

**Disclosure Statement**  
**Operating Principles for Impact Management**  
**UOB Venture Management Private Limited**



UOB Venture Management Private Limited hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the Impact Principles). This Disclosure Statement applies to the Asia Impact Investment Fund<sup>1</sup> with commitments of USD155 million as of 31 August 2022.

A handwritten signature in black ink, appearing to read "Seah Kian Wee".

Seah Kian Wee  
Managing Director

UOB Venture Management Private Limited  
20 September 2022

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<sup>1</sup> Asia Impact Investment Fund refers to Asia Impact Investment Fund I L.P. and Asia Impact Investment Fund II L.P.

**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.*

UOB Venture Management Private Limited (UOBVM) along with other UOB fund management subsidiaries are signatories to the United Nations-supported Principles for Responsible Investment. Responsible investment practices are a key pillar to our strategy as we contribute to the development of a more sustainable financial system and a sustainable world. UOBVM, through its private equity impact fund, Asia Impact Investment Fund (AIIF or the Fund), invests in companies in Southeast Asia and China that have the potential to achieve social impact by improving the well-being and livelihoods of the Base of Pyramid (BoP) population in the region.

Over the years, we recognize that investing sustainably involves more than the integration of ESG considerations into the screening of our direct investments. Our approach to sustainable investing has progressed from negative impact avoidance to investing in commercially viable companies that provide positive contributions with specific impact intents, as demonstrated with AIIF, which has a clear impact mandate and aims to provide equity funding for private companies in emerging markets in Asia whose business model intrinsically generates impacts for consumers, producers and/or distributors. As a double bottom-line focused Fund, AIIF's Impact Policy articulates the impact investment strategy with established clear impact objectives, target sectors and definitions of, poverty and the beneficiary group that the Fund aims to achieve a positive impact on.

For AIIF, we work in partnership with Credit Suisse AG, Singapore who provides an objective assessment of impact and value addition as Impact Advisor; collaborating as one investment team with a shared vision to identify, develop and scale financially viable businesses that are impact-generating. The AIIF impact investment strategy focuses beyond the conventional bottom line; investments are made in private capital markets with the intention of generating both a financial and social return and, where possible, environmental. AIIF supports businesses that seek to improve the livelihoods of people living at the BoP by engaging them as consumers, producers or distributors. AIIF believes in generating both significant social impact and attractive financial returns at the same time through deploying capital in private companies. Key sectors of investment have been selected based on potential for social impact in the region such as healthcare, education, agriculture and access to finance amongst others. With these goals in mind, the investment diligence specifically includes rigorous assessment focused on innovative business models that:

- enable the companies to address the core needs of local communities, and
- provide opportunities for sustainable livelihoods as well as deliver high social value.

These target companies could have business models that address the BoP's needs in one or more of the following ways – access, affordability, opportunity and/or empowerment.

UOBVM's regional presence of investment professionals enables deal sourcing through local networks on the ground, identifying potential positively aligned companies with impact-led commercial solutions that meet our environmental, social and governance requirements.

**Primary UN Sustainable Development Goals supported by the Fund's impact objective:**

We believe AIIF's strategy of investing in private companies that help to improve the lives of the BoP will directly or indirectly support some of the UN's Sustainable Development Goals and in particular the following 9 goals:



**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.*

At the core of the Fund's impact investment decision-making process is the Impact Policy. The purpose of the Impact Policy is to guide and keep investment activities in line with the objectives of the Fund and avert mission drift. In addition, it states the impact definition of the fund and frameworks used to appraise investments.

From the outset, the investment team assesses the business model of the company for alignment with the impact thesis of the Fund and effect on the beneficiary group. The team introduces its impact investing approach to its investees and conducts due diligence to assess impact at the baseline to ensure meaningful impact metrics for tracking are determined with the involvement of the investee company. Throughout the holding period of investments, the investment team works closely with the investee to realize the impact strategy and monitor impact and financial performance.

Our approach to providing our investee management teams with the right support is done through regular communication and collaborative discussion, access to our network and experience. AIIF also has active board involvement for most investee companies. Investee's performance resulting from the direct contribution of our investment and corresponding impact footprint is communicated to investors through regular updates, which include both qualitative and quantitative aspects.

In AIIF, the impact and financial performance are intertwined in our portfolio thesis and as such the investment team's incentive system is tied to the achievement of fund's performance from both impact and financial outcomes. Refinement to align staff incentive systems with impact targets may be considered as best practices emerge.

Timely quarterly reporting is established with both financial and impact information provided in an integrated reporting model. In addition, aggregated key performance indicators at portfolio and fund level are released in the form of an annual report containing the assessment and overview of impact performance, key drivers of performance and any material matters. On an annual basis, a formal meeting is held to discuss the results and review alignment of the fund with the AIIF Investment Committee, investors and stakeholders. Further, in order to provide for effective decision-making given the fund's double bottom line mandate, it is paramount that the individuals with the vital role of oversight and fund monitoring are equipped with the required financial skills, impact expertise and experience. The AIIF Investment Committee is supported by an Impact Advisory Council, and as a collective is made up of members from various geographies, ethnicity and gender, each bringing a wealth of experience and insightful perspectives to oversee the investment process and policies.

**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.*

AIF's contribution to impact can be achieved throughout the impact assessment embedded in the portfolio construction process, from investment screening, to due diligence and portfolio monitoring, and during exit:

- During deal screening, promising companies are assessed for investment suitability on both its growth potential and its ability to achieve positive impact, which is based on a set of pre-defined screening criteria to determine the relevance to the Fund from an impact perspective.
- At the due diligence stage, we will seek a deeper understanding of the business, assess the impact thesis, and work with the investee company to expand impact reach and value creation. An Impact Baseline Report is prepared to document the impact engagement and potential outcomes, which will form the basis for impact tracking and measurement.
- Following the investment, we continuously engage with the investee company as part of impact and financial monitoring of the portfolio. In most cases, as lead investor we have access through our board roles to participate actively at the board level in a broad range of issues, including supporting business growth or expanding its impact objectives. Regular discussions also take place with portfolio companies to assess their sourcing or product strategy to expand impact reach. We do enhance value creation by leveraging on our global network of partners, stakeholders, other portfolio companies or the wider UOB network.
- As part of the divestment considerations, we will assess any potential risks to reputation and misalignment of impact thesis from our exit.

Besides having an experienced Investment Committee to review and approve the investment proposals, UOBVM works closely with its Impact Advisor who has in place an Impact Advisory Council, comprising of seasoned impact investors and development finance specialists, which provides oversight and guidance during the investment and monitoring process. AIF produces regular reporting that looks into the Fund's contribution to achievement of impact at both the portfolio and individual investee company level.

Recognizing impact investing is growing in the region, we take a collaborative approach on advancing the development of impact investing and supporting growth in our investing communities through expanding the conversation and sharing experiences with fellow investors, advisory firms, and industry leaders.

**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.*

The Fund's anticipated positive outcome is the improvement of livelihoods for the BoP population and alleviation of poverty in Southeast Asia and China through the dimensions of access, affordability, opportunity and empowerment. Our bespoke toolkits are used in assessing each potential investment. The aim of impact assessment is to ensure the Fund is consistent in its deliberate and purposeful approach to investing for impact rather than seeking to minimize negative impacts or externalities of an investment.

In the first stage, significant risk factors surrounding each investment and the expected impact contribution are screened using an internal toolkit. At this stage the focus is on identifying (1) Intended impact and (2) Who experiences the intended impact. Sections in the toolkit include relevancy of the sector and how the business model has a clear focus on the beneficiary group. A deeper assessment is undertaken by understanding how the beneficiary group is engaged in the business model and current challenges faced by the beneficiary group – it must be clear that engagement is neither incidental nor a corporate social responsibility strategy. Hence the prospective investment's route to achieving commercial aspirations is embedded in the engagement model. Additional criteria that are assessed include the socio-economic benefits and impact reach on the individuals and/or community. Potential scalability is noted to understand the multiplier effect of the company's business model and potential for larger social impact.

The second stage of impact assessment is to focus on the 'How'; analysis is performed to understand implications to the beneficiary group resulting from the investees' business operations and products. Results from the internal impact assessment tools help formulate the transaction's impact thesis and is included within the Investment Memorandum. Social impact is considered on two levels: livelihoods and commercial-social relationships. Consideration is undertaken to note if a prospective investee may require support in executing its business plan and target return. A baseline report containing assessments on the challenges being addressed, impact risk factors, impact reach and expansion potential is compiled for each investee. The report also considers the baseline social, economic and industry characteristics to establish initial socio-economic status and guides impact engagement priorities for the deal against which progress can be measured and the intended impact metrics to be monitored. Impact metrics are business specific and may incorporate IRIS+ and/or non-IRIS+ indicators depending on the characteristics of the investee. In addition, UOBVM tracks certain gender- and job-related metrics across its portfolios that are aligned with the Joint Impact Indicators.

If the business model and impact thesis is marginal, the investment is not pursued. Given our fiduciary duties in upholding standards of impact, the voice and opinion by the Impact Advisor plays an important role in the context of the fund's impact governance structure. Further, the investment memorandum contains clear sections documenting the due diligence results of financial, ESG and impact areas. Equal importance is placed on all areas during an extensive review by the Investment Committee and Impact Advisory Council, before undergoing the voting process.

**Principle 5 - Assess, address, monitor, and manage the potential negative effects 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.*

Responsible and sustainable investments have always been a major focus for UOBVM. We have incorporated Environmental, Social and Governance (ESG) considerations into our investment process since 2004, and have grown our responsible investment AUM to more than US\$1.3 billion as at the end of 2021. As a signatory to the UN-backed Principles for Responsible Investment (PRI), UOBVM is committed to manage and report on ESG issues throughout its investment activities, as well as support the investee companies' ESG efforts and encourages continuous ESG performance improvements within all portfolio companies. In addition our efforts in ensuring gender diversity and transparency in gender reporting is undertaken internally and demonstrated through our diverse workforce. At UOBVM, females accounted for 54% of all employees and 41% of investment professional roles respectively in 2021.

UOBVM has developed a firm-wide ESG Policy to provide an ESG framework and guide investment professionals in assessing the potential ESG risks of an investment. UOBVM employs a robust ESG process, which is initiated from the deal screening and covers the life cycle of the investment. In relation to the ESG due diligence, UOBVM adopts relevant International Finance Corporation (IFC)'s Environmental and Social (E&S) Performance Standards and risk categorization, which are assessed through internal ESG assessment tools or support from external ESG consultants.

The ESG assessment may include gender diversity, environment, and health and safety, to human rights and good working conditions. The ESG review process aims to identify gaps where a company is not complying with the local legislation or industry best practices, which then culminate into action plans for the company to implement. ESG risk areas are identified pre-investment, and material risk impact are highlighted in the investment memorandums to the Investment Committee for consideration. Post investment, there is active engagement with the investee company to address the ESG gaps, which can include monitoring of progress and corrective measures through ESG action plans agreed with investees. Progress is monitored and reported to the ESG Committee annually.

In terms of ESG governance, UOBVM has defined clear roles and responsibilities of an ESG Committee for overseeing the integration of ESG considerations in the investment process. ESG-related incidents, outstanding ESG issues and pre-defined ESG and impact data are collected as part of portfolio monitoring and presented to the ESG Committee annually. To ensure sufficient knowledge and compliance, we also provide relevant and adequate ESG training and support to employees involved in ESG due diligence.

UOBVM has also established an Environmental Risk Management Framework in compliance with the MAS Guidelines on Environmental Risk Management for Asset Managers. This Framework covers the governance, policies and control processes to manage material environmental risks in relation to UOBVM's private equity activities.

**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.*

Following assessment captured in the baseline report, impact metrics and measurement requirements are discussed with each investee company at an early stage to understand and examine investees' views and approaches, and ensure alignment between both parties. Timing requirements and measurement methodology is also agreed upon, with the flexibility to allow for change during the holding process should new information come to light. Quarterly reports are provided to AIIF investors and outline the portfolio level results covering both impact and financial data. A detailed review is undertaken and provided in the form of an annual report to investors where the yearly culmination of results is compiled by our Impact Advisor into a publication outlining key developments and achievements.

On a fund and portfolio level, reviews take place to discuss if the anticipated impact is in line with the investment team's baseline assumptions. Regular interactions with our investees in the form of face to face meetings or conference calls are held for current business updates and directional impact performance. To facilitate efficient discussions we also hold informal conversations with the key stakeholders to analyze data outcomes and discuss appropriate action. Working together with our Impact Advisor partner in our collaboration produces innovative investment strategies and builds a productive relationship with the portfolio companies. Where a portfolio company is not meeting expected progress on anticipated impact, the investment team may consider exiting the investment. However we believe our active engagement in supporting and educating regional companies in properly managing their impact risks and opportunities in turn creates a growing class of impact-driven entrepreneurs in the current ecosystem.

**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.*

UOBVM's divestment process involves presenting divestment proposals to the Investment Committee with participation of the Impact Advisor. Approvals are not made unless divestment decisions, which cover buyer's background, timing and structure, align with the fund's objectives. For AIIF the act of divestment is not a mere financial exercise, rather it is a diligent process of understanding both social and financial aspects to evaluating the suitability. Consideration of exit scenarios is discussed prior to investing. In addition, Senior Advisors with impact experience also play a role in facilitating informed discussions and highlighting practical considerations. The investment team's selection and conduct of exits is guided by the framework in our Impact Policy. Further, as impact is a core part of the investee's business model in the first place, this ensures the sustainability of impact continues post exit.



**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.*

UOBVM applies a four eyes principle to transactions and works in partnership with our Impact Advisors. Annual reviews are undertaken with the Investment Committee and Impact Advisory Council whereby an in-depth review of the portfolio is undertaken to assess progress against impact objectives, deal-by-deal review of the portfolio, and ensure lessons learned and best practices are shared across the portfolio. Historical impact metrics which we track are used to improve and adjust our future investment decisions, noting that our investees' business objectives are varied and what is suitable for one geography is not always appropriate for another.

Separately, UOBVM's internal firm-wide approach is to revisit investment and divestment decisions and use the process as an opportunity to reaffirm or revise existing views. Portfolio assessment sessions covering the entire portfolio are held bi-monthly among senior executives of UOBVM, and agenda topics include the longer-term portfolio strategy, transaction model, timing and environment. These sessions help the investment team identify critical areas for improvement and understand key steps to uncover any surprises early for future divestitures.

**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 Statement affirms the alignment of our impact management systems to the Impact Principles and will be updated annually and posted on our website. The most recent review date is 20 September 2022.

Independent verification of our impact management systems will be updated on a regular basis no later than at three-year intervals, or earlier if there is a significant change to our impact management systems. The conclusions of this verification report shall be publicly disclosed on our website at <https://www.uobvm.com.sg/uobvm-en/impact-investing>.

Independent verification has been performed by Ernst & Young LLP on AIF's portfolio on 24 February 2022. Information on the current independent verifier is as follows:

Name and Address

Ernst & Young LLP  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583

Qualifications

“EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities. EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via [ey.com/privacy](http://ey.com/privacy). For more information about our organization, please visit [ey.com](http://ey.com).”