



Operating Principles for Impact Management

Disclosure Statement
Insitor Partners

March 2024

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Insitor Partners' Disclosure Statement

Insitor Partners invests venture capital funding into companies that develop innovative products and business models that help increase the availability and accessibility of basic goods and services for consumers with limited financial resources. Our investees in Pakistan, India, Myanmar, and Cambodia offer affordable and accessible basic products and services to underserved low-income families. We also strive to promote gender equality through our investments and within our group.

Insitor became a Signatory of the Operating Principles for Impact Management (Impact Principles) in September 2021. This Disclosure Statement serves to fulfil Insitor's obligations pursuant to Principle 9 under the Impact Principles.

This statement pertains to Insitor Impact Asia Fund Pte. Ltd. ("IIAF") and Insitor Impact Asia Fund II Pte. Ltd. ("IIAF II", together "the Funds"), and affirms that IIAF & IIAF II – including their impact management systems, policies and practices, and all our investments in various early stage companies – are managed in alignment with the Impact Principles as of 31 December, 2023.

Total assets under management in alignment with the Impact Principles are US \$86,850,000 as of 31 December 2023.

Micaela Ratini
Partner

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Partner

March 31, 2023

Principle 1

Define strategic impact objectives

The Manager shall define strategic impact objectives for the 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 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.

- Insitor pursues the overarching impact objective of enabling access to basic needs and services for low-income customers in Pakistan, India, Myanmar and Cambodia. Our impact objectives are elaborated in the Funds' Agreements, and further developed into our policies such as the Funds' Impact Policy, Investment Policy, and the Environmental and Social Management System. We also publicly [state these objectives on our website](#).
- We invest in companies that develop innovative products and business models that help increase the availability and accessibility of basic goods and services for consumers with limited financial resources. In over 15 years of experience in the field, we have learned to know the needs, priorities and choices of these consumers, we understand their difficulties and we know how to identify the evolution of their needs. We invest in companies that have a direct response to an unmet market demand, with immediate, efficient, and scalable solutions, and a clearly identifiable and measurable impact.
- Our impact objectives are characterised by three "Investment Themes" that we pursue through our portfolio: Better Health, Sustainable Living, and Economic Growth. Our investment philosophy aligns with the SDGs as the companies we invest in offer basic services and financial inclusion in priority sectors such as affordable and clean energy, agriculture, education, financial inclusion, health, and water and sanitation.

Figure 1. List of UN SDGs that Insitor is currently contributing to through IIAF & IIAF II



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.

- Insitor includes and documents impact considerations throughout the whole investment process alongside financial considerations given our integrated approach. Impact management is embedded in the operations of IIAF & IIAF II via the Funds' Shareholders Agreement and Investment Criteria, and LPs Side Letters (e.g. we follow BII's Responsible Investing Policy).
- Investments are selected based on their ability to achieve the stated impact goals of IIAF & IIAF II. The Funds have adopted an Investment Policy which outlines the rigorous investment process which is standardized for all investments in the four countries in which we invest (Pakistan, India, Myanmar and Cambodia), and for each investment in the pipeline Impact Due Diligence is conducted.
- Specifically, impact is considered in a standardized way in screening through Go / No-Go documents, due diligence through Impact DD Questionnaires ("baselines") and E&S DD, and at execution through Investment Committee (IC) Proposals/Investment briefs. Our team also undergoes internal trainings to refresh their knowledge on ESG and impact management topics.
- Every quarter impact data for each portfolio company is monitored and reported in the Quarterly Shareholders Report, alongside financial data.
- Insitor is working on aligning staff incentive systems with the achievement of impact, as well as with financial performance (already in place).

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.

- Founded in 2009, Insitor was the first impact fund manager with operations in Cambodia and Myanmar, and an early player in India and Pakistan. We take a venture capital approach to strengthening high-impact early-stage companies that have innovative, affordable and scalable solutions to social challenges.
- Beside providing capital to companies, our Funds contribute non-financial support via strategic engagement with investees. With teams on the ground in all four countries, where we invest, our investment managers engage with portfolio companies at the board, management and operational levels.
- When each investment takes place, as a result of the ESG Due Diligence we develop together with investees ESG Action Plans, to mitigate and monitor environmental, social and governance risks and opportunities. Our team offers ongoing support to investees with their Action Plan implementation, meeting with companies' ESG Action Plan reference person on a quarterly basis to discuss the progress made on each item of the ESG, answer their questions and share needed templates. The ESG & Impact team is also committed to meet in person with each company on an annual basis to dive into ESG and impact topics.
- With support from one of our LPs, BII, we also support our investees with Technical Assistance (TA) Projects, aimed at scaling their social impact, building capacity, strengthening their core business and navigating the challenges posed by the pandemic. At the end of each project, we share a completion report with BII, who in turn may use it to produce learning material for the wider public (such as [this case study featuring our portfolio companies Wizklub and Edubridge](#))

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 *what the intended impact is, who experiences the intended impact and how significant the intended impact is*. [...] 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 social impact that Insitor seeks from its investments is embedded within investee business models (as we invest in companies that provide basic needs and services to historically underserved populations). Impact considerations are integrated throughout our investment processes, from the screening stages through to execution, as described in the Investment Policy Processes.
- Our investment managers, when scoping new companies, always integrate a preliminary impact analysis into their initial assessment to understand whether a business is aligned with our impact objectives (and if so, they proceed with financial analyses). These impact considerations are also discussed at IC Meetings; they focus on the type of clients of the potential investee (e.g. whether they are low income, living in rural areas, majority women) and on the affordability and accessibility of the investee's product/services for such clients. When the Funds' IC Members resolve to proceed with the next stage of investment for a certain deal, then the investment manager directly engages with the ESG & Impact team to deepen the impact analysis for that company.
- As a result of the impact analysis, we set clear impact targets for several years into the future and integrates a structured assessment of its expected impact into a Social Impact Factsheet and Baselines for each investment. The Baseline captures impact thesis, baseline data on beneficiaries, KPIs, and process for sharing data (how often, method, data source, responsibilities and use of data) through the 5 Dimensions of Impact of the Impact Management Project (IMP): Who, What, How Much, Contribution and Risk.
- The Funds consistently tracks the achievement of impacts in line with a defined set of impact metrics, selected in line with international best practice and where relevant using recognized industry methodologies, such as the IRIS+. In regards to investing with a gender-lens, we refer to the 2X Challenge, a global gender finance initiative founded by the DFIs of the G7 nations as a call to action to shift more capital towards investments that empower women in emerging economies to access entrepreneurship and leadership opportunities, quality jobs, and products and services that enhance their economic participation.

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.

- Insitor has developed policies and processes to assess and mitigate Environmental, Social and Governance (ESG) risks of its portfolio companies.
- Insitor's Funds have adopted an Environmental and Social Management System (ESMS) which clearly outlines the due diligence processes and standards for the assessment of ESG risks of potential investees, which are aligned with IFC Performance Standards.
- We conduct extensive ESG due diligence, both in-house and through third parties, depending on the risk category of the investee. The ESG due diligence also integrate gender considerations (risk and opportunities).
- For each portfolio company in which we invest an ESG Action Plan (ESAP) is developed (and included in the investment agreements), stating actions to be implemented by the investee, deliverables and timeframes, which are regularly monitored by our ESG Team and Investment Managers. The ESG & Impact team meets quarterly with investee to monitor the progress against their ESAPs and offer support where needed.
- A Whistleblower Policy is in place for investees. No whistleblower reports were received since inception. This Policy was made publicly available on our website in order for it to be more accessible.
- We report portfolio ESG updates to our Shareholders on a quarterly basis, and we also deliver comprehensive Annual ESG Report on annual basis.

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.

- Insitor has in place a regular procedure and core metrics (e.g. from IRIS+) to collect suitable data from investees, ensuring impact monitoring so that corrective measures can be taken when needed.
- Insitor completes a Baseline Report using the 5 Dimensions of Impact of the IMP, which captures impact thesis, baseline data on beneficiaries, the depth of a company's impact, the impact risk and KPIs. Regular meetings with the management of each portfolio company and the corresponding Insitor Country Manager ensures impact updates and opportunities for further impact assessments to be given.
- We report quantitative data against the KPIs on a quarterly and yearly basis and present it in Shareholders Reports. We have processes in place for taking appropriate action in the instances where we have concerns over impact performance.
- We collect regular data on the KPIs. Impact data is considered alongside financial performance data when monitoring the performance of an investment and any requirements for intervention. Insitor's Country Managers regularly identify the quality and the width of the impact taking place in the local environment and measure it against the expected impact outcome.
- Since 2009, Insitor through its portfolio companies has created 16,000 jobs and provided direct impact to 55 million people.

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.

- At the time of exit, Insitor has a review process in place that includes sustainability of impact considerations, such as mission-alignment of the proposed-buyer and review of company impact framework. Assessments resulting from this process are documented in IC Exit Reports.
- The IC Members, distinguished professionals from around the world who bring a varied range of skills, expertise and insights to guide investment decisions, are also key in guiding exit decisions; throughout the IC Meetings, they hold consultations on the impact at exit for mature companies.
- In addition, Insitor has taken steps, whenever possible, to embed impact considerations for future buyers into legal agreements.

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.

- Insitor reviews financial and impact performance jointly, including a comparison of expected vs actual, on a quarterly basis at the country, group, and Investment Committee levels. Reviews are documented through standardized Quarterly Shareholder Reports. In addition, impact performance is discussed on a bi-annual basis with the Funds' Advisory Committee.
- For each Technical Assistance project completed, completion reports are prepared. Based on the implementation of the TAs and their impact on the companies, Insitor is able to inform future projects to ensure impact and sustainability thereof are achieved.
- Insitor continuously reviews its investment, ESG and impact processes to incorporate past learnings, new best practices, and improve decision making processes.

Principle 9

Publicly disclose alignment with the Impact 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 Impact 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.

- Insitor currently prepares an annual shareholder report where financial data alongside ESG and Impact monitoring updates are reported.
- This Disclosure Statement confirms the alignment of Insitor's policies, investments and practices with the Impact Principles and will be updated annually.
- In 2022 Insitor engaged BlueMark, a Tideline company, to independently verify the alignment of Insitor'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 previous year's Verifier Statement.
- Insitor plans to provide an independent verification of the Impact Principles alignment once every two years.

Disclaimer

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.



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