VITAL

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VITAL IMPACT RELIEF FACILITY

Financing Policy and Criteria

Introduction

The purpose of this document is to outline Vital Impact Relief Facility's ("VIRF" or "the Facility") overall finance policy and consequently the main evaluation criteria VIRF will apply in considering potential finance opportunities.

This document is intended for external use and should provide initial guidance for third parties seeking VIRF's credit lines. Therefore, we encourage prospective applicants to review this policy and assess the potential fit of their investment initiatives with VIRF's policy and investment screening criteria.

A. General Criteria

1. As an Impact Finance Facility, VIRF will only consider financing businesses which present a strong potential for both significant positive financial returns, as well as positive social impact (further detail outlined in the relevant sections below);
2. Geographically, VIRF will focus its finance activities exclusively in Kenya, Uganda, Ghana, DRC, Angola, Cote d'Ivoire and Senegal ("the Geographies");
3. VIRF will seek to achieve its goals through leveraging the depth and width of experience of its senior leadership team in successfully conducting profitable business operations over the last two decades;
4. While not strictly adhering to a defined list of target industries, VIRF will generally focus on several key industries, including agriculture, affordable housing, renewable energy, water, healthcare, education and the environment;
5. VIRF is an active financier, seeking to add value beyond finance to its borrowers and helping them grow. At a later stage, Vital Capital, could consider controlling equity or significant minority stakes in the companies it supports;
6. VIRF is a direct lender and will consequently not consider financing other financial intermediaries (e.g. through banks, NBFIs or other funds), unless under very specific circumstances;
7. The Facility will focus on financing mature, profitable and growing businesses (EBITDA > USD 1.5mln) that (will) experience liquidity issues due to the COVID19 pandemic. Start-ups and early stage businesses are not considered at this stage;
8. VIRF's return must be achieved through regular debt service payments from the projected operational cash flows of the borrower. Expected refinancing cannot be relied upon to service VIRFs debt;

B. Finance Criteria

1. Loan size: USD $800k – 1.2 million, disbursed in tranches;
2. Loans are denominated in USD;
3. Term: maximum 48 months, 6 months moratorium (PIK interest in interim);
4. Loans are priced in line with the risk profile of the transaction. USD interest rate will be in the range of 10-12%. Once-off closing fee: 1%; 1.5% annual monitoring fee on reducing loan balance. No commitment fee;

5. Loans should be used mainly for working capital purposes;
6. Collateral will be sought where available and on a case by case basis. Pledge of shares and/or equity conversion rights in case of default will be required;
7. Financial covenants
    a. At least $1.5 million EBITDA (and positive for the last 3 fiscal years);
    b. YoY growth for the last 3 fiscal years;
    c. Debt / EBITDA < 1.5x;
    d. Interest Coverage > 2.5x.

C. Impact Criteria

1. VIRF is part of the Vital Capital Group which is a private equity fund created to align with the principles of Impact Investing. Born out of a vision to enhance the quality of life of communities and families in developing nations, the fund strives for positive development outcomes in the activities it supports;
2. In each of its investments and borrowings, VIRF will seek to finance businesses that addresses an essential, previously unmet need;
3. VIRF will seek to finance companies that generate positive impact to previously underserved communities, at scale;
4. VIRF will seek to finance companies which engage with and generate benefits for the local communities;
5. VIRF will seek to finance companies where impact is intrinsic to their business models.

D. Environmental, Social and Governance (ESG) Criteria

1. VIRF practice responsible finance. Through this policy, VIRF expresses its commitment to environmental and social sustainability which is inherent to its activity;
2. Apart from a commitment to comply with all applicable ESG laws and regulations of the host country in which the borrowers are located and operated, VIRF aspire to incorporate the IFC's Performance Standards as part of the guiding framework for ESG evaluation. Accordingly, the Facility will not finance any of the activities found on IFC's Exclusion List;
3. VIRF will not finance any venture or business that cannot be expected to meet its ESG Policy either from the outset or over a reasonable period of time;
4. As an integral part of its assessment process, VIRF will consider various ESG factors relevant to the business in question as guided by the IFC Performance Standards and the IFC's Environmental Health and Safety Guidelines. This includes but not limited to working conditions, resource efficiency and pollution prevention, community health, safety and security, biodiversity conservation, the rights of indigenous peoples and preservation of cultural heritage;
5. VIRF's general as well as finance-specific ESG provisions and finance conditions will be referred to in the term-sheet and loan agreements.
6. Critical mitigating actions (an action plan) that address gaps between VIRF's ESG Policy and the business's present conditions will be included in the agreement as loan conditions/ CPs;
7. In addition, and in order to ensure the borrowers manage ESG risks and impact in a manner consistent with the Facility's vision of sustainable development, the Facility's ESG policy will be implemented throughout the loan life-cycle and incorporated in all relevant processes from initiation to full repay.