RESPONSIBLE INVESTMENT POLICY

1.0 Scope

This policy applies to 60% of the assets under management (AUM) within the following Funds:

- Livelihood Impact Fund, L.P.
- Patamar Fund II, LP

2.0 Impact mandate

Patamar Capital LLC *(“**PC**”, “**firm**” or “**we**”)* recognizes that inequalities based on income, sex, age, disability, sexual orientation, ethnicity, religion, and opportunity continue to persist across the world. Inequality impedes long-term social and economic development, harms poverty reduction, and destroys people’s sense of self-worth. There is also a nexus between climate change and inequality. Socially and economically disadvantaged groups bear the brunt of climate change and other environmental risks. These groups are most vulnerable, losing a greater share of their wealth when disaster strikes, and having fewer resources to cope with the consequences.

The United Nations established a universal set of 17 objectives designed to shape corporate agendas and public policies in an effort to end extreme poverty, reduce inequality and protect the planet – the Sustainable Development Goals (SDG). Of the 17 goals, goal 10 Reducing Inequalities overlaps across multiple other goals given that inequality is multidimensional and addressing this goal would mean contributing to sustainable growth.

PC believes that the private sector has a major role to play in contributing to this growth and with this in mind, we set out with the dual mission of providing top-tier financial returns to our investors and achieving measurable net positive impact.

- **Top-tier financial returns:** We invest in solutions that are geared to generate risk-adjusted market-rate returns. These solutions reconcile and complement impact and investment returns.
- **Measurable net positive impact:** Our goal through our impact investments, is to ensure that our portfolio companies are building products and services that address inequality (across all dimensions) and aren’t harming the environment in the process.

Hence, the firm weighs financial returns and social & environmental impact objectives equally and does not believe that there is a tradeoff in executing our impact investment mandate and strategy.

PC’s theory of change is to invest in early-stage technology companies building sector-defining business models that have the potential to transform the lives of the emerging middle class, who are underserved or unserved in their access to basic products and services.
We invest in companies that help narrow the gap in the supply and demand of these basic products and services across 8 investment themes (sectors). We also believe that technology is and will continue to be critical in unlocking economic opportunities for individuals and small businesses globally. As technology has the ability to address current market linkage inefficiencies and enables a level playing field driving inclusive growth in these regions.

Investment themes: Financial services, SME digitization, agriculture, healthcare, education, affordable housing, climate change, and employment.

Regions: Global

Target group: Emerging middle-class (low-income or lower-middle-income earners) or micro, small & medium enterprises (MSMEs)

Outcome: The target group will be able to access products/services previously unable to because they were underserved or excluded.

The outcome can either be:

- Direct – where the company's market offering is the product/service that the customer or client gains access to, or
- Indirect – where agents or employees engaged in the business operation are now able to access products/services previously unable to, by way of increased earnings.

3.0 Impact investing strategy

As a founding member of the Global Impact Investing Network (GIIN), PC incorporated the Impact Reporting and Investment Standards (IRIS+) framework into its impact investing strategy. The framework was used to identify 10 goals that resonate with the firm's impact mandate.

The 10 goals are as follows:

1. Improving access to and use of responsible financial services for historically underserved populations.
2. Improving financial health
3. Increasing gender equality
4. Improving earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups)
5. Improving job skills for the future
6. Mitigating climate change
7. Increasing housing affordability
8. Improving equitable access to education and learning for all
9. Reducing financial barriers to health services
10. Increasing financial health of farmers

Given that the IRIS+ framework itself identifies which SDGs are most directly linked to each of the goals chosen. The SDGs that are being addressed through PC's impact investing strategy are –
SDG 1 – No poverty
SDG 2 – Zero hunger
SDG 3 – Good health and well-being
SDG 4 – Quality education
SDG 5 – Gender equality
SDG 7 – Affordable and clean energy
SDG 8 – Decent work and economic growth
SDG 9 – Industry, innovation and infrastructure
SDG 10 – Reducing inequalities
SDG 11 – Sustainable cities and communities
SDG 13 – Climate action

PC being an advocate for gender lens investing has made a commitment to the 2X Challenge. This is in an effort to support businesses that provide women access to leadership opportunities, quality employment, and products and services that enhance their economic participation and inclusion.

3.1 Sustainability and impact risks (referred to as "material risks")

A sustainability risk is defined as an environmental, social or governance (ESG) event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment.[1]

An impact risk is the likelihood that impact will be different than expected, and that the difference will be material from the perspective of the stakeholders who experience the impact. For example, impact may be lower than expected or even negative, or lower than required to contribute to the SGDs in the timescale required. [2]

In an effort to mitigate both sustainability and impact risks, PC has developed an impact management framework that integrates the consideration for both sets of risks. The impact management framework alongside traditional financial information is how the firm drives long-term financial outcomes for the Funds.

3.2 Impact management framework

The impact management framework can be split into two processes, pre-investment and post-investment.

3.2.1 Pre-investment process

Before an investment decision is made on behalf of any Funds that PC manages, the Impact Assessment Committee (IAC) will complete the pre-investment process that seeks to identify material risks associated with each proposed investment, which will be disclosed to the investment committee (IC).

Standards adopted: International Finance Corporation's ("IFC") Environmental and Social Exclusion List of industries, Prohibited List of the Development Finance Corporation ("DFC"), and negative screens used by PC's Limited Partners.

a. Deal share stage
Potential investments (deal) are first assessed against PC's impact mandate and if the potential investee meets the criteria, a member of the Deal Team will complete the deal share document and share it with the wider team.

b. Screening stage
Next, the Investment Memorandum (IM) is filled by the Deal Team. The Impact section of the IM is split into two. The first section provides evidence of how the potential investee fits PC's impact mandate.
The second section is a negative screen which includes an eligibility and exclusion list. The criteria in the negative screen are based on act to avoid or reduce harm.[3]
[This step mitigates alignment risk]

c. Due diligence stage

[1] Sustainable Finance Disclosure Regulations (SFDR)
[2] Refer to the appendix for the full list of Impact Risks.
[3] Refer to the appendix for the ABC Impact Classifications

If the deal passes onto the due diligence stage, the IM is shared with the Impact Assessment Committee (IAC) together with all preliminary information on the potential investee.
After the IAC has been given time to digest the information, the IAC and the Deal Team discuss the company at length to ensure that the former has an equally good understanding of the company. The IAC shares high level metrics (based off IRIS+) with the Deal Team to communicate back to the investee since, if the data is unavailable then this concern has to be addressed.
[This step mitigates evidence risk]
The IAC uses the information in the IM together with their own detailed assessment of expected positive and negative impact to fill in the Impact Assessment (IA) document. The IA helps identify whether the expected impact acts to avoid or reduce harm, benefit stakeholders in relation to the SDGs or contributes to solutions towards achieving the SDGs.
Based on their findings the IAC will state whether they agree/disagree on the investee being able to generate a net positive impact (weighing both positive and negative outcomes).

d. Investment decision stage
The IM and the IA are shared with the Investment Committee (IC) prior to them voting on the deal. The IAC's recommendation is stated in the body of the IC meeting minutes and the IA is attached as a supporting document to the IC meeting minutes.

e. Investment agreement stage
Reporting requirements are included in the legal investment agreement to the extent applicable

The IAC was set up with the objective of ensuring that the impact mandate and impact strategy of the company are clearly articulated and implemented independently of any biases of the objective of financial gains. The committee consists of a member of the Impact Team, the Director of Operations, and an IC committee member/GP (who is not a deal sponsor).

Dependent on the terms of investment, a member of the IC will occupy either a formal board seat or an observer seat in the company (PortCo).
[This step mitigates execution risk]

3.2.2 Post-investment process

a. Monitoring stage
The Impact Team discusses the rationale behind the impact metrics selected, with the PortCo. The metrics are reported on a quarterly basis. In addition to the metrics, PC also requires that each PortCo report against the 2X Challenge criteria. The information received is maintained on a database that can be viewed/edited by only the Impact Team.

b. Reporting stage
PC publishes a quarterly report and an annual report. Impact performance is reported at a portfolio level in the quarterly report and at a portfolio and Fund level in the annual report.

Upon exit, PC will work with its PortCo and co-investors to sell its ownership stake to investors who we believe share the same priorities, as it relates to the long-term growth and net positive social impact that the company could further realize.

3.3 Extraordinary circumstances

If actual impact performance has fallen short of expected impact performance for the following reasons, it will be brought to the attention of the senior management within the timelines given below-

Reason for underperformance	Timeline
Challenges within the existing business model	Following 2 quarters of consecutive underperformance
Introduction of a new business model	Following 4 quarters of consecutive underperformance

The senior management will give precedence to actions that may improve impact performance while not participating in any follow-on rounds of fundraising, ahead of considering early exit options.
[This step mitigates execution and drop-off risk]

4.0 Commitment to respect human rights

Given that the majority of PCs potential PortCo's engage with marginalized members of the population either as employees, customers or suppliers, particular attention is paid to the human rights standards that the company currently employs. During the due diligence stage, the IAC pays particular attention to this by specifically asking if the company has basic policies in place that cover the topics mentioned below or an all-encompassing human rights commitment policy including access to remedy and grievance mechanisms.

- Forced or child labor.
- Equal treatment of employees in terms of recruitment, dismissal, wages and progression regardless of gender, ethnicity and sexual orientation.
- Health and safety
- Diversity and gender policy including prevention of sexual exploitation, abuse and sexual harassment (PSEAH) policy
- Supply chain management policy and/or supplier code of conduct

If the company does not have the policies in place, a timeline on when the policies will be drafted and signed off on will be included in the investment agreement.

5.0 Fund Governance

PC places high value on strong governance and has set the following controls in place –

Investment Selection Procedure: Core to the Fund's selection of investments is the due diligence process the investment committee uses to evaluate the strength of a potential investee -

- Management Team: Vision for scale and exit, operational capabilities, commitment to social impact and ethical business practices;
- Business Model: Potential to scale and significantly improve the livelihoods of a large number of the working poor;
- Financial Performance and History: Clear commitment to transparency and proper financial reporting.

Investment Committee (IC): The IC is directly responsible for all investment decisions for the Fund. As the IC makes the final investment decisions for the Fund, it will stringently evaluate the net impact of each prospective PortCo to ensure it is in line with the Fund's investment mandate.

Annual Meeting of the Limited Partners: The Limited Partners in the Fund have a strong desire to see positive impact as a result of the Fund's investments. The Limited Partners are entitled to annual reports on impact performance and will obtain information and have the opportunity to talk with the Fund's Management Team on an annual basis at the LP Meeting.

LP Advisory Committee: The LP Advisory Committee reviews certain transactions by the Fund, its General Partner, and its affiliates that involve potential conflicts of interest. The LP Advisory Committee also has the power to waive certain investment restrictions of the Fund, and will consult with the General Partner regarding other matters that are referred to the LP Advisory Committee by the General Partner. The members of the LP Advisory Committee do not receive compensation for their services on this committee.

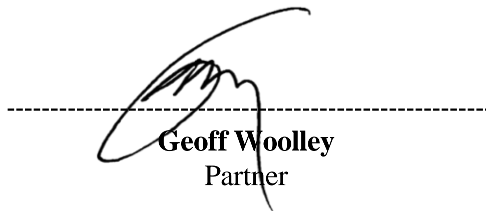
6.0 Limitations

This Responsible Investment policy is intended to reflect our general framework for managing impact through the lifecycle of an investment. PC's ability to influence and exercise control over the companies in which it invests will vary depending on the investment structure and terms. In cases where PC determines it has limited ability to conduct diligence or to influence and control the assessment of impact in connection with an investment, whether at the investment or at the fund-level, PC will only apply those elements of this Responsible Investment policy that it determines to be practicable.

Examples of such cases at the investment-level include where PC is a minority shareholder, has limited governance rights, or where other circumstances affect PC's ability to assess, set or monitor impact metrics.

Examples of such cases at the fund-level include a jointly managed fund, and instances where the underlying investor maintains significant influence over investment decisions.

Patamar Capital intends to review and update this policy at least annually and as required.



Geoff Woolley
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Appendix

The following definitions have been extracted from the SDG Impact Standards – Glossary.

1. Types of impact risk include:

- Evidence risk: Insufficient high-quality data exists to know what impact is occurring
- External risk: External factors disrupt delivery of expected impact
- Stakeholder participation risk: Expectations or experience of Stakeholders are misunderstood or not accounted for
- Drop-off risk: Positive impact does not endure or negative impact is no longer mitigated
- Efficiency risk: Expected impact could have been achieved with fewer resources or at lower cost
- Execution risk: Activities are not delivered as planned and do not result in the desired outcomes
- Alignment risk: Impact is not locked into the entity's (i.e. the Enterprise, Fund, Investee or Issuer) business model
- Endurance risk: Required activities are not delivered for a long enough period
- Unexpected impact risk: Substantial unexpected positive and negative impact is experienced by people and the planet
- Materiality risk: Material outcomes are omitted and/or non-material outcomes are included in decision-making that increase the risk of suboptimal decisions being made.

2. ABC Impact Classifications

Act to avoid or reduce harm, including harm that detracts from achieving the SDGs by improving an existing negative outcome – moving from a more negative to a less negative outcome level relative to a suitable outcome threshold; e.g. reducing CO2 emissions, or eliminating child labor in supply chains; or

Benefit Stakeholders in relation to the SDGs by maintaining or improving an existing positive outcome – maintaining a positive outcome level or moving from a positive to a more positive outcome level, relative to a suitable outcome threshold; e.g. selling products that support good health or educational outcomes for those already with good access to both; or

Contribute to solutions towards achieving the SDGs by generating a new positive outcome – moving from a negative to a positive outcome level relative to a suitable outcome threshold; e.g. providing health or educational services in communities that currently have no access to them, or providing financial services to people without access to credit or banking services.

Impacts that do not meet the above conditions are classified as may or do cause harm.