energy**
Region: **South & Southeast Asia**

Fund Size: **USD 203.4 million**
FAPBM Commitment: **USD 2.5 million**
Fund Manager: **Berkeley Energy**

FUND OVERVIEW

Renewable Energy Asia Fund II (REAF II) is a private equity fund investing in renewable energy projects in South and Southeast Asia, focusing primarily on the Philippines, India and Indonesia. REAF II's investment strategy is to build renewable energy projects that are then bundled into country-level platforms, which, in the current market environment, makes the type of investment more attractive for future buyers.

PORTFOLIO OVERVIEW

Isabela Power Corporation (IPC) 1 & 2[1] are hydro projects located in the Philippines, currently under construction. IPC 1 will have a 19 MW capacity, while IPC 2 will have a slightly smaller capacity 14 MW.
Philippines Hybrid Energy System Inc. (PHESI) 1 & 2[1] are wind projects located in the Philippines. PHESI 1 commenced commercial operations at the end of 2019 with a capacity of 16 MW. PHESI 2 is currently in the pre-construction phase with a planned 10 MW capacity.
Selo Kencana Energi is an 8 MW operating hydro plant in the West Sumatra Province of Indonesia. The project delivers several benefits to the local community, including access to electricity and the installation of irrigation pipes providing water to the local farmers.
Mirkala Solar is a 10 MW solar plant in India, in operation since October 2017.
Quantum Solar is one of the first wave of utility-scale solar photovoltaic (PV) projects being implemented in Indonesia. It achieved commercial operations in January 2020.
Tasma Bioenergy is an early mover in the Indonesian market for sustainable heat supply, using waste biomass at industrial facilities of multinational corporations.
India C&I and Thai C&I (Symbior PMR)[1] are a series of rooftop and ground-mounted solar PV installations in India (51 MW) and Thailand (96 MW), respectively, aimed at supplying power to commercial and industrial businesses.
Markham Hydros is a portfolio of run-of-river small hydro projects being developed in the Philippines.
Lombok Solar is one of the first wave of utility-scale solar PV projects being installed in Indonesia. The 5.3 MW project started commercial operations in December 2019, delivering power into an existing grid.
Sitanduk Hydropower is a 50 MW plant under development in Indonesia.

[1] These investees are reported by Obviam's Finance Team as separate investees.

ESG Risk Rating: **HIGH**

Compliance Status: **GREEN**

Berkeley Energy's active, hand-on approach has helped it weather the challenges brought about by the COVID-19 pandemic. REAF II has maintained good operational performance by bringing Quantum Solar on-line. The Lubuk Gadang project also recorded the highest ever Plant Load Factor for such a project, and Lombar Solar achieved a financial close for the project finance debt. By the end of 2020, REAF II had installed 44 MW of clean energy, up from 33 MW in 2019. We anticipate continued growth in installed clean energy in the coming years.

Philip Sieber Gasser
Managing Director, Operations

Renewable Energy Asia Fund II (REAF II) Continued...

ESG

REAF II has been assigned a High Environmental and Social (E&S) risk categorization. This is based on the E&S risks in the underlying portfolio companies and the presence of higher E&S risks in many of REAF II's projects (for example, land acquisition and involuntary resettlement, indigenous peoples, biodiversity and cultural heritage). Most of these risks can be mitigated and managed when identified early in the development stages. Berkeley Energy takes a robust approach to E&S risk management. It applies its Environmental and Social Management System (ESMS) throughout its investment decision-making process, avoiding projects expected to have significant, irreversible or unprecedented impact and minimizing and mitigating adverse E&S risks in approved projects, as well as maximizing opportunities for adding E&S value. Berkeley Energy also places E&S requirements on contractors, sub-contractors and other partners. We are impressed by Berkeley Energy's highly qualified E&S team and the organization of their activities. For example, each project has an E&S Team (featuring compliance, occupational health and safety (OHS), pollution control, and community liaison officers). Project teams report to E&S country managers, who report, in turn, to Berkeley Energy's E&S managers. Berkeley Energy provides regular training on E&S matters to staff, while in 2020, training focused on COVID-19. However, it also conducted sexual harassment training during 2020 and this will be extended into 2021.

REAF II is in compliance with the requirements in our Responsible Investment Policy. While there have been some COVID-19 delays in completing some of the projects' Environmental and Social Action Plans, we are satisfied these are being adequately managed.

IMPACT

Within the key countries targeted by REAF II, more than 400 million people currently do not have access to electricity. Putting additional strain on the energy demands, the International Energy Agency (IEA) predicts these countries will need to roughly triple their electricity generation capacity in the next two decades to meet their projected economic growth. With Berkeley Energy's sole focus on renewable energy, its solid technical expertise, in-house project development team, and hands-on approach means we expect REAF II to make a significant contribution to the economic development and energy sector of its target countries.

Despite of the difficulties faced by the construction sector during the pandemic, by the end of 2020, REAF II had installed 44 MW of clean energy, up from 33 MW in 2019. During the same period, 150,000 greenhouse gas (GHG) emissions were avoided.

As more projects become operational, we anticipate further increases in installed clean energy and reduced emissions. Berkeley Energy takes an active role in supporting and developing its projects, including their governance, management, and operations, particularly in the areas of E&S and OHS, providing technical know-how and improving accounting and financial management practices. It has contributed to mobilizing local private capital by helping several investees to secure local bank financing and contributing to the diversification of credit allocation by funding mostly greenfield projects and projects in rural areas. Also, REAF II is supporting the creation of scalable, region-wide aggregation of commercial and industrial (C&I) solar investments, a sector which previously had limited access to capital. The above is reflected in REAF II's GPR scores. It should be noted that REAF II's low GPR employment effects score reflects a limitation of the GPR tool; the tool only accounts for direct permanent employment and does not account for the indirect and induced employment generated from projects. While difficult to quantify, these effects can be substantial.

IMPACT HIGHLIGHTS

431 employees **9%** are female

148,600 tonnes of GHG emissions avoided

184 GWh of clean energy produced

Renewable Energy Asia Fund II (REAF II) Continued...

GPR SCORES Range is 1-100	**Pre-Investment Projection 2016**	**Post-Investment Assesment 2020**
Overall Development Effects	59	60
Employment Effects	33	33
Gender Effects	0	0
Training Effects	100	83
Mobilization of Local Capital	83	83
Diversification of the financial Sector	50	50
Diversification of Credit Allocation	75	100
Institution Building	25	25
Company Development	100	100

IMPACT OF COVID AND BERKELEY ENERGY'S RESPONSE

The countries in which Berkeley Energy operates all had some form of restrictions in place at various times, and the investee companies were all affected to some extent. Projects developed Business Continuity Plans (BCPs) containing strict COVID-19 restrictions and guidelines reflecting governments' regulations. Such projects included steps to communicate, sensitize and train workers on protocols and hygiene requirements. As an example of steps taken to ensure worker safety, at Mirkala Solar, measures included installing sanitizing stations, frequent cleaning, temperature checks, use of PPE and social distancing.

Many projects also delivered information to local communities. In some cases, other support was also provided (above and beyond what is required in agreements). For example, Isabella Power Corporation Project 1 and Lombok Solar published food and hygiene articles. The former project also offered education grants. The Mirkala companies provided various donations for support in their surrounding communities, including an ambulance for the local hospital.

Some projects were affected by reduced off-taker energy demand (such as Tasma Bioenergy), or restricted access to spare parts (Quantum Solar). While others, such as Lubuk Gadang and Lombok Solar in Indonesia, were able to operate normally with no impact on generation.

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INTRODUCTION

Education, and the development of human capital, is critical for economic and social development – and increasingly for environmental sustainability. Education is a human right that enables people to live healthier and more productive lives. Underscoring its importance, the World Bank's World Development Report 2018 was the first ever report devoted entirely to education. Education is also enshrined in SDG 4: Quality Education, which aspires to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all". However, more than 260 million children and youth in developing countries are currently not in school, and the quality of education remains an enormous challenge – reflecting public financing constraints.

THE ROLE OF THE PRIVATE SECTOR IN EDUCATION

The private sector has been filling gaps in the access to quality education through investments which complement public education, which, in turn, directly contributes to fulfilling SDG 4 and other SDGs. By severely straining governments' fiscal resources, the COVID-19 pandemic has arguably made private sector involvement in education more important than ever. Private education rarely operates entirely free of governmental influence, and most countries have legislation and regulations governing private sector involvement in education and this involvement is supervised. That said, in many countries, government oversight is constrained by resources, capacity, and the skills needed to implement effective educational policy frameworks.

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Considerable numbers of students and professionals are educated by private providers. In South Asia, for example, more than 30% of the education is private. Most countries have educational sectors that combine independently owned, controlled, and operated, fully private enterprises, as well as a variety of public and private partnerships. Private sector involvement in education includes investments in traditional 'bricks and mortar' education operators – such as early education/pre-schools, schools, colleges, and universities – and also includes investments in education technology companies and the associated infrastructure. Several investments extend to auxiliary goods and services, including tutoring, teacher training, and test preparation. Many of these private sector investments are characterized as novel, innovative and scalable. However, there are concerns about affordability and access to private education in many markets (as many solutions target established urban middle- and upper-income households and do not reach the largest, but poorest, rural populations). However, with innovation-led enterprises driving a new wave of education investments just before the during the pandemic are aiming to drive down the cost of education and promising to deliver wider access across socio-economic, gender and other boundaries. Such innovations have caught the eyes of the public sector and several NGOs who are now working more closely with private enterprises to stop the learning loss that has been created as a result of the pandemic (internal note: our portfolio companies in India are involved in such initiative so this is based on our experience and can be substantiated).

As government regulation and oversight is lacking in some countries, it is critical that investments in education confirm to rigorous international environmental and social standards. In particular, education investments should be aligned with IFC Performance Standard 2: Labour and Working Conditions. This includes sound worker/management relationships, non-discrimination and equal opportunity practices, promoting safe and healthy working conditions and compliance with national labour laws. Also, IFC Performance Standard 4: Community Health, Safety and Security includes measures to avoid adverse impacts on the health and safety of the community, including impacts from infrastructure and exposure to disease and emergency preparedness and response. Finally, Client Protection Principles aim to ensure responsible pricing and prevent customers from becoming over-indebted, while also promoting transparency, fair treatment and data privacy.

This case study showcases investments in education undertaken by private equity firm Kaizenvest. It presents Kaizenvest's investment strategy and impact thesis, the impact of COVID-19 on the education sector in its target markets, and how it responded to the pandemic. The case study concludes by considering the future of education after the pandemic.

THE FUND MANAGER: KAIZENVEST

Kaizenvest was founded in 2009 as an education-focused private equity fund manager. Headquartered in Mumbai, it launched its first fund in 2010 with a focus on India, before expanding into South and South-East Asia with its second fund, and opening an additional office in Singapore. More recently, Kaizenvest has expanded into Africa, opening an office in Johannesburg. Kaizenvest plans to establish a debt fund, based on the belief that primary and secondary education is better served by debt than private equity. Kaizenvest's investment thesis is based on companies driving learning innovations in three main areas: (i) using technology to increase access, improve quality or personalize learning at scale, (ii) catalysing innovations in pedagogy, curriculum, process or skills development, and (iii) ecosystem development using technology, finance and partnerships.

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Kaizenvest asserts that given the large gaps in public funding for education in developing countries, there is a need for private sector involvement. By injecting smart finance and technology into education, it is contributing positively to affordability, access, inclusion, personalisation and massification. Kaizeninvest encourages and enables its portfolio companies to explore new methods and embrace alternate ways of providing education. It also intentionally targets companies that extend access to quality education to the lower income segments of populations with sustainable models.

Kaizenvest's partners have a passion for education and are committed to growing Kaizenvest to expand its contribution to providing quality education in the developing world. It positions itself as a thought leader in the education financing space by publishing white papers, hosting a biennial education seminar with INSEAD Business School, and fostering a community of learning. Kaizenvest also works through portfolio companies for government advocacy and influencing progressive laws for the education ecosystem.

> *Kaizenvest invests in education companies that can deliver critical outcomes at scale using innovative business models, and companies that disrupt the education status quo either with new technologies or through unique, technology-enabled services.*

Kaizenvest

Source:
Kaizenvest Website

KAIZENVEST'S EDUCATION IMPACT FRAMEWORK

Making a positive impact through education investments is part of Kaizenvest's core philosophy. It holds a broad view of the contribution of education to development, believing education is key to social evolution. SDG 4 is central within Kaizenvest's impact framework, which it uses to understand and navigate the sector. The framework is composed of four conceptual elements, plus a "theory of change" that delineates a logical results chain from Kaizenvest's inputs to societal impacts.

01
Education Map

First, an Education Map divides the sector into three segments: a core comprising schools and universities; parallel services such as tutoring, test preparation, vocational studies and pre-schools; and ancillary products including loans, educational technology (EdTech), publishing and student housing.

02
Education Pyramid

Second, an Education Pyramid prioritises various aspects of education investments according to a economic demopgraphic hierarchy. For example, technology use is minimal at the bottom where the focus is on massification while the top has more tech and individualisation. Employment at the bottom is focussed on livelihood while at the top it is about vertical and lateral mobility.

03
Education Diamond

A third model, called the Education Diamond, focuses on three Impact areas seen as the key challenges for SDG 4, namely access (including infrastructure, affordability, gender, marginalised segments), quality (involving engagement, retention, outcomes and vocation) and relevance (development, sustainability, responsibility and purpose). By investing in a variety of companies spanning the various market segments, Kaizenvest aims to contribute to all three dimensions.

04
Education Stages

The fourth element of the framework is Education Stages, which embeds the previous three frameworks and relates to aspects of Personal, Societal and Planet wellbeing in three stages (see Figure [X]). Kaizenvest sees education (and contributions towards SDG 4) as core to supporting the attainment of all the other SDGs, directly or indirectly.

CASE STUDY

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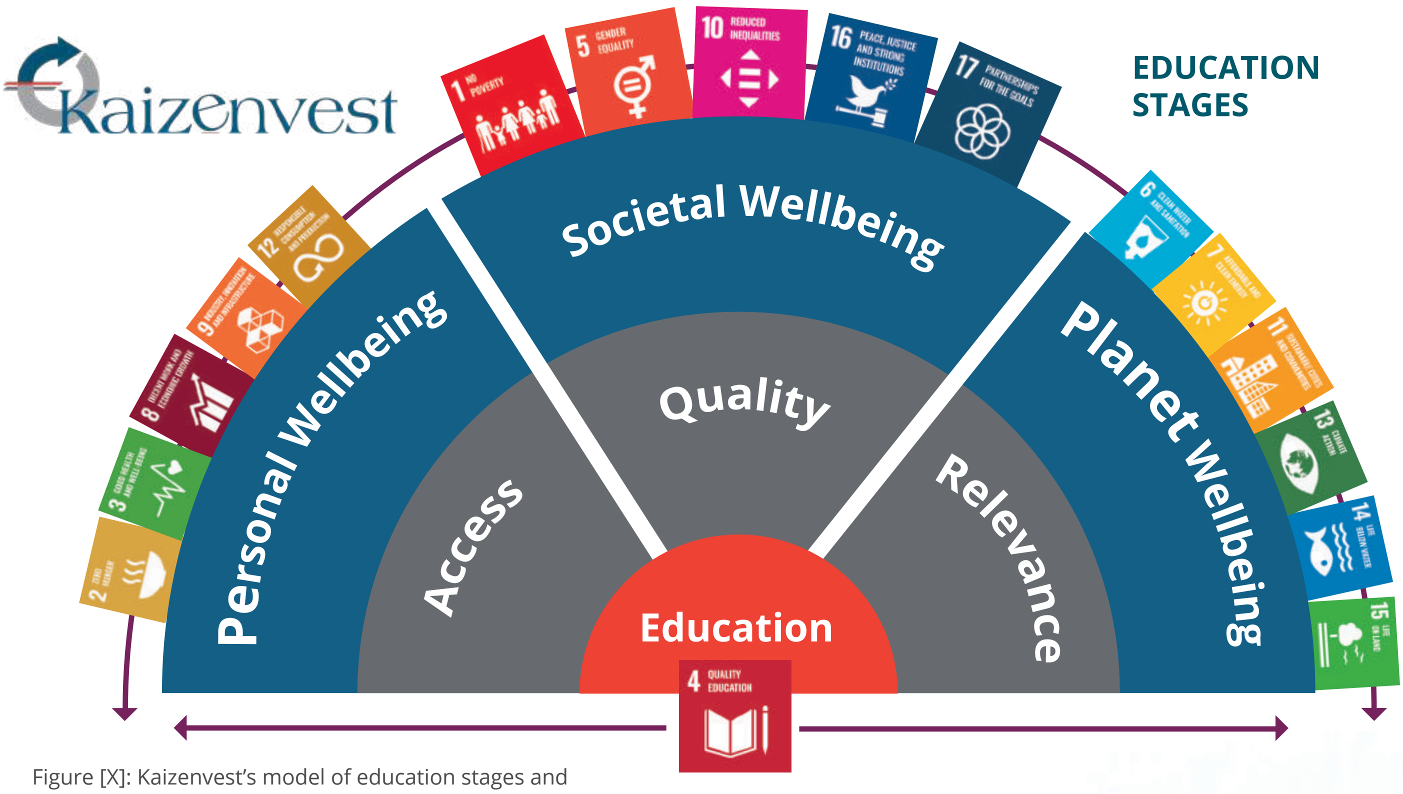

Figure [X]: Kaizenvest's model of education stages and contributions to SDGs.

KAIZENVEST'S EDUCATION THEORY OF CHANGE

Making a positive impact through education investments is part of Kaizenvest's core philosophy. It holds a broad view of the contribution of education to development, believing education is key to social evolution. SDG 4 is central within Kaizenvest's impact framework, which it uses to understand and navigate the sector. The framework is composed of four conceptual elements, plus a "theory of change" that delineates a logical results chain from Kaizenvest's inputs to societal impacts.

Kaizenvest's Theory of Change builds on the conceptual elements of its impact framework, and focuses on five elements:

- **Inputs:** such as private capital
- **Activities:** including the selection of investees and transaction structuring
- **Outputs:** such as greater investment in education
- **Outcomes:** such as increased access to education
- **Impact:** such as greater gender equality and reduced income equality

Each element is assessed based on access, quality and relevance. These are further divided into 4 main focus areas. The ultimate impacts are seen as personal, societal and planetary wellness. Each component in the rubric is then mapped to the literature available for real world evidence.

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Kaizenvest

Theory of Change

Planning Upwards / Implementation Downwards

				Access				Quality				Relevance			
				Infrastructure	Affordability	Gender	Marginalised	Engagement	Retention	Outcomes	Vocation	Development	Sustainability	Responsibility	Purpose
Immediate	How	Resources	Inputs	Financial resources; infrastructure norms; teaching staff norms	Scholarships; education loans; financial intermediary capacity building	Location-wise gender; gender-inclusion inhibitors; gender-friendly infrastructure norms	Intervention studies; Marginalized data; Hard (disabled access) & soft (training) infra	Human resources (teachers); M&E systems; facilities & learning resources	Drop-out analysis; teacher training frameworks; advocacy	Outcomes assessments; financial incentives; facilities & learning resources	Career options info; vocation-oriented curriculum; industry-academia interface	R&D budget; expertise; industry-academia interface forums	Sustainability curriculum; activities to support sustainability; sustainable school practices	Pedagogical innovations; civic engagement opportunities; "Big-picture" curricula	Counselling resources, academic & extra-curricular opportunities; liberal-arts education
Immediate	How	Resources	Activities	Build infrastructure; recruit teachers; conduct classes	Train financial intermediaries in education loans; disburse loans; disburse scholarships	Awareness drives; provide incentives; gender-appropriate infrastructure	Train schools & teachers; provide incentives; collect & share best practices	Train & support teachers; create maker labs; introduce pedagogical innovations	Support at-risk students; parent engagement; online classes	Train & support teachers; remedial learning & support; assessments for improvements	Curriculum, Industry-linked & application-based; subject specialization; internship opportunities	Investment in R&D; publish papers & file patents; develop practical applications	Awareness workshops; projects; sustainability in school infrastructure	Volunteering; exposure to civil society institutions; support under-resourced schools	Free debates & discussions; student counselling services; space for student exploration
Short	What	Results	Outputs	Infrastructure built / renovated; teachers recruited; students enrolled	Loans disbursed; scholarship disbursed; number of student beneficiaries	Female students in & back to school; family awareness drives; gender-biased infra	Marginalized students in & back to school; schools trained; appropriate hard & soft infrastructure	attendance; classroom participation; grades	Parents under awareness drives; completion rates; progression rates	Teacher training hours; remedial support hours for students; outcomes assessment score	Jobs secured; starting salaries; new businesses started	Patents granted; peer-reviewed research papers published; industry funding	Greener schools; aware students; sustainability-linked projects	School community improvements; student career in civil society institutions; volunteering	Students with diversified interests; subject passion in students for; student happiness
Medium	What	Results	Outcomes	Higher GER; increased teacher employment; greater capital asset creation	Equal GER across economic strata; developed education lending systems; economic value of education	Higher female GER; female participation in workforce; financially independent women	Marginalized higher GER; participation in workforce; greater financial independence	Motivated learners; subject matter retention; improvements in pedagogy & learning tools	Secondary & tertiary GER; better workforce availability; increased prosperity	Outcome focus; foundational literacy & numeracy; pedagogy & learning tools improvements	Jobs/livelihoods created; per capital GDP increases; workforce productivity improves	Development of a scientific mindset; localized innovations; higher national self-sufficiency	Sustainable practices by citizens; lesser dependence on fossil fuels; climate change advocacy	Responsible citizens; greater roles of schools as part of a community; education larger purpose	New ideas & theories in public sphere; debates on human ethics; self-actualization
Long	Why		Impact	Foundation for a literate society is built	Economic inequality reduces	Gender inequality reduces	A more equitable society is created	Productive Workforce; Better Living Standards; Upward Mobility; Lower Inequality	Upward mobility increases	Literacy rates improve	Standards of living rise	Continuous growth & innovation	Planet starts healing	Society becomes peaceful, fair & just	Mankind becomes happy
				Personal Wellness				Societal Wellness				Planet Wellness			

THE IMPACT OF COVID-19: KAIZENVEST'S PERSPECTIVE

As the pandemic spread in early 2020, countries were affected with varying intensities and governments responded in different ways. India entered into one of the world's fastest and hardest lockdowns in late March, with severe impacts on society and the economy. In contrast, a proactive response by the government in Vietnam ensured it weathered the initial storm much better than other countries.

The pandemic has affected the education sector and its key stakeholders through two main channels: interruptions caused by facility closures, especially during lockdowns; and the economic impact affecting households' ability to afford education. As is often the case, the crisis has been harder on the disadvantaged sectors, such as lower income households and those living in rural areas. The ripple effects of the disruptions could be socially destructive for years to come,for the current cohort of students during the lock down phases of the pandemic.. The pandemic has also worsened the digital learning divide between those with Internet access and those without.

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PROVISION OF EDUCATION

The impact of the pandemic on the provision of education has varied greatly across different segments of the sector, with daycare centres and schools having suffered the most. Daycare companies suffered greatly from falling revenues as parents kept children at home either because of school closures or inability to pay fees. School closures meant learners had to adapt to new ways of learning at home, potentially leading to learning losses (as explored below). By contrast, many of the professional education services fared better, as many providers rely on digital platforms and technologies that saw a surge in demand. Shutdowns meant virtually every education provider had to teach online at some point.

TEACHERS AND LEARNERS

The two primary stakeholder groups in the education sector are teachers and learners. Historically, education tended to be slow moving, partly because many teachers tend to hold on to traditional methods and systems. The rapid changes demanded by COVID-19 have been painful for teachers, creating a great deal of stress in the system. For teachers,

However, on a positive note, COVID-19 gave a massive boost to the introduction of new practices that Kaizenvest had already being trying to implement.

"Teachers are not as resistant to change as they were before, and have done brilliantly. Most of them are idealistic and passionate about what they do. Teachers are a wonderful and giving segment of society, and have met the challenge." Jetu Lalvani, Managing Partner of Kaizenvest

Learners have also experienced challenges, particularly from learning in the home environment, where they can face many distractions and difficulties. Many reported stress and negative mental health effects as their daily lives were disrupted and they were forced to cope with a lack of social interaction with their peers. Apart from the psychological effects, Jetu Lalvani's greatest concern is the potential learning losses: "Theory suggests it will be a massive loss, but we have to wait for evidence".

Of course, learning losses are greatest among those with limited access to online learning technologies – both teachers and learners. Vocational training has been even more severely impacted, given its more practical orientation. Another concern is that a cohort of students has become accustomed to not taking exams and meeting deadlines. A lack of external pressure to perform may lead to a loss of ingrained discipline. The impact of the pandemic is especially acute for grades 10 to 12, as these students have the least time to catch up.

> *COVID-19 advanced the use of technology by five years within one year.*

Jetu Lalvani
Managing Partner of Kaizenvest

GENDER EFFECTS

In terms of gender-related impacts, Kaizenvest does not yet have a concrete picture of differential effects, although some trends are evident. On the side of learners, while in general the impacts may not differ between boys and girls (because attrition from online learning is not gender based), a big question yet to be answered is whether more girls than boys are being pulled out of schools in low-income households with the tightest budget constraints, particularly where they only have the means to educate one child, or only male children. Differential gender-based effects at universities and online learning platforms are much less likely. For staff, the impact of school closures is often worse for women, who usually bear the brunt of domestic responsibilities (including caring for children with curtailed extended family support), although these issues are not specific to the education sector. Job losses have affected women more in some educational segments. For example, day-care centres, where most staff are typically women, had to let go some staff because of revenue falls. For example, Founding Years Learning Solutions (a Kaizen Fund I portfolio company) reduced its employee headcount from almost 3,300 in 2019 to around 2,000 in 2020.

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KAIZENVEST'S COVID-19 RESPONSE

Kaizenvest's management reacted as soon as the pandemic hit its markets. The overriding principle was that inaction was not a valid response. Internally, Kaizenvest prioritised safety for its staff, using algorithms to create rosters for two-day or three-day weeks, complemented with structured learning from home. Management also organised regular weekly online social events for employees to talk about personal issues.

We don't know what the full impacts of COVID-19 are, so we need to reassess the situation every week. There is no single strategy to deal with it.

Jetu Lalvani
Managing Partner of Kaizenvest

CRISIS MANAGEMENT

At the start, crisis management was the priority, and by April/May 2020 Kaizenvest had built a training presentation to guide its portfolio companies. Kaizenvest anticipated it would take at least 18 months before a return to normality was possible, and explained the psychological impact of this, giving hope to staff while being open and transparent. Kaizenvest also facilitated better communication, for example by setting up Zoom meetings for non-business reasons to check in on staff wellness and create a social space for mutual support. The Head of Thrive Global (a wellness platform in India) was engaged for a workshop session on how to best manage working from home.

Faced with unprecedented external risks in a temporary but indefinite crisis, Kaizenvest explained to its portfolio companies the need to extend cash runway while revenues fell. This meant first exploring alternatives to retrenchment such as salary cuts (where management took the largest cuts), and unpaid leave. However, when retrenchment was inevitable, it was carried out according to local legislation. The goal was for companies to survive long enough to realise cash flow in the future, and investee companies were advised to plan for up to 50% lower revenues for 18 to 24 months. Kaizenvest did not get involved in internal management meetings, preferring to let companies implement their own strategies depending on their internal culture. In the wake of the pandemic, the need to balance the interests of both investees and beneficiaries remains essential, particularly for impact investors targeting developing countries.

Each portfolio company must make decisions in the interest of their own financial viability. As we look beyond the pandemic, it is our belief that these portfolio companies can continue to provide and enable education, benefiting both the student and investor.

Sandeep Aneja
Founder and Managing Partner of Kaizenvest

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AGILITY AND FELXIBILITY

For portfolio companies to remain in business during the pandemic, they had to be agile and innovative. Kaizenvest supported in the areas of cost rationalization, leveraging of technology, training, and new product launches, wherever possible. It also facilitated cross-collaboration among its investees. For example, technology firm Toppr was asked how they could assist companies such as Varthana in making private education more affordable. Conversely, tech companies were encouraged to bring in a more human element to their business. Kaizenvest's active involvement and support for its portfolio companies intensified during the pandemic, with the frequency of meetings with companies doubling. This made Kaizenvest more aware of possible synergies within the portfolio, with the companies displaying a willingness to learn from and teach each other in these unprecedented circumstances. For example, due to the open communication facilitated by Kaizenvest, portfolio companies in India could implement lessons learnt from those in Vietnam, adapting their practices as early as February 2020.

CATCHING UP

Making up for lost time will look slightly different depending on a company's business model. For some, it means leveraging educational technology (EdTech) solutions to support their business model, offering the possibility to increase reach or support distance learning. This may also assist in more affordable solutions. For others, it may mean presenting ways to compress learning in the next years to allow students to catch up on missed time, or offering blended learning options that provide greater flexibility or support increased social distancing requirements. It could also mean that teachers have improved access to training and retraining opportunities, and are better equipped to teach successfully in both physical and virtual settings. Across Kaizenvest's investee companies, the shared goal is to ensure the effects of the pandemic do not overshadow the education of those who need it the most.

Kaizenvest Case Study: Championing Learning Beyond The Pandemic

SUMMARY: THE FUTURE OF THE EDUCATION SECTOR

The pandemic has accelerated the uptake of digital technologies across a wide range of sectors, including education. However, it remains unclear to what extent the shift to EdTech will be permanent. In an environment grappling to offer online solutions in the midst and wake of the pandemic, it has gained increased acceptance, along with distance education. On both counts, consumer demand has clearly increased. Many parents appear more open to alternative forms of education – including EdTech – than before. Also, EdTech solutions are not only increasing for compulsory schooling, but are also expanding the possibilities for people to increase their learning opportunities. It is possible the pendulum will swing back, so that in-person classrooms become central again. But hybrid models, combining classrooms and virtual learning with EdTech, are likely to continue. The challenge, therefore, is to take the newfound appreciation for EdTech and advocate for innovation in blended and compressed learning. Not only will this help to safeguard the health and wellbeing of both teachers and students, it will help students to make up for time lost, and offer new opportunities bridge the digital divide, and to reach those potential learners who may otherwise be left behind.

Either way, the importance of SDG 4, ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all, remains a vital component of the international development landscape. By highlighting the most pressing needs, such as considering the welfare of both staff and learners – through the use of safe buildings and technologies – and taking steps to offer innovative solutions, the private sector can support the public sector in its provision of education as a global public good. Drawing on its years of investment experience, Kaizenvest is well placed to continue contributing to SDG 4 beyond the pandemic.

> *It is impossible to change what has happened in 2020, to rewind. All we can do is support the companies in the education sector to be agents of change, both immediately, and going forward in a post-COVID-19 world.*

Sandeep Aneja
Founder and Managing Partner of Kaizenvest

CASE STUDY

Obviam's Approach To Environment, Social And Governance And Impact

"At Obviam, our robust Environmental, Social, Corporate Governance and Impact (ESGI) approach helps fund managers to reduce risks and negative impacts, while safeguarding the environment and protecting the welfare of investee employees and other stakeholders, which is particularly important in emerging economies. Our approach also supports fund managers in leveraging investee contributions towards key Sustainable Development Goals (SDGs) throughout investment periods. This requires commitment and hard work – from Obviam, fund managers, and their investees – and takes time, but the results are worth the effort. While our ESGI measurement and management systems track ESGI risks and impacts, they also encourage direct engagement, and provide credible reporting on meaningful ESGI progress."

Sarita Bartlett
Managing Director, ESGI, Obviam

Responsible investing involves making investments with the intent to generate positive, measurable impacts alongside financial returns, while minimizing ESGI risks and potential negative impacts. Obviam seeks to provide its investors with risk-adjusted returns, while generating sustainable, demonstrable positive impacts.

At Obviam, ESGI considerations are integrated across investment decision-making and portfolio management, and our ESGI framework is aligned with the Operating Principles for Impact Management. ESGI matters are considered throughout the investment process, from deal sourcing and screening, due diligence, Investment Committee approvals, contracting, stewardship/monitoring and through to exit.

In our deal sourcing and screening phase, we explore the expected impact of each investment using a systematic approach that explores whether an investment is likely to meet the requirements of our Responsible Investment Policy. The approach also considers whether an investment is likely to meet the 2X Challenge eligibility criteria. During the due diligence process, we thoroughly assess fund manager intentionality and their commitments to upholding our Responsible Investment Policy, as well as their contribution to defined impact metrics and the achievement of defined impact targets. Our analysis is supported by tools such as the GPR assessments described below. We include specific policy requirements in our investment agreements (for example, Limited Partner Agreements and side letters) with fund managers.

APPENDIX

As well as monitoring the potential negative impacts of each investment, and assessing the performance and impact of each investment against expectations, we actively engage with prospective managers and invested managers throughout investment periods to support continuous improvement in their financial and ESGI performance. This includes working with target investees to improve their ESG and Impact Management and Measurement Systems, actively participating in Limited Partner Advisory Committees and ESG sub-committees, as well as providing direct support and guidance aimed at reducing ESGI-related risks and potential negative impacts. This work is often undertaken alongside other likeminded investors. We ensure that exits consider the effect on sustained impact and work with investees to encourage adoption of the same practices. We also review, document, and improve our decisions and processes based on ESGI impacts achieved and lessons learned.

Our Responsible Investment Policy

Our responsible investment policy is based on internationally-accepted, best practice standards, including: the UN Guiding Principles for Business and Human Rights; International Labour Organization Core Labour Standards; International Finance Corporation Standards on Social and Environmental Sustainability (2012); the associated Environmental, Health and Safety (EHS) Guidelines; the Corporate Governance Development Framework; and the Client Protection Principles. This Policy applies to Obviam, our fund managers and their underlying portfolio companies (as well as financial institutions) and extends across the entire investment process (from deal sourcing and initial screening to exit).

Obviam's Exclusion List

1. Forced labor or child labor;
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:

a. Ozone depleting substances, PCB's (Polychlorinated Biphenyl's) and other specific, hazardous pharmaceuticals, pesticides/ herbicides or chemicals;
b. Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
c. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction of HCV areas
5. Radioactive materials and unbounded asbestos fibres
6. Construction of new and extension of any existing coal fired thermal power plants
7. Pornography and/or prostitution
8. Racist and/or anti-democratic media
9. Weapons and munitions
10. In the event that any of these following products form a substantial part of a project's primary financed business activities:
a. Alcohol beverages (except beer & wine);
b. Tobacco; or
c. Gambling, casinos & equivalent enterprises

IFC Performance Standards

ILO Conventions

ILO Core Conventions

Freedom of Association and Collective Bargaining (No. 87, 98)

Forced Labor (No. 29, 105)

Child Labor (No. 138, 182)

Discrimination at Work (100, 111)

ILO Conventions Basic Terms and Conditions of Employment

Fixing a Minimum Wage (No. 26, 131)

Hours of Worked (No. 1)

Occupational health and safety (No. 155)

UN Guiding Principles

Protect

State duty to protect human rights

Respect

Corporate responsibility to respect human rights

Remedy

Access to remedy for victims of business-related abuses

Client Protection

Appropriate product design and delivery

Prevention of over-indebtedness

Transparency

Responsible pricing

Fair and respectful treatment of clients

Privacy of client data

Mechanisms for complaint resolution

1. Obviam is a signatory to the Operating Principles for Impact Management and undertook third-party verification in 2020. We also encourage fund managers to become signatories to this initiative.
Obviam is a signatory to the Operating Principles for Impact Management and undertook third-party verification in 2020. We also encourage fund managers to become signatories to this initiative.
2. The 2X Challenge: Financing for Women. 3. Since 1 January 2021, Obviam assesses whether target investments are aligned with the objectives of the Paris Agreement and are not in conflict with countries' commitments as stated in their respective Nationally Determined Contributions (NDCs).

Measuring And Managing Impacts: The GPR Tool

We use the GPR tool to systematically assess the development effects of both prospective and invested funds. We conduct GPR assessments during our investment-decision making processes (i.e., ex-ante assessments). These inform our investment decisions and are used to set baselines and projections for individual investments from which subsequent benchmarking can be performed. We then perform post-investment GPR assessments at regular intervals (every other year) and at exit, to monitor and assess the actual development effects against the baseline projections.

The GPR assessments are based on the investment contribution to eight development areas or pillars (see table below.) A standardized scorecard is assigned for each of the sub-indicators in the individual pillars based on internal discussions within the Investment and ESGI Teams, as well as subsequent discussions with fund managers during annual ESGI monitoring calls.

The sub-indicator scores are then aggregated to form scores for each pillar, with scores ranging from 0 to 100.

GPR SCORES Range is 1-100	**Pre-Investment Projection 2016**	**Post-Investment Assesment 2020**
Overall Development Effects	100	100
Employment Effects	100	100
Gender Effects	100	100
Training Effects	100	100
Mobilization of Local Capital	100	100
Diversification of the financial Sector	100	100
Diversification of Credit Allocation	100	100
Institution Building	100	100
Company Development	100	100

01 Employment Effects
- **A** Number of persons employed in the Fund Manager
- **B** Number of jobs supported at investee company level
- **C** Total jobs supported (a+b)

02 Gender Effects
- **A** Positive Gender effects

03 Training Effects
- **A** Staff Training
- **B** Management Training
- **C** Other (outreach training activities)

04 Mobilization of Local Capital
- **A** Local investment mobilisation for Fund
- **B** Mobilisation of other Capital for investees

05 Financial Sector Diversification
- **A** Novel type of institution
- **B** Novel instrument/finance service
- **C** Improvement of regulatory framework

06 Credit Allocation Diversification
- **A** New Sectors
- **B** Export financing
- **C** SME financing
- **D** Microfinancing / Start-up financing
- **E** Empowerment of disadvantaged groups
- **F** Financing for new regions
- **G** Financing for environmental purposes
- **H** Other

07 Institution Building
- **A** Expansion of equity financing
- **B** Organization and management
- **C** Information and control systems
- **D** Risk management
- **E** Seed financing / Improvement of capital structure
- **F** Long-term financing
- **G** Environmental / social risk monitoring

08 Company Development
- **A** Company upgrading
- **B** Corporate governance
- **C** Environmental / social standards
- **D** Expansion /modernization
- **E** Risk financing
- **F** Accounting / reporting
- **G** Other

Measuring And Managing Impacts: Standard, Sector And Investment Specific Indicators

We collect a standard set of ESGI information and indicators from all our investees once a year. Additional sector-specific and investment-specific information and indicators are also collected. We use internationally-accepted harmonized approaches and indicators whenever possible, and we are active in forums that seek to improve approaches and indicators and promote harmonization.

We use the collected information and indicators to gain a better understanding of ESGI risks and impacts faced by investees, including their contributions to individual SDGs. While we engage regularly with investees, annual review calls are also held with each investee to discuss their ESGI performance and the ways in which this can be improved in the future.

STANDARD AND SPECIFIC INDICATORS

Quality and Intentionality of ESGI Management (including Policies, Systems, Procedures and Capacity)
ESGI Compliance (e.g., Obviam's Exclusion List, the ILO Core Labor Standards, Relevant local legislation, and the relevant IFC Performance Standards)
ESGI Risks
ESGI Performance (including improvements)

SDG 2 - ZERO HUNGER

- Food produced and/or processed
- Farmers reached

SDG 4 -QUALITY EDUCATION

- Educational facilities served
- Teachers employed
- Students reached

SDG 3 -GOOD HEALTH AND WELL-BEING

- Healthcare facilities served
- Caregivers employed
- Patients reached

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 IC
- Share of women in the workforce
- Gender policies and practices that exceed those required by local legislation
- Products or services specifically or disproportionately benefiting women

4. Obviam's Responsible Investment Policy (2019) (https://www.obviam.ch/fileadmin/user_upload/pdf_docs/200115_Responsible_Investment_Policy_V1.3_Website_Version_01.pdf)
5. The GPR tool was originally developed by the German Development Finance Institution (Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and was adapted to meet our investment strategy.

Measuring And Managing Impacts: Standard, Sector And Investment Specific Indicators Continued...

SDG 7 - AFORDABLE AND CLEAN ENERGY

7 AFFORDABLE AND 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 AND ECONOMIC GROWTH

8 DECENT WORK AND ECONOMIC GROWTH

- Employment (Permanent, Temporary, Outsourced and Construction, by gender
- Employee Turnover (Involuntary, Voluntary, by gender)
- Formal training provided to employees, including on ESG (and Occupational Health and Safety)
- Number of employees trained and hours of training
- Grievance Mechanism (number of complaints)
- Serious Incidents disproportionately benefiting women

SDG 9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Food produced and/or processed
- Farmers reached

SDG 13 - CLIMATE ACTION

13 CLIMATE ACTION

- Mobile, voice and data subscriptions
- Portable water produced
- Passenger usage
- Housing units constructed
- Clients reached
- Additional capital leveraged
- First access to long-term debt financing
- Increase of average debt maturity

SDG 17 - PARTNERSHIPS FOR THE GOALS

17 PARTNERSHIPS FOR THE GOALS

- Corporate income taxes
- Other taxes and governmental fees

4. Obviam's Responsible Investment Policy (2019) (https://www.obviam.ch/fileadmin/user_upload/pdf_docs/200115_Responsible_Investment_Policy_V1.3_Website_Version_01.pdf)
5. The GPR tool was originally developed by the German Development Finance Institution (Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and was adapted to meet our investment strategy.

Measuring And Managing Impacts: *Case Studies*

We regularly conduct case studies to gain a more in-depth understanding of an ESGI theme, a particular fund or investee company. For FABPM's 2017 Impact Report, we drafted a case study on Paradise Ingredients, a Costa Rican banana producer (a CASEIF III investee). This case study showcases the company's contribution to diversify the economy, its challenges, and its key development effects—Supporting the diversification of the local economy; Facilitating the transfer to an independent, locally-owned company; Upholding the highest ESG Standards; and Creating local jobs and fostering gender equality. For FABPM's 2018 Impact Report, we presented the Mirkala Solar project in India (a REAF II investee). This case study highlights the project's positive impacts by not only helping to meet the rapidly increasing demand for power in the Indian state of Maharashtra, but doing so in a cost-effective, sustainable and reliable way. For the FABPM 2019 Impact Report, we drafted a case study on Newpack, a leading producer of corrugated cardboard in Madagascar. This case study highlights Newpack's positive impacts through providing decent formal sector jobs in a country with widespread poverty, and by producing products in a resource-efficient and sustainable manner. For the 2020 Impact Report we drafted a case study on Kaizeninvest and its Kaizen Fund II, presented earlier in this report.

ESGI Industry Participation

We are a member of the Principles for Responsible Investment (PRI), the Global Impact Investing Network (GIIN), and Swiss Sustainable Finance (SSF). We are also a signatory to the Operating Principles to Impact Management (OPIM). On behalf of SIFEM (the Development Finance Institution of the Swiss Confederation), we participate in diverse European Development Finance Institution (EDFI) taskforces, networking groups and other forums. We are also an active participant in the 2X Collaborative which promotes women's empowerment and gender-smart investing.

Operating Principles for Impact Management

EDFI

2X CHALLENGE FINANCING FOR WOMEN

Swiss Sustainable Finance

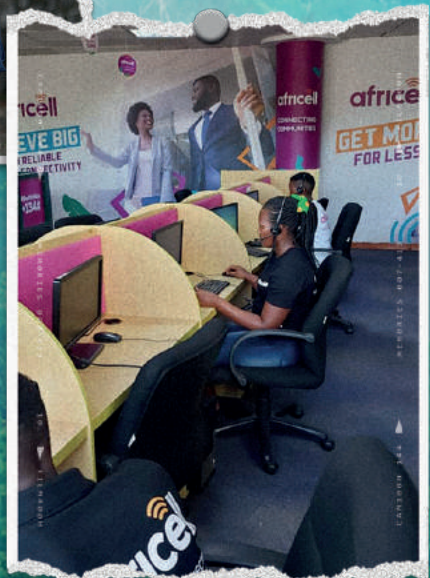
PRI Principles for Responsible Investment

GIIN GLOBAL IMPACT INVESTING NETWORK

OBVIAM
INVESTING FOR IMPACT

Contact Us

For further information please visit out website or contact us directly at the address below



MADAGASCAR BIODIVERSITY FUND

OBVIAM AG
Helvetiastrasse 17 PO Box 3000 Bern 6, Switzerland
T +41 (0)31 310 09 // 30, Fax +41 (0)31 310 09 39
www.obviam.ch // info@obviam.ch

ABOUT OBVIAM

Obviam is an independent investment manager specialising in long-term investments in emerging and frontiermarkets. Obviam advises public, institutional, and private clients, including the Swiss Investment Fund for Emerging Markets (SIFEM), the Development Finance Institution (DFI) of the Swiss Confederation. Obviam offers investors an opportunity to capture attractive returns and generate sustainable, positive impact in emerging and frontier markets, via a proven and responsible investment approach.

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