

Obviam's approach to responsible investment
Concept Document

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1. Introduction

This document provides Obviam clients, our peers in the investment community, entities in which we invest, and broader stakeholders with an understanding of the rationale, objectives and scope of Obviam's approach to responsible investment, specifically how we integrate environment, social and governance (ESG) matters in our investment practices.

Obviam is an independent investment advisor specialised in long-term investments in emerging and frontier markets. We advise public, institutional, and private clients, and are the investment advisor to the Swiss Investment Fund for Emerging Markets (SIFEM), the Development Finance Institution (DFI) of the Swiss Confederation.

2. Rationale

As a responsible investor, we are committed to invest according to international best practice ESG standards in order to contribute to sustainable development in our target markets. Obviam's investment approach is guided by the belief that investing in commercially viable companies in emerging and frontier markets can provide investors risk adjusted returns, as well as generate sustainable, long-term positive impact. Investing responsibly in the creation and growth of viable private businesses is one of the most important contributors to the economic growth upon which the developing world's prosperity depends. Without a thriving, responsible and profitable private sector the poorer economies of the world will continue to struggle with poverty. Investing in companies, mostly via private equity funds and financial institutions, Obviam takes a rigorous approach to ensure that investments deliver these investment objectives.

ESG matters are of increasing importance to investors, companies and society. In an investment context, it is desirable for Obviam to account for material ESG issues that can affect investment value. The failure, for example, to identify poor pollution management practices at a Small and Medium Enterprise (SME) in the chemical sector, to identify poor safety standards at a company involved in labour-intensive manufacturing, or to identify weak board and management structures in a family owned SME, can result in significant liabilities. On the opportunity side, identifying companies that are developing new products and services, driving cost savings through innovation and efficiency, and increasing productivity as a result of a proactive approach to ESG management, can result in significant value creation. Moreover, as an investor in emerging and frontier markets with impact objectives, it is important for Obviam to ensure our investments comply with all applicable ESG laws and regulations, and beyond that, seek for investments to meet international best practice ESG standards.

3. Objectives

As an investor with a fiduciary responsibility, it is our objective to implement a policy to integrate ESG matters in investment practices in a manner that enhances our ability to achieve financial and impact returns.

Our ESG policy aims to ensure that minimum ESG standards are met, and to promote adherence to generally accepted international best practice ESG standards over time. In addition, we seek to fully understand all material ESG matters that can affect our investments, in order to better identify risks present in investment opportunities, and to manage such risks during the investment period. Further, we seek to identify companies that can create value and encourage these companies to take a proactive approach to ESG matters.

In short, through our ESG policy, Obviam's objective is to ensure that minimum ESG standards are met, to identify and manage risks, and to create value.

4. Scope

Obviam's policy to integrate environment, social and governance matters in investment practices, applies to all our investments. As such, Obviam's ESG policy applies to private equity funds and their managers, financial institutions, and other investment vehicles Obviam may invest in, as well as to companies Obviam invests directly in, or indirectly in via intermediaries.

Obviam's policy is forward looking. Its implementation will evolve over time. Where past investments do not yet fully adhere to Obviam's ESG policy, we will seek improvements and alignment to the policy over time. For all new investments, we are committed to apply this policy throughout the entire investment cycle.

Obviam is interested to work with others in the investment community towards pragmatic, common and best-practice approaches to ESG matters.¹ This is intended to facilitate ESG management for financial intermediaries and investee companies, and to support, to the extent possible, the use of common ESG standards, requirements and reporting templates.

¹ As investment advisor to SIFEM the development finance institution of the Swiss Confederation, Obviam is a member of the European development finance institution (EDFI) association. Via EDFI, Obviam collaborates with the European DFIs with the objective of aligning investment standards, requirements and processes on ESG matters. This work has resulted in the development of the EDFI Principles for Responsible Financing, Exclusion List, Guidelines for Fund Investments and other harmonized ESG standards.

5. International Reference Standards and Guidelines

Obviam's policy to integrate environment, social and governance matters in investment practices refers to generally accepted international reference standards and guidelines. Key international reference standards and guidelines that underpin Obviam's ESG policy include:

- The United Nations (UN) Declaration of Human Rights
- The International Labour Organisation (ILO) Fundamental Conventions
- The International Finance Corporation (IFC) Performance Standards and associated Environmental, Health and Safety (EHS) Guidelines
- The Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance
- The United Nations Principles for Responsible Investment (UNPRI)
- The European Development Finance Institutions (EDFIs) Principles for Responsible Financing.