Actis Disclosure Statement

Operating Principles for Impact Management

9 March 2020

Actis is a founding signatory of the Operating Principles for Impact Management ("the Principles").

This Disclosure Statement serves to fulfil Actis' obligations pursuant to Principle 9 of the Principles.

This Disclosure Statement affirms that all of Actis' investments[1], including (i) policies and practices and (ii) impact management systems, are managed in alignment with the applicable Principles since January 2019. The reporting period for the purposes of this verification runs from 1 January 2019 through to 31 December 2019.

Andrew Newington
Actis Chief Investment Officer
9th March 2020

Important information

This document is issued by Actis GP LLP ("Actis"), a limited liability partnership registered in England and Wales (registered no. OC370074). A list of the members of Actis is open to inspection at its registered office, 2 More London Riverside, London SE1 2JT, England. Actis is authorised and regulated by the Financial Conduct Authority in the UK ("FCA").

This statement is not intended as, nor should it be construed as, an offer of interests (or an offer to subscribe for interests) in any product which is sponsored, managed or advised by Actis.

This document has been approved by Actis solely for the purposes of the Operating Principles for Impact Management.

Readers should not treat these materials as advice in relation to legal, taxation or investment matters and are recommended to consult their own advisers in relation to any such issues. The information contained herein may not be relied on by any person for any purpose and no responsibility is accepted by any person for the accuracy or completeness of such information.

[1] Investments refer to new deals that have reached Actis' Final Investment Committee during the 2019 calendar year. The value of each new deal stated in the accompanying Final Investment Committee papers summed is USD 417,500,000.

– Principle 1: Define strategic impact objective(s), consistent with the investment strategy

- Since 2004 Actis has been investing in growth markets across Africa, Asia and Latin America focused on the private equity (PE), energy, infrastructure, and real estate asset classes. It has a growing portfolio of investments and assets under management. Actis believes that investing responsibly and with impact creates businesses that are more resilient, more innovative and better able to deliver societal benefits. This also makes them more valuable delivering greater value to our investors.
- Actis pursues impact objectives within its key investment verticals (Energy, Real Estate, and Private Equity including healthcare, education and financial services), which align with the UN Sustainable Development Goals.
- For all new funds raised, the Private Placement Memorandum sets out the investment strategy at portfolio level that is applied in capital deployment for achieving impact objectives aligned with Actis' Responsible Investment (RI) Code. In addition, impact metrics for certain asset classes are predefined in order to bring even more clarity to Actis' desired impact objectives. For example, renewable energy investments are evaluated on three predefined impacts including greenhouse gas avoidance through clean energy generation, job creation and generating power to support economic development.
- Delivering positive impacts, which are meaningful and measurable is a key consideration in Actis' investment strategy and decision-making process. The Actis Impact Score™ (AIS™), which has been applied to all new investments since January 2019, is a framework that supports Actis in the identification up to five strategic impact objectives for each portfolio business, and subsequent measurement and monitoring of intended and actual impact performance. The AIS methodology and approach were developed in consultation with the Impact Measurement Project[2], and with EY London[3] to ensure an auditable framework.
- Given that the AIS is calculated for all investments, the aggregation of AIS scores enables assessment against strategic fund objectives including alignment with targeted SDGs, and also comparison across funds, asset classes and geographies.

– Principle 2: Manage strategic impact on a portfolio basis

- Actis ensures achievement of impact alongside strong Environmental, Social and Governance (ESG) performance as a key part of its ongoing management of businesses in its portfolio. As outlined in the AIS Operating Manual, Actis monitors impact performance at the fund portfolio level as well as individual investments.
- The AIS is used to track and manage key positive impact objectives throughout the lifecycle of an investment. It is an integral tool for Actis' RI and Deal teams to measure and monitor impact performance on a portfolio basis. The scores are determined by the Deal teams in

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[2] https://impactmanagementproject.com/

[3] https://www.ey.com/en_uk

conjunction with the RI team, and draw on data provided by portfolio businesses where necessary.

- The AIS draws upon the consensus achieved by the Impact Management Project's[4] (IMP) five dimensions of impact to create an Impact score: What; How Much; Who; Contribution; and Risk.
- During the Investment Committee (IC) process, Actis establishes the key impact metrics to be monitored over the holding period. This enables Actis to monitor impact performance across each investment, by tracking the target impact score against the baseline and annual scores. Monitoring is undertaken annually as part of portfolio reviews.
- The AIS calculations (baseline and forecast), along with a description of the intended positive impacts of each investment and impact metrics to be monitored, are presented at every Final Investment Committee. The scores and impact rationale are incorporated into the Investment Committee papers and uploaded to the internal Actis investment database.
- The AIS framework allows for comparison of portfolio companies across sectors and geographies. The framework provides a standardised approach to impact assessment but adjusts metrics depending on the type and scale of the investment. The AIS process enables Actis to track and annually review impact performance for the whole portfolio of a fund.
- Impact is considered part of Actis' overall approach to Responsible Investing. All Actis staff are assessed against the four core values of the firm – one of which is Responsible Investing – as part of the annual review process. This means individuals are assessed against how well they uphold the firm's values in the identification, management and delivery of investments, and this can directly affect the appraisal outcome and the reward. An incentive structure is also in place within certain portfolio companies to incentivise strong RI performance by the management team in line with Actis' values.

– Principle 3: Establish the Manager's contribution to the achievement of impact.

- The AIS incorporates an assessment of Actis' contribution towards the impact outcomes of an investment. The guiding question which is applied is '*Would this impact outcome have happened anyway with another investor?*' Actis considers the circumstances that led to a particular positive outcome and whether or not this outcome was the result of specific decision-making and stewardship by Actis and/or the Company management team. For example, considering whether an investment was won through a competitive bidding process or via a bilateral agreement involving only Actis.
- Actis measures contribution for each key positive impact outcome identified in AIS on a scale ranging from Low to Moderate to High. Each impact is considered on a case-by-case basis by the Deal team and RI team, in consultation with the business management team where required, recognising that contribution levels to any particular impact can differ. Investments receive a higher contribution score if the impact was unlikely to be achieved

[4] https://impactmanagementproject.com/impact-management/what-is-impact/

without Actis' investment, and the lowest contribution rating is assigned if the positive impact was likely to have manifested regardless.

- Impact performance is reviewed annually for each investment, and at exit the AIS is recalculated to create a final Impact Multiple score indicating the increase in positive impacts created by Actis during the investment. Actis also re-assesses the contribution score forecasted at baseline, so that it accurately reflects Actis' contribution at the end of the investment-holding period.

– Principle 4: Assess the expected impact of each investment, based on a systematic approach

- AIS is a tool for Actis to measure and monitor impact performance on a portfolio basis. An integral feature of the tool is that it includes an ex-ante AIS score (i.e. forecast) which is effectively an estimate of the projected impact outcomes of an investment. This is determined prior to deal completion.
- These scores are developed by the Investment Teams and RI team ahead of the Final Investment Committee to determine: the intended impact of the proposed investment; the beneficiaries; and the magnitude of impact that can be targeted.
- The approach is based on the widely accepted impact dimensions established by IMP. Our approach incorporates assessment of the fundamental questions:
  (1) What is the intended impact?
  (2) Who experiences the intended impact?
  (3) How significant is the intended impact?
- Actis' approach includes consideration of the relative need of the country, market or local context of an impact, to understand how well-served or under-served the beneficiaries of the outcome are. To assist in determining relevant need in the appropriate geographical context, Actis would rely on credible global data sources (e.g. International Labour Organisation, World Bank, World Health Organization. Central Intelligence Agency Factbook). The types of datasets that might be considered are investment specific but may include GDP, unemployment, female participation in the labour force, electrification rates, proportion of citizens unbanked etc. These are updated annually.
- Where possible Actis uses monitoring indicators that are aligned with industry standards such as IRIS[5] and the UN SDG indicators.
- As part of the AIS, Actis assesses the likelihood of achieving the investment's expected impact by considering the risk of the investment failing to achieve its intended impact as set out in the ex-ante projections. Risk is assessed at baseline and supports the investment decision-making process and portfolio-monitoring plan.
- As part of ongoing tracking of impact performance, the RI team is in regular dialogue with the business management teams to identify risk mitigation and to evaluate the likelihood of delivering on intended impacts. Actis equally engages with its companies to consider

[5] https://iris.thegiin.org/

opportunities for increasing the delivery of core impacts and identifying additional indirect or peripheral and ancillary impacts.

- The AIS framework maps Actis' ex-ante projections using predetermined indicators to track impact during year-on-year implementation. As established in the AIS Manual, this enables Actis to measure progress against the projected impact outcomes.

– Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment

- Actis' RI Code[6], last updated in 2017, includes ESG Policies that articulate Actis' overall approach to integrating ESG issues into investment decision-making. The policies cover the following areas: Environment, Social and Human Capital, Climate Change, Business Integrity and Health and Safety. In support of these policies, Actis' internal Environmental and Social Management System includes guidance and procedures for implementation of the ESG policies as set out in the RI Code. The AIS framework is set out in an internal Operating Manual with supporting annexes detailing the processes to measure impact.
- The ESG Policies cross-reference Good International Industry Practice (GIIP) including the IFC's Environmental and Social Performance Standards, and define the responsibilities of Actis alongside its investee companies in managing the environmental and social (E&S) risks of their operations.
- Actis is a signatory to the UN-backed Principles for Responsible Investment (PRI). In 2019, the PRI assessed Actis' adherence to the PRI Principles and Actis was awarded an A+, which is the highest grade achievable.

<u>Due Diligence</u>

- Actis undertakes ESG due diligence on its investments, assessing the potential investee company's ability and commitment to uphold ESG standards consistent with Actis' RI approach over a reasonable period. Actis systematically reviews the implementation capacity of the potential management team as well as the quality of their ESG management system. The review of Environmental and Social Impact Assessment (ESIA) studies forms an important part of Actis' due diligence assessment.
- Actis uses a categorization system to reflect the potential magnitude of E&S risks of all new investments, and to allocate resources and approval levels accordingly. As appropriate and dependent on the ESG risk profile of the transaction, Actis appoints external specialist advisors to support E&S due diligence. Actis has a panel of preferred providers for undertaking such work.

<u>Ownership period</u>

- Investee company management teams are required to commit to operating in accordance with the Actis RI Code. The ESG due diligence results form part of the post-investment plan.

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[6] https://www.act.is/media/1492/actis-esg-code.pdf

This may include an ESG Corrective Action Plan and /or Impact Action Plan to address any gaps between the company's performance and Actis' requirements.

- Through ongoing monitoring, ESG Committees, and site visits, Actis works alongside investee companies to ensure the management and mitigation of ESG risks.

– Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately

- Positive impacts generated by Actis investments are monitored by the RI Team member assigned to an investment, in conjunction with the Deal Team lead during the investment-holding period.
- Data collection occurs through ongoing regular dialogue with the business management team, through site visits and as part of data submitted by portfolio companies and reviewed by Actis during quarterly portfolio reviews and annual reporting. Procedures are in place for AIS to be recalculated annually when annual data submission is received, to track progress against the forecast score, and again at exit to create a final score. The investments applying AIS in the reporting period are not yet sufficiently progressed to have annual reporting completed.
- The RI team collects ESG data from investee companies through the internal investment database; a portion of the data is gathered quarterly, and a separate more comprehensive dataset is gathered on an annual basis.
- For those companies who have ESG sub-committees to the Board, the Actis team receives ESG and impact data through the Committee meetings as standing agenda items.
- As referred to in the AIS Operating Manual, through dialogue with the management team and periodic site visits, Actis assesses progress against impact outcomes and works with investee companies to take action in cases where impact outcomes may be at risk.
- Certain AIS metrics draw on publicly available data sources such as World Bank Development indicators, which are used in AIS monitoring and score calculation.

– Principle 7: Conduct exits considering the effect on sustained impact

- The first investments scored with the AIS are not yet exited.
- The Actis process comprises an Exit checklist, which includes questions designed to assess whether positive ESG and impact performance would be at risk of dis-continuing or becoming diluted as a result of the proposed exit (including based on the identity of the prospective buyer, the timing or the structure of the exit). The Exit checklist is consulted by the Deal team and discussed at the Exit Committee.
- The long-term sustainability of impact outcomes is considered during the initial investment phase by considering whether the impact is core to the business and likely to yield long-term impact. Investments receive a higher score if positive impact is achieved as a result of the core operations of the business. This is defined as a business activity generating greater than 5% of the total revenue. By investing in businesses which are inherently impactful due

to the nature of their core business, Actis reduces the likelihood that a sale will threaten the longevity of that impact.

– Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

- The Actis RI team review the impact performance of each investment to compare the expected and actual impact returns on an annual basis. This is captured in the AIS scorecards held for each investment. The review occurs annually through the lifetime of the investment and at exit. As outlined in the AIS Operating Manual, AIS scores are aggregated across funds, and these findings will feed into strategic investment decision making and the management process more broadly. The investments applying AIS in the reporting period are not yet sufficiently progressed for this to have occurred.
- Actis has retrospectively applied the AIS framework to investments exited prior to 2019 to gain insights regarding actual impacts.
- In line with Principle 9, Actis has undertaken an external verification of Actis' practice and procedures against the IFC OPIM. The AIS manual notes that the results of the verification process will feed into the ongoing review of AIS in supporting the achievement of positive impact outcomes.
- A member of the RI team attends portfolio review meetings, at which each investment is reviewed. This is an important opportunity to update the firm on impact performance and to draw on lessons learned. Findings from the quarterly and annual reviews are used to improve operational and investment decisions in the delivery of positive impact outcomes.
- Impact Champions amongst the investment deal teams have also been appointed. They support cross-portfolio comparison and highlight key takeaways on performance, to align required adjustments to the impact assessment process, including scoring criteria.

– Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

- This Disclosure Statement re-affirms the alignment of Actis procedures with the Principles and will be updated annually (March 2021)
- The independent assurance report on the alignment of Actis with the Principles is posted under https://www.act.is/responsible-investing/responsible-investment-materials/
  Direct link: https://www.act.is/media/2917/actis-pwc-assurance-report.pdf
- The PwC verification report concluded that : 'based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that in all material respects for Actis's 2019 reporting year the Statements in the Disclosure Statement are not fairly stated.'
- The current independent verifier is as follows: PricewaterhouseCoopers LLP.
- Actis intends to undertake verification every every 2-3 years.