To the Board of Trustees

elea Foundation for Ethics in Globalization
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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 2022)

26 June 2023
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 2023, for the reporting period ended 31 December 2022 prepared in accordance with the Operating Principles for Impact Management dated February 2019 and updated in June 2021 (the “Impact Principles”) for MUSD 17.8 of its Covered Assets (as of 31 December 2022).

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 2022) 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 2022, in all material respects, with the Impact Principles for MUSD 17.8 of its Covered Assets (as of 31 December 2022).

Zurich, 26 June 2023

BDO Ltd

Urban Pürro
Swiss Certified Accountant

Simon Oswald
Swiss Certified Accountant

Attachments
Disclosure Statement - Operating Principles for Impact Management
elea

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 17.8m as of December 31, 2022.

[Signature]

Andreas R. Kirchschläger
Chief Executive Officer
elea Foundation for Ethics in Globalization
June 26, 2023
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 are centered around agricultural value chains, last-mile retail and services, employable skills, and climate and livelihoods.

- Agricultural value chains
  The livelihood of up to 70% of the population in low- and middle-income countries depends on the agricultural sector. We invest in impact ventures with innovative business models aimed at effectively enhancing smallholder farmers’ productivity and improving the quality of their produce according to ecological and fair-trade standards. As most of these farmers have no direct access to markets, elea portfolio companies help to build skills and foster the direct integration of smallholders into agricultural value chains.

- Last-mile retail and services
  Most goods and services in low- and middle-income countries are sold on the informal retail market. A lack of adequate infrastructure and inefficient market structures limit the availability of goods and services and often results in customers having to pay a hefty premium for them. We invest in impact ventures that strengthen the productivity of small merchants and enable their integration into digital supply and distribution systems. With innovative entrepreneurial solutions, elea portfolio companies build the adequate infrastructure needed to increase the availability of socially impactful and productivity-enhancing goods and services at fair prices.

- Employable skills
  One of the greatest challenges in fighting absolute poverty is equipping young people with the necessary skills to earn a living after their basic education. We invest in impact ventures that offer market-oriented practical and 21st-century skills training for motivated youth from low-income households to create pathways for them out of poverty. Once the students have completed their training, elea portfolio companies help them to find employment and thereby
secure their existence, so that they can live a more independent life with new economic perspectives.

- Climate and livelihoods
If left unchecked, climate change will push up to 130 million people into poverty over the next 10 years and could cause over 200 million people to migrate within their own countries by 2050. People living in absolute poverty are hit the hardest by the effects of climate change. We invest in impact ventures with innovative business models that enhance the climate resilience of communities and mitigate climate change. elea portfolio companies strengthen the ability of social and economic ecosystems to cope with the consequences of climate change and, in doing so, fight absolute poverty.

elea only invests if a social enterprise has fulfilled all investment criteria and if elea 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 aims to contribute to impact value creation by leveraging its professional expertise beyond its financial capital investment.
- Entrepreneurial nature: Entrepreneurial talent, drive, and energy have the 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: Ventures supported by elea should be able to attract additional funders and investors or become financially self-sustainable, at least.
- Considerable social impact: elea aims to reach as many beneficiaries as possible and tries to achieve the maximum possible leverage with every dollar spent.
- Environmental: elea invests only if a venture has no disproportionately high negative environmental impact.

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 a venture 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. elea prepares together with the partner 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 as defined by the elea Impact Measurement Methodology. The impact is expressed in elea Impact Points, reflecting the specific effect on the impacted people, the evaluation of the organization and the 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. This is reflected in the promotion guidelines.

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 venture impact, first, by the estimated leverage that elea brings, and secondly, by elea’s share of total funding. The venture impact is derived from the core metric “categories of impacted people (direct + indirect)” and their respective weightings, multiplied with four different factors, the “edge factor”, the “sustainability factor”, the “ecosystem 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. Please find the detailed definition of the factors as follows:

- Categories of impacted people (direct + indirect): This factor is calculated based on the number and categories of impacted people reported by elea’s partners. Depending on the theories of change and the specific paths out of poverty enabled by a model, the impacted people are allocated to 9 different categories. Each category has a specific weighting, reflecting the intensity and continuity of the impact experienced by the impacted people.
- Edge factor: This factor weighs the potential of a venture as a role model: the degree of innovation and the level of transferability.
- Sustainability factor: This factor evaluates the economic viability of the business model and the execution capability of the organization.
- Ecosystem factor: This factor measures the extent to which a venture leverages or builds an ecosystem to multiply their impact on the Base-of-the-Pyramid (“BOP”).
- Risk factor: This factor considers political, environmental, thematic, and cultural risks, and indicates whether the use of philanthropic capital is justified.
- elea Leverage: This factor measures elea’s own contribution towards a successful partnership.
By using the eIMM, elea pursues several objectives: 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 ensures during the entire investment process that none of its ventures intentionally and/or negligently causes disproportionate, negative effects on the environment. The eIMM lists this rule and the annual audit ascertains its application.
More broadly, the E is central to elea’s investment approach as Climate & Livelihood is one of the four investment themes (see Chapter 1). elea is purposely investing in ventures with innovative business models that enhance the climate resilience of communities and mitigate the effects of climate change for people living in absolute poverty.

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 eIMM: 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 support 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 the due diligence for a potential investment, the eIMM is used to assess the current impact as well as the potential impact in case of an investment by elea.
- After agreeing to a partnership, elea defines impact expectation for the entire investment period.
- 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 effective 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, requiring regular meetings of the internal rating committee, and is externally certified on an annual basis 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 venture 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 ensure 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 venture 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 e1MM. 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.

In 2022, elea implemented a comprehensive revision of the e1MM with the objective to increase the comparability of the impact across the portfolio and to improve the communication around the impact. These updates included:
- Incorporation of explicit theories of change supported by elea, which allows for an increased specificity and comparability of the impact.
- Measurement of the impact by applying a consistent annual perspective to improve the traceability and clarity of the impact performance.
- Integration of environmental dimensions in the risk assessment framework to reflect key developments in elea's view on impact.

elea continuously engages with the impact investing community to learn about new impact management approaches and to align with best practices wherever relevant.

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 is conducted bi-annually. The most recent independent verification took place on June 26, 2023.

Disclaimer
The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees, or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.