

Deetken Impact

Disclosure Statement 2024

DEETKEN IMPACT SUSTAINABLE ENERGY

DISCLOSURE STATEMENT 2024

TABLE OF CONTENTS

DISCLAIMER 3

INTRODUCTION 4

PRINCIPLE ONE 5

DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

PRINCIPLE TWO 7

MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS

PRINCIPLE THREE 10

ESTABLISH THE MANAGER'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

PRINCIPLE FOUR 12

ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT BASED ON A SYSTEMATIC APPROACH.

PRINCIPLE FIVE 15

ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

PRINCIPLE SIX 16

MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY

PRINCIPLE SEVEN 17

MONITOR CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

PRINCIPLE EIGHT 18

MONITOR REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

PRINCIPLE NINE 20

MONITOR PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT

DISCLAIMER

The information in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim, or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity, or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

INTRODUCTION

DEETKEN IMPACT SUSTAINABLE ENERGY

MESSAGE FROM
FERNANDO ALVARADO
CEO

Deetken Impact Sustainable Energy is proud to be a signatory to the Operating Principles for Impact Management. We believe the Impact Principles promote transparency in the impact investment industry. As each signatory shares their impact investment management practices, the industry will move forward with stronger standards throughout the investment lifecycle, from strategy to deal sourcing to exit or repayment.

Our staff has been active in the impact investment space for over 20 years, and we have witnessed the development of the industry and the improvement in processes for managing and reporting impacts across the board. The industry has come a long way; but there is yet more to be done, and the Operating Principles for Impact Management are a step in the right direction as they ensure that lessons learned are continuously incorporated into portfolio management and shared within the industry.

Deetken Impact Sustainable Energy focuses on the growth and development of sustainable energy projects and businesses in Latin America and the Caribbean. Our primary impact objectives include access to clean energy and slowing the pace of climate change, but we are just as committed to ensuring a diverse local workforce, training employees, increasing access to health services, improving water and sanitary systems and advancing gender equality. We appreciate the transparent and strategic approach of the Operating Principles for Impact Management as a way to encourage ourselves to continue advancing our practices and to learn from the progress of our peers.

Deetken Impact Sustainable Energy currently manages two impact investment funds in the Latin America and Caribbean region, with total assets under management equal to USD 60 million as of May 2024. This Disclosure Statement applies to both our funds, and we hereby affirm that these investment assets are managed according to the Impact Principles.



FERNANDO ALVARADO

PRINCIPLE ONE

DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

> The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Deetken Impact Sustainable Energy (DISE) manages impact investment portfolios in Latin America and the Caribbean, focusing on clean energy, energy efficiency, and sustainable energy project finance. The DISE team has managed over US$100 million of clean energy impact investments in the region and supported the development of more than 1,000 MW of new renewable energy capacity. With an extensive regional network and staff based in Costa Rica, Peru, Jamaica, Honduras, and Canada, DISE is committed to accelerating the clean energy transition in Latin America and the Caribbean.

DISE has partnered with a Honduras-based technical advisor to provide due diligence and social and environmental assessment services for DISE-managed funds. DISE is also supported by its partnership with Deetken Impact, a Canadian impact asset manager focused on investments in women's empowerment, clean energy, and social enterprises in Latin America and the Caribbean.

DISE manages two funds, the Honduras Renewable Energy Financing Facility (H-REFF) and the Caribbean Basin Sustainable Energy Fund (CABEF), which are collectively referred to as the Funds.

The Fund's investment strategy is to invest in a broad set of sustainable energy and energy efficiency infrastructure projects and companies, including grid-connected and off-grid renewable energy generation, distributed generation, energy efficiency and storage solutions. Our investment strategy focuses on small and mid-sized projects that face challenges in raising equity and quasi-equity capital.



DISE'S STRATEGIC IMPACT OBJECTIVES

The impact strategy of the Funds is to meaningfully contribute to sustainable and climate-resilient economies in the Caribbean and Central America through the strategic provision of capital and technical assistance to small and medium sized enterprises in the sustainable energy sector.

Biogas | Biomass | Energy Efficiency | Solar | Hybrid | Hydroelectric | Wind



Some of our renewable energy projects

- Solar PV
- Distributed Generation Solar PV
- Run-of-River Hydro
- Solar PV EPC
- Energy Efficiency
- Biomass

The Funds invest in renewable energy and energy efficiency projects that align with and contribute to our impact objectives. Our primary impact objectives relate to the direct impacts of these projects.

FUND'S PRIMARY IMPACT OBJECTIVES



Our clients have women on their boards of directors and executive teams, promote career paths for women, and pursue equitable workplaces. This drives important benefits for women and girls, promoting gender equality. The projects developed by our clients also generate opportunities for local women entrepreneurs and include community engagement initiatives that benefit women and girls.

Our investments drive lower electricity costs and help provide access to affordable, clean, reliable, sustainable, and modern energy for communities.

Our clients generate quality permanent and temporary jobs, which promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Renewable energy investments displace high-cost carbon alternatives, helping to combat climate change and its impacts.

FUND'S SECONDARY IMPACT OBJECTIVES



Renewable energy use helps improve the air quality of indoor and outdoor spaces, helping ensure healthy lifestyles for all.

- Our clients offer technical and managerial training that benefits their employees.
- Our clients help their communities have access to water and sanitation systems.
- Our clients help build and improve roads, provide electrification systems and improve energy transmission systems in local communities.
- Our clients provide support to local governments and communities in protected area preservation and other initiatives such as reforestation.
- Our clients create alliances with local organizations in favor of the local communities.

PRINCIPLE TWO

MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS

> The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

DISE focuses on the growth and development of sustainable energy projects and businesses, but our impact objectives go beyond access to clean energy and the reduction of greenhouse gasses.

DISE is committed to ensuring a diverse local workforce, training employees, increasing access to health services and improving water and sanitary systems. Through our investments we have the goals of generating quality jobs, providing technical education, fostering micro and small entrepreneurs and collaborating with community based environmental initiatives such as the protection of local forests and reforestation.

DISE'S IMPACT MANAGEMENT PROCESS

Below is outlined DISE's Impact Management Process, which is undertaken for each investment opportunity in collaboration with our technical, social, and environmental advisor.

1. **Pipeline Screening**

Pipeline opportunities are initially screened using investment criteria that include impact and ESG factors, such as location, type of project, projected generation, and carbon displacement.

Projects which could cause significant adverse environmental or social impacts, projects with large dams or reservoirs and projects with involuntary resettlement or economic displacement of local communities are excluded.

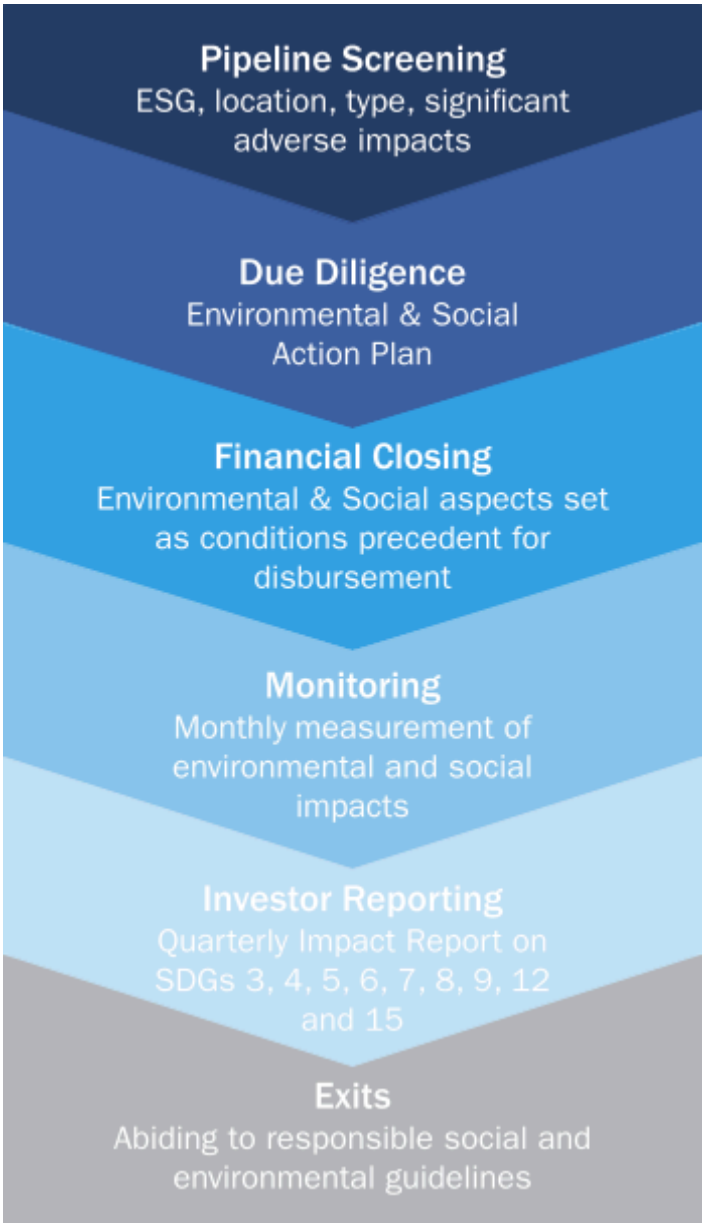
Projects that do not comply with the initial screening are not considered for investment.

2. **Due Diligence**

During the due diligence phase each project proceeds through comprehensive financial, environmental and social analyses. This includes the evaluation of environmental and social benefits, as well as potential risks. The evaluation is carried out through documentation review,

interviews with internal and external stakeholders and site visits. If a project is identified with a high social and/or environmental risk, it is immediately disqualified for investment.

An Environmental and Social Action Plan (ESAP) is detailed at the end of the due diligence phase. This plan includes a set of milestones to be achieved by the project before and during the Funds' investment period. The environmental and social considerations are included in the Investment Proposal presented to the Investment Committee for approval of the investment.



3. Final Closing

The action items identified in the Environmental and Social Action Plan are set as conditions precedent for disbursement. These conditions are included in the legal documents of the closing.

For follow-on disbursements, clients must present a detailed report of the ongoing social, environmental, labor or health and safety impacts of the project.

4. Monitoring

Clients go through a social and environmental review undertaken by the Funds' environmental and technical advisor. During this review, each client completes the DISE Impact Questionnaire, which was specifically designed to monitor the positive impacts of each of the investments in alignment with our primary and secondary SDG-aligned objectives. In June 2020, DISE held a webinar for all the clients in the portfolio to discuss the importance of the metrics and provide guidelines and advice on how to answer the questionnaire.

The technical advisor performs periodic visits to the companies. During these visits, compliance with the environ- mental and social requirements as per the investment and loan agreements are confirmed. The technical advisor submits a periodic Environmental and Social Monitoring Report, detailing the results of the visit.

5. Investor Reporting

A quarterly Impact Report is prepared with the information collected through the questionnaire and submitted to the Funds' investors. The report is also aligned with SDGs 3, 4, 5, 6, 7, 8, 9, 13 and 15 and presents both quantitative and qualitative information about the impact from our portfolio.

DISE has not linked staff incentives with the achievement of impact goals, however, we are aware of some emerging practices and may consider implementing them in the future.

6. Exits

Responsible exits are defined at the origination of each project, as the exit mechanism is agreed upon before the investment is carried out. Where possible, our exits are structured to be to the original project sponsors, who have committed to responsible social and environmental guidelines.

PRINCIPLE THREE

ESTABLISH THE MANAGER'S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

> The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

The Funds' investment mandate is specifically designed to bridge financing gaps in developing countries with shallow capital markets to enable the implementation of clean energy and energy efficiency projects and companies that in turn generate positive impacts and help achieve the SDGs. Through the provision of much-needed long-term equity and quasi-equity capital to small and medium-sized renewable energy and energy efficiency projects and companies, the Funds' $60 MM of investments will in turn catalyze approximately $700 MM of other funding sources (including project sponsors, senior lenders, other equity investors, other investment funds).

In addition to careful selection of the Funds' portfolio projects and companies for their contributions to the above SDGs, the Funds also "wrap" their financial support with targeted technical assistance to incubate opportunities and prepare them for bringing on commercial capital. The $950,000 Technical Assistance facility funded by the Scaling Up Renewable Energy Program in Low Income Countries (SREP), an initiative of the Strategic Climate Fund channeled by IDB Lab, allows the Funds to strengthen and incubate prospective investee projects and companies, institutionalize Environmental & Social Management Systems (ESMS), support community-based projects designed in coordination between investee companies' sponsors and their community leader counterparts, and advocate for climate action and clean energy by sponsoring events and workshops.

In 2023, with this technical assistance funding, DISE supported the design and implementation of an Environmental and Social Management System (ESMS) for a company based in the Dominican Republic, dedicated to installing distributed generation for self-consumption and large-scale. The company provides design, development, and construction services for turnkey photovoltaic projects and their operation, maintenance, and administration in the Caribbean. DISE accompanied the training provided to the company's senior management and led a series of sessions on the IFC





Performance Standards to support the implementation of the ESMS. The involvement of senior management leadership is essential for the successful implementation of ESMSs. As a result of this process, the company is now in a better position to implement these practices in projects around the region.

During 2023, DISE developed a gender technical assistance program for a pipeline company based in Costa Rica to help them develop internal capabilities for the attraction, recruitment, and management of female talent. The program was developed by a consulting company based in Costa Rica that specializes in inclusive and diverse human resources management. The activities included the evaluation of the organization's human resources practices, awareness, human talent attraction strategy, recruitment and selection strategy, and training, resulting in:

- 22 team members who participated in the workshops have increased awareness, knowledge, and sensitization of key diversity and inclusion concepts and resources to manage the challenges and barriers women face in the organization and the energy sector and their pivotal role in fostering an inclusive culture.
- 2 comprehensive and customized guides to the energy sector for female talent attraction and recruitment with corresponding tools and templates.
- 5 organizations identified as sources of female STEM talent in Costa Rica.
- 4 hours of training for key individuals in their human resources team.

Additionally, in 2023, DISE concluded a comprehensive gender technical assistance program that supported a distributed solar generation Jamaican company in its portfolio to achieve the following:

- Complete the WEP Gender Gap Analysis Tool of the corporate evaluation of the company and their EPC contractor.
- Development of a corporate policy and procedure that addresses sexual harassment in the workplace.
- Panel assembly training for 19 local women, including key concepts of electricity and security measures, key components of solar photovoltaic systems and assembly of support structures, and technical skills for installing and wiring photovoltaic panels.

For further information, see a case study we developed as a result of this technical assistance engagement: Advancing Gender Equity in the Renewable Energy Sector: A Case Study.



The experience acquired in the implementation of gender technical assistance projects has contributed to the replication of best practices in other companies in the DISE portfolio. For example, in one of the projects under construction located in

the Dominican Republic, where we've made an equity investment, 22% of the workforce comprises women.

As required by its investors, DISE presents quarterly and annual reports that maintain the traceability of metrics and allow comparison of the performance of its portfolio companies. During the investment presentation and due diligence process, impact targets are set and monitored during the investment cycle.

In 2023, Deetken Impact announced a new partnership with the United States Agency for International Development (USAID) through the Caribbean Climate Investment Program (CCIP) of the Climate Finance for Development Accelerator (CFDA) to support the development, deployment, and commercialization of renewable energy, energy efficiency, and clean technology projects. With the creation of the Caribbean Inclusive Climate Finance Initiative (CICFI), Deetken Impact will integrate deep investment expertise and gender-sensitive engagement with an extensive local network. CICFI will identify a robust pipeline of companies and projects that support the green energy transition, prioritize gender equality and social inclusion, and seek to raise capital to support their growth.

Following a Request for Proposals, fifteen projects will be selected to receive tailored acceleration services to strengthen key areas of project development, performance, and impact. Five high-impact projects will also receive in-depth advisory to mobilize capital, including advisory for investment transactions and support for studies, permitting, and Environmental and Social Management (ESMS) systems.





PRINCIPLE FOUR

ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT BASED ON A SYSTEMATIC APPROACH.



For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:

- What is the intended impact?
- Who experiences the intended impact?
- How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

DISE's impact measurement process is designed to identify, document and monitor the impacts of each investment made by the Fund before, during, and at the exit of each investment. The Funds set baseline social, environmental, and financial indicators for all investee companies. These are included in the Investment Recommendation prepared for the Investment Committee for review and approval of each investment and then included in DISE's Impact Report to investors, which is prepared on a quarterly basis.

The impact indicators shown below are collected on a monthly basis from each client through our impact questionnaire.

DISE'S PRIMARY IMPACT INDICATORS



DISE collects gender-disaggregated data on women in the workforce.



DISE monitors the monthly amount of clean and affordable energy generated.



The number of jobs created (permanent and temporary) is measured, along with other employment related indicators.



The amount of CO2 displaced (tonnes) is measured.

DISE'S SECONDARY IMPACT INDICATORS



This goal is reflected in the improvement of access to health services and medicine, both for the communities and employees of the company, as a result of our clients' activities.



DISE seeks to measure if the clients offer scholarships, courses, or training that benefit their employees.



DISE wants to learn about the initiatives or programs that help improve local sanitary systems, or to help improve access to water in the rural communities where the clients operate.



DISE measures the impact of its clients in the infrastructure around the local communities and projects of the authorities and stakeholders.



Client initiatives related to environmental protection, reforestation, or other support programs are documented.

CASE STUDY

RIO BETULIA



Located in the Santa Fe Municipality in the department of Colon on the north coast of Honduras, the Rio Betulia Hydroelectric Central has an installed capacity of 7.5 MW It is operated by a company named General Equipment Supply S.A. (GESSA), who has planned and developed activities aligned with the SDGs. Rio Betulia has achieved the following measurable impacts:

DISE'S IMPACT INDICATORS

- Clean and affordable energy (SDG 7): 25 GWh of clean energy is generated annually.
- Climate Action (SDG 13): clean energy generation reduces 16,075 tons of greenhouse gasses annually. The company hired a technical advisor to work on the electrical system in the community of Samaria. The project consists of a turbine that will generate energy for the community of Samaria, benefiting 35 families for a total of 210 people.
- Decent work and economic growth (SDG 8): The company employs 16 local workers, all of whom receive benefits, social security, and private medical and accident insurance. Employment generates $7,500 per month in the community.
- Industry, Innovation, and Infrastructure (SDG 9): The company repaired the 4 km access road from Samaria to La Fortuna. Additionally, it repaired a section of the access road to the community of Jasmines de Oriente, located upstream of the Betulia River basin. Both activities were developed in partnership with the local communities and authorities.
- Quality Education (SDG 4): The company donated school kits, including a backpack, notebooks, and school supplies, benefiting 154 girls and 127 boys from grades 1 to 12.

BETULIA COCOA PROJECT

GESSA has developed a community project to produce cocoa in an agroforestry system and establish community plots of ecologically and economically sustainable agroforestry systems in the Betulia River micro-basin. The project provides training and technical support to local producers and community members who own land in the micro-watershed area, focused on the layout, management, and cultivation of the sectional agroforestry system. This model guarantees total soil coverage in all the development cycles of the main crop (cocoa), allowing the planting of additional crops in the short term (corn, beans, vegetables), medium term (plantain, cassava, papaya, sweet potato, medicinal plants, and others), and in the long term with species used as



temporary shade such as tropical fruit species (citrus, avocado, Sapotaceae, rambutan, etc.), multiple-use species (guama, madreado, pito, moringa, etc.), and timber species of high commercial value (mahogany, cedar, white laurel, red granadillo).



Currently, the project has the participation of 42 producers, 40 men and 2 women, with plots in the communities of La Fortuna, Samaria and Jasmines de Oriente. During the project development process, the producers are trained by an agronomic sciences professional in aspects related to the formation of an agroforestry nursery, production of plants in the agroforestry nursery, the establishment of agroforestry plots, individual specific management of each established crop, and planting of agroforestry plants in the plots. All of these activities enable knowledge transfer to the local community for sustainable management of their land.

REDUCTION OF DEFORESTATION DUE TO FIREWOOD CONSUMPTION



GESSA, in alliance with the Honduras Association for Development (AHDESA), implemented an initiative named “Reduction of deforestation due to firewood consumption through the implementation of improved Justa 3D stoves in the Betulia River mid-upper basin”.

The project consisted of the construction of 100 Justa 3D model improved stoves, to reduce deforestation due to agricultural activities and firewood consumption in the communities of Betulia, Samaria, La Fortuna and Jazmines de Oriente, in the Betulia River micro-basin, department of Colón. Through the implementation of community learning processes and technical transfer, focused on constructing improved stoves to reduce firewood consumption for cooking, disease prevention, deforestation and climate change mitigation.

The project has benefited 100 households covering four communities, and 100 people were trained in using and maintaining the Justa 3D stoves. This initiative is expected to avoid cutting 200 trees per year to be consumed as firewood and avoid the emission of 350 tons of carbon per year.





PRINCIPLE FIVE

ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

> For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

DISE is committed to effective environmental, social and governance risk management practices in all of its activities. DISE's environmental and social management system (ESMS) requires that all projects be reviewed and evaluated against the IFC Exclusion List, applicable national laws on environment, health, safety and social issues and the IFC Performance Standards. Management of ESG risks takes place prior to investment and on an ongoing basis (annually or more frequently if required) throughout the investment period.

During the investment period, DISE monitors technical, legal, environmental and social performance and compliance of a company until the financing operation is complete. The objective is to ensure adequate environmental and social management and performance of the company, as well as compliance with environmental and social conditions established in the investment agreements.

DISE and the Technical Advisor periodically supervise the client's environmental and social performance and compliance, during both construction and operations phases. Clients are required to issue an Environmental and Social Compliance Report for each monitoring period, confirming and describing compliance with environmental and social requirements of the investment agreement in detail. DISE and the Technical Advisor carry out monitoring visits. Each visit focuses on the most relevant environmental and social issues for the corresponding monitoring period. The Technical Advisor prepares and submits an environmental and social monitoring report with the most important findings of the visit and review.

Based on the client's Compliance Report and the monitoring visit, the Technical Advisor prepares an Environmental and Social Monitoring Report, evaluating project performance and compliance for the monitoring period. If a gap or noncompliance is identified, the Technical Advisor

recommends a Corrective Action Plan (CAP) which, with DISE's approval, becomes a new environmental and social requirement for the project



EMERGENCY EVENTS: Clients must inform DISE of accidents or incidents that result in or could result in significant adverse environmental and/or social effects in the projects financed by the Funds. The terms and schedule of notification are established in the investment agreements. If an emergency event leads to a violation, DISE and the Technical Advisor assess the event together, and then the Technical Advisor recommends a CAP. The CAP has become a new environmental and social requirement for the project.

PRINCIPLE SIX

MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT AGAINST EXPECTATIONS AND RESPOND APPROPRIATELY

> The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

During the investment period, DISE monitors and measures the impact indicators described under Principle 4 for each company or project it has invested in.



Impact information is collected through a structured interview process that gathers monthly qualitative and quantitative information on each project or business. This process captures quantitative measurements of project impacts and, just as importantly, emphasizes communication between the Funds' investment team and portfolio company management to capture the story behind the numbers. This includes community initiatives project companies undertake outside their core project development responsibilities. For example, in 2020 the Funds' impact management process identified COVID-19 relief efforts driven by project companies in its portfolio that delivered food and medical supplies to communities isolated by the disruption in supply chains.

Impact information is communicated to the Funds' investors every quarter through the Quarterly Report to Limited Partners and discussed in regular meetings of the Limited Partners Advisory Council and the Investment Committee.

In cases where the clients have not met the expected targets, especially in energy generation, the Technical Advisor meets with them to determine if they have technical problems and follows up with continuous monitoring.



DISE's impact measurement system is aligned to the Global Impact Investing Network (GIIN)'s IRIS+ metrics. In 2023 we participated in the GIIN's Energy Impact Performance Benchmarking working group alongside other leading climate finance investors. This initiative was a co-development process to develop a landmark analytic tool that aggregates sector-specific impact results across investments, enabling investors to compare their impact performance to peers and to the Sustainable Development Goals (SDGs). As a result, we're currently in the process of analyzing the incorporation of additional metrics into our impact questionnaire, and assessing how the tool can help inform decisions and drive deeper impact.

PRINCIPLE SEVEN

MONITOR CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

> When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

DISE's funds H-REFF and CABEF are recent funds which began investments in 2017 and 2018 and are still in the process of deploying capital. Therefore, all the projects are at an investment stage and no exits have occurred. To develop impact exit strategies, DISE has drawn on experience and lessons learned from prior exits managed by the DISE team.

In renewable energy projects, sustainability is inherently present in the assets. Thus it is expected that the assets will continue to be sustainable even after the Funds' have exited the projects. Nonetheless, responsible exits should assess the buyer's commitment to impact and consider ongoing engagement with the employees and the community. Upon the negotiation of an exit, DISE will confirm that the impact objectives of the project are clearly laid out to the buyer of the asset and ensure that the commitments continue.

DISE's exit mechanisms are agreed upon at the origination of each deal. In most cases, the exit strategy is through the initial project sponsors—all of whom have already been assessed by DISE as responsible investors who align with our impact objectives. Our exits will differ according to the investment structure: debt, preferred shares, or common equity.



Exits of debt and preferred share deals are self-liquidating through either interest, principal, preferred dividends or share redemptions. In this case, the exits are done with the company and/or project sponsors.

Exits of common shares have put options for sale back to the portfolio company. However, with common shares, there is a possibility that the exit will happen through the sale to a third party - in which case DISE will consider the buyer's commitment to sustainable development and impact objectives.

PRINCIPLE EIGHT

MONITOR REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

> The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

In 2020, DISE completed a comprehensive review of its impact measurement and reporting system to ensure clarity, consistency, and consideration of the specific context and standards of each country where the Funds operate. This included improved protocols for gathering, analyzing, reporting, and communicating impact information. As part of this effort, we organized a workshop for all portfolio companies of the Funds to transmit the importance of impact measurement, their key role in ensuring that impact information is meaningful, and the benefits that creating, measuring, and reporting impact will have for their businesses. DISE plans to continue this proactive and collaborative approach to improve the generation of impact in its portfolio as well as its measurement and reporting. DISE periodically shares information with its portfolio companies so they may understand their impact versus relevant benchmarks, share insights, and provide feedback to the DISE team.

In 2021, DISE conducted interim and ex-post evaluations of its transactions as they developed and eventually left the portfolio to validate our impact assumptions and improve our impact management approach. The learnings from these evaluations provide a better understanding of the Funds' impact and serve as a basis for continuous improvement.

In 2022, following the recommendations in the independent verification carried out by TECDEA (Tecnología y Desarrollo Ambiental S.A. de C.V) in May 2021, the DISE´s impact measurement system was improved. Below is a summary of the actions implemented:

- Updated the impact measurement questionnaire by type of technology and client's operation.
- Standardization of the frequency of delivery of questionnaires by project or stage (construction, operation).
- Systematization of impact indicators shared by clients.
- Updating the guide for implementing the Impact Measurement Questionnaire according to changes made in the process.
- As of Q3 2022, DISE started collecting gender-disaggregated data and started encouraging companies to conduct gender-sensitive initiatives in their business and communities.

In 2023, DISE developed training on the Intersection of Gender and Energy for the companies in its investment portfolio. The objective of the training was to encourage companies to include the gender lens as an opportunity for business growth. The workshop separated the English-speaking and Spanish-speaking companies over two days. The workshops were attended by 56 participants from 10 DISE portfolio companies, 31 participants for the training in Spanish, and 25 participants for the training in English. Additionally, new gender disaggregated metrics were presented to be included in the impact measurement questionnaire.

As a result of the incorporation of these gender disaggregated metrics, we were able to measure and report the following:

- 45% of the companies in H-REFF's and CABEF portfolio have women on their Board of Directors.
- 26% of the employment generated by the H-REFF and CABEF portfolio corresponds to women's jobs.
- 24% corresponds to women with technical positions.
- 19% of women's jobs correspond to managerial positions.
- 47% correspond to clerical jobs.
- DISE continues to work with the companies in its portfolio on initiatives with a gender focus, currently working with 2 companies located in Central America and the Caribbean.

In 2023, DISE was awarded two of 11 CREF Awards for Excellence at the Caribbean Renewable Energy Forum (CREF). The 5th Annual CREF Industry Awards recognize excellence in projects, programs, and people driving the clean energy transition forward in the Caribbean. DISE won the Best Climate Finance Program for the Caribbean Basin Sustainable Energy Fund (CABEF) and the Best Commercial & Industrial Project for one of the projects supported by our investment in a Jamaican distributed solar company. Another one of our portfolio companies was recognized for the Best Energy Storage Project in the Dominican Republic. This shows how we aim to develop best practices in our portfolio and share what we learn with the ecosystem.

For more information, see Deetken Impact Recognized With Two Accolades at the 5th Annual CREF Industry Awards.

PRINCIPLE NINE

MONITOR PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION

> The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement confirms DISE's alignment with the Impact Principles, and we will be updating it annually. Information about our current independent verifier is as follows:

Name: TECDEA (Tecnología y Desarrollo Ambiental S.A de C.V.)

Address: Colonia Lomas del Guijarro Sur, Torre Alianza II, Oficina 807, Tegucigalpa, Honduras.

Tecnología y Desarrollo Ambiental S.A. de C.V. (TECDEA) has been contracted by Deetken Impact Sustainable Energy (DISE) to conduct an independent review on the alignment of DISE's impact management system with the Operating Principles for Impact Management (the principles), applied to the Honduras Renewable Financing Facility (H-REFF) and Caribbean Basin Sustainable Energy Fund (CABEF), both funds managed by DISE. DISE's assets under management were USD $60 million as of May 2024.

The consultancy consists of making inquiries, primarily about the impact management systems and to persons responsible for preparing the information presented in the Statement and evidence-gathering procedures, as appropriate. These procedures included:

- Review of the alignment of the DISE's impact management system with the Operating Principles for Impact Management.
- Interviews are needed to understand DISE's processes for determining its alignment with principles.
- Inspection of supporting documents.
- Drafting and issuing an independent verifier's report

Based on the procedures performed and the review conducted, as described above, nothing has come to our attention that causes us to believe that Deetken Impact Sustainable Energy has not aligned with the Operating Principles for Impact Management for the USD 60 million of its assets under management (as of May 2024).

The independent verification report is available in this link.



Deetken Impact
Suite 500 – 210 West Broadway
Vancouver, BC V5Y 3W2

Deetken Impact Sustainable Energy
Cond. Urano 211
San José 2000, La Uruca
San José 10107
Costa Rica

Phone: +1 (604) 731-4424 EXT. 110
+506 2291-2244

Email: impact@deetken.com
Web: deetkenimpact.com