

FINDEV CANADA TRANSACTION SUMMARY

Central America Small Enterprises Investment Fund ("CASEIF IV LP")

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

CASEIF IV LP (the "Fund" or "CASEIF IV") is a regional private equity fund managed by LAFISE Investment Management Ltd. ("LIM"), a team fully represented by national staff from the region. The Fund will provide growth capital and structured financing to expansion-stage companies in Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Dominican Republic, and Colombia (the "Target Region"). Recognized as a 2X Flagship Fund, CASEIF IV will apply a gender lens to its investment strategy to build a portfolio with at least 30% of the investments being 2X eligible.

Transaction Details

COUNTERPARTY	CASEIF IV L.P.
DOMICILE OF INCORPORATION	Ontario, Canada
DOMICILE OF OPERATIONS	Regional: Central America, the Dominican Republic and Colombia
TERM OF FINANCING	10 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-2
FINANCING PRODUCT	Equity
FINDEV CANADA TRANSACTION AMOUNT	Up to USD 8M
DATE OF TRANSACTION DISCLOSURE	29 September 2021
DATE OF TRANSACTION SIGNING	14 December 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	14 March 2022
2X CHALLENGE QUALIFYING AND 2X FLAGSHIP FUND	Yes, under direct (employment) and indirect criteria (min. 30% of 2X eligible deals)

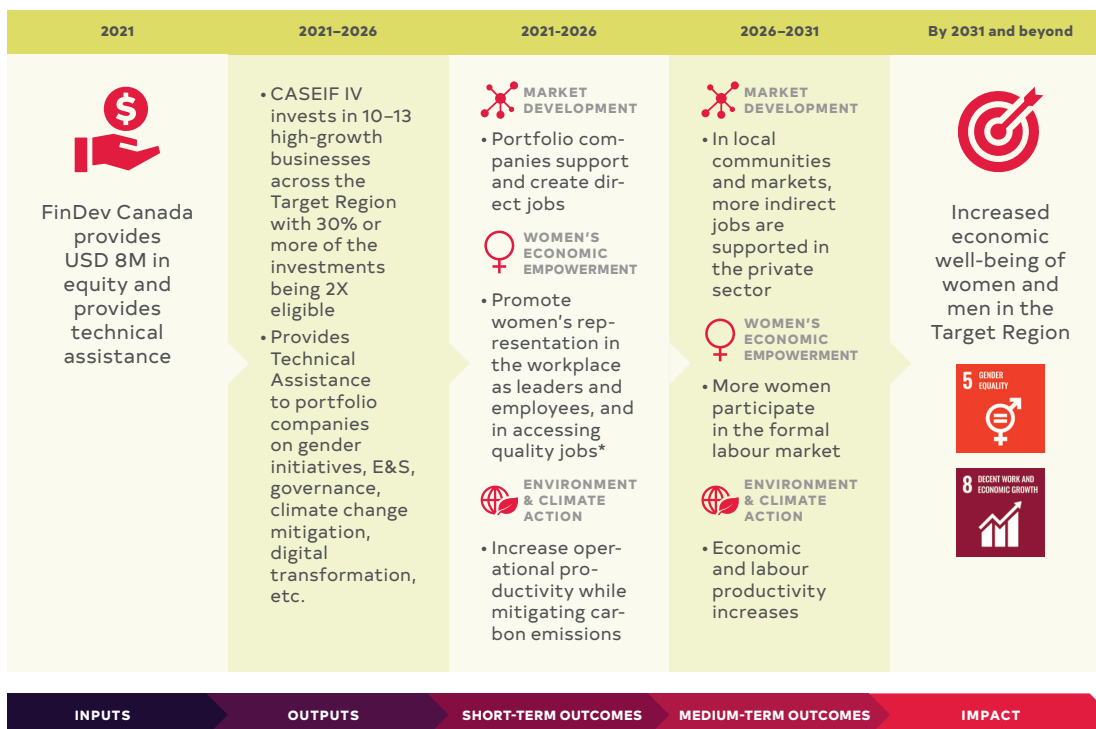
Summary of Anticipated Development Impacts

The economic crisis induced by COVID-19 has led to one of the deepest recessions the Central American region has ever experienced. Economic recovery, employment and poverty reduction will require catalyzing productivity growth, which can be done through the promotion of export activities. In Central America, the exportation of goods and services is not only a major source of economic development, representing 32% of the regional GDP, but it also stimulates economic productivity and labour productivity through the production of value-added goods and the use of enhanced technologies for more optimized processing.¹ By investing in export-oriented food and beverage processing and in market-supporting sectors, including education and information technology, CASEIF IV is expected to contribute to job creation and regional economic growth.

The development impact value proposition of this transaction is to increase the economic well-being of women and men in the Target Region. This will be achieved by providing financing and technical support to high-growth businesses, including 2X eligible businesses, which promote women's participation in the formal labour force as business owners, leaders, and employees. The transaction will also contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth) as captured by the impact theory of change below.

Development Challenges:

- COVID-19 caused one of the deepest recessions in the region's history
- Only 48% of working-age women in Central America participate in the formal labour market, compared to 84% of men (Ulku, H., Zaourak, G., 2021)
- The growth of the working-age population is sharply declining across the region
- 5% of venture capital / private equity in LAC goes to women-led businesses (Value for Women, 2021)



* A quality job reflecting the presence of any company internal policy or programme — beyond that which is required by local law or compliance — that addresses barriers to women entering, maintaining, or advancing within the workforce.

¹Ulku, H., Zaourak, G. (2021), *Unleashing Central America's Growth Potential*, World Bank Group



MARKET DEVELOPMENT

- **Supporting business growth through responsive financing and technical assistance solutions:** while the private sector is a key contributor to local and regional economic growth, growing businesses are constrained due to limited access to financing that meets their needs. CASEIF IV will contribute to addressing this gap by providing the financing solutions companies need, while also offering tailored technical support to strengthen their operational and financial performance in a responsible and sustainable way. This, in turn, will increase each company's capacity to support more jobs and stimulate broader economic activity. CASEIF IV will support companies with the implementation of initiatives related to digital transformation, corporate governance, human resources management, gender inclusion, and certifications.



WOMEN'S ECONOMIC EMPOWERMENT

- **Supporting women entrepreneurs, leaders, and employees:** by applying a gender lens to its investment strategy, CASEIF IV will help increase women's participation in the formal economy as business owners, leaders, and employees. LIM's experts will support each portfolio company with the implementation of a gender action plan to foster gender-inclusive workplaces and support the recruitment, retention, and career advancement of women. This is a meaningful initiative as only 48% of working-age women in Central America participate in the formal labour force.
- **Promoting women's representation in the private equity sector:** the fund manager, LIM, will also implement a gender action plan to strengthen its gender-inclusive practices. This will directly support LIM in achieving its commitment to maintain women's representation within its team at 40% or above.
- **2X Challenge and 2X Flagship Fund:** this transaction qualifies for the 2X Challenge since at least 30% of CASEIF IV's investments will be channeled towards 2X eligible businesses, and as LIM is committed to promote women's representation and quality employment within its team. In fact, CASEIF IV is the first fund in Latin America and the Caribbean to be recognized as a 2X Flagship Fund due to its commitment and intentionality on women's economic empowerment at the fund manager level as well as the portfolio level.



CLIMATE MITIGATION AND ADAPTATION

- **Implementing climate-smart practices across portfolio companies:** in ensuring the responsible and sustainable growth of investees, LIM's experts will support portfolio companies with the measurement of greenhouse gas emissions (GHG) following international standards, and with the implementation of GHG reduction measures, such as energy efficiency solutions.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The E&S risks associated with this transaction stem from the individual companies that the Fund will invest in using FinDev Canada funds. The majority of the Fund's existing and proposed portfolio is comprised of lower risk business activities with E&S risks that are site specific, generally reversible, and readily addressed through mitigation measures. Risks associated with this type of lending can be diverse and may trigger different International Finance Corporation (IFC) Performance Standards.

The E&S risks of this transaction are limited and will be mitigated by the Fund's Environment and Social Sustainability Policy, Environmental and Social Management System (ESMS), adherence to the Exclusion List, and compliance with host country legislation. Where risk warrants, CASEIF IV will establish environmental and social action plans (ESAPs) and regularly monitor the performance of portfolio companies. Opportunities for enhancement of these mitigants were identified during due diligence and have been captured in an Environmental and Social Action Plan (ESAP) that will enable the Fund to achieve full alignment with international standards and best practices.

CASEIF IV's corporate policies and ESMS are designed to meet host country standards in the markets where it operates. It is anticipated that CASEIF IV will be able to maintain regulatory compliance in the markets in which it functions.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy.

An illustrative list of key documents reviewed is outlined below:

- Corporate Code of Ethics,
- Internal Workplace Regulations,
- Environmental and Social Management System, and
- Responses to other DFI lender questionnaires.

The following IFC Performance Standards were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions