

# **Makoto Maki Foundation**

Policy plan

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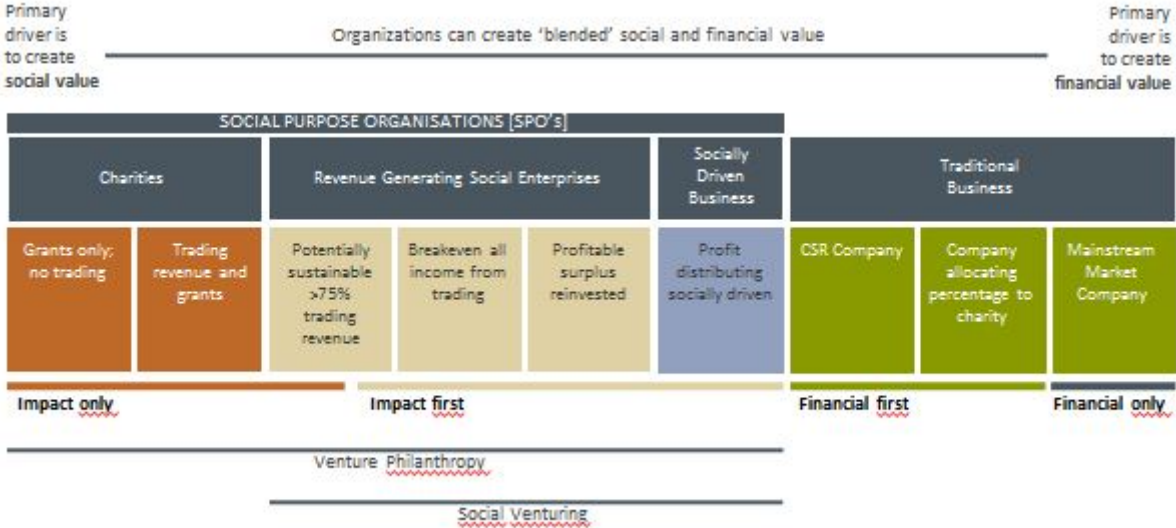
# 1 Introduction

This document describes the policy for the activities of the Makoto Maki Foundation. The Makoto Maki Foundation is a Dutch foundation that concerns itself with providing donations and investments into projects that help boys and girls in less developed countries to go to school.

This document will elaborate on the structure of the funds (chapter 2), the investment strategy (chapter 3) and the equity strategy (chapter 4).

# 2 Structure and Organization

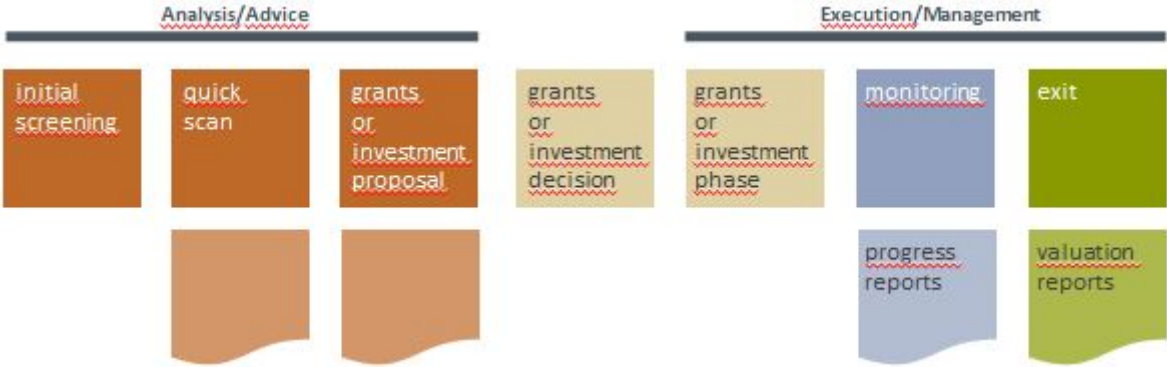
The Makoto Maki Foundation operates in the field of venture philanthropy. Venture philanthropy is an approach that applies venture capital principles, such as long-term investment and hands-on support, to the social economy. Organizations that are supported may be charities, social enterprises or socially driven commercial businesses, with the precise organizational form subject to country-specific, legal and cultural norms. Together these are referred to as social purpose organizations, aiming to create a blended social and financial value. Social venturing is a subset of venture philanthropy, focused on revenue generating social purpose organizations. The venture philanthropy spectrum is depicted in figure 1 below:



The Makoto Maki Foundation focusses solely on the 'impact-only-pillar' of the venture philanthropy spectrum. The Makoto Maki Foundation provides donations to social purpose organizations striving for impact only and seeks no monetary return in the form of profits or returns.

Shaerpa is a service organization delivering engaged venture philanthropy and social venturing services to funds, foundations and families. Shaerpa is responsible for the program

management for donations provided by the Makoto Maki Foundation. In its execution Shaerpa applies standard operating procedures which include, initial screenings, donation proposals and investment proposals, as can be seen from the figure below.



### 3 Focus and Investment Strategy

Until 2009 the Makoto Maki Foundation provided donations to educational projects in developing countries in a traditional fashion. In 2009, the board of the Makoto Maki Foundation expressed its interest to change the approach towards a venture philanthropy approach. This change in approach, was adopted in 2010 with the contracting of Shaerpa as venture philanthropy service provider. Since then, the overriding principle in the investment strategy for the activities is the application of the venture philanthropy approach. The key characteristics of this approach are:

- **High engagement:** venture philanthropists have a close hands-on relationship with the social purpose organization they support, driving innovative and scalable models of social change. This requires close involvement at strategic and operational levels and may include taking a board seat at these organizations.
- **Tailored financing:** venture philanthropists take an investment approach to determine the most appropriate financing for each organization. Depending on the missions and the ventures they choose to support, venture philanthropists can operate across the spectrum of investment returns.
- **Multi-year support:** venture philanthropists provide sustained financial support to a limited number of organizations.
- **Non-financial support:** In addition to financial support, venture philanthropists provide value-added services such as strategic planning, marketing and communications, executive coaching, human resource advice and access to other networks and potential funders
- **Organizational capacity building:** Venture philanthropists focus on building the operational capacity and long-term viability of the organizations in their portfolios, rather than funding individual projects or programs. They recognize the importance of funding

core operating costs to help these organizations achieve greater social impact and operational efficiency.

- **Performance measurement:** venture philanthropy investment is performance based, placing emphasis on good business planning, measurable outcomes, achievement of milestones and high levels of financial accountability and management competence.

The above description is an ideal picture of the venture philanthropy approach. The extent to which each aspect will be applied in the individual projects of the Makoto Maki Foundation will be determined on a case by case basis.

### 3.1 Sectoral Focus

According to the articles of association for the Makoto Maki Foundation, the objective of the foundation is to contribute to the financing of education for girls and boys in less developed countries. Therefore, the main thematic focus for the Makoto Maki Foundation is on educational projects.

Donations and investments outside the educational field, such as healthcare and/or environment may be considered on a case by case basis.

### 3.2 Geographical focus

Taking into account the thematic focus described above, the Makoto Maki Foundation has a preference for funding activities in developing countries, primarily in South-East Asia and Africa. Organizations operating in these regions but located in other parts of the world fall within this primary focus.

Donations and investments outside developing countries may be considered on a case by case basis.

### 3.3 Instrumental focus

In supporting venture philanthropy and social venturing projects the Makoto Maki Foundation can apply a wide array of financial instruments, as depicted below in the figure below.



In line with the venture philanthropy principles, the choice for a specific financing instrument is tailor-made, based on the needs of each specific social purpose organization. The Makoto Maki Foundation prefers to operate through financial instruments with no financial return expectations, such as grants and convertible grants.

### **3.4 Criteria**

In selecting social purpose organizations to be supported through the Makoto Maki Foundation the following criteria are applied:

#### **Entrepreneurial drive**

- Recipients have to show an entrepreneurial spirit and cost awareness

#### **Cooperation and participation**

- Recipients have to be open to cooperation with the Makoto Maki Foundation
- Through active participation the Makoto Maki Foundation strives to add value to projects and participations, both in preparation as well as execution.

#### **Responsibility and accountability**

- The recipient needs to take its responsibility at the different phases and honour the agreements made with the Makoto Maki Foundation.
- The recipient has to show accountability towards the social and financial results achieved by the project and/or participation.

#### **Innovation driven**

- The nature of the activities needs to be innovative. There needs to be an innovative development and appliance of ideas.

#### **Co-financing**

- The Makoto Maki Foundation prefers to share the required financing for a project and/or participation with like-minded co-financers

#### **Leveraging and enabling**

- The content of activities needs to add to the other activities and the general purpose of the foundation.

For each individual project an assessment of the compliance with these criteria will be made. These criteria have to be met in a way that is appreciated by the board of the Makoto Maki Foundation.

#### **4 Equity strategy Makoto Maki Foundation**

The equity position of the Makoto Maki Foundation changes with the net results of income and expenses. Historically Makoto Maki Foundation receives an annual dividend of approximately €30K on its shares in Makis Holding B.V. and interest on its outstanding cash balance. Besides minor organizational costs, the expenses of the Makoto Maki Foundation consist of program related expenses (donations to projects supported by the Makoto Maki Foundation). The exchange rate result, due to fluctuation in Euro/Yen exchange rate, is also recorded as an income or expense impacting the equity position.

The equity strategy for the Makoto Maki Foundation is to maintain a minimum equity position equal to the value of the depository receipts of shares in Makis Holding B.V.

Furthermore the Foundation prefers to keep an amount equal to approx. 12 months of operating activity in liquid assets. This is in order to be able to respond quickly to donation requests when needed.

Based on this equity strategy, it is the Makoto Maki Foundation's objective to continue utilisation of funds to a level equal to its annual income, without engaging in any loans.