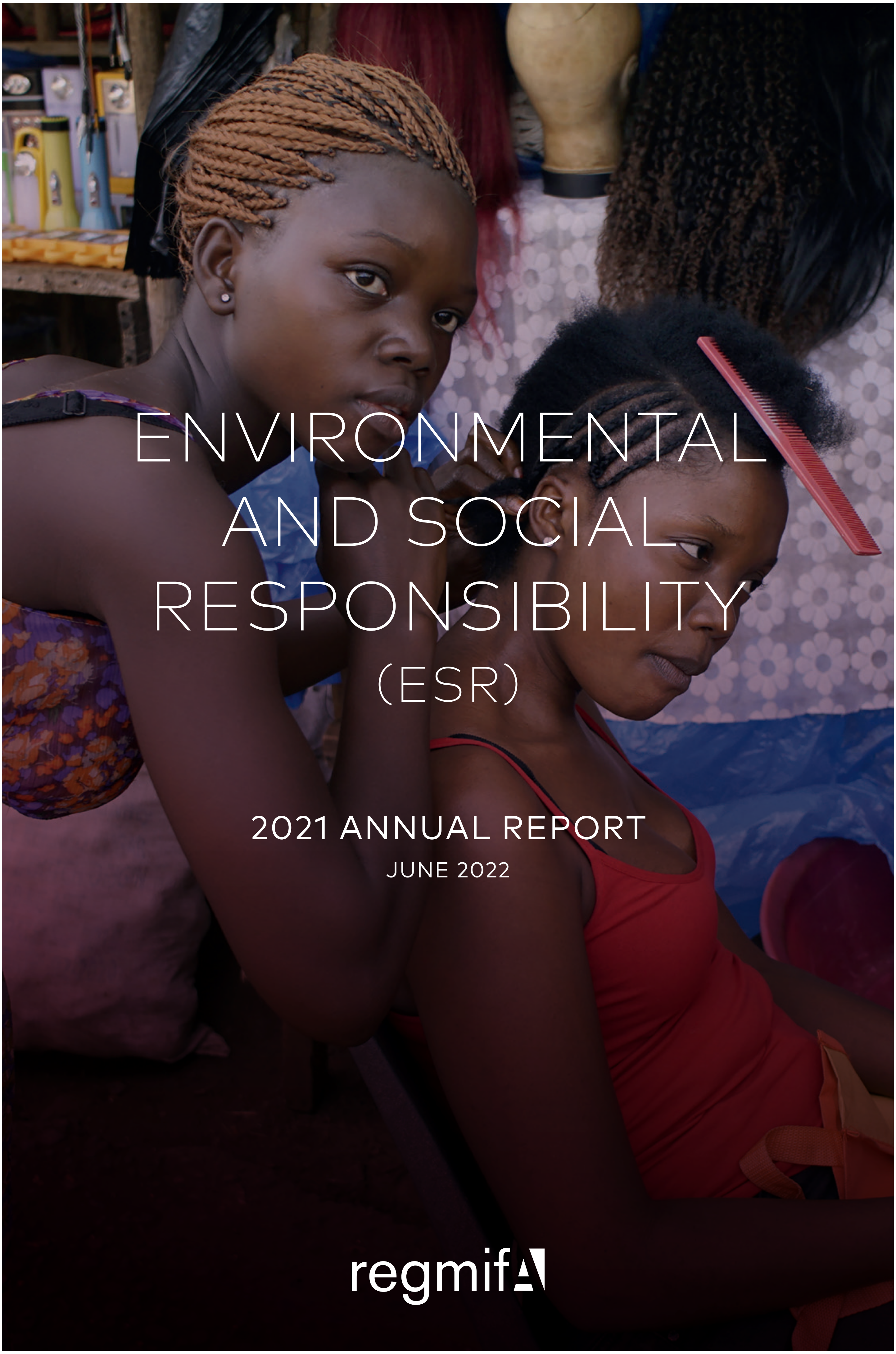
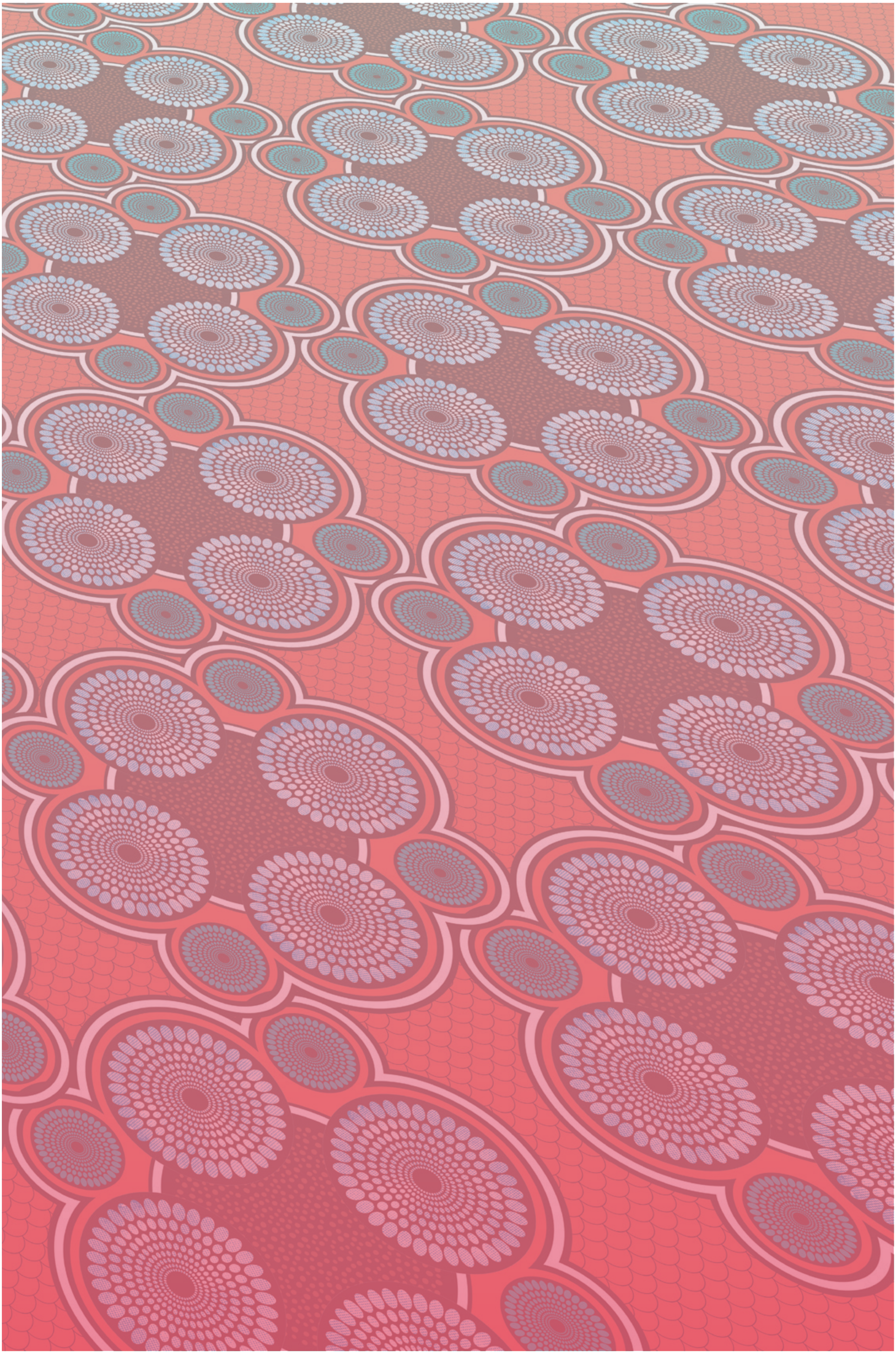


ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ESR)

2021 ANNUAL REPORT

JUNE 2022

regmifA



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ABOUT THE INVESTMENT MANAGER

Symbiotics acts as the Investment Manager of REGMIFA. Symbiotics is a specialist impact asset manager, dedicated to private debt investment in emerging and frontier markets. We offer investments in Emerging and Frontier markets focused on impact outcomes, tailoring investment solutions according to client needs, in the form of investment funds and segregated mandates.

The Symbiotics group is a leading market access platform for impact investing, financing micro-, small and medium enterprises and low- and middle-income households in emerging and frontier markets. We have structured and originated 6,500 deals for over 520 companies in almost 100 emerging and frontier markets representing USD 6.5 billion. The firm held total assets under management and advisory of USD 2.9 billion, as at 31 December 2021.

ABOUT THIS REPORT

This report was prepared by Tameo Impact Fund Solutions to assess the fund's contribution to its social mission and to the achievement of the SDGs in Sub-Saharan Africa.

Tameo Impact Fund Solutions SA (Tameo) is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customized analyses, and independent valuations. Through its research and advisory services, Tameo empowers clients to move towards best-in-class impact measurement & management.

REGMIFA'S 2021 SOCIAL RETURN AT A GLANCE (EXECUTIVE SUMMARY)[1]

The Fund invested USD 65.3 million in 2021 across 38 transactions, ending the year with a net portfolio size of USD 143.4 million (at market)[2] and reaching 115,665 **end-borrowers** who:

- Are about 39% women, demonstrating REGMIFA's support for women's access to finance (vs 43% for men and 18% for legal entities)
- Are living in both rural (17%) and urban areas (83%)
- Live in 21 different countries, notably Kenya (23%), Ghana (13%) and South Africa (11%)
- Are running a micro, small, or medium sized enterprise (87%).
- Are active in trade (56%), services (27%), agriculture (6%), and production (4%)
- Received on average a USD 1,579 loan[3], representing 76% of GNI per capita, on average
- Borrowed through both individual and group loans (88% and 11%, respectively)

The Fund is seeking to contribute to United Nations Sustainable Development Goals[4] 1, 5 and 8 by:

1 NO POVERTY	Ensuring that low-income individuals have access to financial services, including microfinance and savings products	**37%** portfolio outstanding
2 ZERO HUNGER	Providing small-scale food producers access to productive resources through financial services and products	**7%** portfolio outstanding
5 GENDER EQUALITY	Providing women with equal access to economic resources and opportunities	**7%** portfolio outstanding
7 AFFORDABLE AND CLEAN ENERGY	Ensuring universal access to affordable, reliable and clean energy service	**3%** portfolio outstanding
8 DECENT WORK AND ECONOMIC GROWTH	Promoting job creation by financing micro-, small and medium enterprises, and expanding access to banking and financial services	**46%** portfolio outstanding

1 The majority of indicators in this report were calculated based on the Investment Manager's internal ESR standards. The IM's internal reporting standard at the portfolio level focuses on investment-weighted data to provide a clearer picture of the overall portfolio.
2 Data discrepancies between quarterly factsheets and the 2021 ESR Annual Report are due to 1) differences in the date of the data. PLIs report on different months throughout the year and this report is produced based on the most recent reports received from PLIs at the date of production of this report. 2) Due to the portfolio valuation at market versus at cost, all values in this report are calculated using values at market.
3 This value is the median of the average loan size as reported by the PLIs in REGMIFA'S portfolio.
4 The United Nations Sustainable Development Goals, adopted by all Member States of the United Nations in 2015, are 17 global goals to achieve peace and prosperity for people and the planet by 2030 (https://sustainabledevelopment.un.org/sdgs)

1.0
SOCIAL MISSION, OBJECTIVES & STRATEGY

1.1 SOCIAL MISSION

REGMIFA's mission is to foster economic development in Sub-Saharan Africa by supporting financial institutions that serve micro, small, and medium sized enterprises (MSMEs). Generally, micro-, small, and medium-sized enterprises together employ the majority of workers. This is especially true for developing countries in Sub-Saharan Africa. Access to finance restricts MSME growth, hampering wealth and job creation and eventually stifling economic growth. Removing these obstacles and unlocking the potential of local capital markets to benefit MSMEs is thus a priority for REGMIFA investors. REGMIFA works to build unique public-private partnerships with public institutions, private investors, and African stakeholders to achieve its mission.

The Sustainable Finance Disclosure Regulation (SFDR) was introduced in 2019 as part of the European Commission's Sustainable Finance agenda to increase transparency in financial markets through harmonized rules addressing sustainability risks integration and disclosure of overall sustainability-related information for financial products. As per Article 9 of the SFDR, REGMIFA has sustainable investment objectives defined by its mission to build a unique public-private partnership between donors, development finance and international finance institutions, private investors and African stakeholders to foster economic development and prosperity in Sub-Saharan Africa, through the provision of demand-oriented financing to qualified and, to the extent necessary, technically supported partner lending institutions servicing MSMEs. The fund pursues its Sustainable Investment Objective by contributing to United Nations Sustainable Goals 1, 5 and 8.

While in 2021, the indicators for principal adverse impacts were not yet monitored, the Fund is considering principal adverse impacts on sustainability factors all along the investment value chain. It integrates the risk of occurrence into the core investment process of the Fund through its research, analysis and decision-making processes, as part of its E&S risk framework or Sustainable Finance approach. It does so principally via: an exclusion of any investment that can significantly harm sustainable investment objectives, using in the International Finance Corporation exclusion list defining what will be excluded from any investments; and a negative screening of target investees based on the Fund Manager's ESR rating which assesses the risk of occurrence of the Principal Adverse Impacts that a target investee can cause on Sustainability Factors. Regarding the ESR Rating, it is partially based on the International Finance Corporation Performance Standards, which are broadly based on other international standards such as the United Nations Guiding Principles on Business and Human Rights, International Bill of Human Rights, International Labour Organization Standards, and Equator Principles.

In pursuing its development goal, the Fund will observe principles of sustainability and additionality, combining public mandate and market orientation.

1.2 IMPACT GOALS

Leverage public funds
Attracting private and institutional capitals through the possibility to invest in the Fund's senior debt.

Target poor and difficult to access countries
Access large numbers of poor and difficult-to-access countries with commercial investments, through innovative financial solutions and techniques.

PLI diversity
Invest in a diverse range of PLIs (second-tier and third-tier PLIs[5]) serving MSMEs that are operationally sound, but lack access to capital, to allow them to grow and consolidate themselves, reduce their overall risk profile, integrate them into the mainstream local and international capital markets and increase competition in the countries' microfinance sector.

Support SMEs
Invest in larger financial institutions as long as they have dedicated products to support SMEs and significantly contribute to the provision of high-quality financial services.

Unlock financial resources for LMIHs in Sub-Saharan Africa
Invest in PLIs that specifically aim to provide LMIHs in Sub-Saharan Africa with access to primary goods as clean, energy, education, affordable housing, and healthcare.

Collaborate with Socially responsible PLIs
PLIs that not only protect their clients and manage their occupational and environmental risks, but also adopt best practices in the field of social performance management.

Deliver high quality financial services and technical assistance
To encourage innovation by supporting the development of new products and new innovative delivery channels that have a positive effect on highly excluded population, financial inclusion and PLI financial sustainability.

5 Tier 1 institutions: PLIs with total assets above USD 30m; Tier 2 institutions: PLIs with total assets between USD 10m and USD 30m; Tier 3 institutions: PLIs with total assets below USD 10m.

1.3 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ESR) STRATEGY

The Fund commits to its social mission and impact objectives through the active management of its social performance in line with its ESR strategy and risk management system. REGMIFA's ESR performance management strategy and system are based on four pillars:

1.3.1 Investor Level

Beyond its fiduciary duty, a key factor for financial sustainability, REGMIFA has a social responsibility to its investors as well as its end-borrowers. The Fund pursues a triple bottom line mission that aims to promote sustainable development in SSA. The Fund's various governance bodies constantly strive to support the Fund in achieving its mission and to realize both strong ESR and financial outcomes. This responsibility is put into practice through:

- The Fund's ESR Policy & Procedures, which clearly define its ESR strategy
- The ethical chart based on the client protection principles to which the Fund adheres
- The social rating tool used to manage ESR performance and to select PLIs
- This ESR report, allowing investors to assess the Fund's ESR performance
- The ESR Compliance Officer, in charge of coordinating the ESR performance management
- Partnerships with external research organizations to evaluate the Fund's ESR practices

1.3.2 Sector Level

At the sector level, the Fund aims to enter into a large number of countries in SSA, including those where no or very few commercial investors operate, and encourage the general financial sector to invest in African MSMEs and contribute to the development of inclusive financial systems. The Fund also aims to share and spur best practices within the microfinance sector, in particular in the area of social performance. This is accomplished through:

- The prospection of and investment in new untapped countries
- The participation of the Investment Manager in major sector initiatives
- The sponsoring of and participation in conferences on MSME finance
- The role played by the TA Facility in the strengthening of PLIs
- The provision of TA services to the Fund's PLIs addressing all areas of social performance
- The communication strategy of the Fund

1.3.3 PLI Level

At the PLI level, the Fund aims to work with a wide range of PLIs adopting and/or committed to using best practices in the area of social performance management. The Fund provides its partners with high-quality financial solutions. It also encourages them to adopt ethical practices and helps them build capacity. This is achieved through:

- Financing all types of PLIs, with a special focus on Tier 2 and Tier 3 institutions
- Targeting socially-oriented PLIs with strong business prospects
- The systematic inclusion of ESR issues in investment decision-making
- Offering a wide range of financing services meeting the specific needs of PLIs
- The positive impact of REGMIFA on PLIs' governance and business practices
- The integration of aspects of Social Performance Management principles and Client Protection Principles as defined by the SMART campaign in all TA projects wherever applicable

1.3.4 End-Borrower Level

At the end-borrower level, the Fund targets low-income people who are considered financially excluded who run MSMEs, through the Fund's investments with PLIs. The Fund offers PLIs a wide range of high-quality financial services and protects their clients against potential harmful practices. It also pays close attention to how PLIs interact with their stakeholders and whether they take into consideration the various needs of the end-borrowers. This fourth pillar is reached through:

- The targeting of PLIs focusing on low income and excluded end-borrowers
- The targeting of PLIs focusing on MSMEs
- The targeting of PLIs providing other loans such as housing and education
- The monitoring of loan terms and conditions and over indebtedness
- The evaluation of the extent to which PLIs consider all stakeholders in their operations
- The inclusion of client protection principles at all levels of the Fund's and TA Facility's operations

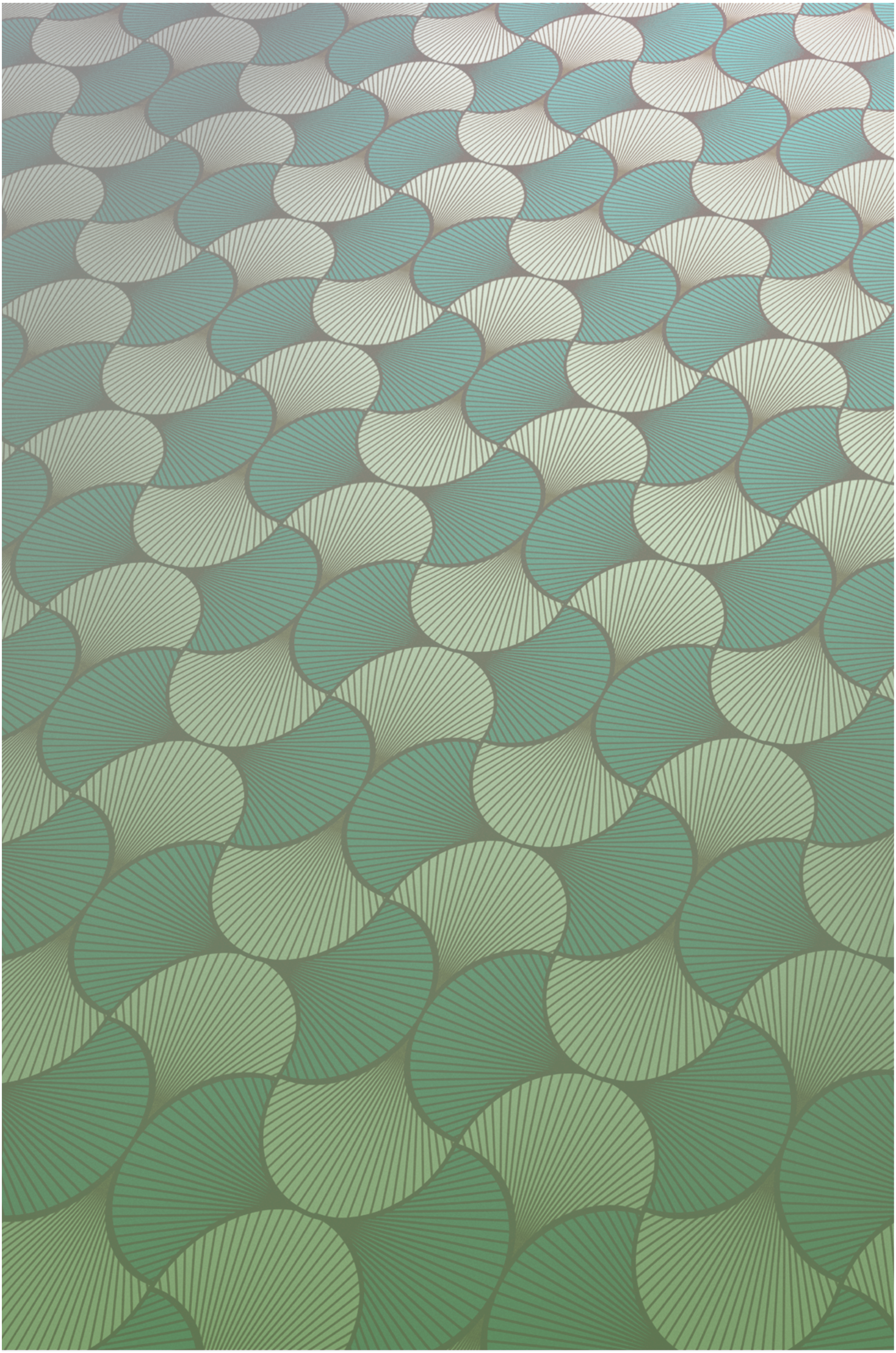
2.0 SOCIAL RESPONSIBILITY TO INVESTORS

2.1 ESR PERFORMANCE

REGMIFA maintained its social mission in 2021 with the incorporation of its ESR strategy in each stage of the investment process. The remainder of this report presents the Fund's most significant ESR achievements including the following[6]:

+ The Fund financed an estimated **115,665 end-borrowers** via its partner lending institutions[7]
+ The majority of borrowers run **MSMEs (87%)**, creating jobs in their local community
+ **8 new PLIs** were added to the loan portfolio
+ Of the 8 new PLIs, **six were categorized as Tier 1** (total assets above USD 30m), one as Tier 2 (total assets above USD 10m) and **one as Tier 3** (total assets less than USD 10m), demonstrating a modest deepening of the Fund's stated developmental objective of **increasing its outreach to smaller and less developed PLIs** not commonly served by existing microfinance funders. Also, in line with the fund's strategy, 4 of the new PLIs have an SME finance focus.
+ **62%** of investments were made in **Low Human Development countries**,[8] while **37%** of investments were made in **Least Developed Countries**[9]
+ PLIs had a **relatively small size** when REGMIFA first started investing (61% were Tier 2 or Tier 3 institutions at disbursement date)
+ PLIs have a **diversified profile** in terms of legal status, credit risk, and age
+ **51%** of financing to PLIs was in **local currency** and **73%** had **fixed interest rates**
+ The Fund offers **longer-term maturities** (up to 7 years) than those available locally[10]
+ The Fund supported an estimated **899 jobs at the PLIs** through its investments
+ PLIs paid a total of more than **USD 92M of taxes** to national governments

6 The figures presented in this report are calculated using portfolio at market values in line with the AFS.
7 ACF, Greenlight Planet and Equity Bank did not report number of end-borrowers
8 http://hdr.undp.org/en/content/human-development-index-hdi
9 http://unctad.org/en/Pages/ALDC/Least%20Developed%20Countries/UN-list-of-Least-Developed-Countries.aspx
10 While the average maximum maturity over the life of the fund has been 5 years, in 2021, both Access Bank Plc in Nigeria and KCB in Kenya had full maturity of 10 years.

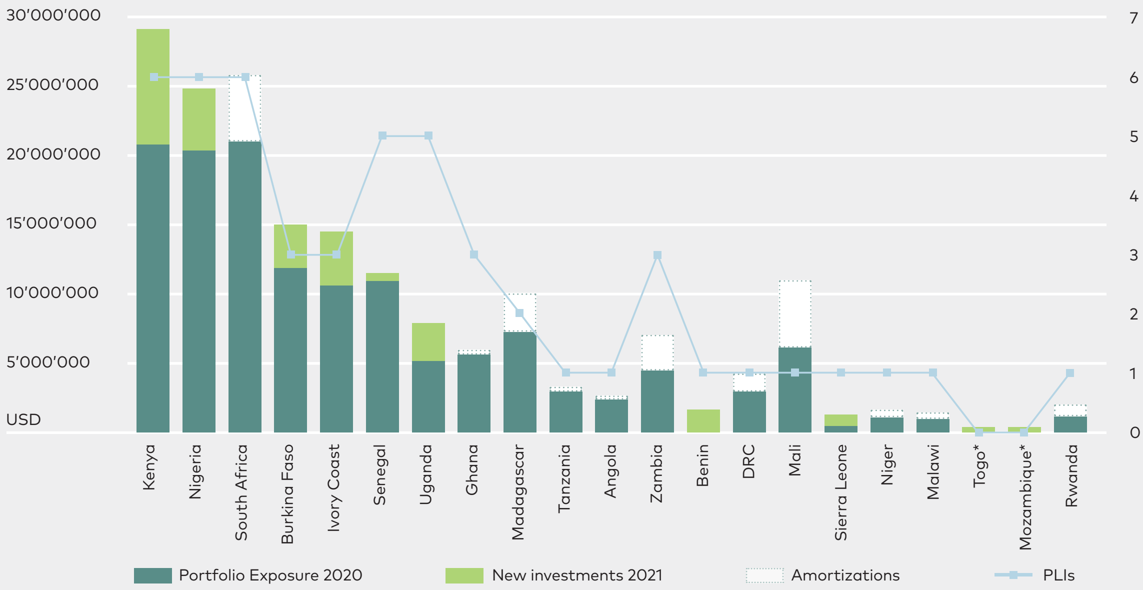


3.0
SECTOR LEVEL DEVELOPMENT

3.1 INVESTED COUNTRIES

In 2021, the Fund portfolio was invested in a total of 19 countries directly and two countries indirectly[11]

Figure 3.1: Portfolio Exposures



3.2 DEVELOPMENT LEVEL AND COUNTRY RISK

Given that REGMIFA is a Sub-Saharan Africa-focused fund, the portfolio's risk exposure is greater than the global average.[12] The weighted average economic risk score[13] for the portfolio in 2021 is 3, whereas the political risk score is 2.5. These scores are on par with the risk levels for

11 In 2021, new investments were made in ACF (6% of outstanding portfolio), an institution based in the United Arab Emirates and operating in Sub-Saharan Africa collaborating with smallholder farmers and Greenlight Planet (3% of outstanding portfolio) headquartered in the United States, which offers solar home energy solutions to facilitate access to energy to under-served populations in Africa and India. Through these indirect investments, the fund was also invested in Togo and Mozambique.

12 Average risk assessment scores are obtained from Information Handling Services (IHS) Markit. Each country is assigned an economic risk score and a political risk score:
(i) Economic risk includes the following sub-categories: capital transfer risk, currency depreciation risk, inflation risk, recession risk, sovereign default risk, and under-development risk
(ii) Political risk includes the following sub-categories: government instability risk, policy instability risk, and state failure risk
For both scores, the scale is from 0 to 10, where 0 represents the lowest risk and 10 the highest.

13 A higher score denotes a higher risk.

Sub-Saharan Africa overall, where the median economic and political risk scores are 3.1 and 2.6, respectively. The global median economic and political risk scores, on the other hand, are 2.1 and 2 respectively, which are notably lower.
Compared to 2020, the median scores remained stable globally in Sub-Saharan Africa. In 2021, there was a decrease in the portfolio-weighted average risk score, going from 3.1 in 2020 to 2.8. Moreover, as in the two previous years, the Democratic Republic of Congo remains the country with the highest political risk scores in REGMIFA's portfolio (3.8).

Figure 3.2: Economic and Political Risk Scores

	Economic		Political	
	2020	**2021**	**2020**	**2021**
Portfolio-weighted average	3.1	3.3	2.7	2.5
Sub-Saharan Africa median	3.1	3.1	2.7	2.6
Global median	2.0	2.0	2.1	2.1

Sub-Saharan Africa continues to have among the highest levels of poverty worldwide. As of December 2021, 55% of the portfolio investments are in countries with low human development, 24% in countries with medium human development (Angola, Kenya, Zambia, Ghana) and 11% in South Africa, the only country classified with a high human development level.[14] The portfolio-weighted average GNI per capita is USD 2,093 which is far below the world average (USD 11,067) and in line with the average for Sub-Saharan Africa (USD 1,507).

14 In 2018, South Africa's Human Development Index (HDI) value was 0.705. According the United Nations Development Program classification, countries with a HDI value from 0.700 to 0.799 are classified with a high human development. From 1990 to 2018, South Africa's HDI value increased from 0.0625 to 0.705 due to the improvement of several indicators as life expectancy, mean years of schooling and expected years of schooling as well as an increase in the country's GNI per capita.
http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZAF.pdf

Table 3.1: Country-Level Development Indicators

Country	% Portfolio	2020 GNI per capita (current US$)[15]	2018 Life expectancy at birth[16]	HDI RANK 2019 (out of 189)[17]	Human Development Level[18]
Portfolio	100%	2'079	62.2	154.4	Low
Kenya	20.3%	1'840	66.7	143	Medium
Nigeria	17.3%	2'000	54.7	161	Low
South Africa	11.3%	6'010	64.1	114	High
Burkina Faso*	10.5%	770	61.6	182	Low
Ivory Coast	10.1%	2'280	57.8	162	Low
Senegal*	8.0%	1'430	67.9	168	Low
Uganda*	5.5%	800	63.4	159	Low
Ghana	3.7%	2'340	64.1	138	Medium
Madagascar*	3.1%	470	67.0	164	Low
Tanzania*	1.8%	1'080	65.5	163	Low
Angola*	1.5%	2'140	61.2	148	Medium
Zambia*	1.3%	1'160	63.9	146	Medium
Benin*	1.2%	1'280	61.8	158	Low
DRC*	1.2%	550	60.7	175	Low
Mali*	0.9%	830	59.3	184	Low
Sierra Leone*	0.9%	510	54.7	182	Low
Niger*	0.4%	550	62.4	189	Low
Malawi*	0.3%	580	64.3	174	Low
Togo*	0.3%	920	61.0	167	Low
Mozambique*	0.3%	460	60.9	181	Low
Rwanda*	0.2%	780	69.0	160	Low

**16 of the 21 investee countries are least developed countries (LDCs).*

15 The World Bank DataBank. (n.d.). World Development Indicators. Retrieved from: http://databank.worldbank.org/data/source/world-development-indicators
16 Ibid.
17 United Nations Development Programme. (2016). Human Development Reports. Retrieved from: http://hdr.undp.org/en/composite/HDI
18 United Nations Development Programme. (2016). Human Development Reports. Retrieved from: http://hdr.undp.org/en/composite/HDI

3.3 SECTOR INITIATIVES

The Investment Manager of REGMIFA is an active member of the main industry initiatives through which it shares its market knowledge and promotes best practices, in particular in the field of client protection and social performance management. The Fund also attends and sponsors conferences to promote its activities.

LUXFLAG
Supporting Sustainable Finance

LuxFLAG Microfinance Label
In May 2011, REGMIFA was granted the LuxFLAG Microfinance Label, which has been renewed every year since then. The Luxembourg Fund Labeling Agency (LuxFLAG) is an independent, non-profit association created in Luxembourg in July 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible MIVs.

SocialPerformance
TASK FORCE

Social Performance Task Force
The Client Protection Pathway
In July 2020, the Smart Campaign and the certification program officially closed, and the management of the Standards was transferred to the SPTF and CERISE, long-time partners of the Campaign.[19] REGMIFA has embedded the Client Protection Standards in the fund's investment policy and operations. As an active member of the SPTF, Symbiotics is taking a leading role in ongoing developments in client protection, including the development and launch of the new Client Protection Pathway, the successor of the Smart Campaign's certification program[20]

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19 For more details, please visit https://www.centerforfinancialinclusion.org/about/what-we-do/the-smart-campaign and https://cerise-spm.org/en/blog/sptf-and-cerise-take-over-smart-campaign-implementation-resources/
20 For more details, please visit https://sptf.info/client-protection/the-client-protection-pathway

4.0
PARTNER LENDING INSTITUTION DEVELOPMENT

4.1 PLI PROFILE

Legal Status and Years of Existence
Of the total volume invested by the Fund, 66% is in regulated financial institutions. These are institutions that are supervised by the financial regulatory authorities in their respective countries, including non-bank financial institutions, non-governmental organizations, and cooperatives. The rest (9.8%) is invested in unregulated institutions, including non-deposit taking institutions and non-profit companies. PLIs also vary in terms of years of existence from very well-established to newer institutions, with the majority of PLIs incorporated between 6-15 years ago (52%). The Fund continues to have limited exposure to relatively new institutions (3-6 years of existence) at 1% in since 2018.

Legal Status	Number of PLIs	% Portfolio
Bank	7	24%
Regulated	41	66.2%
Unregulated	5	9.8%

Years of Existence	Number of PLIs	% Portfolio
3-6 years	1	1%
6-15 years	32	52%
>15 years	18	41%

Figure 4.1: Years of Existence, % Portfolio

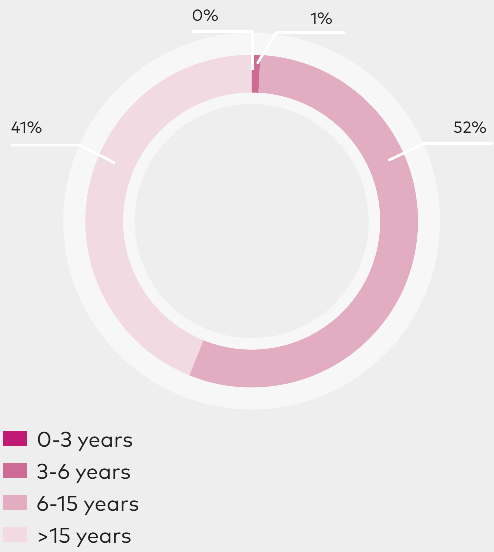
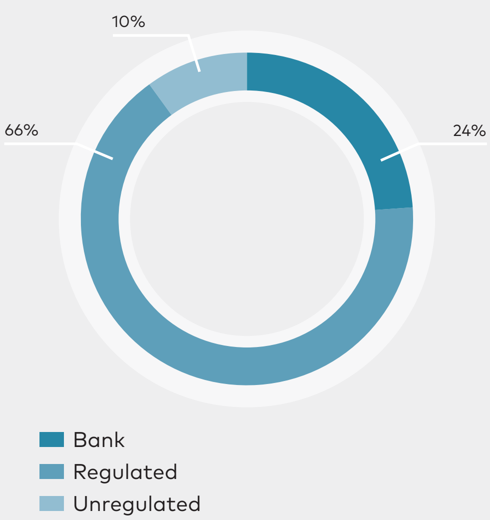


Figure 4.2: PLI Legal Status, % Portfolio



Size/Tier

The fund supports the growth of small and less mature institutions through its investments. In Figure 4.5, we can see that eleven institutions were classified as Tier 3 at disbursement and now they have grown in terms of asset size. Out of those, five are now classified as Tier 1 institutions and seven as Tier 2. Out of 8 new PLIs added to the portfolio in 2021, six are Tier 1, one is Tier 2 and one is Tier 3. At the portfolio level, 86% of the volumes invested are in Tier 1 institutions, while 14% are in Tier 2 and Tier 3 institutions.

Figure 4.4: Portfolio Breakdown by Current Tier, % Portfolio

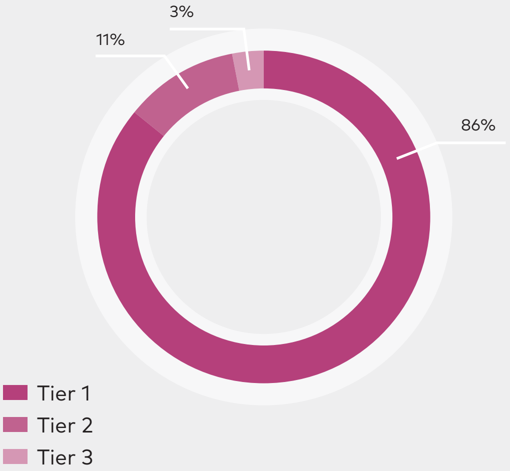
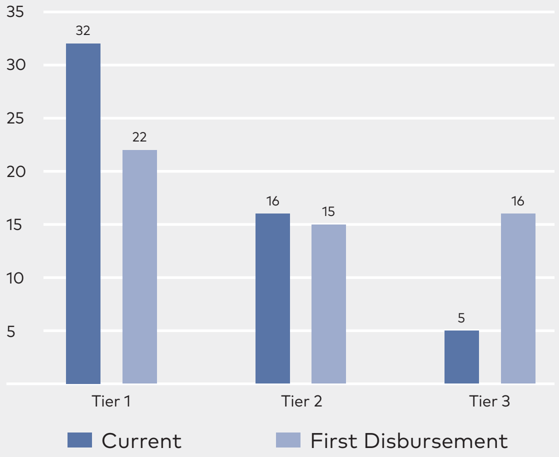


Figure 4.5: Portfolio Breakdown by Tier, # PLIs



4.2 SOCIAL RESPONSIBILITY

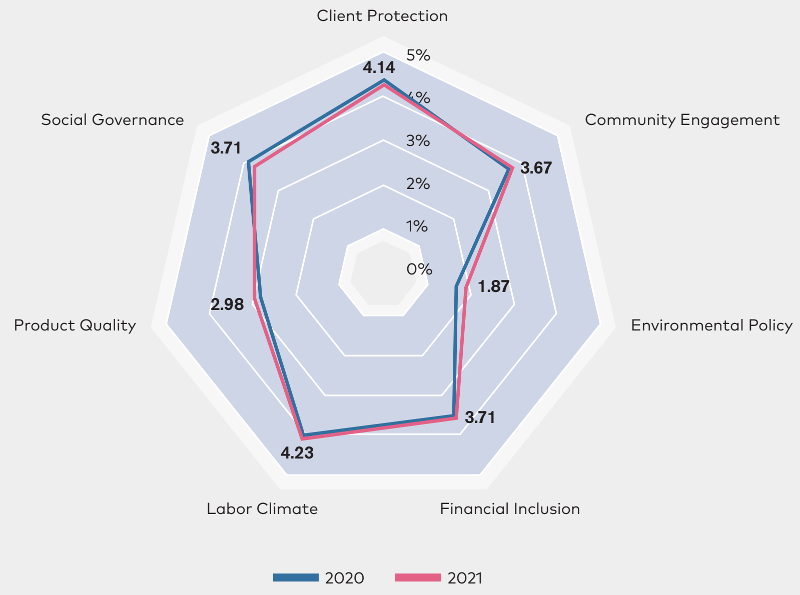
REGMIFA actively seeks to work with socially oriented PLIs and monitors social responsibility through its ESR ratings which are calculated prior to any disbursement and then updated annually when available.

Average Social Rating

The average ESR score of PLIs in the Fund's portfolio remained stable at 3.6 stars (2020: 3.6) out of 5.[21]

21 The calculation excludes two PLIs: Access Bank plc in Nigeria (7% of portfolio outstanding) and KCB Bank in Kenya (7% of portfolio outstanding) are syndicated transactions with the FMO (Dutch development bank) and the International Finance Corporation, respectively. Therefore, the environmental and social risks were assessed by the respective development finance institutions, and Symbiotics did not conduct its own ESR rating.

Figure 4.6: Social Responsibility Rating (Portfolio-Weighted)



ESR RATING AT A GLANCE

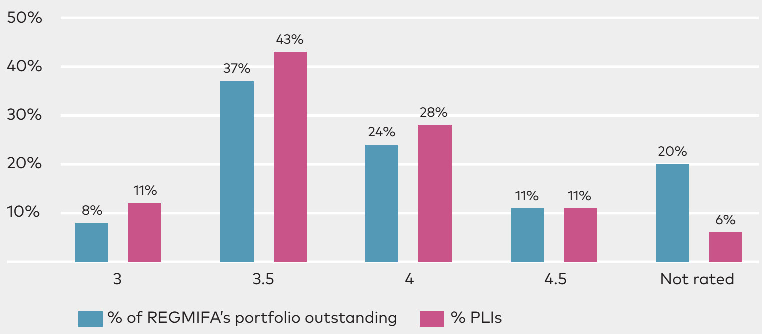
The ESR Rating shows to which extent a PLI contributes to socio-economic development and acts responsibly towards its stakeholders. It includes 100 indicators split into seven dimensions:

1. Social Governance (20%)	5. Product Quality (15%)
2. Labor Climate (15%)	6. Community Engagement (15%)
3. Financial inclusion (15%)	7. Environmental Policy (5%)
4. Client Protection (15%)	

Each indicator is graded from 0 to 3 (0 = non-existence or very poor, 3 = existence and high quality) and each of the seven dimensions contributes to the final score as per its weighting (see % amounts in brackets above). The final score is a rating from 0 to 5 stars, i.e., an extremely strong likelihood that the Fund contributes to sustainable development via its investment in the assessed PLI, or an extremely low risk of having a negative social impact.

Of the 53 PLIs in the portfolio, 24 were evaluated and rated in 2021. One PLI received improved social responsibility ratings, while one PLI was downgraded.[22] The social responsibility assessment is an essential part of the investment advisory report. The outcomes of these reports are discussed by the Investment Committee, which bases its investment decisions on both the social and financial performance of PLIs.

Figure 4.7: 2021 Portfolio ESR Rating



ESR scores in the portfolio range from 3 to 4.5 stars. None of the PLIs in which the Fund is invested has a score below 3.

4.3 SERVICES OFFERED BY THE FUND TO PLIS

Offering demand-oriented financial services to PLIs is one of the key objectives REGMIFA pursues to create social impact. This is reflected in REGMIFA's lending practices which are based on 1) flexibility in terms of loan amount and rapidity of disbursement; 2) the possibility of offering long term financing solutions in the framework of a long-term partnership with PLIs; 3) uncollateralized loan products denominated in local currency; 4) price competitiveness due notably to partnerships with two counterparties to hedge FX risk and the Fund's increasing size and efficiency; and 5) the possibility to offer complementary TA services.

The Fund's average investment size in PLIs increased to 1,392,026 (compared to USD 1,312,739 in 2020). Similarly, the average balance to each PLI increased from USD 2,625,478 in 2020 to USD 2,705,258 in 2021. While the maximum maturity over the life of the fund has been 5 years, in 2021, REGMIFA extended 10-year subordinated debt loans to two PLIs and the average maturity (at disbursement) of the portfolio has moved up from 46.2 in 2020 to 50.7 in 2021.

22 ASA Ghana was downgraded from 4 to 3.5 stars.

Table 4.1: Loan Size and Maturity

Size	2021
Average loan size (USD)	1,392,026
Min loan size (USD)	92,371
Max loan size (USD)	9,935,433
Average loan balance (USD)	2,705,258
Min loan balance (USD)	169,723
Max loan balance (USD)	9,935,433
Avg. loan balance/ PLI Assets	
0-5%	60%
5-10%	35%
10-15%	4%
15-20%	4%
>20%	0%

Maturity	2021
Weighted avg. maturity	50.7
Min maturity	12
Max maturity	122
<12 months (% volume)	0%
12-24 months (% volume)	23.0%
> 24 months (% volume)	75.6%
<12 months (% number)	0.0%
12-24 months (% number)	37.5%
> 24 months (% number)	60.6%

Table 4.2: Loan Products and Pricing

Loan Product
+ Mostly senior debt, increased share of subordinated debt + Most of the loans in local currency (69% in number of loans) but the share in volume of hard currency loans has increased significantly mainly due to investments in PLIs that use USD funding to obtain local currency loans through back-to-back facilities (8.2%), or loans to SME banks (20.2%), or to groups and holdings (8.7%) that manage the FX risk and on-lend to their affiliates in the region. + Interest rate risk transferred only when the PLIs are sophisticated institutions able to manage the interest rate risk such as SME banks and groups/holdings (19.2%), or PLIs that operate in countries where it is a common practice to use floating benchmark (i.e. South Africa and Ghana). + Mostly uncollateralized loans + Flexible amortization schedules

Loan Pricing
+ Partnership with 2 hedge counterparties + Pricing based on local market conditions + 1% upfront fee usually charged to PLIs

Product Range	2021
% Senior debt	73.5%
% Subordinated debt	26.5%
% Fixed rates	72.9%
% Floating rates	27.1%
% Local currency	51.8%
% Hard currency	48.2%
% Bullet loans	43.7%
% Amortization loans	56.3%

5.0
END-BORROWERS AND STAKEHOLDERS

5.1 END-BORROWERS[23]

The outstanding portfolio of USD 143.4 million contributed to financing 115,665 end-borrowers through 53 PLIs in 2021. There was a decrease in the total number of end borrowers from 2020 (165,188). Although the volume of the outstanding portfolio increased in 2021, the median average loan size of PLIs is USD 1,579 in 2021. This reduction in end-borrowers and the increase in the average loan size can be explained by the Fund's change of strategy in focusing on supporting more SME clients.

Figure 5.1: Number of Borrowers Reached and Loan Balance

Outreach	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End-borrowers*	37.7	103.3	156.0	194.3	192.8	197.6	164.2	151.3	180.1	171.8	165.2	115.6
PLI Average Loan Balance (Median)*	788	763	753	942	1,002	936	869	1,000	1,346	1,031	1,091	1,579

* In thousands

In 2021, REGMIFA financed 39% of female clients, 43% male clients, with the remaining 18% of loans going to legal entities. Borrowers were mainly involved in small trading activities (56%), while a smaller proportion of clients are active in agriculture (6%), services (27%), production (4%) and other types of activities (8%), including transportation, construction, housing, renewable energy, and consumption.

23 Results in this section on end-borrower location, gender, activity, lending methodology, non-credit services, savings conditions and client protection are missing data points from Access Bank plc in Nigeria (7% of portfolio outstanding), ACF in United Arab Emirates (6% of portfolio outstanding), Equity Bank in Kenya (6% of portfolio outstanding), Greenlight Planet Group (3% of portfolio outstanding and KCB Bank in Kenya (7% of portfolio outstanding). Both ACF and Greenlight Planet are classified as indirect investments.

Figure 5.2:
Distribution by Location, % Headcount

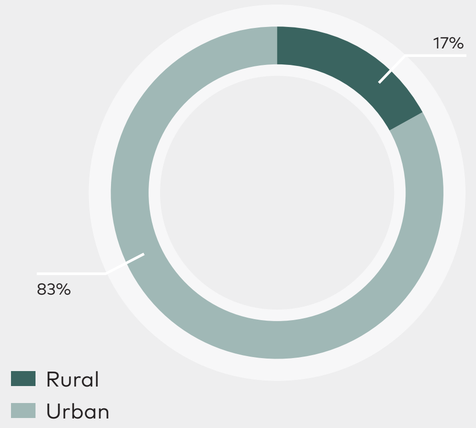


Figure 5.3:
Distribution by Gender, % Headcount

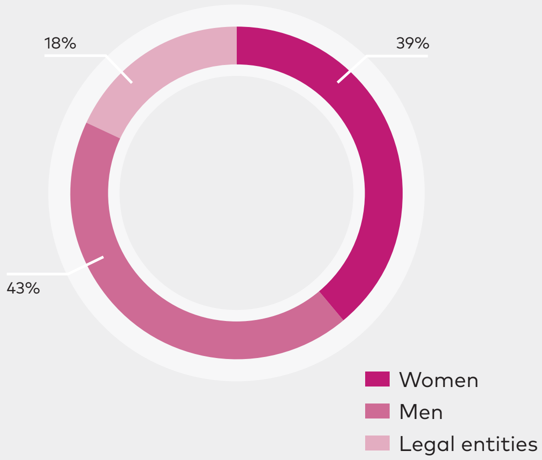
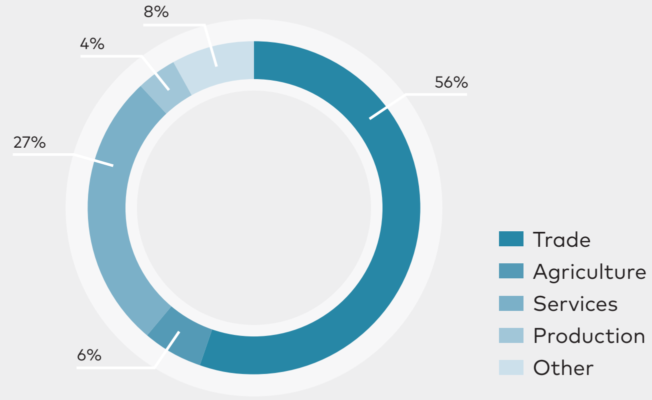


Figure 5.4:
Distribution by Activity, % Headcount



5.2 PLI FINANCIAL SERVICES

The majority of the portfolio of REGMIFA's PLIs is allocated to funding micro-, small and medium-sized enterprises (83%). The remaining 17% is split among other types of lending (large enterprises, consumption, housing, education, other). Please note that the portfolio breakdown shown in this table reflects the portfolio of PLIs and not the Use of Proceeds of the Fund.

Loans are distributed either directly to individuals (89%) or through group loans (11%).

Figure 5.5: Credit Products, % Portfolio (Weighted Average)

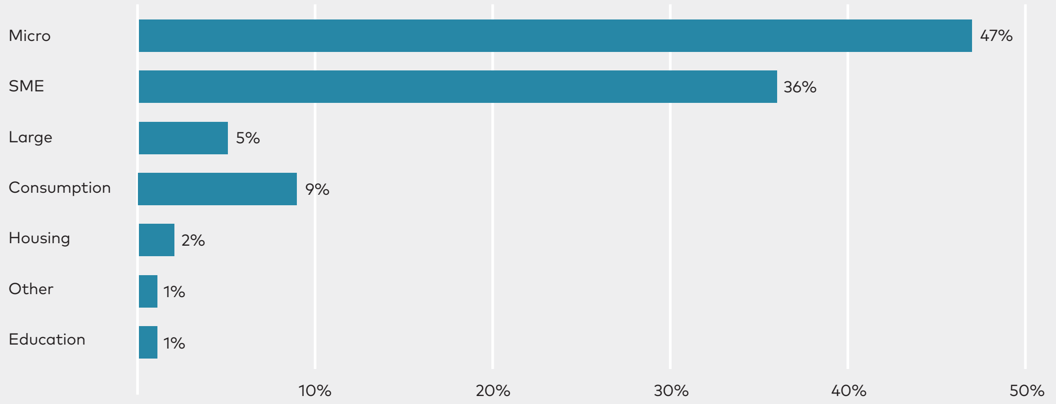
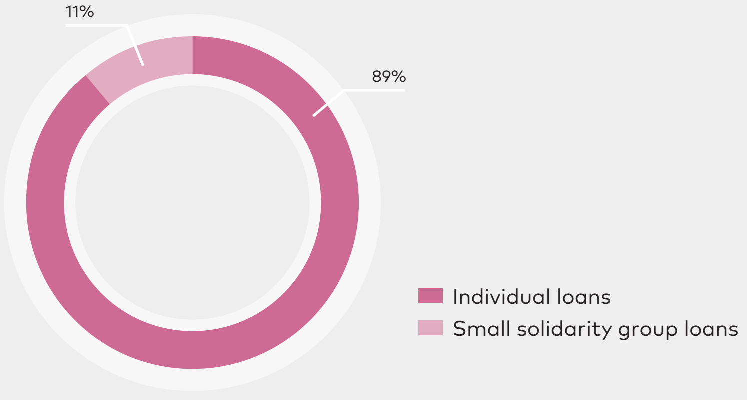


Figure 5.6: Lending Methodology, % Portfolio (Weighted Average)



Among the ways that individuals can cope with managing their cash flows is through financial (and non-financial) services such as:

I Savings (e.g., deposits, checking accounts)
II Insurance (e.g., credit insurance, life insurance)
III Payment services (e.g., cash transfers, electronic payments, remittances)
IV Other non-financial services (e.g., business development services, education)

Of the investees in the REGMIFA portfolio, 80% offer savings services, 76% offer insurance products, 69% offer payment services, and 37% offer other non-financial services. Overall, 88% of investees offer one or more of these non-credit products to their clients.

Figure 5.8: Non-Credit Services, % Headcount

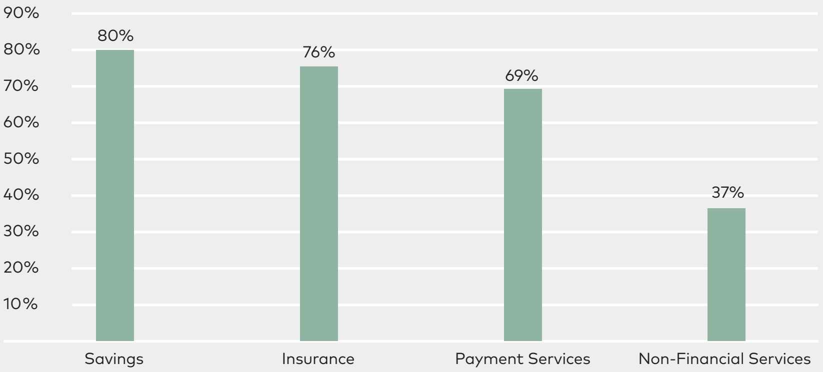


Table 5.1: Credit and Savings Conditions

Credit Conditions	2021	Savings Conditions	2021
Avg. credit per borrower (USD)	1,112	Avg. Savings (USD)	505
Avg. credit per borrower / GNI per capita	53%	Avg. Savings / GNI per capita	24%
Avg. Portfolio yield	37.3%	% savers / borrowers	206%
%Portfolio with yield between 10% and 30%	36.5%	% savings / PLI loan portfolio	57%
%Portfolio with yield between 30% to 50%	30.8%		
%Portfolio with yield > 50%	26.9%		

27% of the portfolio is in PLIs with a portfolio yield higher than 50%. These institutions usually have a smaller loan size (USD 735 average loan) which are most costly to operate. They are also overall smaller (Tier 3 institutions), which can make it difficult for them to generate economies of scale. An assessment of whether the interest rates charged to clients are within market average is conducted during the due diligence process and is included in the ESR rating.

The simple average size of savings being USD 505 (representing 24% of GNI per capita).

5.3 CLIENT PROTECTION

As of today, the new Client Protection Pathway consists of three steps, with the first step requiring the institution's commitment to implement client protection. The second step involves a self-assessment conducted by the institution on its policies and practices followed by improvement on identified shortcomings. Finally, financial institutions can attain a certification that is determined by their compliance with the Client Protection Standards. Depending on the level of compliance, institutions can reach three levels: gold, silver and bronze. Gold is the highest level It can be achieved, and it requires institutions to comply with more than 95% of total indicators.

Currently, SEF in South Africa, one of REGMIFA's investees, holds the gold certification. Baobab Mali, Baobab Nigeria and Juhudi Kilimo are three investees in REGMIFA portfolio that are proactively taking steps to strengthen their commitment to implement Client protection but are not yet certified.

Protecting clients is a shared responsibility between REGMIFA and its partner PLIs. Client protection is at the core of the Fund's investment policy and is embedded at all levels of operations. In practice, this means minimizing or eliminating negative effects for clients, particularly over-indebtedness, and treating clients fairly, in line with the principles previously promoted by the Smart Campaign: appropriate product design and delivery; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and mechanisms for complaint resolution.

At the strategic level, REGMIFA's activities comply with its ethical chart, which is strongly inspired by the Client Protection Standards. The various governance bodies address this issue on a regular basis to monitor progress made and actions taken in this area.

At the operational level, the Fund addresses the question of client protection in its day-to-day business. The credit risk analysis performed by the Investment Manager reviews in detail the operations as well as the credit policies and procedures of PLIs to check that the repayment capacity of clients, among other things, is properly assessed. The ESR rating, which is performed in conjunction with the credit risk rating, also includes 12 indicators related to the client protection principles. Finally, each potential loan is considered in terms of the

PLIs' business plan and the possibility for them to disburse the sum lent by REGMIFA in a sustainable way.

In addition to checking the disbursement and repayment capacity of PLIs, the Investment Committee makes investment decisions based on ESR ratings, particularly the actions taken by PLIs in the area of client protection. Client protection related issues such as the interest rate level or risk of over-indebtedness are frequently discussed during Committee meetings and special disbursement conditions can be set to encourage PLIs to improve their practices. PLIs also commit to treat their clients fairly by signing loan agreements (which include a responsible finance clause).

Below are a few aggregated indicators extracted from the PLIs' ESR ratings. These indicators, among others, are used by the Fund to assess the social responsibility level of PLIs in the area of client protection as well as by the technical assistance (TA) facility to determine PLIs' TA needs. In addition, the TA Facility, since its inception, has been developing projects that include client protection aspects, in areas such as prevention of over-indebtedness, product transparency, adequacy of services, responsible pricing, and client literacy.

Table 5.2: Social Responsibility Ratings - Client Protection Indicators

Client Protection*	**2021**
Average PAR>30 + Write off	11.0%
% of PLIs with access to credit bureau (CB)	86.3%
% of PLIs with no access to CB but using informal means to collect client data	3.9%
% of PLIs assessing client repayment capacity in a detailed and systematic way	82.4%
% of PLIs assessing client repayment capacity but not in a detailed/systematic way	7.8%
% of PLIs with relatively efficient client complaint mechanisms in place	82.4%
% of PLIs making proactive efforts to promote financial literacy	82.4%

* Note: Restructured loan values are included

5.4 INCOME DISTRIBUTION AND IMPACT ON VARIOUS STAKEHOLDERS OF PLIS

The following data show PLIs' income sources and how income is distributed among various stakeholders. The table also demonstrates the impact of PLIs in terms of shareholder remuneration (average ROE of 13.8%), job creation (total number of 28'922 people employed by PLIs), and staff compensation (average annual gross salary of USD 17'667 per employee), as well as the total amount of taxes paid by PLIs to national governments (USD 92m).

Table 5.3: Income Distribution & Staff

Income Sources	2021
Income from lending activities	78.1%
Other-operating income	18.2%
Non-operating income	3.7%
Total Income Distribution	
Personnel expenses	24.0%
Banking expenses	37.4%
Other operating expenses	28.1%
Non-operating expenses	2.7%
Taxes	2.2%
Net Income	4.9%
Shareholders	
Return on assets	2.2%
Return on equity	13.8%
Leverage	4.5
Staff	
Total number of PLIs' employees	28,922
Average salary of employees (USD)	17,667.12
Average salary / GNI per capita[24]	5.7
Government Taxes	
Government taxes / taxable income	14.5%
Total taxes paid by PLIs	91,726,362

24 The average salary paid by the institutions in REGMIFA portfolio is 5.7 times higher than the average GNI per capita in the countries where they operate. This comparison aims to provide insights on the quality of employment institutions provide in terms of salary compensation relative to national income level.


100% WHOLE WHEAT
Goldenvita
Vitamin A fortified
A PROMISE OF QUALITY
RICE AT ITS BEST

6.0
ESR GOALS

6.1 OVERALL ESR GOALS OF REGMIFA

REGMIFA's Investment Manager is proud to manage a fund in line with best practice ESR performance management guidelines. In order to constantly improve in this area and to put its social mission into practice, the Fund sets clear ESR goals on an annual basis. This makes it possible to actively manage ESR performance, to maximize the socio-economic impact of the Fund's activities, and to commit resources to this objective.

The overall ESR goals of the Fund are as follows:

Investors / Sector

- **Investors**
- Social and environmental goals
- ESR performance management
- ESR reporting
- Social audit of the Fund

- **Sector**
- Open up new markets
- Participate in major sector initiatives
- Promote best practices
- Technical assistance based on PLIs' needs
- Effective communication strategy

REGMIFA

PLIs

- Add PLIs to the portfolio
- Target Tier 2 and 3 PLIs
- Target responsible Financial Institutions
- Systematic inclusion of ESR issues in decision-making
- High-quality financing solutions to PLIs
- Positive impact on PLIs' governance

End-borrowers & Stakeholders

- Increase outreach
- Target MSMEs
- Target excluded clients
- Customized products to end-borrowers
- Stakeholder approach
- Client protection

6.2 ESR ACHIEVEMENTS IN 2021

As shown in this report, although improvements can be made in some specific areas, the 2021 ESR objectives have been mostly achieved by the Fund at the investor, sector, PLI, and end-borrower levels.

6.2.1 INVESTOR LEVEL

Target	Actual	Status
Focus on financial sustainability and achieve business plan objectives	The pandemic continued affecting the performance of some investees, mainly in the countries that imposed lockdowns after the different COVID waves. Nevertheless, the Fund was able to continue growing the portfolio and add investees from different business models. The good performance of the Fund allowed for the payment of target dividends for all Share classes (USD 1.2 million for A and B shareholders and 2.5 million for C shareholders). The Fund had enough income to contribute USD 0.2 million to the Technical Assistance Facility.	Achieved
Proactively manage PLIs with payment issues requiring a loan loss provisioning	The number of workout cases decreased from 11 in 2020 to 9 in 2021, as 3 cases left the portfolio during the year and one case was added, which was not related to the COVID-19 pandemic. The principal amount in workout was reduce significantly in 2021 from USD 16.9 million to USD 9.1 million. Four restructuring agreements were signed in 2021. The Fund had to write-off principal of one workout case to support the institution.	Achieved
Be responsive to information requests from Board, IC and shareholders, particularly with regard to COVID-19 effects	The Board of Directors acknowledged that the Investment Manager has been proactively providing information and responding to requests. Regular updates and information was sent on a timely basis.	Achieved

6.2.2 SECTOR LEVEL

Target	Actual	Status
Increase the portfolio size to USD 160 million	The portfolio at cost as of the end of December 2021 was USD 146.8 million, an increase from USD 136 million in 2020 but below the target of USD 160 million. The Fund had a total of 53 investees in the portfolio with an average investment per institution of USD 2.7 million, a slight increase from USD 2.6 million, as the Fund continues serving small institutions.	Partially Achieved
Continue developing innovative financing strategies to enter into three new countries (Ethiopia, Benin and Guinea) and reach 22 countries in the portfolio	REGMIFA was able to re-enter Benin in 2021 and add two countries (Mozambique and Togo) through the investment in an agricultural trade company with a use of funds to financing its operations in Sub-Saharan Africa. The Fund was not able to enter Ethiopia due to the political situation and closed 2021 with direct and indirect investments in 21 Sub-Saharan African countries.	Partially Achieved
Increase the focus on Compact with Africa countries from 30% to 37% of the Portfolio	The investments in Compact with Africa countries reached 35% of the portfolio, hindered by the impossibility to invest in Ethiopia and the delay of investments that were pushed from Dec-21 to the first quarter of 2022.	Achieved
Develop the concept and budget for the follow-up of the impact study on the effect of COVID-19 on end-borrowers	The 2021 COVID impact study on end-borrowers was completed with two rounds of data collection from over 1,200 end-borrowers in three countries between October and December 2021. The results and comparison to the 2020 study were shared with the participating PLIs and the data was shared on a public online dashboard for all industry actors to benefit from.	Achieved

6.2.3 PLI LEVEL

Target	Actual	Status
Add new PLIs to the loan portfolio from which two must have an SME finance focus	Added 8 PLIs, of which 1 was a returning investee and 7 were new to the Fund. 4 new PLIs had an SME finance focus.	Achieved
At least 30% of new PLIs should be Tier 2 or Tier 3 institutions	32% of the new PLI investments were classified as Tier 2 or Tier 3 at disbursement.	Achieved

Target	Actual	Status
Offer demand-oriented financial services to PLIs and be innovative in the field	Symbiotics continued to be proactive in offering demand-oriented services such as loans in local currencies, Technical Assistance, and longer loan maturities.	Achieved
Continue performing high-quality ESR ratings and focusing on socially responsible PLIs	22 ESR ratings were performed on REGMIFA PLIs in 2021 and 3 E&S risk assessments by an external consultant. The ESR rating methodology was updated during 2021 and will be rolled out in 2022.	Achieved
Develop and complete the first edition of the Crisis Impact Mitigation TA Package (TAP CIM 1) with the participation of 7 PLIs.	The TAP CIM 1 with 6 PLIs first phase was completed in Dec. 2021 and the second phase with one investee is expected to be completed in Jun. 2022.	Ongoing

6.2.4 END-BORROWER LEVEL

Target	Actual	Status
Increase outreach in terms of number of end-borrowers financed	In 2021, REGMIFA reached out to 115,665 end-borrowers, less than in 2020 (165,188) due to the focus on supporting more SME clients.	Not Achieved
Target mostly MSMEs while not excluding other credit products	82% of the REGMIFA portfolio contributed to funding MSMEs	Achieved
Add PLIs that offer impactful products and services to low- and medium-income households (e.g. off-grid solar, education, microinsurance)	The Fund made the first investment in an off-grid solar company in 2021 that covers diverse markets in SSA (Kenya, Uganda, Tanzania and Nigeria). Of the product types offered by the PLIs 0.7% of loans covered education and 2.5% housing.	Achieved
Target low income and otherwise excluded end-borrowers (e.g., rural clients)	17% of the end-borrowers were located in rural areas. USD 54.5 million were invested in least developed countries (LDCs), as the Fund had exposure to 16 of the LDCs as of the end of Dec. 2021.	Achieved
Revise and update the ESR policy and report	The ESR Policy was updated during 2021 through the creation of an E&S Risk Management Framework. The update of the ESR Policy will be finalized during 2022 with the creation of an Impact Management Framework and Client Protection Framework.	Partially Achieved and Ongoing

6.3 ESR OBJECTIVES FOR 2022

Investor Level

- Serve target dividends to all shareholders
- Recover 25% of amounts in workout at the end of 2021

Sector Level

- Increase the portfolio size to USD 177m
- Continue developing innovative financing strategies to add **three new countries** to the PLI Investments portfolio and have outreach to 23 countries
- Increase the focus on **Compact with Africa** countries[25] from 35% to 37% of the Portfolio
- Contribute to the Financial Inclusion Index of 60Decibels (5 PLIs)

PLI Level

- At least two new PLIs with an **SME finance focus**
- At least 30% of new PLI investments should be **Tier 2 or Tier 3** institutions
- At least two new PLIs with an **innovative business model**
- Provide documentation on the ESMS of REGMIFA to all PLIs
- Develop and complete the first edition of the **Technical Assistance Package SME** (TAP SME 1) with the participation of 6 PLIs

End-Borrower Level

- Reach at least **100'000 end borrowers**
- **Ensure that the ratio of Women Borrowers / Men Borrowers is at least 100%**[26]
- **Ensure that at least 20% of end borrowers are in rural areas**[27]
- Finalize the revision of the **ESR policy** and Impact **report template**

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25 The G20 CwA was initiated under the German G20 Presidency to promote private investment in Africa, including in infrastructure. So far, twelve African countries have joined the initiative: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia.

26 Global Findex 2017 indicates that 8% of men in Sub-Saharan Africa (excluding High Income) indicate having borrowed from a financial institution, vs. 6% of women. The implied female/male borrowers ratio is thus 76%. If we take into account the fact that female represent 55% of the adult population (15-64) in Sub-Saharan Africa, the implied ratio of female borrowers would go up to 92.5%. REGMIFA in 2021 had a ratio of 93%.

27 % rural population in Sub-Saharan Africa (excluding High Income) was 60% in 2020 (WorldBank). The current figure for REGMIFA is 17%.

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