

Disclosure Statement

Operating Principles for Impact Management

August 2024



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Temasek Trust Asset Management Pte. Ltd.

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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 Statement² applies to funds managed by ABC Impact, an investment unit of TTAM. ABC Impact manages two funds presently, ABC Impact Fund I LP and ABC Impact Fund II LP, both of which are covered by this statement.

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\$901 million³ as of 1st August 2024.

David Heng
Chief Executive Officer
Temasek Trust Asset Management Pte. Ltd.
28th August 2024

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

² The information contained 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.

³ Equivalent to S\$1,211 million, based on S\$:US\$ FX of 1.3434

Principle 1 - Define strategic impact objective(s), consistent with the investment strategy.

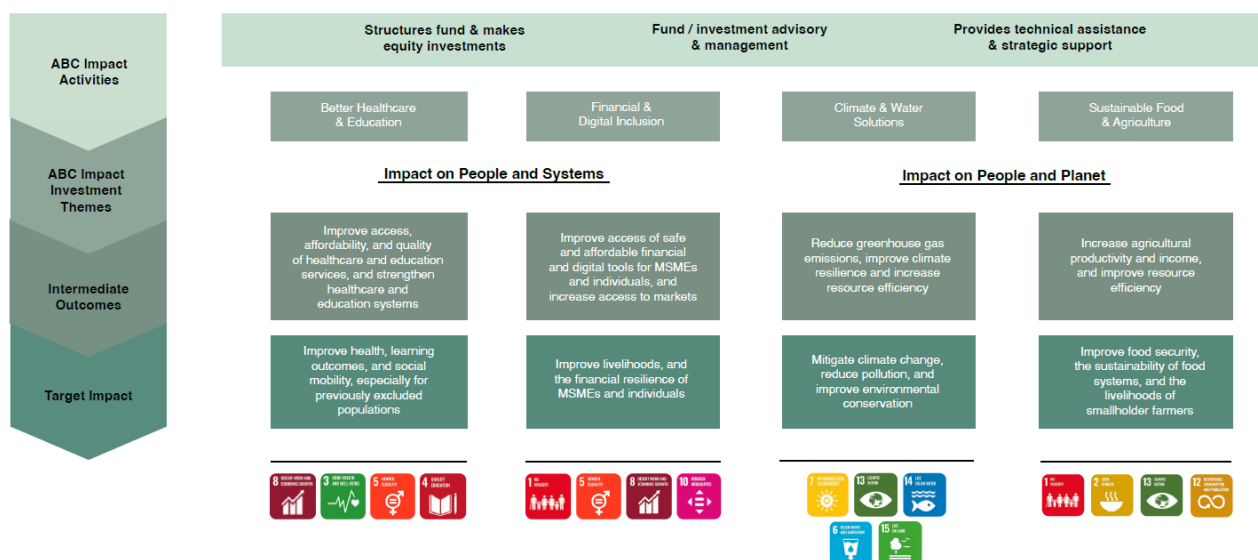
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. 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.

- ABC⁴ is committed to delivering measurable social and environmental returns alongside compelling risk-adjusted financial returns to its stakeholders. ABC Impact Fund I LP is its inaugural fund, raised in 2019. ABC is currently raising its second fund, ABC Impact Fund II LP, which announced its first closing in excess of US\$550 million in January 2024.
- ABC seeks to identify companies whose products or services drive positive and measurable impact in line with the United Nations Sustainable Development Goals (“SDGs”). Its strategy is to invest 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 in delivering market rate returns.
- All of ABC’s investments contribute to solutions and come under Impact Class C of the Impact Frontiers⁵ investment classification guide.
- ABC has defined its investment themes with consideration to 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 are backed by a robust evidence base, consisting of external studies and evaluations. The four investment themes of ABC are:
 - Better healthcare and education
 - Financial and digital inclusion
 - Climate and water solutions
 - Sustainable food and agriculture
- Within these themes, ABC focuses on specific underlying sectors/subthemes that offer impact and value creation potential in response to environmental and societal challenges. ABC has defined impact objectives and developed evidence-based theories of change for each of the themes.

⁴ 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.

⁵ [The Impact Classes of Investment, Impact Frontiers](#)

ABC Impact's Theory of Change



At the investment level, ABC ensures that the specific companies adhere to the theme level theory of change (TOC) and contribute to the SDGs through company-level TOC. The TOC helps to:

- Assess the causal relationships between inputs, outputs, intermediate, and target outcomes (impact) of an investment.
- Link measurable outputs of an organization to the SDGs
- Establish impact KPIs supporting contribution to SDGs and overall impact of the company.
- ABC's annual Impact Reports⁶ provides a gauge of the firm's impact, as well as its contribution to SDGs.

⁶ [Impact Review 2023](#); [Impact Report 2022](#); [Impact report 2021](#); [Impact Report 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 that spans the entire investment process, from deal screening to portfolio management and exit. The framework is a robust and standardized system for aggregating, comparing, and managing the impact performance of portfolio companies, to best ensure achievement of ABC's overall impact objectives.
- At the pre-investment stage, ABC applies several assessment tools to determine impact fit and potential of each potential investment. These processes inform investment decision-making and help monitor the impact performance of portfolio companies:
 - An initial screen that evaluates each potential investment against minimum inclusion criteria, such as alignment/contribution to the SDGs, impact materiality, intentionality, and ESG risks
 - A deal-level logic model / Theory of Change that ties to specific SDG targets, and;
 - An impact scoring tool based on Impact Frontiers' five dimensions approach, leveraging evidence-based research and data.
- During the diligence phase, ABC establishes the key impact metrics to be monitored over the holding period, which are included in the final investment recommendation to the Investment Committee
- Post-investment, ABC tracks and measures the performance of its portfolio companies on a quarterly basis and from both financial and impact perspectives. ABC consistently monitors its companies' progress on identified KPIs and compares it to an underwritten impact plan. The performance is reviewed by ABC's senior management and is reported to Limited Partners on a quarterly basis.
- Part of variable compensation and carried interest for ABC's employees is determined by the firm's overall performance, which includes the portfolio's impact performance.

ABC's Impact Measurement and Management Tools

HOW DOES ABC ENSURE SELECTION OF THE RIGHT IMPACT COMPANIES? 1	HOW ABC ASSESSES CONTRIBUTION TO THE UN SDGS? 2	HOW ABC ENSURES AN INVESTMENT WILL DRIVE 'ENOUGH' IMPACT? 3	HOW ABC MEASURES IMPACT IN A CONSISTENT MANNER? 4
IMPACT SCREEN <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>	IMPACT THESIS <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>	IMPACT SCORING <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>	IMPACT KPIs <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>

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 an investee company by aligning it to theme-level theories of change that demonstrate 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 includes a formal requirement related to impact management and reporting in legal documentation, which requires investee companies to comply with 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 performance monitoring and assessment, and strategic engagement with investee companies throughout 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 operate under the Board's directive.
- 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 – undertaking the B Impact Assessment, conducting research initiatives to ascertain a company's impact on its end beneficiaries, and strengthening governance systems and policies to improve the sustainability of a company's operations.

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 rigorous impact assessment process to evaluate and quantify the expected impact of investments, incorporating the Impact Frontiers' five dimensions of impact, standardized metrics (e.g., IRIS+), and contribution to SDG target(s) by investee companies.

Five Dimensions of Impact – ABC's assessment approach

IMPACT DIMENSION	CATEGORY	STAGE	HOW WE ASSESS AND 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 ensure the opportunity aligns with the objectives of the impact/investment strategy, from the outset. Each company is screened on criteria such as: materiality, intentionality, negative externalities, outcome alignment, and ESG concerns. Each company needs to meet the minimum threshold for screen before proceeding for diligence.
- For diligence, ABC leverages its impact scoring tool to assess expected impact relative to each of the Impact Frontiers' five dimensions of impact. For every deal, ABC evaluates prospective investees on the five dimensions of impact and assigns scores 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. ABC's assessment is evidence-dependent, and relies on primary, secondary data/research to validate the impact thesis.
- Each deal must meet ABC's minimum scoring criteria for the transaction to be considered investable by the Investment Committee.
- 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 when making decisions on 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.

- 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.
- 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 has developed a Responsible Investment Policy to set out an overarching policy defining its environmental and social objectives – highlights of which can be found on its [website](#).
- 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, and an ESG due diligence assessment. The ESG assessment identifies any material risks, key issues or sustainability opportunities relevant to the company, alongside their preparedness and capacity to manage the identified material risks. ABC will engage with experts for higher risk businesses as necessary.
- Findings from the due diligence will inform the formulation of targeted action plans to help companies improve the ESG performance of their operations.
- Post-investment, on a regular basis, ABC tracks and reports on each portfolio company's ESG performance. ABC reviews the ESG compliance and performance of their portfolio companies, including the status of implementation of action or improvement 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 to be monitored and reported are shortlisted using the IRIS+ Core Metrics Sets and are aligned with outputs and ultimate impact in the theory of change. The identified impact KPIs are also mapped to relevant indicators under the Harmonised Indicators for Private Sector Operations⁷ and Joint Impact Indicators⁸ initiatives. These metrics are agreed upon with the investee companies during the investment stage.
- Impact and ESG metrics are self-reported by the company, quarterly and annually respectively, and analyzed by ABC to assess progress against targets and understand any trends and deviations from projections. ABC has further streamlined reporting on ESG and Impact, across its portfolio companies, by leveraging a SAAS based platform since 2022.
- In an event that its monitoring indicates underperformance, ABC works with the company on assessment of cause as well as an action plan for mitigation, or remedial measures.
- For particular deals, ABC also provides TA budgets for projects and initiatives that can help portfolio companies refine the measurement of their impact on stakeholders. Surveys, lifecycle assessments, and studies can be commissioned to further qualify or quantify the change companies are driving through their products and services, as well as better validate ABC's underwritten thesis for each investment.

⁷ The [Harmonised Indicators for Private Sector Operations](#) ("HIPSO") aims to provide an aligned approach between DFIs and private sector players to track development results across investment operations.

⁸ The [Joint Impact Indicators \(JII\)](#) are a subset of the HIPSO indicators and the IRIS+ Catalog of Metrics in topics that are common across investments, including Gender, Jobs, and Climate.

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 assessing exit opportunities, taking into consideration how impact will be sustained beyond its investment term. This is outlined in ABC's 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 by taking account of impact considerations, the best interests of the company, and ABC's fiduciary responsibility to its investors. 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.
- ABC has made one exit from its Fund I 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, optimizing, 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 standardized 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.
- ABC publishes portfolio impact performance and impact initiatives in its annual impact reports. ABC Impact's most recent edition can be accessed [here](#), and past publications are downloadable [here](#).
- In 2024, ABC conducted a mid-point review of the impact outcomes for its Fund I social portfolio. The goal was to gain a deeper, user-centric understanding of the impact and to use the insights and experiences from Fund I to improve strategies and assessment methods for Fund II
- 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 headquartered at 915 Battery St, San Francisco, CA 94111, USA. 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 in 2025.