To the Board of Trustees

elea Foundation for Ethics in Globalization
Wiesenstrasse 7
8008 Zürich

Independent Auditor's Report on the alignment of elea Foundation for Ethics in Globalization with the Operating Principles for Impact Management

(for the year ended on 31 December 2020)

21 June 2021
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INDEPENDENT AUDITOR’S REPORT
To the Board of Trustees of elea Foundation for Ethics in Globalization, Zurich

Independent Auditor’s Report on the alignment of elea Foundation for Ethics in Globalization with the Operating Principles for Impact Management

We were commissioned by elea Foundation for Ethics in Globalization ("elea") to conduct a limited assurance engagement on elea Foundation for Ethics in Globalization's impact management approach, as described in its elea Impact Measurement Methodology (eIMM) and related procedures, and summarized in its annual Disclosure Statement (the “Statement”) dated 21 June 2021, for the reporting period ended 31 December 2020 prepared in accordance with the Operating Principles for Impact Management dated February 2019 (the "Impact Principles") for MUSD 20.0 of its Covered Assets (as of 31 December 2020).

Responsibility of elea’s Board of Trustees
The Board of Trustees is responsible for the application of elea’s impact management approach in accordance with the Impact Principles. This responsibility encompasses designing, implementing and maintaining appropriate internal controls with regard to the application of elea’s impact management approach that are free from material misstatement. The Board of Trustees is additionally responsible for selecting and implementing adequate principles and procedures, and for keeping adequate records.

Independence and quality assurance
We are independent from elea Foundation for Ethics in Globalization as defined by the guidelines on independence issued by EXPERTsuisse and have observed the Code of Conduct and Professional Rules promulgated by EXPERTsuisse. These requirements outline the fundamental principles for professional conduct with regard to integrity, objectivity, professional competence and due diligence, non-disclosure and conduct that is worthy of the profession.

Our company applies Swiss Quality Assurance Standard 1 and implements a comprehensive quality assurance system for this purpose including documented regulations and measures governing compliance with professional codes of conduct, professional standards and applicable statutory and other legal requirements.

Responsibility of the Auditor
Our responsibility is to perform a limited assurance engagement and, on the basis of our limited assurance engagement, to reach a conclusion on elea Foundation for Ethics in Globalization’s impact management approach.

We conducted our limited assurance engagement in compliance with International Standard on Assurance Engagements (ISAE) 3000. According to this standard, we are required to plan and conduct audit procedures to obtain a limited level of assurance on whether elea Foundation for Ethics in Globalization’s impact management approach is in material respects in accordance with the Impact Principles.

Based on risk and materiality criteria we have conducted our evidence gathering procedures to obtain sufficient and appropriate audit evidence. The procedures selected depend on the judgment of the independent auditor. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

The performance of our engagement mainly involved the following work:

- We verified that elea’s impact management approach is addressing each of the Impact Principles.
We assessed the relevance, completeness, reliability, neutrality and understandability of the approach in relation to the Impact Principles.

We conducted interviews with the people in charge of defining, applying and enforcing the approach.

We performed walk-through tests to check the correct application of the approach.

We verified the amount of Covered Assets (as of 31 December 2020) aligned with the Impact Principles.

We examined the integrity of the information provided in the Statement in relation to the approach.

The scope of our procedures does not include, however, an assessment of the effectiveness of elea’s impact management approach nor the verification of the resulting impact achieved.

In our opinion, the evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

**Limited Conclusion**

Based on our procedures performed, nothing has come to our attention that causes us to believe that elea Foundation for Ethics in Globalization has not complied, for the reporting period ended 31 December 2020, in all material respects, with the Impact Principles for MUSD 20.0 of its Covered Assets (as of 31 December 2020).

Zurich, 21 June 2021

BDO Ltd

Urban Pürro
Swiss Certified Accountant

Simon Oswald
Swiss Certified Accountant

Attachments
Disclosure Statement - Operating Principles for Impact Management
 Disclosure Statement – Operating Principles for Impact Management

elea Foundation for Ethics in Globalization ("elea") is a Signatory to the Operating Principles for Impact Management ("the Impact Principles").

elea hereby affirms that all its loan and equity investments are managed in accordance with the Impact Principles. The total Covered Assets in alignment with the Impact Principles is USD 20'023'279 as of December 31, 2020.

Andreas R. Kirchschläger  
Chief Executive Officer  
elea Foundation for Ethics in Globalization  
June 21, 2021
1 Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

elea exists to fight absolute poverty with entrepreneurial means. All its investment activities are dedicated to this purpose.

Across Africa, Asia, and Latin America, elea invests in entrepreneurial solutions that have a substantial and measurable social impact at the base of the pyramid by creating opportunities to improve livelihoods in regions of the world where average daily incomes are USD 3 per capita or less. The investments focus lies on four topical areas: digital solutions, employable skill building, global agricultural value chains, and informal retail & last-mile distribution.

- Digital solutions
  Digital solutions, characterized by the ability to scale and reach thousands of beneficiaries, are classified as positive development factors stimulating entrepreneurial activities. elea supports social enterprises and entrepreneurial organizations who develop and deploy such solutions in emerging markets creating new opportunities and jobs, and hence, improving the quality of life, for people living at the base of the pyramid.

- Employable skill building
  Through vocational skill training or capacity building programs, socially disadvantaged people obtain a chance to secure their existence and to live a more independent and dignified life. elea supports entrepreneurial projects and social companies who create market-oriented opportunities for able and motivated but underprivileged youth that allow them to directly apply their improved or newly acquired skills upon completion of the training.

- Global agricultural value chains
  With the livelihood of 70% of the population in emerging economies depending on the agricultural sector, entrepreneurial solutions to effectively enhance smallholders’ productivity and to improve quality in accordance with ecological and fair trade standards are an urgent need. As most of these farmers still have no direct access to local, regional, or global market, elea invests in partners who help to build skills and aim to optimize specific links of the (global) value chain.

- Informal retail and last-mile distribution
  In less developed countries, most products and services are sold in the informal retail market. Lack of adequate infrastructure and inefficient market structures limit the availability of innovative solutions, and make customers often pay a hefty premium. elea supports initiatives that strengthen the capacity of small merchants and of distribution systems to increase value creation and livelihood opportunities for all stakeholders.
elea only invests if a social enterprise has fulfilled all investment criteria and if they can provide a significant contribution to the development of the partner organization. In accordance with this, elea will only evaluate an investment opportunity in detail if the following criteria are fulfilled:

- Target the poor: elea directs its efforts to the needs of people at the base of the pyramid (< 3 USD/day)
- Value creation: elea’s aim is to build structures and processes creating sustainable benefits that reach beyond immediate relief support.
- Entrepreneurial nature: Entrepreneurial talent, drive, and energy have most impact and the highest leverage. They support long-term commitment, a business inspired approach, and high effectiveness of invested capital.
- Pragmatism: elea wants to have direct, measurable impact. Missions to realize political or religious ideologies and dogmas are not within its field.
- Sustainability: Projects supported by elea should run, at least for the most part, self-supporting over time.
- Considerable social impact: elea aims to reach as many beneficiaries as possible and tries to achieve the maximum possible leverage with every dollar spent.

2 Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Every year elea examines several hundred potential investment opportunities. Following an initial analysis and first personal discussions, if an idea is deemed to be promising, a comprehensive due diligence and detailed examination will take place. The multi-level process ensures a customized structuring of the financial and contractual agreements. Along with its partner organizations, elea prepares a “Value Creation Plan” that includes entrepreneurial as well as social impact related goals and lays the foundation for a close cooperative partnership over an investment period that typically lasts five to seven years.

At the beginning of every engagement, the expected impact of an investment is calculated based on so-called elea Impact Points. The elea Impact Points reflect the specific effect on every beneficiary, evaluation of the organization and business model of the company in which elea plans to invest, potential risk factors, as well as the additional benefit created by elea’s involvement as an active philanthropic investor. At the end of every calendar year, the actual impact and progress achieved for each of elea’s investments are measured. Please refer to Principle 4 for further details on elea’s impact measurement methodology.
The performance of all elea employees, including its leadership team, is evaluated by their contribution to elea’s mission of fighting absolute poverty with entrepreneurial means. The promotion guidelines reflect this.

3 Establish the Manager’s contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

elea considers itself as an active investor that engages beyond its financial commitment by participating in the strategic development of its portfolio companies. At the center of its approach is the creation of a close partnership of equals between entrepreneurs and elea that is sustained by an extensive basis of trust over several years.

As an active investor, elea only gets involved when it is able to make a significant strategic contribution to the development of a partner organization in addition to a financial contribution. elea invests its ideas, energy, and capital into partnerships:

- As a sparring partner, it provides ideas for the development of the partner organization via business know-how, coaching of the management team, strategic knowledge, and access to the elea network;
- It provides energy as a reliable partner and through the extensive efforts of the elea team on behalf of the common goal;
- It provides capital in accordance with the requirements of each individual business plan in the form of shareholding, loans, or, if necessary, also grants.

A small team of elea employees is responsible for the value creation process of each portfolio enterprise throughout the year. Additionally, individual team members are called to support the value creation of other investments when their specific set of expertise and experience is particularly valuable to a challenge faced by an enterprise.
4 Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

elea would like to help as many people as possible to permanently get out of absolute poverty by their own means. In order to measure its performance in achieving this goal, the Foundation developed the elea Impact Measurement Methodology (eIMM). The eIMM measures the potential impact of possible future engagements – and thus serves to justify an investment – as well as the yearly social impact performance of each venture in which elea has already invested.

The elea Impact Points - a core metric of the eIMM - are calculated with a formula that multiplies the investment value, first, by the estimated leverage that elea brings, and secondly, by elea’s share of total funding. The investment value is derived from the core metric “lives touched (direct + indirect)” multiplied with four different factors, the “benefit factor”, the “edge factor”, the “sustainability factor”, and the “risk factor”. Pre-defined indicators are used to assess and rate each factor component based on data collected in the field and qualitative experience.

The benefit, edge, and sustainability factors each consist of two different components. The benefit factor weights the intensity and continuity of the impact an investment has on the lives of its direct beneficiaries. The edge factor weights the potential of an investment as a role model: the degree of innovation and the level of transferability. The sustainability factor evaluates the economic viability of the business model and the execution capability of the organization. The risk factor considers political, thematic, and cultural risks, and indicates whether the use of philanthropic capital is justified. Finally, the elea leverage factor measures elea’s contribution beyond financials.
A elea Impact Measurement Model: Schematic model

By using the eIMM, elea pursues several goals: First of all, it guides elea through the process of setting impact goals and tracking progress. Secondly, the methodology allows for a comparison to be made between social enterprises that are sometimes very different in nature. Thirdly, it helps as a leadership tool to identify challenges and to address them in time. And fourthly, the eIMM serves as an important instrument for delivering clear and transparent communication.

5 Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

The eIMM ensures that elea assesses ESG risks as part of every due diligence process, monitors them throughout the investment period, and works with an investee on mitigation measures where necessary.
elea targets a social impact with its investments but also ensures that none of its ventures intentionally and/or negligently cause disproportionate, negative effects on the environment. The eIIMM lists this rule and the annual audit ascertains its application.

elea’s mission of fighting absolute poverty requires the investment team to ensure high standards with regard to social risks in each investment of the portfolio. An outstanding performance in poverty alleviation is one of the key prerequisites for an elea investment.

The strength of an investment’s governance is captured and monitored through one of the factors within the eIIMM: the execution capability factor. This factor measures the capability of an enterprise to implement its defined vision and strategy. The quality of an enterprise’s governance structure is a crucial element of this evaluation. Given their early stage, elea’s portfolio companies often require fortification in this area, which hence is a core element of elea’s value creation services.

6 Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

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

elea applies its impact measurement methodology throughout the investment process from due diligence to monitoring and reporting for existing portfolio enterprises:

- During due diligence for a potential investment, the current impact on the life of its beneficiaries prior to elea’s initial investment is analyzed and rated based on the eIIMM. This constitutes the baseline. Furthermore, elea defines the expected results at the end of a defined impact timeframe. The baseline and the expected results are then used to calculate an average yearly performance target for the investment.

- At the end of every calendar year, elea captures the interim result of every investment in the portfolio to compare the investment’s performance with the expected yearly performance target.

- At the end of the investment period, elea measures the real end result (elea Impact Points per thousand Swiss Francs invested) an organization achieved during elea’s investment period and reconciles it with the expected result.

- For all measurements, expected and real results, the output of an investment is relevant, not the input in terms of efforts or intentions by the portfolio company or elea.

- The rating process is governed according to strict criteria by regular meetings of the internal rating committee, and is externally certified by BDO AG Switzerland, a company of the international BDO audit firm network.
7 Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Prior to completing any exit, elea carefully analyses the proposed timing, the structure, and the process of a potential exit to ensure a full alignment with the Foundation’s goal of achieving sustainable impact beyond the investment duration.

When elea exits from an investment a final report summarizes not only the outcome, results, and activities, but also the impact and sustainability the project achieved during the time elea was involved. An assessment of the effect elea’s exit has on the enterprise is included in this report.

8 Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

The purpose of evaluation is a combination of learning, controlling, and reporting on the social return on investment. elea wants to receive comparability of assets in its portfolio and information about the proportionality of social return as well as input to support its partners best and to further improve decision processes. The focus is therefore on assessing the social impact and the relevance of the project in relation to the resources invested, the objectives set in the beginning and its potential in the future to contribute to the reduction of global poverty.

At the end of every calendar year, elea thus produces a performance report for each investment in the portfolio. The performance calculations are based on the impact expectations at the beginning of an investment and its achieved results at the end of the respective calendar year, in accordance with the elea Impact Measurement Methodology. This process allows elea to review the proportionality of social return on an ongoing basis, while gaining valuable insights for improved investment decisions.

Furthermore, elea has implemented several processes that allow the Foundation to effectively share - internally with all team members and externally with all portfolio organizations - insights gained from its investment activities. Findings from its impact measurement, as well as learnings from the portfolio organizations, are discussed within dedicated internal team meetings and are actively incorporated into elea’s operations, investment strategy and value creation processes.
9 Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement affirms the alignment of elea's operations and procedures with the Impact Principles and will be updated, where relevant, on an annual basis.

In accordance with the requirement that Signatories provide regular independent verification of alignment under Principle 9, elea engaged BDO Switzerland as independent verifier of elea's alignment with the Operating Principles for Impact Management. The independent verification will be conducted bi-annually. The most recent independent verification took place on June 21, 2021.