

Obviam's Approach to Responsible Investment

Policy Document



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1.0 Overview

This document contains Obviam’s policy on responsible investment, specifically our commitment to integrate environment, social and governance (ESG) matters in investment practices.

Supporting the policy, this document includes: i) Obviam’s Exclusion List, ii) Obviam’s ESG requirements for funds and fund managers, financial institutions, and investee companies, and iii) A summary description of Obviam’s ESG implementation.

2.0 Policy

As an independent investment advisor specialised in long-term investment in emerging and frontier markets, Obviam seeks to provide investors risk adjusted returns, as well as generate sustainable, positive impact. Within this context, we believe ESG matters can have both positive and negative consequences on the financial performance of investments, as well as on the positive externalities we seek to generate for societies in our target markets. We also recognize that Obviam's investment decisions and activities may have environmental and social consequences. As such, consistent with our fiduciary duty, Obviam commits to:

- Integrate ESG matters into investment practices; from investment analysis, investment decision-making, through to investment management over the entire investment period.
- Require businesses Obviam invests in,¹ to ensure a preventive and precautionary approach with respect to environmental and social impacts. If negative environmental or social impacts are unavoidable, they must be appropriately mitigated or compensated for.
- Require businesses Obviam invests in, at a minimum to comply with the legal and regulatory requirements in the jurisdictions where they operate, and beyond that work over time towards relevant international ESG norms and standards.²
- Require businesses Obviam invests in, to observe high standards of business integrity and governance.³
- Encourage businesses Obviam invests in, to establish an open dialogue with their stakeholders on the environmental and social impacts of their activities.
- Seek continuous improvements in the management of ESG matters.
- Provide transparent and relevant information on ESG matters related to investment activities, while observing normal commercial confidentiality requirements.

¹ Obviam invests in companies directly, and indirectly via financial intermediaries (private equity funds, financial institutions, and other investment vehicles).

² Our benchmarks are the UN Declaration of Human Rights, the ILO Fundamental Conventions, the IFC Performance Standards on Social and Environmental Sustainability and the associated Environmental, Health and Safety (EHS) Guidelines.

³ Our benchmark is the OECD Principles of Corporate Governance.

Environmental

With regards to environmental issues, we require businesses Obviam invests in, to:

- Assess the environmental impact of their operations, specifically:
 - » identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impacts;⁴ and
 - » consider the potential for positive environmental impacts from business activities; and
- Take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects, specifically:
 - » where an activity is assessed to present significant environmental risks, work over time to apply international best-practice standards if these are more stringent than local legislation, with appropriate targets and timetable for improvements.⁵

Social

With regards to social issues, we require businesses Obviam invests in, to:

- Take account of their impact on employees, contractors, the local community and all others affected by their operations, specifically:
 - » identify potential adverse effects and appropriate mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, non-local labour or other issues where the negative impact could be significant;⁶ and
 - » consider social development contributions; and
- Take appropriate actions to mitigate risks, ameliorate negative impacts, and enhance positive effects.⁷

Social - labour and working conditions

With regards to social issues related to labour and working conditions, we require businesses Obviam invests in to:

- not employ or make use of forced labour of any kind;⁸
- not employ or make use of harmful child labour;⁹
- pay wages which meet or exceed industry or legal national minima;
- treat their employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status;¹⁰
- allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management; and
- for remote operations involving the relocation of employees for extended periods of time, ensure that such employees have access to adequate housing and basic services.

⁴ Activities with potential significant adverse environmental impacts that are diverse, irreversible or unprecedented; mindful of potential cumulative, secondary or synergistic impacts that may occur as a consequence.

⁵ Such as the IFC Performance Standards and associated Environmental, Health and Safety Guidelines (see www.ifc.org) and/or the range of internationally certifiable environmental standards issued by the International Organisation for Standardization (ISO), the ISO 14000 series, notably including standards for environmental management systems (ISO 14001) and greenhouse gas emissions (ISO 14064-65). See www.iso.org.

⁶ Activities with potential significant adverse social impacts that are diverse, irreversible or unprecedented.

⁷ As relevant, by applying IFC Performance Standards on Land Acquisition and Involuntary Resettlement; Indigenous Peoples; and Cultural Heritage; as may be amended from time to time and adopted by Obviam. See www.ifc.org.

⁸ As defined by ILO Convention 29 on forced or compulsory labour and ILO Convention 105 on the abolition of forced labour. See www.ilo.org.

⁹ As defined by ILO Convention 138 on the minimum age for work from 1973 and ILO Convention 182 on the worst forms of child labour from 1999. See www.ilo.org.

¹⁰ As per ILO Convention 100 on equal remuneration and ILO Convention 111 on elimination of discrimination in respect to employment and occupation. See www.ilo.org.

Social - health and safety

With regards to social issues related to health and safety, we require businesses Obviam invests in, to:

- assess the health and safety risks arising from their activities; and
- take appropriate actions to eliminate or reduce risks to health and safety, specifically:
 - » where an activity is assessed to present significant health and safety risks,¹¹ work over time to apply international best practice standards¹² if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
 - » as appropriate, work over time towards international best practice standards for health and safety.¹³

Governance

With regards to governance issues, including business integrity and corporate governance matters, we require businesses Obviam invests in, to:

- comply with all applicable laws and promote international best practice,¹⁴ including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- uphold high standards of business integrity and honesty;
- deal with regulators in an open and co-operative manner;
- prohibit all employees from making or receiving gifts of substance in the course of business;
- prohibit the making of payments as improper inducement to confer preferential treatment;
- prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- properly record, report and review financial and tax information;¹⁵
- promote transparency and accountability grounded in sound business ethics;
- use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee;

- clearly define responsibilities, procedures and controls with appropriate checks and balances in company management structures; and
- use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

¹¹ Activities that could have a severe health or safety impact for workers or affected communities.

¹² Such as the IFC Performance Standards and associated Environmental, Health and Safety Guidelines (see www.ifc.org).

¹³ Including OHSAS 18001, the international occupational health and safety management system specification, and industry specific international good practice standards related to the safety of product use, e.g. the international Good Manufacturing Practice (GMP) standards for food and pharmaceutical products promoted by the World Health Organisation (WHO). See www.who.org.

¹⁴ Including the 2005 UN Anti-Corruption Convention, see www.unodc.org; the 1997 OECD Anti-Bribery Convention, see www.oecd.org; and, as relevant, the 2005 Extractive Industries Transparency Initiative (EITI), see www.eitransparency.org

¹⁵ Obviam promotes the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), see www.iasb.org; and the International Private Equity and Venture Capital Valuation Guidelines (IPEVC), see www.privateequityvaluation.com

3.0 ESG Requirements

3.1 ESG Requirements - for funds and fund managers¹⁶

Investment Policy

Commit to an Investment Policy on ESG prior to the investment from Obviam. This Investment Policy should define the objectives, principles, policies and management systems to be deployed by the fund manager.

Legal Compliance

Comply with all applicable local laws and regulations, including environmental, health & safety and labour laws, and laws intended to prevent extortion, bribery and financial crime.

Exclusion List

Apply Obviam's Exclusion List in selecting investee companies.

International Standards

Work over time to comply with relevant international standards, including the ILO Fundamental Conventions, the OECD Principles of Corporate Governance and, for high-risk investee companies, the IFC Performance Standards and EHS Guidelines.

Management Systems and Responsibilities

Implement and maintain appropriate ESG management systems and assign ESG responsibilities to a designated representative of senior management and, where appropriate, to a suitably trained ESG officer.¹⁷

Assessment

Assess the ESG issues of all new investments as an integral part of the investment appraisal process, with reference to relevant laws and regulations and international standards, including the ILO Fundamental Conventions, the OECD Principles of Corporate Governance and the IFC Performance Standards and EHS Guidelines. For high risk investees, the IFC Performance Standards and EHS Guidelines are the appropriate benchmark.

Risk Rating

Categorize (potential) investee companies as high, medium or low risk using adequate instruments to determine the appropriate level of management and monitoring. For high risk investee companies, use a suitably qualified expert for the ESG assessment (i.e. for high environmental and /or social risk, to complete an environmental and social impact assessment or audit with reference to the IFC Performance Standards and EHS Guidelines).

Improvements

A fund manager shall not invest in a company if it has high ESG risks and/or significant ESG shortcomings if the fund manager cannot contractually bind or in other way demonstrate robust evidence that ESG risks are or will be addressed in an appropriate way through improvements over the investment duration.

Investment

Where the fund manager has effective control or significant influence over a potential investee company with high, and as appropriate, medium ESG risks,¹⁸ the fund manager shall contractually bind such investee companies to comply with Obviam's ESG requirements¹⁹ for investees and set up a monitoring system to ensure compliance.

Monitoring

Monitor investee companies' performance on ESG matters including their progress towards action plans and targets for improvements as well as any serious incidents. For high risk investees, external monitoring is recommended.

Reporting

Report any serious incidents²⁰ immediately to Obviam with plans for corrective actions and follow-up. Make relevant ESG information available for Obviam and assist with site visits upon request.

Submit an annual ESG monitoring report in a format acceptable to Obviam, including: i) A risk rating of investees according to the risk associated with their sector, activities and size (high, medium or low risk)²¹, ii) A rating of investees according to the quality of their ESG management systems (good, moderate or poor quality);²² iii) a description of any issues, improvements and future targets.

¹⁶ These requirements were inspired by and are fully consistent with the EDFI Environmental and Social (E&S) Guidelines for Fund Investments.

¹⁷ If there is no suitable trained officer within the investment team, a fund manager can also mandate an external consultant or expert to take this role as long as there is a designated ESG investment representative of senior management of the fund manager. This representative is responsible for the ESG matters for the fund and for the assignment of any external consultant.

¹⁸ A fund manager will be deemed to have significant influence over a portfolio company where its fund has (i) an ownership interest in the portfolio company in excess of 20%, which is presumed to be a level that allows for participation in the financial and operating policies of a portfolio company (if the percentage is lower but gives rise to the same participation, this will also meet the definition of significant influence); or (ii) Board representation to a level that allows for participation in determining the financial and operating policies of the portfolio company; or (iii) rights to influence the financial and operating policy decisions of the portfolio company pursuant to a shareholders' or similar agreement.

¹⁹ For funds with a portfolio of SMEs (usually low risks), compliance with local laws could be sufficient if these are deemed to be satisfactory by Obviam.

²⁰ Serious incidents include fatalities, disabling accidents, material effects on the environment, or material breach of law.

²¹ For guidance on how to rate investees, fund managers can refer to the UK DFI CDC's Toolkit on ESG for Fund Managers (specifically Tool 5). The Toolkit can be downloaded here: www.cdccgroup.com/CDC-Publications.aspx.

²² For guidance on how to rate investees ESG management systems, fund managers can refer to the UK DFI CDC's Toolkit on ESG for Fund Managers (specifically Tool 8). www.cdccgroup.com/CDC-Publications.aspx.

3.2 ESG Requirements - for financial institutions²³

Legal Compliance

Comply with all applicable local laws and regulations, including environmental, health & safety and labour laws, and laws intended to prevent extortion, bribery and financial crime.

Exclusion List

Apply Obviam's Exclusion List in reviewing and approving loans and project finance for clients.

Investment Policy

Obviam will rate financial institutions as either high, medium or low risk.²⁴ Institutions with either high or medium risk, must commit to an Investment Policy on ESG prior to the investment from Obviam. This Investment Policy should define the objectives, principles, policies and management systems to be deployed by the financial institution.

International Standards

Work over time to comply with relevant international standards, including the ILO Fundamental Conventions, the OECD Principles of Corporate Governance and, for high-risk financial institutions, the IFC Performance Standards and EHS Guidelines.

Management Systems and Responsibilities

Financial institutions with either high or medium risk must implement and maintain appropriate ESG management systems and assign ESG responsibilities to a designated representative of senior management and, where appropriate, to a suitably trained ESG officer.²⁵

Assessment

Assess the ESG issues of new loans and projects to be financed, as appropriate, as an integral part of the appraisal process, with reference to relevant laws and regulations and international standards, including the ILO Fundamental Conventions, the OECD Principles of Corporate Governance and the IFC Performance Standards and EHS Guidelines. For high risk projects, the IFC Performance Standards and EHS Guidelines are the appropriate benchmark.

Risk Rating

Categorize (potential) loans and projects to be financed as high, medium or low risk using adequate instruments to determine the appropriate level of management and monitoring. For high risk clients and projects to be financed, use a suitably qualified expert for the ESG assessment (i.e. for high environmental and / or social risk, to complete an environmental and social impact assessment or audit with reference to the IFC Performance Standards and EHS Guidelines).

Improvements

Agree with the client on corrective action plans to address any identified shortcomings in relation to ESG matters over the time of the investment duration or provision of finance.

Investment

A loan or project finance should not be extended if it has high ESG risks and/or significant ESG shortcomings if the client cannot be contractually bound or in other way demonstrate robust evidence that ESG risks are or will be addressed in an appropriate way. Where the financial institution is deemed to need to make necessary ESG improvements, a condition precedent to the extension of the first and/or subsequent branches of financing should be applied.

Monitoring

Monitor client and project performance on ESG matters, including their progress towards action plans and targets for improvements as well as any serious incidents. For high risk clients and projects, external monitoring is recommended.

Reporting

Report any serious incidents²⁶ immediately to Obviam with plans for corrective actions and follow-up. Make relevant ESG information available for Obviam. Financial institutions with either high or medium risk must submit an annual ESG monitoring report in a format acceptable to Obviam, including: i) A risk rating of investees according to the risk associated to their sector, activities and size (high, medium or low risk)²⁷, ii) A rating of investees according to the quality of their ESG management systems (good, moderate or poor quality)²⁸, and iii) A description of any issues, improvements and future targets.

²³ These requirements were inspired by and are fully consistent with the EDFI Environmental and Social (E&S) Guidelines for Financial Institutions.

²⁴ High risk financial institutions have greater than 20% of their portfolio volume in high risk activities. Medium risk financial institutions have less than 20% of their portfolio volume in high risk activities. Low risk financial institutions have greater than 80% of their portfolio with retail clients (non-project finance) or microbusiness. For guidance on which sectors are considered high risk activities, financial institution can refer to the UK DFI CDC's Toolkit on ESG for Fund Managers (specifically Tool 5). The Toolkit can be downloaded here: www.cdgroup.com/CDC-Publications.aspx.

²⁵ If there is no suitable trained officer within the investment team, a financial institution can also mandate an external consultant or expert to take this role as long as there is a designated ESG investment representative of senior management of the financial institution. This representative is responsible for the ESG aspects for the financial institutions lending and other financing activities, as well as for the assignment of any external consultant.

²⁶ Serious incidents include fatalities, disabling accidents, material effects on the environment, or material breach of law.

²⁷ For guidance on how to rate investees, financial institutions can refer to the UK government developed Toolkit on ESG for Fund Managers (specifically Tool 5). The Toolkit can be downloaded here: <http://www.cdgroup.com/CDC-Publications.aspx>

²⁸ For guidance on how to rate investees ESG management systems, financial institutions can refer to the UK government developed Toolkit on ESG for Fund Managers (specifically Tool 8). The Toolkit can be downloaded here: <http://www.cdgroup.com/CDC-Publications.aspx>

3.3 ESG Requirements - for investee companies²⁹

Policies

Commit to an ESG policy and commit to continuous improvements on ESG matters.

Exclusion List

Apply Obviam's Exclusion List

Legal Compliance

Comply with all applicable local laws and regulations, including environmental, health & safety and labour laws, and laws intended to prevent extortion, bribery and financial crime.

International Standards

Work over time to comply with relevant international standards, including the ILO Fundamental Conventions, the OECD Principles of Corporate Governance and, for high-risk investee companies, the IFC Performance Standards and EHS Guidelines.

Management Systems and Responsibilities

Implement and maintain appropriate ESG management systems and assign ESG responsibilities to a designated representative of senior management and, where appropriate, to a suitably trained ESG officer.³⁰

Improvements

In case of non-compliances with these ESG requirements, commit to an action plan to address any issues, with appropriate targets, responsibilities, timetable and resources for improvements.

Reporting

Report any serious incidents³¹ immediately to Obviam with plans for corrective actions and follow-up. Make relevant ESG information available for Obviam. Submit an annual ESG monitoring report in a format acceptable to Obviam, including a description of any issues, improvements and future targets.



²⁹ These requirements were inspired by and are fully consistent with the EDFI Environmental and Social (E&S) Guidelines for Investee Companies.

³⁰ If there is no suitable trained officer within the company, the company can also mandate an external consultant or expert to take this role as long as there is a designated ESG representative of senior company management. This representative is responsible for the ESG aspects of the business and for the assignment of any external consultant.

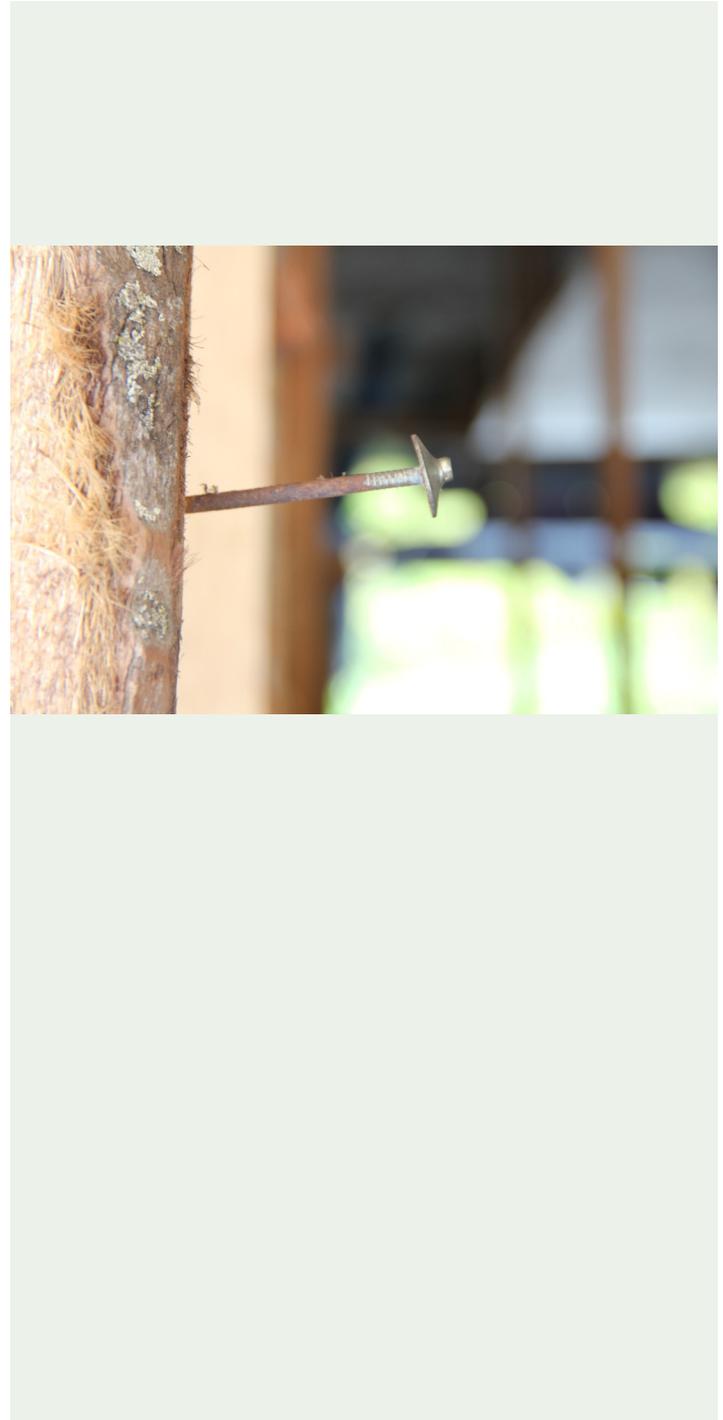
³¹ Serious incidents include fatalities, disabling accidents, material effects on the environment, or material breach of law.

4.0 Exclusion List³²

According to The European Development Finance Institution (EDFI) “Principles for Responsible Financing”, EDFI members have mutually agreed on the following Harmonized EDFI Exclusion List in order to facilitate co-investments among them.

Obviam does not finance any of the following businesses or activities:

- Forced labor³³ or child labor³⁴
- 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:
 - » ozone depleting substances, PCB’s (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - » wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - » 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).
- Destruction³⁵ of High Conservation Value areas³⁶
- Radioactive materials³⁷ and unbounded asbestos fibers
- Pornography and/or prostitution
- Racist and/or anti-democratic media
- In the event that any of the following products form a substantial part of a project’s primary financed business activities³⁸:
 - » Alcoholic Beverages (except beer and wine);
 - » Tobacco;
 - » Weapons and munitions³⁹; or
 - » Gambling, casinos and equivalent enterprises.



³² This Exclusion List was inspired by and is fully consistent with the common Exclusion List of the EDFIs. The Exclusion List is also consistent with the Exclusion Lists of other IFI/DFIs. For the purpose of efficiency, when co-investing with others, Obviam will accept to use other institutions’ exclusion lists, if it is deemed there are no material differences.

³³ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

³⁴ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

³⁵ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area’s ability to maintain its role is lost.

³⁶ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

³⁷ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

³⁸ For companies, “substantial” means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, “substantial” means more than 10% of their underlying portfolio volumes.

³⁹ For direct loans and equity participations, SIFEM does not permit any such business activities. For indirect equity participations (i.e. investments in companies through funds), SIFEM will opt out from investments with such business activities.

5.0 ESG Implementation at Obviam

The management of ESG matters is integrated in Obviam's investment process from investment analysis, investment decision-making, investment monitoring, through to exit. Details of this are provided in Obviam's Procedure Manual, with a brief summary below.

Obviam's ESG coordinator's responsibilities include (i) to ensure adherence to specified ESG procedures (ii) to coordinate ESG training of Obviam staff and, as relevant, Obviam's fund managers and investee companies, (iii) to ensure proper maintenance of ESG records and documentation and (iv) to warrant timely reporting to Obviam's clients.

The ESG relevant actions of the investment process include:

- Screening prospective investments against Obviam's Exclusion List
- Identifying and analysing material ESG issues and opportunities to add value to investments as part of the pre-screening, screening and due diligence of prospective investments. This includes assessing whether the investment fulfils or is likely to fulfil Obviam's ESG requirements.
- Assigning an ESG risk rating to prospective and current investments, and reviewing and updating this risk rating during the investment decision-making process and once invested.
- Assigning a rating regarding the quality of the ESG management system of fund managers, financial institutions and, for direct investments, investee companies to prospective and current investments.
- If deemed necessary during the investment decision-making process, determining and agreeing upon an action plan (including a timeline and resources) for the mitigation of any material ESG issues, and/or improvement in ESG management systems, to be undertaken during the investment period.
- Requiring a formal commitment at the time of investment that investee funds, financial institutions and, for direct investments, investee companies, will comply with Obviam's Exclusion List and applicable ESG requirements. For investments through funds, a similar commitment is required for each of the fund's investee companies where the fund manager has effective control or significant influence.
- Monitoring investee performance on ESG matters through annual ESG reports from fund managers, financial institutions and investee companies, immediate notifications of any serious ESG incidents and through on-going dialogue, meetings and site visits, as appropriate, and with priority given to investments with high ESG risks.