

Operating Principles for Impact Management

ABC Impact's Disclosure Statement

August 2022



Disclosure Statement

Operating Principles for Impact Management

Temasek Trust Asset Management Pte. Ltd.

August 2022

Temasek Trust Asset Management Pte. Ltd. (TTAM, the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles")¹. This Disclosure Statement applies to funds managed by ABC Impact, an investment unit of TTAM.

Temasek Trust Asset Management Pte Ltd ("TTAM") is a Singapore-based global asset management firm dedicated to investing in positive outcomes for economies, societies, and the environment. ABC Impact ("ABC") focuses on impact investing and aims to deliver measurable social and environmental returns alongside compelling risk-adjusted financial returns to its stakeholders.

The total assets under management in alignment with the impact principles is US\$300 million as of 1st August 2022.



David Heng
Chief Executive Officer
Temasek Trust Asset Management Pte. Ltd.
15th August 2022

¹ Please visit the Operating Principles for Impact Management website (<https://www.impactprinciples.org>) for more information about the Impact Principles and related resources

Principle 1 - 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.

- ABC Impact (“ABC”) is a private equity firm² that aims to deliver measurable social and environmental returns alongside compelling risk-adjusted financial returns to its stakeholders. ABC World Asia Fund I LP (the “Fund”) is the first ABC Impact fund.
- ABC seeks to identify companies whose products or services drive positive and measurable impact in line with the United Nations Sustainable Development Goals (“SDGs”). It invests in high growth businesses where impact outcomes are collinear with the commercial success of the companies, enabling achievement of desired impact outcomes while also remaining disciplined about delivering market rate returns.
- ABC has defined its investment themes considering the overarching social and environmental challenges and market gaps in the Asia-Pacific region. The societal need and viability of the impact strategy for these themes is backed by a robust evidence base consisting of external studies and evaluations. The five investment themes of ABC are mentioned below
 - Climate and water solutions
 - Financial and digital inclusion
 - Better healthcare and education
 - Sustainable food and agriculture
 - Smart and livable cities
- Within the themes, ABC focuses on specific underlying sectors/subthemes that offer impact and value creation potential in response to environmental and societal challenges. For each theme, ABC has defined impact objectives and developed evidence-based theories of change. For every investment, ABC uses logic models to:
 - Assess the causal relationships between inputs, outputs, short-term outcomes, and long-term outcomes (impact) of an investment
 - Link measurable outputs of an organization to the SDGs

² ABC Impact operates under the Licensed Entity Temasek Trust Asset Management Pte Ltd (“TTAM”). TTAM is a Singapore-based global private equity asset management company dedicated to investing in positive outcomes for economies, societies, and the environment

- Establish impact KPIs supporting contribution to SDGs and overall impact of the company
- All of ABC's investments contribute to solutions and come under Impact Class C of the Impact Management Project's (IMP)³ impact asset classification guide.
- ABC's annual Impact Report⁴ provides a gauge of the firm's impact at portfolio and company level, as well as its contribution to SDGs.

ABCs Impact Objectives and Performance in 2021

IMPACT ACHIEVED	IMPACT THEME	RELEVANT SDGs	INTENDED OUTCOMES
10.08M PEOPLE SUPPLIED WITH ESSENTIAL SERVICES	892,574 PATIENTS PROVIDED ACCESS TO HEALTHCARE SERVICES 4.16M STUDENTS PROVIDED ACCESS TO QUALITY EDUCATION CONTENT DIGITALLY		IMPACT ON PEOPLE & SYSTEMS <ul style="list-style-type: none"> • Contributing to Universal Health Coverage by strengthening health systems • Increasing access to affordable, safe medical products and services • Bettering quality of life and contributing to healthier futures • Improving access and affordability of quality education • Enhancing social mobility through skills development and life-long learning opportunities
	1.35M INDIVIDUALS & MICRO-ENTERPRISES GAINED ACCESS TO FINANCIAL SERVICES		IMPACT ON PEOPLE <ul style="list-style-type: none"> • Improving well-being of underserved communities by expanding access to safe and affordable financial products • Increasing financial resilience and the ability to advance economic prospects for all • Increasing use of communication technologies in rural communities for learning, workforce participation, and new market access
	3.67M FARMERS GLOBALLY GAINED ACCESS TO CUSTOMISED FARMING ADVICE AND INFORMATION		IMPACT ON PEOPLE & SYSTEMS <ul style="list-style-type: none"> • Accelerating the transition towards more sustainable food and farming systems • Improving food security while preserving natural resources and ecosystems • Ensuring smallholder farmers' livelihoods by improving productivity, market access, and resilience to climate change
1.65M METRIC TONNES OF CO ₂ EMISSIONS AVOIDED	1.65M METRIC TONNES OF CO ₂ EMISSIONS AVOIDED 404M LITRES OF WATER SAVED THROUGH AVOIDANCE OF LIVESTOCK AGRICULTURE		IMPACT ON PLANET & PEOPLE <ul style="list-style-type: none"> • Supporting the transition to a low-carbon economy through innovation and infrastructure development • Generating and providing access to affordable, reliable and clean energy • Ensuring access to clean water and sanitation • Maximising energy and resource efficiency • Reducing waste generation and promoting the transition to a circular economy
	144 MW OF SOLAR PANELS INSTALLED		IMPACT ON PLANET & PEOPLE <ul style="list-style-type: none"> • Improving climate resilience of societies • Supporting decarbonisation of energy systems through infrastructure development • Facilitating supply-chain digitalisation and innovation to improve market access and resilience • Supporting development of more efficient mobility systems • Encouraging societies toward sustainable living

³ [The Impact Classes of Investment](#), Impact Management Project

⁴ [Impact report 2021](#); [Impact Report 2020](#), ABC's Annual Impact Report for 2021 and 2020

Principle 2 - 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.

- ABC has designed a comprehensive Impact Measurement and Management (IMM) framework, based on IMP’s five dimensions approach, which allows it to evaluate impact systematically, leveraging evidence-based research and data.
- ABC’s IMM framework informs investment decision-making and helps monitor the impact performance of portfolio companies. The framework provides robust and standardized system for aggregating, comparing, and managing impact performance, utilizing -
 - An initial screen to determine alignment with the SDGs, materiality, intentionality, and risks
 - A deal-level logic model that ties to specific SDG targets, and
 - An impact scoring tool aligned with the IMP⁵ framework
- During the diligence phase, ABC establishes the key impact metrics to be monitored over the hold period, which are included in the final investment recommendation to the Investment Committee
- On a quarterly basis, ABC tracks and measures the performance of its portfolio companies from both a financial and impact perspective by regular tracking of financial and impact metrics and comparing to plan. The performance is reviewed by the ABC’s senior management and is reported to the Board and Limited Partners of the fund on a quarterly basis.
- Part of variable compensation for ABC’s employees is determined by the company’s overall performance, which includes the portfolio’s impact performance. As the fund grows, ABC plans to put in place a mechanism for aligning staff incentive systems for senior team members with the achievement of specific impact targets

ABC’s Impact Measurement and Management Tools

<p>HOW DOES ABC ENSURE SELECTION OF THE RIGHT IMPACT COMPANIES? 1</p> <p>IMPACT SCREEN</p> <p>Applying a screen early in the process ensures that potential investments meet baseline impact criteria before engaging in further diligence.</p> <p>Initial screens can be more or less intensive: from a simple focus sector alignment to the development of an impact thesis and assessment of the target according to impact criteria.</p>	<p>HOW ABC ASSESSES CONTRIBUTION TO THE UN SDGS? 2</p> <p>IMPACT THESIS</p> <p>Articulating an impact thesis and logic chain which maps the target company to impact helps ensure that the target company is aligned with the fund’s impact objectives.</p> <p>An impact thesis is initially built upon a series of assumptions that need to be verified during due diligence using company data and evidence-based research</p>	<p>HOW ABC ENSURES AN INVESTMENT WILL DRIVE ‘ENOUGH’ IMPACT? 3</p> <p>IMPACT SCORING</p> <p>A scoring system that synthesizes the results of the impact due diligence helps inform an investment committee recommendation.</p> <p>A scoring system can define minimum threshold for impact and therefore ensures that all deals meet a required baseline for impact.</p>	<p>HOW ABC MEASURES IMPACT IN A CONSISTENT MANNER? 4</p> <p>IMPACT KPIS</p> <p>Identifying a set of metrics and indicators that are tied to the impact thesis and can be tracked over the course of ownership is critical to measure and report the impact performance of an investment.</p> <p>Whenever possible, indicators should be aligned with standardized industry metrics, such as those identified by the IRIS+ system.</p>
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Principle 3 - 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

- ABC articulates its contribution to impact delivered by investee company by aligning it to theme-level theories of change that demonstrates how a company's activities can deliver on targeted impact
- Post-investment, ABC presents an Impact and ESG action plan to the company which outlines:
 - Set of KPIs to be monitored
 - Potential value-add projects/initiatives to address any gaps identified during the diligence process
 - Value creation initiatives that can enhance contribution to the achievement of impact as articulated in the theory of change
- ABC has a formal requirement related to impact management and reporting in the legal documentation, whereby it requires its investee companies to comply with its ABC's impact mandate, implement impact and ESG plans, and report their impact and ESG performance.
- In addition to provision of capital, ABC provides management support in the form of impact monitoring and assessment, and strategic engagement with investee companies through the life of the investment. This includes participation in the Board of Directors of various portfolio companies and providing access to required knowledge and resources, as and when required. In some instances, ABC is part of strategic impact/sustainability committees that operated under the Board's directive.
- In addition, ABC has a dedicated Technical Assistance (TA) budget, which is primarily used to support investees in capacity building projects and other value creation/addition initiatives. ABC has financially supported its portfolio companies in initiatives such as - undertake the B Impact Assessment, conduct a consumer survey to ascertain a company's impact on its customers.

Principle 4 - 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: (1) What is the intended impact? (2) Who experiences the intended impact? (3) 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

- ABC has developed a structured and standardized impact assessment processes to assess and quantify the expected impact of investments, incorporating the IMP’s five dimensions of impact, standardized metrics (e.g., IRIS+), and contribution to SDG target(s) by investee companies

Five Dimensions of Impact

IMPACT DIMENSION	CATEGORY	STAGE	HOW WE ASSESS AND SCORE	SCORE
WHAT WHAT tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders.	SDG alignment	Screen	Not aligned with the UN SDGs → Fully aligned with the UN SDGs	WHAT SCORE WEIGHTED 20%
	Importance to stakeholders	Due diligence	Outcome is not important to stakeholders → Very important to stakeholders	
	Evidence	Due diligence	No evidence-backed link to target outcomes → Rigorous researched-backed link	
WHO WHO tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.	Stakeholder needs	Due diligence	Company addresses limited stakeholder need → Highly pressing stakeholder needs	WHO SCORE WEIGHTED 20%
	Characteristics	Due diligence	Stakeholders are not in a target demographic → 100% stakeholders in a target demographic	
HOW MUCH HOW MUCH tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for.	Scale	Due diligence	Few stakeholders affected → Many stakeholders affected	HOW MUCH SCORE WEIGHTED 20%
	Depth	Due diligence	Low degree of positive change → High degree of positive change	
CONTRIBUTION CONTRIBUTION tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.	Depth counterfactual	Due diligence	Low degree of change compared to baseline → High degree of change compared to baseline	CONTRIBUTION SCORE WEIGHTED 20%
	Competition	Due diligence	Many players providing comparable product/service → Company is sole provider of a given solution	
RISK RISK tells us the likelihood that impact will be different than expected.	Negative externalities	Screen	Multiple risks affecting delivery of impact → No known risk affecting delivery of impact	RISK SCORE WEIGHTED 20%
	Risk type and level	Due diligence	No known risk mitigation strategy → Clear risk mitigation strategy	

- ABC uses an initial screening tool to assess potential investments on impact considerations, from the outset. Each company is screened on the criteria such as: materiality, intentionality, negative externalities, outcome alignment, and ESG concerns.
- For diligence, ABC leverages its impact scoring tool to assess expected impact relative to each of the IMP's five dimensions of impact. For every deal, ABC scores the prospective investees on the five dimensions of impact and has a passing score for each deal. This includes assessing the challenge addressed by the investee company and opportunities to mitigate risks.
- During diligence, ABC conducts an in-depth assessment of its target companies to validate its initial impact thesis, identifies key drivers for positive outcomes, and estimates how much can the target impact grow over the investment period.
- Each Investment Committee paper has a separate section for impact and ESG covering the need for underlying investment, gap experienced by the stakeholders and degree of change that they can experience due to the investee, the material impact and ESG risks. This is discussed by both the Management and Investment committee alongside financial results while making decisions about prospective investments
- Post-investment, ABC monitors the company's impact performance to ensure adherence to impact objectives

Principle 5: 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.

- ESG assessment and management is a key component of ABC's investment process, and is integrated end-to-end, from due diligence and throughout the investment horizon. ABC's portfolio companies not only need to drive significant environmental and social outcomes and comply with impact thresholds, but also need to demonstrate good ESG practices across their operations.
- Pre-investment, ABC has developed a multi-step process for ESG management that includes the use of an exclusion criteria review, an ESG screening tool, an ESG due diligence assessment to identify any material risks, and formulation of targeted action plans to help companies improve the ESG of their operations.
- Post-investment, on an annual basis, ABC reviews the ESG compliance and performance of their portfolio companies, including the status of implementation of action plans.
- ABC has allotted a portion of its TA budget to aid investees in ESG benchmarking and improvement projects, to help strengthen the responsibility of their operations and mitigate potential risks to their business. ABC has also provided support to investees on other ESG-related projects, such as undertaking materiality assessments and developing GRI-aligned sustainability reports

Principle 6 - 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

- ABC has a standardized process for monitoring Impact and ESG performance on a regular basis and the requirement of reporting the Impact & ESG data is pre-agreed prior to investment.
- Impact KPIs are shortlisted using the IRIS+ Core Metrics Sets and are aligned with outputs and ultimate impact in the theory of change. These Metrics are shared with the management immediately after the investment.
- Impact and ESG metrics are self-reported by the company, quarterly and annually respectively, and analysed by ABC to assess progress against targets and understand any trends and deviations from projections.
- In an event that monitoring indicates underperformance, ABC works with the company on assessment of cause and action plan for mitigation.

Principle 7 - 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.

- ABC has a defined process for considering opportunities to sustain and ensure impact beyond its investment term which is outlined in its Responsible Exit Policy.
- Divestment Recommendation (“DIR”), which forms the basis for decision-making by ABC’s Management and Investment Committees, includes a summary of impact performance at exit, the value creation initiatives implemented throughout the holding period, rationale for buyer selection, investee company’s ability to maintain or improve its impact and ESG performance and the key lessons learned from these insights.
- Exits are determined taking account of impact considerations, the best interests of the future of the company, and ABC’s fiduciary responsibility to its clients. However, ABC’s influence over exit decisions depends on a range of factors including its level of ownership, its governance rights, and its alignment with management teams on the best outcomes for the company, always bearing in mind ABC’s fiduciary responsibility
- As of May 2022, ABC has made one exit from its portfolio and endeavours to utilise each exit as an opportunity to reflect on lessons learned over the period of ownership of the asset, in terms of creating, optimising, and sustaining positive impact and ESG.

Principle 8 - 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

- ABC has a documented process and standardised templates for reviewing each investment's impact performance. These reviews are conducted regularly, and updates are provided to management team, where impact progress relative to expected results are discussed by investment.
 - ABC has monthly portfolio meetings to discuss the performance of investees, and quarterly meetings with the management committee members to conduct more detailed discussions of operations, financial results, and impact.
 - Impact metrics reported by the investees are included in the quarterly reports for discussion with the LPs and the Board
 - ABC also conducts a quarterly valuation of each company with results documented in portfolio updates
- The systematic performance analysis routine allows ABC to stay abreast with the investee performance, identify actual or potential risks early on, and make decisions relating to the investment in a timely manner.

Principle 9 - Publicly disclose alignment with the principles and provide regular independent verification of the alignment

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 note publicly affirms ABC Impact's alignment with the Impact Principles
- ABC engaged BlueMark, a Tideline company, to independently verify the alignment of ABC's impact management practices with the Operating Principles for Impact Management, an industry standard for integrating impact throughout the investment lifecycle. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement available [here](#).
- BlueMark is a leading independent provider of impact verification services in the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems."
- As a signatory of the Impact Principles, ABC is committed to disclosing the degree of alignment of its impact management system with the Impact Principles. This disclosure statement will be updated annually and published on ABC Impact's website.
- The next independent review is planned for 2025. ABC will replicate this independent assurance when material changes are made to impact-related policies and procedures.