SVCA

SVCA ESG & IMPACT CASEBOOK

2023 EDITION

Message by Chairman

At SVCA, we strongly believe in the increasing role and integration of ESG in the private capital universe. This will not only mitigate investment risks but also meaningfully positively impact performance of businesses and investments. We have undertaken several initiatives led by our ESG Committee like training and workshops and sharing of best practices across the membership base. We are committed to harnessing the power of private capital towards the achievement of sustainable development goals (SDGs).

As per a recent McKinsey report, more than 90 percent of S&P 500 companies now publish ESG reports in some form, and we are seeing an increasing number of PE and VC firms also adopt the same practice globally. Closer to home, the Monetary Authority of Singapore (MAS) has also launched a public consultation on an industry code of conduct for providers of Environmental, Social, and Governance (ESG) ratings and data products. The proposed code of conduct establishes minimum industry standards of transparency in methodologies and data sources, governance, and management of conflicts of interest. I am delighted to introduce the second edition of SVCA's case book on ESG and Impact best practices. Our member firms continue to make progress in adopting sustainable investment practices, which are becoming increasingly important in reflecting the investment and commercial landscape of our operating environment. Our region faces significant challenges due to the amplifying impact of climate change, rapidly evolving demographic trends, increased importance of food security, and a higher consciousness around the importance of diversity and inclusivity in our societies. The investment community has an important role to play in being responsive to these trends and addressing these challenges, and we are proud to showcase the efforts of our member firms in this case book.

This case book highlights innovative approaches of our member firms, showcasing their successes, challenges, and lessons learned. It is a valuable resource for our investment community to learn from the experiences of each other and continue to develop their own. While the contribution of investors is important, we must acknowledge that advances in sustainability require collective action by all stakeholders, including policymakers, regulators, and society at large.

I would like to express my gratitude to all the firms that have contributed write-ups to this case book. Their experiences and insights are invaluable and will hopefully serve as inspiration to all of us. I would also like to extend an open invitation across our SVCA community for new submissions in the following years. As the investment landscape continues to evolve, it is critical for all of us to continue sharing our experiences and learning with each other.

I hope that this case book will inspire more investors to advance sustainability methodologies and strategies in investment practices and contribute to a more sustainable and equitable world.

Thank you for your interest in this case book, and we hope you find it informative and useful.

Sincerely,
Sunil Mishra,
Chairman of SVCA

Note from our Editoral Board

Dear Readers,

We are thrilled to present the second edition of our ESG & Impact Case Book. This compilation reflects the unique and diverse set of investment mandates and approaches of our SVCA member firms, providing valuable insights into the adoption of sustainable investment practices.

As an editorial board, our mission is to showcase the best practices of our member firms and inspire our community to adopt sustainable investment practices. We hope that this case book demonstrates the possibilities of prioritizing sustainability in investment practices and encourages our ecosystem to continue evolving towards a more sustainable future.

Thank you to all the firms that have contributed write-ups to this case book. Your experiences and insights are invaluable and have contributed to the development of sustainable investment practices in our region. We also extend an open invitation for new submissions in the following years. As the investment landscape continues to evolve, it is critical for us to continue sharing our experiences and learning from one another.

Happy reading!

Vesi Kertikova, Doris Yee, Sylvia Koh, Fang Ning Too

Contributors

AC Ventures

Revolutionising waste management through innovative recycling solutions

Portfolio Case - **Waste4Change**

Addressing One of Indonesia's Largest Environmental Problems
Industry Vertical: Waste management and recycling, circular economy
Location: Indonesia
Investment Years: 2018, 2022
For more information on the company, visit: https://waste4change.com/

AC Ventures Impact Principles

We define "impact" as the positive transformation brought about by our portfolio companies for all their stakeholders, including employees, founders, shareholders, and the local community.

Our methodology is shaped by the following values:

Tech-focused: driving positive technology advancements

Founders-first: supporting entrepreneurs to succeed

Opportunity-led: pursuing innovative, sustainable opportunities

Growth-focused: working with a leading alternative capital provider to boost growth impact

We are dedicated to the conviction that inventors and business visionaries possess the ability to create significant and enduring advancements across all sectors of society and the economy.

Impact factors at AC Ventures

In order to ensure that our portfolio has a positive impact on society while minimising any negative effects, we follow a strategic methodology. As part of our evaluation process, we consider various factors regarding a company's impact.

First, we assess whether the company delivers its products or services more efficiently than current industry practices. Then, we examine whether the company utilises technology to create value and transform its industry. Next, we evaluate whether the company has a positive impact on its customers' lives.

Finally, we review whether the company tracks and evaluates its environmental and societal impact. By asking these questions, we can make informed decisions about the companies in our portfolio and their impact on society.

Our ESG considerations

ESG considerations are embedded across the investment lifecycle from pre-investment selection, due diligence through investment decision making and post-investment monitoring and improvement. We collaborate closely with current and potential portfolio companies to identify and handle ESG risks and opportunities during the investment process.

Effectively managing ESG risks is crucial in maximising positive outcomes for all stakeholders and guiding smarter investment choices that produce better financial returns. In 2022, AC Ventures made a deliberate effort to incorporate ESG and impact standards across the investment lifecycle for all its portfolio companies.

Post-investment monitoring

ESG is a crucial part of our investment process to promote impactful value creation. We work with The Upright Project in Finland to run our net impact assessments.

Using Upright's platform, we assess the positive and negative impacts of a company's revenue-generating products and services and strive to invest in net-positive businesses that contribute to a more sustainable world.

We have a consistent and robust impact methodology. Upright's "Net Impact Model" helps us measure the net impact of ACV and our portfolio across 19 categories, grouped into four dimensions: *Society, Knowledge, Health*, and *Environment*.

The maximum theoretical net impact value is 100%, representing a company with no negative impacts, and there is no minimum value. We use this estimate to evaluate and compare our firm's and companies' impacts.

Portfolio Case - **Waste4Change**

Indonesia's Waste4Change is a company based in Indonesia, which offers a prime example of innovative and responsible waste management systems. Backed by AC Ventures, it has the potential to change the face of an entire nation and deliver outsized environmental, societal, and economic impact for generations to come.

With a population of more than 270 million, Indonesia faces the largest waste management problem in Southeast Asia. In contrast to developed countries such as the US and EU, where recycling rates are above 50%, Indonesia's recycling rate remains extremely low at 6%. According to the Ministry of Environment & Forestry, Indonesia produced 190,000 tons of waste per day in 2021. The vast amount of waste is overwhelming landfills such as Bantar Gebang, referred to as "the world's largest landfill" by stakeholders and activists, causing them to quickly reach capacity and overflow.

Over 70% of recyclable waste materials in Indonesia are still being dumped into landfills, reducing their lifespan and wasting valuable resources. Building new landfills is also challenging as residents are unwilling to live near them. Those who do, receive compensation called "stink money" of approximately Rp900,000 (~USD60) every three months for the loss of clean air.

Addressing illegal dumping and scavenging

Illegal dumping of waste into rivers has contributed to pollution of sources of raw water and impeded waterflow leading to frequent flooding of surrounding areas, as seen in the Cisadane River.

Waste workers and scavengers, especially informal ones with low incomes, face hazardous working conditions. Landfills can be dangerous to human health anywhere, but they can be fatal in developing countries like Indonesia. For example, the Leuwigajah landfill in Bandung experienced the second deadliest waste slide in the world's history on February 21, 2005, killing 143 people and destroying 71 houses after heavy rainfall.

Innovating for a better future

The Indonesian government implemented a sweeping initiative in 2017 to lessen the nation's reliance on landfills for waste disposal. By 2025, the nation seeks to reduce 30% of the county's waste from the source and to manage at least 70% of it responsibly.

W4C Team in front of collection truck

Currently managing more than 8,000 tons of waste per year, Waste4Change (W4C) offers a holistic waste management platform (powered by proprietary waste management data analytics and software) that helps businesses and individuals reduce the amount of waste that piles up in Indonesia's landfills.

Customers create an account on the company's platform and proceed with a transaction when they need to dispose of garbage. They are asked to sort and package their waste in accordance with W4C's instructions. The company will send a team to the customer's location to collect the waste directly, then provide a detailed report once the process is completed. Customers also have the option of taking garbage to one of W4C's drop-off points.

W4C staff sorting waste at material recovery centre

W4C operates multiple facilities for material recovery. Here, waste is sorted into organic and inorganic categories and further separated by material type. Organic waste is composted using the 'windrow' method or used as feed for Black Soldier Fly larvae, which can then be used as animal and fish feed.

Inorganic waste is distributed to recycling partners and waste banks after being chopped and pressed, while residual waste is taken to landfills by government officials. W4C's groundbreaking waste sorting technology reduces overall waste residue from 65% to 10%. It also offers a 'zero-waste-to-landfill' service that sends residual waste to collaborators who can convert it into raw materials for cement production.

W4C is present in more than 21 Indonesian cities. It has collected waste from more than 117 enterprise clients and 3,450 household clients. Since 2017, it has grown at a CAGR of 55.1%.

According to our latest impact assessment of W4C, the company achieves a net impact ratio of +70%. As a comparative and useful benchmark, the Nasdaq Small Cap Index (NQUSS) delivered an average of +29%.

About **AC Ventures**

AC Ventures (ACV) is a leading Southeast Asian venture capital firm investing in early-stage startups focused on Indonesia and ASEAN. The firm's mission is to partner with and empower entrepreneurs with more than capital. ACV combines operational experience, industry knowledge, deep local networks, and resources to create value for startups. It is a generational partner to founders driving positive societal change and economic impact in Indonesia and beyond.

ACV is the first VC in the Southeast Asian region to disclose impact using quantifiable measures that meet European ESG standards. Using Upright's impact quantification platform, the overall net impact ratio of AC Ventures and its portfolio delivered an above-average +37%. The firm is an official signatory of the UN's Women's Empowerment Principles, IFC's Invest2Equal program, and the UN's Principles for Responsible Investing. Within the firm, 50% of its senior leadership roles are occupied by women. Across the portfolio, this figure comes in at 40%.

ACV currently has over USD500 million in assets under management, invested across five funds. Since 2012, the firm's partners have invested in more than 120 technology companies in the region, including some of the most iconic names in the ASEAN digital ecosystem. ACV's Partners Adrian Li, Michael Soerijadji, Helen Wong, and Pandu Sjahrir lead a team of over 35 professionals with offices in Jakarta and Singapore.

At AC Ventures, we understand the potential of technology in resolving critical global problems. Our focus is on investing in early-stage, tech-driven, fast-growing companies that can bring about transformational change in Indonesia and beyond. With our vast local networks, industry expertise, operational experience, and resources, we support visionary founders who are looking to revolutionise markets with innovative business models. Our goal is to identify and invest in the most promising Indonesian startups and assist them in becoming top-notch global companies that make a significant impact.

Read AC Ventures' latest impact report here:

CLICK HERE

Antler

Partnering with founders at the earliest stage to optimise sustainable value

Portfolio Case - **Hymeth**

Industry Vertical: Environmental Technology
Location: Denmark
Investment Year: 2021
Deal Type: Early Venture
For more information on the company, visit: https://hymeth.com/

Defining our *terms*

At Antler, we see ESG and impact as distinct from each other. We define them as the following:

ESG focuses on the company's operational practices. It is about a company's ability to create and sustain long-term value in a rapidly changing world, and managing both the risks and opportunities associated with those changes. Ignoring the confusing and rather ugly acronym, this refers to five core areas of a business:

- **Workplace culture and employment practices**
- **Supply chain**
- **Responsible product design**
- **Environmental effect**
- **Data privacy and protection**

At the earliest stage, companies can think about the level of importance their stakeholders place on these issues, what effect they will have if left unaddressed, and whether they are able to influence them.

Impact companies are defined as such when the outcomes of their product and/or service lead to a positive environmental or social benefit. This is intentional, demonstrable, quantifiable, and verifiable. The outcomes are very often linked to the UN Sustainable Development Goals (SDGs) and their underlying targets.

We believe that ESG and impact are not mutually exclusive. For a company to be defined as an impact company, strong ESG practices also need to be in place.

Evidence shows companies that consider ESG and impact reduce risk and costs, improve workforce productivity, increase stakeholder trust, attract talent and investment, and also strengthen their brand and even open up new markets.

Currently over 70% of our active portfolio companies have developed products that address or enable the UN SDGs. Two-thirds of them are impact companies addressing global challenges such as financial inequality, climate resilience and decarbonisation, and healthcare and education accessibility.
Antler is on track to have built or invested in over 6,000 companies by 2030—that scale coupled with a strong ESG and impact mindset from founders could be truly transformative for businesses and industries.

How do VCs approach engagement with founders on ESG and impact at an early stage?
VCs should provide support to founders pre- and post-investment. We take pride in helping our founders optimise their sustainable value while also managing and mitigating risk. This should be seen as the ESG and impact premium for portfolio companies, and it has the potential to separate a company from the competition.

However, we do recognise that at the earliest stage, founders are faced with a mountain of differing priorities. We therefore need to think about how to build ESG and impact awareness and understanding in a way that is relatable, relevant, and useful for founders to implement and take action as they grow. Here is our approach:

1. **Introduce the topic early in founder conversations.**

   Antler includes a sustainability workshop during its founder residency programs to answer the following questions:

   - What does ESG and impact actually mean?
   - How can ESG and impact benefit your company?
   - What should you prioritise and when?
   - What data will investors expect (and why)?
   - What future trends do we see happening and how will they affect early stage companies?
   - Startup case studies (examples)
     i. ESG implementation—diversity and inclusion (DEI) from the onset
     ii. ESG implementation—supply chain vulnerability assessment
     iii. ESG implementation—governance best practices
     iv. Impact framework

2. **Build awareness and understanding across multiple founder engagement points.**

   - Provide masterclasses on specific ESG and/or impact topics
   - Conduct sustainability-related industry sprints
   - Be transparent about the investment selection process and how ESG and impact is considered by the investment committee
   - Organise events discussions on diversity and inclusion
   - Facilitate networking among portfolio companies such as by providing access to the founder hub (Antler's online community platform) for sharing of experiences, talent, and ideas
   - Ensure investment deal/teams have specialist support where needed (either internal resources or through external networks); Antler has developed internal training modules to help guide ESG and impact conversations

3. **Provide useful tools and resources for founders to self-serve as they grow.**

   Given the changing landscape, tools and resources will need to be reviewed and updated at least annually. Examples of ones Antler has delivered include:

   - An online sustainability education platform for founders in 2022 to complement the work happening on the ground
   - An annual health check that provides founders with an indication of whether their ESG considerations are on track with their growth stage

4. **Be clear about the level of importance the firm places on ESG and Impact.**

   Antler incorporates ESG and impact into our own operations, policies, and culture. We are committed to continually educate ourselves, improve collaboration, and raise industry standards. We share our progress, learnings, and goals in an annual report published on our website.

There is no magic button to implement a good ESG and impact strategy. It will evolve as a company grows and it will depend on the company itself too. Most importantly, founders need to understand what the benefits are, and it is never too early to start that education. Above all, our aim is to prepare founders for the future and the expectations of investors, employees, and customers.

Portfolio Case - **Hymeth**

(from left to right) Joel Eriksson - CFO, and Mats Blacker - CEO,

Changing the way we consume energy

European demand for clean hydrogen production capacity will amount to 28 GW by 2025 based on the estimated orders on project announcements. On the other hand, the announced manufacturing capacity by OEMs is only 18 GW meaning there is a shortage of supply by over 35%. The gap must be filled in order to accelerate the green transformation, which will be enabled by improving the efficiency of electrolysers, and thus reducing the cost of green hydrogen.

Hymeth aims to make green hydrogen a cost-effective alternative to all other hydrogen solutions with a price of 2.5 Eur/kg of hydrogen.

How will the product address this problem?

Hymeth has developed a state-of-the-art electrolyser that could generate green hydrogen at 350 bars directly from the stack. The patented solution will not only reduce the need for compressors, it will also boost the efficiency by utilising the core patent on catalyst preparation, achieving an efficiency of up to 90% on a cell level. By increasing the efficiency and reducing the CAPEX of the total system, Hymeth will achieve their goal by 2030.

Progress to date

The company has delivered the first prototype to customers and are producing hydrogen at their site. They have also received about 10M SEK from InnoEnergy and are looking to close a bridge round by the end of Q4 2023.

As an early stage company, Hymeth understands the importance of a company with a clear, well articulated mission. Mission-driven companies have not only proven to increase stakeholder trust and employee retention but also increase workforce productivity. It is important for impact companies to present their measurable product outcome goals and progress alongside their financial data.

About **Antler**

Antler backs the world's most driven founders, from day zero to greatness. Based out of major startup hubs across six continents, the firm is one of the most active early-stage investors globally. Knowing that exceptional founders can come from anywhere with any background, we use our unique investment approach in 27 offices to give entrepreneurs opportunities that would not have otherwise been available to them.

This has resulted in an incredibly diverse founder community of over 6,000 individuals, representing 140+ nationalities with 30% of portfolio companies having at least one woman co-founder.

Leading by example and partnering with founders from inception, Antler lays the groundwork for building sustainable and resilient businesses addressing some of the most pressing challenges of our time. We take a holistic approach to ESG and impact, embedding it in our culture and operations, investment decisions, and stakeholder engagement.

For more details about Antler's ESG and impact approach, progress, and learnings, you may wish to read the 2022 Antler ESG and Impact Report.

READ HERE

BPEA EQT

Leading the way with sustainability-linked financing in Asia

Case Study - **Sustainability-linked Fund Facility for Fund VIII (the Facility)**

Year of Setup: 2021
Size of Facility: USD3.2 billion

BPEA EQT believes private capital has a key role to play in solving some of society's greatest challenges. BPEA EQT, the pan-Asian investment platform formed when EQT and BPEA joined forces in 2022, is well-positioned to drive change by taking an active approach to both investing and ownership, and by leveraging its sustainability expertise to strengthen sustainability performance.

We see growing evidence across sectors suggesting that strong sustainability performance increases corporate valuations, all else being equal. For EQT, this means that by driving sustainability performance across our strategies, we can secure more robust returns for our clients. Further, by transforming our investments towards sustainability, we can also make a positive impact on the communities we operate in.

Case Study - **Sustainability-linked Fund Facility for Fund VIII (the Facility)**

Leveraging innovative sustainable finance mechanisms

Sustainability-linked financing is a powerful tool designed to incentivise the achievement of sustainable outcomes. For the last few years, BPEA EQT has been pioneering sustainability-linked financing in Asia. By tying the interest rate of a credit facility to sustainability targets, BPEA EQT incentivises its investments to commit to sustainable business practices. And for the same purpose, EQT has implemented sustainability-linked financing not only across its funds and investments but also for the firm itself.

In 2021, BPEA EQT set up its *first sustainability-linked fund facility for Fund VIII* (the "Facility"), worth USD 3.2 billion. At the time, the Facility was the largest and most sophisticated to be launched in Asia, and one of the largest globally. The objective of the Facility is to strengthen sustainability performance in areas that BPEA EQT pioritises. As such, the Facility is subject to Sustainability Performance Targets (SPTs) that when met, reduce the interest rate of the investment's loans by up to five basis points. At the firm level, SPTs cover BPEA EQT's systems and due diligence processes. At the portfolio level, SPTs cover GHG emissions reporting and reduction, as well as gender diversity of senior management.

"BPEA EQT recognises the correlation between strong, sustainable business practices and value creation. With sustainability-linked financing, we can incentivise our investments to aspire to higher sustainability targets and encourage long-term thinking on climate and diversity, to the benefit of the communities in which we operate," says *Jean Eric Salata, Head of BPEA EQT and Chairperson of EQT Asia.*

Sustainability targets challenge investments to strengthen performance

As an active owner, BPEA EQT engages with its portfolio companies to create value. For the portfolio companies in the Facility, there's a set of pre-defined sustainability performance targets for three key areas:

- Sustainability risk and opportunity assessment
- GHG emissions reporting, target-setting, and reduction
- Gender Diversity in senior management

The Facility has been designed to accommodate companies at different maturity levels in terms of sustainability. SPTs are adjusted according to the maturity level of sustainability of the portfolio company; lower baseline SPTs for those starting at a lower maturity level. This innovative design allows for a pragmatic approach to sustainability value creation thus encouraging incremental progress. Additionally, SPTs also include a ratchet mechanism that effectively adjusts the goals upwards as targets are met, to keep pushing sustainability performance.

To lay a solid foundation for sustainability improvement, the first target of the Facility will help BPEA further strengthen its investment process by integrating enhanced ESG risk and opportunity assessments to inform ESG action plans for each portfolio company.

To contribute towards tackling climate change, the credit facility incentivises BPEA's portfolio companies to improve GHG emissions reporting and set reduction targets according to an international standard, such as the Science Based Targets initiative (SBTi). When an investment has achieved both steps, the final target is to start reducing their emissions in line with the 1.5-degree pathway as stipulated in the Paris Agreement.

The Facility also includes a fourth SPT around setting SBTs for the BPEA EQT, including emissions from its own operations. This also links to EQT's group-level commitment to the SBTi and to putting all its investments on a pathway to net zero.

On gender diversity, BPEA EQT requires portfolio companies in Fund VIII to promote gender diversity in senior management. This commitment underscores the importance of role models in senior management to drive diversity at large. The first target on this dimension is to safeguard at least 25 percent of the senior management is of the underrepresented gender. When an investment fulfils this target, they qualify for an interest rate discount, but the hurdle also moves. As a next step on their diversity journey, and to continue to qualify for and to potentially increase the discount, the company must progress toward an even more ambitious target – having the underrepresented gender constitute 40 percent of the senior management.

Active ownership approach to spearhead sustainability

To help companies meet their targets, BPEA EQT works hands-on with their portfolio. An ongoing project involves two technology investments in Fund VIII, using data to understand, explore and mitigate employee retention issues with the aim to eventually meet their gender diversity targets.

"The fund facility has proven to be an effective means to align incentives and become even more effective in driving change. BPEA EQT collaborates closely with our investments to create the change we want to see. We believe that by making the companies and assets we invest in more sustainable, we make them more valuable for the long-term", comments Tang Zongzhong, Head of Sustainability, BPEA EQT.

In addition to offering more attractive financing terms compared to regular financing, the facilities also stimulate innovation around linking sustainability outcomes to financial incentives and strengthen the approach to sustainability data governance in business. This is an evolution the firm believes is important in both private and public markets.

The firm believes that its longstanding commitment to sustainability has enabled it to outperform even in periods of market turbulence.The sustainability-linked credit facilities are a powerful means to enable BPEA EQT to be more transparent with its stakeholders about how the firm's investment approach drives sustainability performance in its investments, and on an aggregated level, makes a difference in the world. The sustainability-linked financing for Fund VIII underscores BPEA EQT's regional leadership in the sector as it seeks to drive sustainability performance across its platform. When BPEA EQT was formed in 2022, EQT had been pioneering similar vehicles in Europe and North America. The newly formed partnership allows BPEA EQT to bring learnings from its regional leadership in Asia to the global platform, applying its expertise to make an impact on a global scale.

About **BPEA EQT**

BPEA EQT is part of EQT, a purpose-driven global investment organisation in active ownership strategies. BPEA EQT combines the private equity teams from Baring Private Equity Asia (BPEA) and EQT Asia, creating a comprehensive Asian private equity presence with local teams in eight cities across the region, a 25-year heritage, and more than USD 25 billion of capital deployed since inception. In addition to BPEA EQT, EQT's strategies in the region include EQT Infrastructure and the real estate division EQT Exeter.

MORE INFO

Everstone

Harnessing the business builder mindset to create impact

Portfolio Case - **Everise Holdings**

Industry Vertical: Business Process Outsourcing (Tech Services)
Location: US, Asia (Philippines, Malaysia, Singapore, Japan), Ireland, LATAM
Investment Year: 2016
Deal Type: Control Growth
For more information on the company, visit: https://weareeverise.com/

Since its incorporation in 2006, the Everstone Group has focused on developing a world-class alternative investments platform that operates with the mindset of being a "Business Builder" across asset classes and put in place best in class governance and compliance frameworks and processes for the firm and the investments.

Building on a strong heritage of Responsible Investing, Everstone generates commercial returns, while adopting an institutional process to intentionally identify, drive and measure positive social and environmental outcomes within our portfolio companies.

Everstone Capital, the private equity arm of the group seeks to support high-growth companies which increase the access and reach for essential healthcare, technology, and other products/services, thereby enhancing quality of life outcomes for underserved consumers.

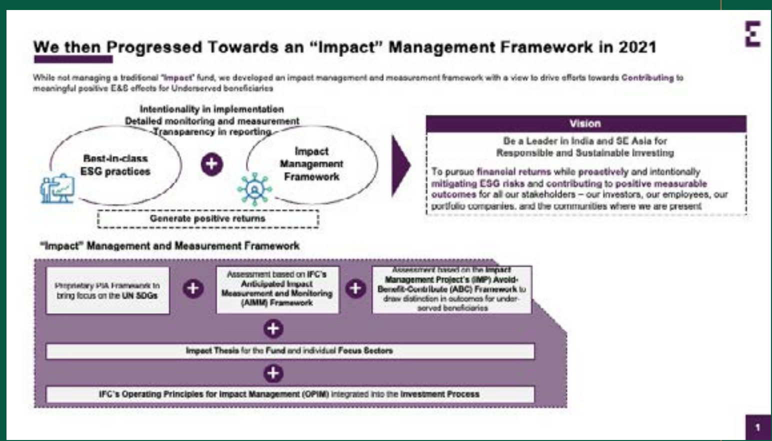
Everstone Capital's proprietary Impact Management Framework

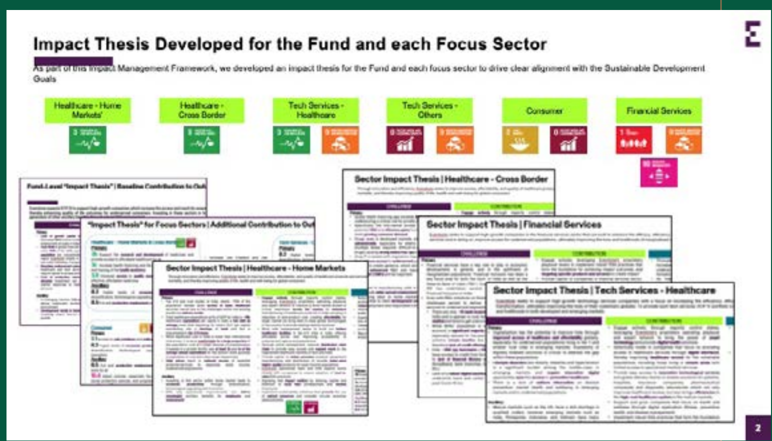
The firm's control-oriented growth strategy, geographic and sectoral focus, and focus on implementing best-in-class responsible investing practices contribute to meaningful positive environmental and social outcomes. In furtherance of the philosophy of "investing responsibly for sustainable development", Everstone Capital has developed a comprehensive Impact Management Framework and this has been implemented in all portfolio companies

In developing this Framework, Everstone mapped the 4 Pillars of ESG to the 17 Sustainable Development Goals to develop its proprietary PIA Matrix (Purpose-Intentionality-Additionality).

Everstone then used a bottoms-up approach by defining KPIs across the portfolio, mapping them against the Anticipated Impact Measurement and Monitoring Framework ("AIMM"), (which is a part of IFC's Operating Principles for Impact Management ("OPIM")) and the Avoid Benefit Contribute ("ABC") Framework (outlined by the Impact Management Project) for monitoring progress and reporting outcomes. As part of this Impact Management Framework, Everstone has also developed an impact thesis for the Fund and each focus sector to drive clear alignment with the Sustainable Development Goals.

The private equity investment strategy (mid-market, control-oriented growth in the developing markets of India and SE Asia) is strongly aligned towards the achievement of the five SDGs below where Everstone can exercise a substantial amount of influence to deliver on them.





Below is a case study that illustrates the operational value creation, focus areas and outcomes that the portfolio has successfully demonstrated.

Portfolio Case - **Everise Holdings**

Founded in 2016, Everise provides digitally enabled, omnichannel customer experience management services for enterprises, primarily health insurance providers and health-tech companies, delivered from the US, near shore, offshore and work-at-home ("W@H") locations. Everise was founded in December 2016, together with co-investors Sunrise and ACP Sunstone.

Since investment in 2016, Everstone worked closely with the company to provide gainful employment for the underserved population while creating superior customer experience through digital transformation. Everstone worked actively with the company through some of the key areas of focus which include:

GHG Emission Reduction
With the introduction of energy efficient lighting, paperless-office concept along with flexible W@H policies, the company was able to **reduce Scope-2 emissions by 70%**

Upskilling for a Productive Work Environment
Everise imparts training to its employees, upskilling them and improving productivity. A significant budget (of its payroll) has been allocated towards training and development.

Job Creation in Underserved Regions
In addition to developed markets, Everise has established its presence across emerging markets such as Malaysia, the Philippines and LATAM creating several quality employment opportunities. More recently in 2021, Everise expanded its presence in Bogota, Colombia and Guatemala with 45% of the LATAM team comprising women and 3% with disabilities.

Promoting Equal Opportunity
Everise is an equal-opportunity employer, with more than 3% of its workforce being people with disabilities. It employs over 47 nationalities who speak 32 languages.

Championing Women Empowerment
During Everstone's investment period the company grew its female workforce by 40%, with women today representing 65% of its total workforce. 14% of the company's board is represented by women.

Digital Innovation
The company's delivery management system uses an in-house tech platform that tracks all delivery metrics in real-time, combining customer experience, AI, and digital solutions with advisory services, promoting innovation.

About **Everstone**

Everstone Group is a leading private investment group committed to driving economic growth and creating sustainable value in India and Southeast Asia. The Group manages assets in excess of USD 7.5 billion across Private Equity, Climate Impact, Logistics and Warehousing, Digital Infrastructure and Venture Capital.

The Firm has one of the largest and most stable senior management teams in the region, built on more than 26 years of direct investing experience globally. Headquartered in Singapore, Everstone has a global infrastructure with offices across India, New York, Mauritius and UAE with over 425 people worldwide.

LGT Capital Partners

Spotlight on financial inclusion

Portfolio Case - **Airtel Money**

Industry Vertical: Financials
Location: Africa
Investment Year: 2021
For more information on the company, visit: www.airtel.africa

Spotlight on financial inclusion

In 2021, LGT Capital Partners launched its first dedicated impact fund – Crown Impact. The fund responds to global environmental and social challenges by making private equity impact investments that generate measurable, positive impact alongside commercial private equity returns. Crown Impact invests in buyouts and late-stage growth opportunities across North America, Europe, Asia and the rest of the world. The fund focuses on three main impact themes, climate action, healthcare, and inclusive growth, which directly address 11 of the 17 Sustainable Development Goals (SDGs) defined by the United Nations.

These themes encompass several sub-themes, which span the needs of individuals over the course of their life, including access to high-quality education, vocational training, access to secure and affordable financial services, and beneficial conditions for entrepreneurship and self-employment. In this short case study, we explore the topic of financial inclusion and illustrate how LGT Capital Partners supports financial resilience, empowerment of women and small businesses through its investments.

The case for investing in financial inclusion

Globally, about 1.7 billion adults remain unbanked without an account at a financial institution nor through a mobile money provider. In addition to having fewer employment opportunities, unbanked households cannot use savings to build emergency funds, have no access to financing products and cannot turn to critical tools for transactions such as paying bills and transferring money. This reliance on cash transactions is unsafe and vastly inefficient. In many countries, traditional banks are unable to close this gap, as their infrastructure is inadequate and their services not accessible or affordable for the unbanked populations.

We see a significant opportunity to address this challenge through targeted investments backing innovative, scalable, and efficient fintech solutions. The world is experiencing a digital revolution, and existing infrastructure can be leveraged to create new networks, build a digitally native banking footprint, and bridge the divide. Safe, inclusive, and affordable digital financial services are emerging through mobile money, online accounts, electronic payments, insurance, and credit products that are built directly to reach and serve people who were formerly excluded.

We have seen a steady flow of investments directly addressing the challenges of financial inclusion, with scalable and impactful offerings operating in well-regulated environments. While many fintech solutions are emerging and successfully disrupting the traditional banking infrastructure, few are successfully serving developing and frontier markets that are predominantly cash economies. Despite the growth in smartphone adoption and the growing demand for digital banking, affordable digital solutions are still difficult to implement at scale.

The investability of financial inclusion solutions

These businesses directly cater to large, underserved groups with clear needs for financial services that, when provided, contribute to measurable benefits for society, including higher incomes and savings, and, consequently, greater financial resilience. At the same time, they are highly scalable and efficient, allowing them to provide services at lower price points compared to incumbents or competitors with less advanced distribution models. In doing so, they can generate healthy margins and real impact. For these reasons, LGT CP made an investment in Airtel Money alongside lead investor TPG Rise.

Beyond the economic impact on the beneficiaries, LGT Capital Partners expects additional benefits. Financial inclusion is well recognised as an enabler of multiple SDGs and is featured as a target in 8 of the 17 goals. These include SDG 1 (eradicating poverty), SDG 2 (food security), SDG 3 (access to healthcare), SDG 5 (gender equality and economic empowerment of women), SDG 8 (economic growth and job creation), SDG 9 (support for industry, innovation, and infrastructure), and SDG 10 (reducing inequality). Furthermore, SDG 17 (partnership for the goals), with its ultimate goal of strengthening the means of implementation, implicitly relies on greater financial inclusion through savings mobilisation for investment and consumption.

Portfolio Case - **Airtel Money**

Airtel Money is a subsidiary of Airtel Africa, the second largest telecom operator in Africa. Airtel Money offers 24/7 mobile money services – including payment services, microloans, savings, and international money transfers – to more than 30 million subscribers across 14 countries in Sub-Saharan Africa. Mobile money services are critical across Africa, where large parts of the population remain unbanked, offering a safe way to do business without cash and contact, as well as a lifeline for people to support their families from abroad. Empirical studies conducted on the African continent link mobile money to fueling entrepreneurship, improving financial resilience to economic shocks, and promoting gender equality.

Through growing mobile penetration in Africa and a vast mobile subscriber base of the parent entity, Airtel Money gains direct access to large underserved and unbanked communities. With a mobile money account, Airtel Money customers can access the necessary financial services, enabling them to receive

payment for goods and services, pay bills, and access savings, credit, and insurance products. One unique attribute that enables such seamless operations at scale is a high density of agents who handle deposits and withdrawals. Airtel Money is continuously expanding its distribution infrastructure through a mix of independent multi-brand outlets, as well as its own exclusive franchisee-operated shops and kiosks. The services are offered through a large and growing network of over 79,500 branches, mini-shops, and kiosks as well as 304,000 outlets. The company has a clear strategy to continue driving sustainable long-term growth with a focus on security, distribution reach, and increased use cases for customers.

This helps more individuals, small traders, and businesses to adopt mobile money for their daily business needs and builds up the resilience of these communities. The company is experiencing strong growth across the mobile money subscriber base, transactions per user and transacting value per user.

When LGT CP invested in Airtel Money, we particularly looked at the potential impact of greater access to digital banking solutions on women's economic empowerment and gender equality. Women are overrepresented among the world's unbanked, accounting for 56% of all unbanked adults globally. Mobile money has shown particularly pronounced effects on women, thus increasing their financial independence and business prospects.

The impact investment activities within the broader LGT Group are carried out in three distinct platforms: LGT Capital Partners, an alternative investment specialist, Lightrock, a global impact investor, and LGT Venture Philanthropy, a team focused on philanthropic impact investing.

About **LGT Capital Partners**

LGT Capital Partners is a leading alternative investment specialist with over USD 95 billion in assets under management and more than 650 institutional clients in 44 countries. An international team of over 750 professionals is responsible for managing a wide range of investment programs focusing on private markets, liquid alternatives, and multi-asset class solutions.

Since 2003, LGT Capital Partners has been encouraging the integration of ESG in its offering and its promotion in the financial industry. In 2008, the firm was one of the first alternative investment specialist signatories of the UN PRI. Since 2018, LGT Capital Partners further engages with PRI as a member of its Board. In addition, LGT Capital Partners is also a member of the Investors' Council of the GIIN (Global Impact Investing Network).

Headquartered in Pfaeffikon (SZ), Switzerland, the firm has offices in San Francisco, New York, Dublin, London, Paris, The Hague, Luxembourg, Frankfurt am Main, Vaduz, Dubai, Beijing, Hong Kong, Tokyo and Sydney.

Navis

Improving ESG practices to unlock value at exit

Portfolio Case - **Texon**

Industry Vertical: Manufacturing
Head Office: Hong Kong
Investment Year: 2016
Exit Date: 2022
Buyer: Coats Plc.
For more information on the company, visit: https://www.texon.com/

Navis' Approach to ESG

We strongly believe that a commitment to ESG practices leads to better investment outcomes and fundamentally strong companies. Attention to ESG enables management teams to identify and mitigate risks and realise potential savings and to drive sustainable growth. The active management of ESG issues in our investments has contributed to the success of our investments, as well having positive effects on the communities in which they operate.

Portfolio Case - **Texon**

A case study on unlocking value through adopting market-leading ESG strategies

COMPANY SNAPSHOT

Founded in 1947

600+ employees

5 manufacturing plants
9 warehouses
3 product development centres

Texon production facility

Established in 1947, Texon provides high quality structural components to the global footwear market and has a long heritage as a proven supplier to the world's leading brands. The business is focused on sustainable innovation and supplies high-performance, sustainable materials, including heel counters, toe puffs and insoles to the highly attractive premium athleisure footwear market. Texon is a global business headquartered in Hong Kong, with factories in the UK, Germany, Italy, China and Vietnam, as well as local presence in more than 90 countries. Navis Capital Partners acquired a majority stake in Texon in 2016 and subsequently sold it to Coats Plc. in 2022.

The Challenge: Unlocking full potential via ESG value creation

When Navis acquired a majority stake from Barclays Ventures in 2016, Texon had already been established as an advanced footwear materials manufacturing company. Navis saw additional opportunities to strengthen Texon's growth and leadership position, as well as improve operations to further unlock Texon's value.

Navis helped upgrade Texon's operations by expanding capacity and strengthening geographical footprint by building a new plant in Vietnam and acquiring another plant in Italy. Senior management team was strengthened by bringing onboard a new COO/CEO, CFO, Group Director for New Product Development & Innovation and Group Sales Director.

The Solution: Sustainability-lead products and ZeroFootprint Initiative

The combination of operational improvements and geographical expansion has accelerated Texon's growth. To unlock the company's full potential, Management and Navis decided to reposition the company as a leader in sustainable high-performance materials by developing a series of new products focusing on sustainability and launching the ZeroFootprint Initiative.

Texon introduced sustainable advanced material products, such as insole made of 85-100% recycled material content which was produced without chemicals and water, heel counter made from ocean-bound plastics using a completely closed-loop process with zero waste, as well as vegan leather materials utilising plant-based binder and natural pigments made from natural, sustainably sourced cellulose wood pulp, and soft flexible toe puffs, made using innovative recycled and bio-based materials.

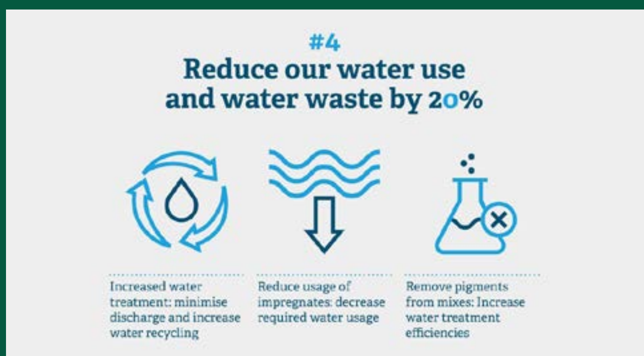
The ZeroFootprint initiative includes ambitious 2025 reduction targets across Texon's operations, such as 50% reduction in CO2 Footprint, 50% reduction in use of virgin materials, 20% reduction in water usage and 90% of waste being recyclable or reusable. To aid the measurement of the progress towards achieving the goals, Texon completed Life Cycle Assessment in 2021 across its sites and products, including raw materials, production processes and supply chain, mapping out their impact using standardised metrics (kgCO2e/kg). By identifying key areas, the Company used SBTi framework to establish its 2025 targets and started regularly reporting on its progress. To support the ZeroFootprint Initiative, Texon hired a dedicated sustainability officer to coordinate the world-wide sustainability efforts and appointed a sustainability point person across all its locations. Navis ensured that the ZeroFootprint Initiative was in the forefront of senior management and that industry-leading ESG practices were woven into the very fabric of the Company.

ZeroFootprint Goals and Progress

Goal #1 – Reduce carbon footprint by 50%

Goal #2 – Reduce use of virgin materials by 50%

Goal #3 – 90% waste to recyclable or reusable



Goal #4 – Reduce water use and wastewater by 20%

The Outcome: Improved Financial Performance and Strong Buyer Interest

By fully embracing sustainability-led product design, Texon has secured partnerships with global blue-chip MNCs for new products, such as Decathlon. Decathlon aims to offer eco options in-store for all components by 2026 and became a strategic partner for Texon in terms of new product development. As global blue-chip MNCs continue to commit to Net Zero targets, including responsible supply chain, recycled content and sustainable energy, Texon's market-leading sustainability-led products contributed to growing topline and improved pricing power.

The ZeroFootprint Initiative helped lower the operating costs of the Company by decreasing energy charges via (1) utilisation of renewable energy such as rooftop solar PV across all European locations and (2) reduction of energy used by implementing energy efficiency projects globally. Furthermore, by recycling and reusing waste materials, Texon was able to lower landfilling and raw material costs. By implementing closed-loop water solutions across manufacturing sites, the Company reduced water use intensity. The combination of these energy, waste and water initiatives improved the financial performance of Texon by reducing operating costs.

The combination of increased revenues and reduced operating costs derived from improved ESG practices increased Texon's EBITDA. Moreover, the Company's transparent and auditable ESG practices and track-record contributed to stronger buyer interest during the sale process, as companies in the footwear materials manufacturing sector have traditionally lacked good ESG practices.

The eventual buyer was Coats Plc., the world's leading industrial thread manufacturer. Coats has a wide range of sustainable and eco-friendly sewing threads, yarns, zips and trims for the apparel and footwear industry and shares the same net zero and circularity goals as Texon. Thus, the acquisition was a natural fit for Coats.

Lessons learned

Empirical studies over the last 25 years suggest that companies with a sustainability focus and/or above average ESG practices outperformed others in terms of gross IRR. It should be noted, however, that while there is a correlation between IRR and ESG practices, the specific IRR uplift attributable solely to ESG is difficult to quantify. In the case of Texon, improved financial performance, good leadership and strong buyers' interest derived from enhanced sustainability resulted in overall value creation.

About **Navis Capital Partners**

Navis Capital Partners ("Navis") is a Malaysia-headquartered and Asia-focused private equity firm founded in 1998. Navis has over 100 professionals across 6 offices in Asia and manages over USD 5 billion in investor commitments.

In 25 years, Navis has completed more than 90 controlling private equity investments and over 80 follow-on investments. Our 20 years of investing experience, focused on transforming and growing organisations with a distinctive competitive advantage, has delivered top-quartile returns.

Navis is signatory to the United Nations-backed Principles for Responsible Investment (UNPRI) and a member of the ESG Data Convergence Initiative and the IFRS Sustainability Alliance.

Steward Redqueen

Fundamentals and Trends in Impact Investing

Impact Investing as an Asset Class

The Global Impact Investing Network (GIIN) estimated the impact investing market at USD 1.16 trillion in assets under management (December 2021). Although Southeast Asia accounts for 3% of the capital allocated globally, it is one of the fastest growing regions for impact investing, with a growth rate of 23% per year (2015-2020). This acceleration is expected to continue in the next five years, driven by growing interest from pension funds, high net-worth investors, corporate impact investing and development finance institutions (DFIs).

The ability of fund managers to effectively manage impact must grow in tandem with available capital for this new asset class, as impact washing remains a key concern to many impact investors (GIIN, 2022). As such, this growing momentum is accompanied by increasingly stringent expectations from LPs on how their GPs should integrate impact measurement and management practices throughout their investment cycle.

Impact investors invest with the intention of generating positive, measurable social and environmental impact alongside a financial return. Although the terms ESG and impact are often used interchangeably, this is not correct. Where ESG risk management focuses on doing no harm, impact investing is focused on doing good. This means that investment managers who integrate ESG risk management into their investment processes aim to mitigate the unintended negative effects of their business. And while impact investors are expected to do so too, they differentiate themselves by further maximising the intended positive effects of their investments. The former is a risk management exercise, and the latter an investment strategy. Although the impact investing space evolves rapidly, there continue to be three evergreen principles:

- Intentionality means that impact investors purposefully choose the impact they want to make. They start with defining the issues they want to address through their investments and then identify which company to best invest in to address those issues.
- Measurability means that impact investors define metrics to measure what they consider a success of their intervention. After they collect data on these metrics they analyse where they have been successful in their intervention and where they may need to further adjust their strategy.
- Additionality means that impact investors contribute to achieving a specific social or environmental outcome beyond what would have been achieved by other investors or market forces alone.

The graph below shows how these principles are integrated into the investment cycle:

Integrating LP requirements throughout the investment cycle

The ability of impact investors to generate financial returns and positive social and environmental outcomes has put them on the agenda of DFIs. DFIs provide long-term financing and technical assistance to support private sector investment in developing economies. Investing in impact funds allows them to leverage the expertise and networks of impact investors, supporting sustainable development while generating financial returns. Still, impact investors that want to attract DFI capital need to integrate certain impact measurement and management (IMM) practices to align themselves with the expectations of these LPs.

DFIs' expectations of their General Partners' IMM practices

This integration turns out to be challenging for impact investors, because although all DFIs have a mandate to support private sector investment in developing economies, DFIs focus on additional impact themes that drive their strategy and investments. While FinDev Canada, for example, focuses on gender equality and climate impact, BII has focuses on driving innovation and market development. That means that DFIs' expectations on their GPs impact strategies, impact frameworks, data collection and reporting will differ.

DFIs also set high expectations on the level to which a GP should embed IMM practices in core decision making. There are different IMM standards and frameworks, but not yet a gold standard that all impact investors and DFIs look to for inspiration. As such, impact investors navigate a range of frameworks to integrate IMM practices throughout their investment cycle. Many refer to the Impact Management Platform, which is a methodology to assess the impact of investments, IRIS+, which is a catalogue of metrics to harmonise definitions of impact indicators, the Sustainable Development Goals (SDGs) which is a universal set of goals to end poverty and protect the planet, and the Operating Principles for Impact Management (OPIM), which is a practical guide to impact measurement and management. While these frameworks are relevant, they offer different perspectives on the meaning and implementation of impact management, potentially leading to more confusion than clarity for GPs that want to navigate the impact investing space.

Given this lack of cohesion, GPs are best advised to develop their own tailored approach to IMM, by building a bespoke impact strategy, narrative, results measurement framework, and review mechanism.

How GPs can build tailored impact frameworks

To implement these lessons in practice means to start inside out, instead of outside in. Instead of targeting to meet LP requirements as a starting point, GPs should first evaluate the purpose of their capital, what they consider their potential impact, and how they want to define the success of their investments. Only once they have established their own objectives and parameters, GPs should review what elements they can apply from the different impact frameworks, and how they can match their bespoke approach to their LPs standards and expectations. The best standards are timeless and universal and focus on 'how to' measure and manage impact instead of 'what to' measure and manage.

If done well, IMM frameworks provide fund managers with guidance to take informed decisions and steer on maximum impact. The use of an impact framework is particularly important in four phases of a fund's lifetime:

1. Fund raising: How can GPs build a strong impact narrative which supports the investment strategy and contributes to the mandate's focus?
2. Investment decision making: How can GPs build an impact framework that helps collect data required to take informed investment decisions?
3. Portfolio monitoring: How can GPs keep track of impact progress over time across portfolio in a meaningful and comparable way?
4. Evaluation: How can GPs learn from historic results and improve performance in the future?

Below we dive into four case studies of funds that we supported in their impact journey along these four steps.

1 Fund raising: Defining an impact strategy and narrative

Fund managers benefit from an authentic and clear impact strategy that is supported by a compelling impact narrative. We supported an impact fund in formalising their impact strategy. Although this fund manager had already developed individual impact strategies and logic frameworks for its funds under management, it lacked an overarching firm-wide strategy. As a result, individual funds followed their own impact strategies, scattering efforts and diluting the overarching impact narrative.

To build this overarching impact strategy, we developed a firm-level Theory of Change (ToC). Such a ToC explains the pathways through which a fund's investments contribute to achieving its impact vision, substantiated by impact metrics. To develop a strong strategy, we needed to manage the different and at times conflicting perspectives of the fund's internal stakeholders. While the CEO wanted an ambitious vision that is good for fundraising, the impact manager wanted to have measurable targets, and the investment officer wanted non-restrictive market opportunities. To solve this trilemma, we facilitated open discussions with senior leadership, aligning on broader strategic questions such as: What do we aim to achieve as a fund? What do we bring as a partner that is unique? How do we achieve impact? By having this discussion, and by acknowledging conflicts of interest, internal synergies became apparent. This led to increased understanding and cohesion within the fund, and paved the way to an overarching and clear impact strategy and narrative.

2 Investment decision making: Measuring impact performance

The next step is to develop an impact measurement framework to measure and track the impact of the fund's investments. We guided an impact investor with an equality mandate, to integrate a measurement framework that supported their gender lens investment strategy.

To do so, we designed questionnaires that assessed clients' eligibility with the 2X criteria (global standard for the measurement of gender impact of investments) to further understand their contribution to career development opportunities and products and services for women. Although it is tempting to set up a long list of indicators to measure contribution, it is important to only focus on a few, sparing investee companies from the burden of unnecessary data collection. We assessed and screened each indicator on its ability to assess results, and feasibility to collect data. To check framework feasibility, we interviewed different internal teams during development, and conducted a pilot with a sample of clients. These staff and client engagements helped ensure the data was feasible to obtain, and that the framework had a client-centric approach with minimal reporting burden and maximum insights. To embed the final measurement framework in operations, we developed a 5-year implementation roadmap.

3 Portfolio monitoring: Aligning objectives with global standards

Next, a fund benefits from monitoring performance and aligning impact reporting with the global sustainability agenda as it helps communicate impact results to a global audience in a recognisable manner. Although the SDGs provide an important framework for sustainable development, it is difficult for GPs to report on their intentional and measurable contribution. Instead of trying to contribute to the full SDG framework, GPs may find it more practical to focus on specific SDG indicators and targets. We supported a sustainable agriculture fund manager to improve their monitoring efforts and define its actual contribution to the SDGs.

To do so, we helped separate the fund's core-impacts (strategic impact, such as SDG indicator 6.4.1: Change in water-use efficiency over time, or 15.3.1: Proportion of land that is degraded over total land area), from its co-benefits (operational impact that is achieved unintentionally, such SDG indicator 8.3.1: Proportion of informal employment in total employment, by sector and sex). This analysis provided structure and supported the fund manager in identifying underlying metrics of the SDGs that it intentionally contributes to.

4 Evaluation: Learning from performance to improve future achievements

Finally, to better steer on impact performance, GPs benefit from a structured review and evaluation of their fund's impact achievements. These evaluations help narrow in on challenges, identify improvement points, and learn which strategies worked best to drive positive impact. To do so, GPs benefit from assessing their alignment with OPIM. For example, we supported a tech focused GP with an independent review of its IMM practices.

We began our evaluation with thorough research into the fund's portfolio and existing IMM approach. We then systematically assessed all aspects of the fund's IMM practices by scoring them against each of the nine OPIM principles. The evaluation highlighted how the fund benefits from ex-ante impact estimation and revealed practical points for improvement. Based on our analysis we recommended clarifying impact objectives by adopting a logic framework or ToC and through that work on a more targeted and practical impact measurement framework. After the evaluation, the fund had a clear assessment on the status of its impact management practices and guidance for next steps.

About **Steward Redqueen**

Steward Redqueen is a boutique consultancy that works across the globe helping its clients address today's sustainability challenges. As specialists since 2000, Steward Redqueen focuses on integrating sustainability, quantifying impact, and facilitating change. We work for leading commercial banks, private equity funds and impact investors, development finance institutions, industry associations, multinationals, and government donors in developed and emerging markets.

We understand the sustainability ambitions of the international investor community, just as the operational reality of the funds and companies they invest in. We create value by bridging that gap. Clients appreciate us for our pragmatic approach to impact management strategies that work in practice. In Singapore, we support our VC/PE clients to develop these into efficient and effective frameworks. Further, we offer workshops on ESG and impact measurement and management, to drive capacity building and adoption of frameworks into operational processes. Clients appreciate our rigorous analysis, flexibility, and ability to implement.

TNB Aura

Enabling connected homes – ESG and Impact practices for PRISM+

Portfolio Case - **Prism+**

Driving Affordability and Access
Industry Vertical: Connected homes, Household electronics
Location: Singapore
Investment Year: 2022

TNB Aura's responsible investment approach
TNB Aura is a Singapore-headquartered Venture Capital fund focused on investing and helping to build the future of Southeast Asia.

TNB Aura worked alongside Steward Redqueen, an international consultancy focused on impact and sustainability, to develop a risk management and impact framework. As first steps in developing this framework, TNB Aura and Steward Redqueen jointly (i) analysed the information required to make evidence-based decisions on risk and impact, (ii) reviewed metrics needed to quantify TNB Aura's strategy and (iii) tailored metrics that could be collected at reasonable cost.

"Our focus was not solely on risk management, but also to understand the positive impacts of our investments, and how we could steer towards maximum outcomes with our companies over our journey with them".

Vicknesh R Pillay,
Founding Partner at TNB Aura

From an ESG – or doing no harm - perspective, our materiality assessment means aligning with internationally recognised best practices, such as the IFC Performance Standards, and applying them to the context of the fund's unique risk exposure. As such, we established basic safeguards on environmental and social risks, and place enhanced scrutiny on the material risks for early-stage technology companies, such as consumer protection and data governance. We set portfolio-wide requirements and regularly review portfolio company performance using an in-house ESG toolkit. Subsequently, we discuss the material ESG risks and focus on action items that drive value creation.

From an impact – or doing good - perspective, we look for portfolio companies which support meaningful impact in line with our vision of uplifting the lives of The Next Billion (TNB). To better understand our impact framework, we developed a logic framework called the 'Theory of Change' for which portfolio-level data are collected on (i) our activities and inputs, (ii) our support to and the work of portfolio companies, and (iii) the impact portfolio companies have on their stakeholders.

"When companies have investors with similar vision and requirements to us, we take these best practices to the next level for them. For others, we help build capacity, share handbooks and templates that facilitate adoption. Feedback from our investees reflect the strong value-add of our framework in the process of institutionalising these growing companies."

Amanda Nway Htwe,
Responsible Investment
Coordinator at TNB Aura

Our integrated ESG and impact framework has helped us holistically understand our fund's performance from a sustainability perspective. This will continue to guide our decisions on the material risks and impact opportunities to engage with our investees in the future.

Portfolio Case - **Prism+**

Driving affordability and access

Prism+, a TNB Aura investee company, is a leading direct-to-consumer "House-of-Brands" business in Southeast Asia. The Singaporean company, which was founded in 2017, offers high quality consumer electronics at compelling price points to the rapidly growing emerging middle class in the region. By focusing on smart home appliances and placing the internet-of-things at the centre of their product design, Prism+ is shaping the next generation of app-controlled smart home ecosystems.

While other players adopt traditional business models with middlemen like brick-and-mortar retailers, Prism+ directly sources customised products from manufacturers and delivers these to customers. This offers Prism+ more possibilities for engagement with its manufacturing base, allowing the company to efficiently test, launch, and scale new products. The brand takes a hyper-local and customer-centric approach to sales and servicing, providing access to experience centres and service centres, thereby driving the company's rapid growth and market share. With over 500,000 users, one in every four TVs or Monitors sold in Singapore is a Prism+ device.

The anticipated growth of the global consumer electronics market (CAGR of 7.2% from 2022 to 2026), combined with a large total addressable market of ~S$93B for SE Asia alone) provides significant growth opportunities for Prism+. At the same time, with over 170,000 sold devices in 2022 alone, the company understands that a growing market position comes with responsibilities and the opportunity to integrate practices that tie into the company's long-term business success.

Prism+'s journey of ESG & impact management integration

TNB Aura led Prism+'s Series A round for S$5M in 2022 and remains its sole institutional investor. Due to TNB Aura's mandate to integrate ESG practices into all their portfolio companies, we reviewed Prism+'s material ESG risks and impact potential as part of our due diligence process and subsequently describe our engagement with the company on this topic.

Doing no harm: With PRISM+ being a D2C company, there were several material risks in the whole value chain from the manufacturers (upstream), to installation, delivery, office staff and eventually to the end-users (downstream) that needed to be isolated for assessment. As we conducted our due diligence, we uncovered the operational processes and policies relating to the aspects of the (i) Environment, (ii) Social, and (iii) Governances already formalised as follows.

i. Electronic waste was identified as a core environmental issue that needed to be addressed. As a Singaporean company, Prism+ is part of the Producer Responsibility Scheme, and collects old electronic items and offers on-site repairs and exchanges. Faulty items are repaired and used as hot swap items for future customer exchanges. Subsequent e-waste is collected by the German recycling company ALBA, which ensures that all waste is recycled adequately. Any wastes accruing from repair works are disposed through other NEA-licensed e-waste collectors. As of now, 90% of their waste go to e-waste processors.

ii. Processes such as labour standards for their extensive employee network (incl. delivery workers and installation workers) had already been formalised and were in line with TNB Aura's standards. Stringent Health and Safety Procedures, Manuals, and Policies (Fall Protection, Control of Electrical Hazard, Fall Hazard, and Ladder Safety, and thorough Risk Assessment Forms) are some of the management systems they have in place for their employees. In addition, an employee handbook covering topics like Leave Benefits and Corporate Values are detailed to all internal parties.

iii. Prism+ sources its products from a select number of China based manufacturers that supply to international electronic brands. We assisted Prism+ in driving the adoption of responsible supplier practices by establishing a supplier Code of Conduct. The code considers both labour concerns such as the Occupational Health and Safety of workers, and environmental concerns such as on resource consumption and pollution. The code's view on labour and human rights is in line with the UN Guiding Principles on Business and Human Rights.

To maintain the quality of all their products, factories conduct quality control on every item. PRISM+ then tests out products from each batch before shipping them to each of their customers. The company also holds regular quarterly board meetings to ensure key investors are informed and engaged, attributing to corporate governance.

Conversely, we found that there were some topics that were not adequately addressed. (a) Policies like anti-corruption and whistle-blower system were not established at the point of our due diligence. TNB Aura raised these insights and worked with Prism+ to establish company policies, ensuring these practices are well integrated internally. (b) We agreed to put in place protective measures for user data privacy. This was especially relevant given the nature of Prism+'s business, dealing with high volumes of end-user's orders and information entry on their website. (c) Another action item highlighted by TNB Aura was the importance of regular audits and check-ups on the manufacturers to ensure that they are complying to the standards that PRISM+ has set for them. (d) A yearly ESG reporting requirement enforced by TNB Aura ensures that they not only will be accountable to investors, but also made aware of their outputs as a company (e.g. GHG emissions and carbon footprint) for their emissions from any operational activities.

Doing good: Prism+ contributes to our vision of uplifting the lives of the next billion through its impact on decent jobs, equality of access, and sustainable economic growth. The company currently employs over 300 employees across its offices and service centres and have ensured they adhere to minimum wage remunerations, employment practices, particularly on the Health and Safety standards and policies in place. A high-quality work environment also improves the company's stability when the labour market is tight. This reassures Prism+ workers to know that they are well taken care of, and that there are procedures in place in case there is any risk.

The company enables Southeast Asia's consumers to purchase quality products at affordable prices, expanding access to products in the connected home space. Their products are 30% - 40% cheaper than the market average, without compromising quality, and in fact delivering best-in-class service, providing the company a competitive advantage due to its direct-to-consumer model. This enables the lower and mid-tier income earners to be able to access high quality products at lower prices.

In addition, Prism+ products reduce the consumption of cheap, low-quality devices with shorter life spans that tend to wind up in landfills sooner through their long warranties, 1-for-1 exchanges, repairing, and reusing their products as their first go-to solution. The company collects old electronic items when installing its products and offers on-site repairs and exchanges, providing an accessible service to consumers. This contrasts with other producers that encourage disposal through their less transparent repair and exchange offerings. These best practices for their service offering sustainable economic growth have contributed to Prism+ becoming a consumer favourite.

Going forward, Prism+ continues to adopt a brand extension strategy into synergistic adjacencies (e.g., sound-systems, air conditioners and other household electronics) as well as a market expansion approach. Their new integrated application also allows for homeowners to better understand their energy consumption for their products and reduce energy usage via built-in smart-capabilities - all the while allowing more people to access quality goods and services.

Three lessons on our own ESG & impact journey

To conclude, we want to share three key take-aways from our own impact and ESG journey:

1. Developing pragmatic, context-driven ESG frameworks as a fund helps us take a deeper look into portfolio companies' operations risks identified and formulate mitigation plans
2. When engaging portfolio companies who have not started on their journey with no background and knowledge in ESG, it is critical to convey that these exercises are for the eventual sustainable benefit of the company, and not just a 'box-ticking' exercise
3. More often than not, resistance from investees should be viewed positively. Negotiation during the action plan discussion helps investee founders attain a more holistic understanding of the ultimate benefits for them.

About **TNB Aura**

At TNB Aura, we are investing in and helping to build the future of Southeast Asia. As a thesis-led, high-conviction venture capital firm, we use data driven methodologies to identify and invest in select companies that are primed for the future and ready to change the very face of their categories. We invest US$3-5M into Series A and B tech startups - and beyond that, we become true partners in their quest to uplift lives of The Next Billion.

Beyond that, we are driving ESG and impact management adoption in the VC space. Our vision for tomorrow is grounded in action today — encouraging sustainable growth while supporting our portfolio companies in creating meaningful impact in our communities. From the very beginning, we work closely with founders to form and implement impact strategies in accordance with ESG best practices.

We are proud to be a firm that is invested in creating a transformative impact, and we are committed to investing in a better tomorrow alongside our Development Finance Institutions investors such as Norfund, with the assistance of Steward Redqueen.

Warburg Pincus

Managing and operationalising ESG in real estate

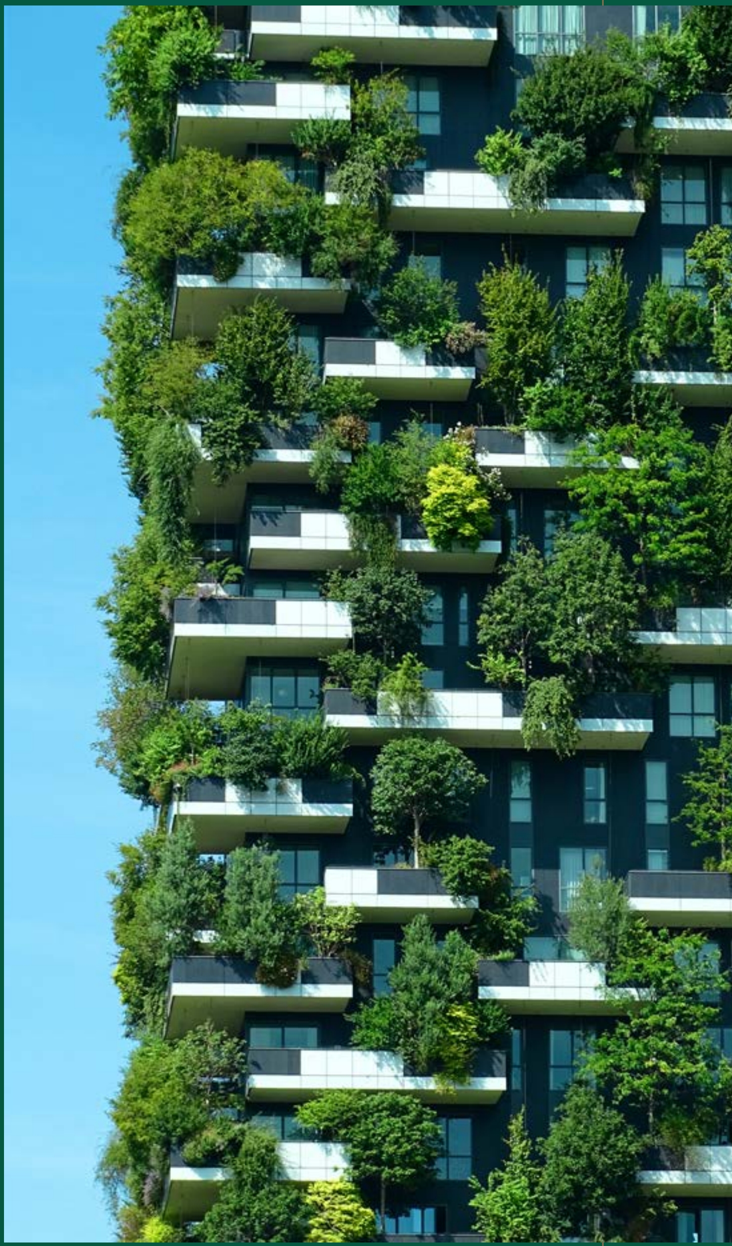
Portfolio Case - **ESR Group**

ESG Considerations in Industrial Real Estate Development and Funds Management
Industry Vertical: Real Estate
Location: Asia Pacific
Investment Year: 2011
For more information on the company, visit: https://www.esr.com/

Warburg Pincus' Approach to ESG

Warburg Pincus investment professionals and operations teams work closely with Warburg Pincus real estate portfolio companies as they seek to establish best-in-class ESG strategies for a variety of real estate asset classes. Over this period, Warburg Pincus has paid particular attention to the listing and reporting requirements of key stock exchanges in Asia-Pacific, amid the enhancement of ESG reporting frameworks and climate-related disclosure obligations. Leveraging these learnings and taking a proactive approach with both early-stage and non-listed investments have proven to be key in establishing standardised reporting, quantitative KPIs and management accountability.

Steps can include working with management to clearly define a company's ESG vision, which should distil exactly what ESG means to the company, before working with third-party advisors to establish a formal framework and company policies, that govern a range of functions from internal operations to third-party vendor management and procurement. An ESG framework should break up the sub-components or focus areas of the three main areas of ESG, that are specifically tied to the company's sector focus and allow for the establishment of clear quantitative KPIs in relation to each one.



An ESG Roadmap is often a key deliverable in outlining the company's ESG targets, which typically sets out the KPIs under each focus area. KPIs must be of sufficient importance to investors and stakeholders, while being measurable through consistent methodologies. The roadmap will normally include a timeline and step-plan for execution over the next five years.

A company's progress is then subsequently tracked through an annual ESG report which is finalised along with the previous year's financial results and audit. The report tracks progress against the KPIs and provides the opportunity to update on any key ESG initiatives.

This approach has been helpful in breaking down a wide-ranging and complex topic into a concise set of principles with associated steps that are clear to both management and investors, while preparing a company for its future reporting requirements post-listing.

Portfolio Case - **ESR Group**

ESG considerations in industrial real estate development and funds management

Since 2011, the management team and Warburg Pincus have worked together to establish ESR Group Limited (ESR or the Group) as a pioneer of real estate ESG in the industrial real estate development and funds management industry.

Climate change is a significant threat to society and capital markets today, and the built environment contributes to approximately 40% of the global GHG emissions. Given the increasing importance of achieving net zero within the real estate industry, there is universal acceptance of the need for buildings to significantly lower their carbon emissions to manage the risk of becoming stranded assets during the transition to a low carbon economy. As Asia-Pacific's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally, ESR recognises the impact of its business and carbon emissions on the environment and actively integrates ESG factors into every aspect of its business operations.

The preservation of the community and environment is an essential component of ESR's developments. The Group revitalized a 7,000 sqm degraded urban forest at ESR Yokohama Sachiura Distribution Centre 1 & 2 to conserve the natural environment for a rich mix of flora and wildlife.

Committed to environmental stewardship, ESR emphasises attributes relating to developing and maintaining sustainable and efficient assets and operations – greenhouse gas emissions reduction, sustainable materials and built to last. Various initiatives have been undertaken to ensure these factors are considered in the structure, design and operations of ESR's properties. The company has also added more rooftop panels to further increase solar power generation and is working towards a significant increase in solar power generation capacity in all its markets based on its ESG Roadmap.

ESR Ichikawa Distribution Centre features an impressive "green wall" that acts as a sound-proofing barrier and helps to reduce urban heat-island effect while cleaning the air of pollutants and dust. Winner of the "Chairman's Award" - 19th Rooftop/Wall Greening Technology Contest by the Organisation for Landscape and Urban Green Infrastructure (2020).

ESR has established a new standard for contemporary, durable and sustainable New Economy real estate. In Japan, built with occupants in mind, their distribution centres boast a suite of human-centric features such as KLÜBB Lounges, KLÜBB Skydeck, female-friendly spaces and in large scale facilities, which exceed 100,000 sqm, children's day-care centres known as "BARNKLÜBB". Managed by licensed child-care providers and offered free of charge, ESR's BARNKLÜBBs support families in balancing parenting with working outside the home whilst creating greater inclusiveness, diversity and flexibility. Not only does this initiative support ESR's customers in attracting and keeping the talent they need—particularly working mothers, but it also improves the well-being of on-site employees and workforce productivity.

ESR Yokohama Sachiura Distribution Centre 2 received several sustainability certifications, including CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Class A accreditation and the highest grade of 5 Stars from BELS (Building-Housing Energy-Efficiency Labelling System)

ESR Yokohama Sachiura Distribution Centre 1 & 2 forms part of the master planned ESR Yokohama Sachiura Logistics Park, which once fully developed will provide over 750,000 sqm of logistics space

ESR's approach to managing ESG – in the transition to a more inclusive, low-carbon and climate resilient future

ESR's Board provides the overall stewardship and strategic direction on sustainability management. Working closely with the Group Leadership team and supported by the ESG Committee, the Board ensures that material ESG factors are integrated within the Group's business and oversees the delivery of ESG performance against established targets.

ESR's ESG Framework organises material ESG topics for its business into 15 focus areas under three key pillars: Human Centric, Property Portfolio and Corporate Performance. Strategic initiatives and targets are in place for each focus area that it tracks, measures and reports annually in its ESG Report.

The United Nations Sustainable Developments Goals (UN SDGs) are a call to action to address the world's most significant challenges including climate change, poverty, gender equality and good health and well-being for all. ESR's vision for sustainable development within its ESG Framework and ESG Roadmap are in alignment with 6 of the 17 UN SDGs which are most relevant to its operations and where they feel they can make the biggest contribution.

ESR uses a comprehensive ESG investment checklist during the investment process and approved by the Investment Committee. This checklist provides an assessment of ESG requirements by fund investors covering climate related risks, building certifications, renewable energy adoption, indoor environmental quality, material sourcing and sustainable procurement, building technical assessment and Environmental Management System (EMS), energy, water and waste management efficiencies and occupier considerations where applicable.

In addition to the ESG investment checklist, ESR appoints third party consultants to conduct specific ESG due diligence (e.g., soil and site studies for construction, industrial waste management channels etc.) and uses the proprietary database for climate-risk assessment in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. ESR is working to strengthen its engagements with contractors, consultants, suppliers, and other stakeholders across the value chain which is crucial in reducing embodied carbon.

ESR participates in several large ESG performance benchmarking programs and assessments including the Global Real Estate Sustainability Benchmark (GRESB), MSCI and Sustainalytics. By reporting on ESG performance and disclosing its

ESG performance scores, ESR conveys to investors the firm's commitment to transparency and inclusion of ESG performance considerations in its investment philosophy. The consistent recognition by international indices such as GRESB, considered to be a world leading ESG benchmark for real assets, cements ESR's position as an ESG leader in real estate. Over the past few years, ESR has made great strides towards accelerating its ESG efforts across multiple aspects of its business, including sustainable financing, green building certifications, renewable energy, diversity, equity and inclusion, and community engagement. ESR has closed a total of approximately USD4 billion in Sustainability-Linked Loans across the Group to date, reinforcing its leadership in sustainable financing. In June 2022 ESR became a signatory to the United Nations-supported Principles for Responsible Investment (UN-PRI), affirming its commitment to adopt and promote responsible investment and asset management practices as part of its ongoing ESG efforts.

Moving forward, ESR's Board and Group Leadership team will continue to steer the Group forward in the execution of its ESG Strategy and ESG Roadmap, to be a leading provider of **Space and Investment Solutions for a Sustainable Future.**

About **Warburg Pincus**

Warburg Pincus is a leading global growth investor. Investing responsibly is core to the firm's philosophy and in Asia-Pacific the firm strives to be a leader at the intersection of New Economy real estate and sustainability. Environmental, Social and Governance (ESG) is an important tool that helps the firm evaluate investment opportunities, assess risk, and support the growth of the firm's portfolio companies.

Warburg Pincus aims to further its sustainability goals in partnership with real estate portfolio company management teams by:

1. Integrating sustainable design, construction, renewable energy sources and international standards within new economy development projects, such as multifamily, logistics and industrial, data centres, life science and R&D, and IT office parks.
2. Repositioning old economy assets by leveraging existing structures to reduce embodied carbon, replacing inefficient building systems to limit emissions, and incorporating tenant wellness and engagement programs.
3. Within our funds management platforms; improving ESG reporting and governance, supporting diversity, equity and inclusion, signing up to responsible investment frameworks, and increasing green financing origination.

MORE INFO

Wavemaker Partners

Building sustainable value in low-cost housing in the Philippines

Portfolio Case - **Lhoopa**

Industry Vertical: Real estate
Location: Philippines
Investment Year: 2022
For more information on the company, visit: https://lhoopa.com/

Focus on solving real world problems

Wavemaker Partners believes that solving real world problems with effective models always leads to lasting impact. 85% of our active startups contribute to at least one UNDP Sustainable Development Goal. Committing to integrate ESG into our investment practices, we became a signatory of the United Nations-supported Principles for Responsible Investment in February 2022. We measure our investees against the International Finance Corporation Performance Standards and encourage them to take stage-appropriate action that can be expanded over time.

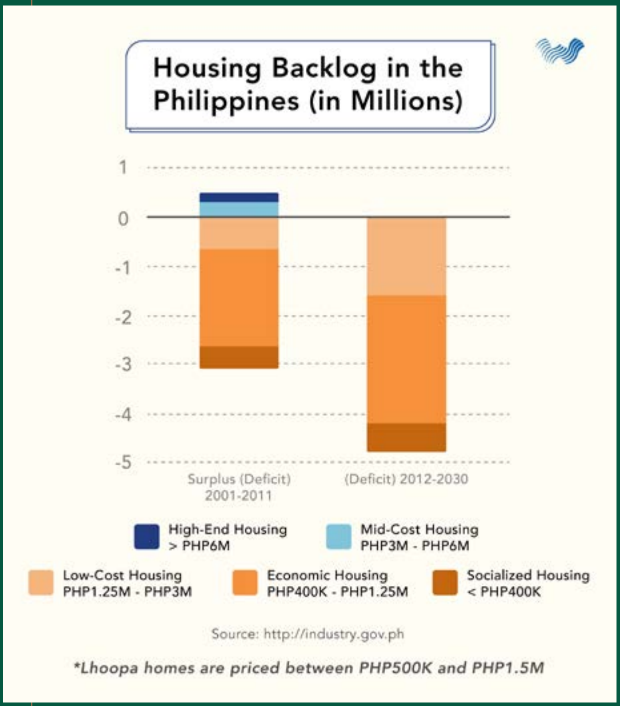
In addition to our early-stage sustainability investments, we launched Wavemaker Impact, Southeast Asia's first VC-backed climate tech venture builder. The team co-founds sustainability startups with proven entrepreneurs, aiming to achieve a 10% reduction in the global carbon budget by 2035. Each company created by Wavemaker Impact is designed to be a '100x100' company, with potential to mitigate 100 million metric tons of carbon emissions and reach a revenue of US$100 million.

Portfolio Case - **Lhoopa**

Severe shortage of affordable housing in the Philippines

It's a scene all too familiar in emerging markets– people moving from rural areas to cities in search of a better life and end up living in slums with unsafe water, poorly built houses, and no secure rights to their dwellings.

The issue is not necessarily that people are unwilling to buy homes, but rather that there are not enough affordable homes available.



The migration to cities, combined with growing populations, has resulted in a severe housing shortage in the Philippines, estimated at 3.9M homes in 2012 and is expected to grow to over 6M by 2030

Traditional real estate developers who prioritise maximising their profits have neglected the needs of low-income housing segments.

In the Philippines, every developer building a subdivision or condominium project is mandated to construct socialised housing equivalent to 15% of the total area or cost of the main project. Alternatively, they can pay a compliance fee, which will be used by third parties, such as local government units, to develop socialised housing. However, many choose to pay the fee rather than build socialised housing. Traditional real estate development involves many middlemen, overheads and administrative charges, making it almost impossible for low-cost housing to be a profitable venture.

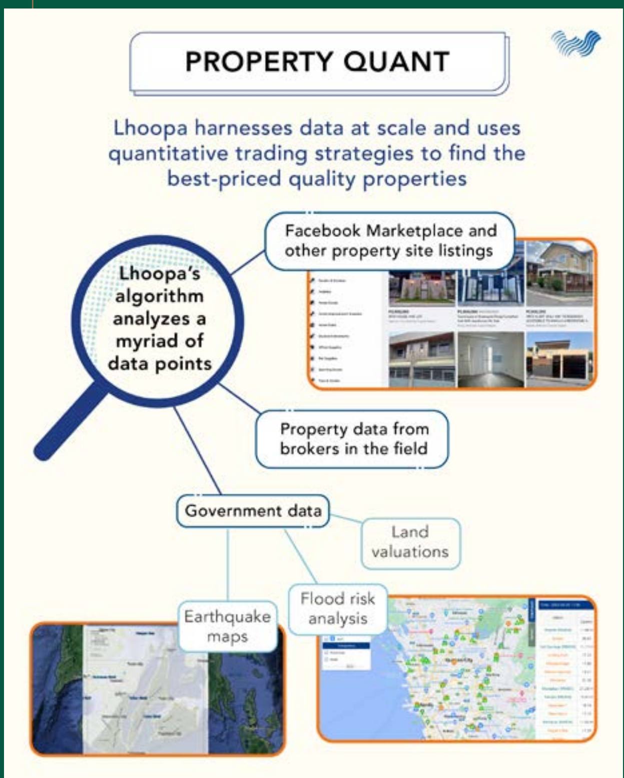
Disrupting the old real estate guard

Traditional developers typically purchase large tracts of land, which can be particularly expensive in highly urbanised areas where land is scarce. They often work with big contractors who in turn subcontract to other contractors, driving up the costs. Their lack of technology and need for dedicated headcount and offices per project leads to poorer margins. This often translates to projects becoming slower and more centralised due to developers looking for economies of scale. With the delays, cost overruns become a common occurrence.

Due to the steep costs, traditional developers face more difficult unit economics for low-priced housing. To illustrate, on average they would need to sell 42 low-cost houses to generate the same profit as selling one high-end house.

Seeing these inefficiencies inspired Lhoopa's founder Marc-Olivier Caillot or "Marco" who saw an opportunity to disrupt the chain of development for low-cost housing while consulting for a major Filipino real estate firm years ago. Marco witnessed first-hand the problems that plague the real estate industry; chief among these being the high development costs.

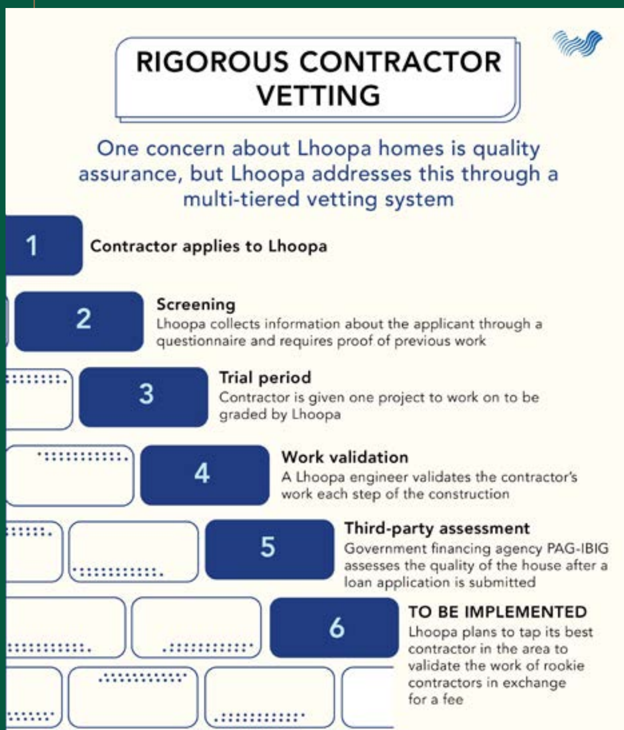
Lhoopa has built a front-to-back software system that decentralises the property development and sales/purchase process, making it streamlined, scalable, and affordable. The company has developed an algorithm that allows it to quickly identify undervalued properties in over 7,500 areas of coverage, particularly those surrounding the Philippine capital (Metro Manila). Analyzing real-time data from over 100 categories, the algorithm is designed to learn from data over time and improve its accuracy. Unlike other property startups that rely on in-house personnel or try to replace humans with technology, Lhoopa collaborates with a network of 50 small contractors and 3,000 sellers by combining their on-ground efforts with software.



Lhoopa's leverages geospatial data, land valuations and marketplace listings to source for quality properties

Upon identifying an undervalued property which typically requires repair works and refurbishing, Lhoopa's app assigns it to a local contractor who estimates the cost of construction work needed. After Lhoopa acquires the property, the contractor renovates it and uploads progress video/photo reports to the app. The app simultaneously prompts partner sellers to start selling the property and enables them to assist with the purchase process, including loan processing. Lhoopa tracks the files and transactions end-to-end through its platform.

Since these sellers and contractors are based across Lhoopa's targeted areas, Lhoopa does not need to make on-site visits, except when its in-house engineers conduct quality checks to ensure contractors meet the company's standards enabling the rapid development of individual houses on a large scale with minimal cost.



Lhoopa's leverages geospatial data, land valuations and marketplace listings to source for quality properties

Lhoopa's algorithm searches for competitive pricing, allowing the company to sell homes at affordable prices while maintaining healthy margins. This fair approach sets Lhoopa apart from traditional firms, which typically price their homes 20% higher than market value to maximise gains. Buyers must pay this 20% in equity within a 2-year pre-selling period before securing a housing loan and moving into their new home. Because Lhoopa's prices are considered low-cost, government-backed financing agencies are willing to issue loans to homebuyers that cover most of the house's price. This reduces equity to as little as 5%. This allows families to move in as soon as 3 months, avoiding any payment defaults.

For agents and small contractors, the streamlined development of homes provides a ready source of income. Meanwhile, the technology offers them deal flow within their neighbourhoods, saving them and their workers time and money on commuting, and allows for convenient processing of their pay.

Harness technology to reduce inefficiencies in low-cost housing market

Growing up in a low-income household, Marco understands that buying a home is in many ways the pinnacle of every family's dream. Marco's parents were factory workers and he was the first in his family to go to high school.

> "My dream is to deploy a system that can help narrow the wealth gap and empower poor families to become homeowners. Owning a home, no matter how small it is, enables families to build their assets and secure a better future for their children. This way, they can break the cycle of poverty and uplift their socio-economic status."
>
> **Marco**

Since its launch, Lhoopa has sold more than 3,000 homes to low-income families in 50 cities, allowing them to own their first homes. According to a survey by the company, 87% of their buyers have experienced an improvement in their quality of life after moving into their new house. 80% said they did not have access to a similar service prior to Lhoopa, and 75% could not think of a good alternative to Lhoopa.

Lhoopa's contractor and agent partners said they felt that their quality of life has improved since working with Lhoopa (97%), that the startup is better than the alternatives they have access to (72%), and their income has increased since working with Lhoopa (90%).

One of Lhoopa local partner brokers AGL Realty – Angelito and Vilma Limbacao with son Angelo.

Because the homes are affordable and faster to sell, Lhoopa finds itself holding inventory for very short periods. In 2022, Lhoopa made USD20 million in sales, translating to a 36% return on investment, much higher than the 25% ROI for higher-end housing.

Lhoopa's solution contributes meaningfully to the United Nation Development Programme's Sustainable Development Goal (SDG) 11 - Sustainable Cities and Communities, providing access to adequate, safe, and affordable housing and basic services, and upgrading slums. By developing areas surrounding Metro Manila, home owners are able to access jobs in the capital without adding to the migration to congested cities.

Lhoopa's business also contributes to Gender Equality (SDG 5), with 94% of the agents being women; Decent Work and Economic Growth (SDG 8); as well as Industry, Innovation, and Infrastructure (SDG 9). The Lhoopa team has also taken it upon themselves to be certified under the EDGE (Excellence in Design for Greater Efficiencies) program by the World Bank's International Finance Corp., which means Lhoopa's housing meets green standards.

Solving a meaningful problem in a defensible way
We believe Lhoopa has a compelling platform and solution in a market segment that traditional property developers are unlikely to compete in. As Lhoopa continues to collect more data and builds out its powerful network of partners, it will become increasingly difficult for potential competitors to replicate its success.

Lhoopa now plans to expand to other markets, starting with Indonesia, to tackle the emerging market housing backlog. This presents a massive opportunity, with a potential market size in the billions of dollars.

Lhoopa's leverages geospatial data, land valuations and marketplace listings to source for quality properties

The men and women of Lhoopa family – 70 females and 25 males.

However, more than the financial gain, the impact of this expansion will be significant. Lhoopa aims to demonstrate that its innovative approach to an age-old problem can work across emerging markets and disrupt the traditional real estate landscape, one affordable home at a time.

About **Wavemaker Partners**

Wavemaker Partners is Southeast Asia's leading VC firm investing in early-stage enterprise, deep tech, and sustainability startups. With a portfolio of 190+ companies, our total capital commitments exceed USD300 million and our exits have generated over USD1.8 billion in enterprise value. Our investment philosophy centres around the equation "Opportunity = Value - Perception". In essence, we believe the most significant opportunities arise when the actual value far exceeds the initial perceived value, especially at the point of our initial involvement. We invest in entrepreneurs with unique and scalable solutions to meaningful problems in the region. We actively seek out startups that are not merely copycats of well-known companies from other parts of the world.

White Star Capital

“Diversity as differentiating characteristic in the investment team

Beyond the numbers, we are fully aware of our societal responsibility as investors. A decision to support a specific company can not only shape the wider economy, but also the current and future society that we wish to live in. This is why White Star Capital commits to investing in companies that have a sustainable and lasting impact on the world and strives to set an example when it comes to implementing environmental, societal, and governmental practices.

Diversity and inclusion is one of our foundational beliefs. We believe in the superior efficiency and effectiveness of teams with diverse countries of origins, personal and professional backgrounds, gender and age. Both within the management company and portfolio companies, diversity and inclusion is a key driver of success. Our approach influences organisational culture in three key areas, detailed in the case study below:

- Identifying and attracting the best founders
- Making informed investment decisions
- Effectively supporting our portfolio companies

White Star Capital believes in the fundamental good associated with proactively gathering diverse perspectives, experiences, and opinions amongst its team members. The more diverse and inclusive our workplace is, the deeper the trust and shared benefits between all our stakeholders.

White Star Capital is a global multi-stage technology investment platform that invests in exceptional entrepreneurs building ambitious, international businesses. Operating across North America, Europe, Asia, our goal is to partner with local market leaders and to help them become global champions.

With close to 50 team members in 13 locations around the globe, White Star Capital invests through three distinct fund strategies, our flagship Venture Fund, Digital Asset Fund, and Growth Capital Fund.

Through our locally based investment teams and unique international platform, White Star Capital is well positioned to partner with exceptional founders to help them establish a definitive edge not just in their home market but also abroad.

Diversity & inclusion in practice - the White Star Capital case

I. The diversity of our team helps us connect with the best entrepreneurs worldwide

White Star Capital has purposefully designed our team structure around nine localised offices based across the globe, which allows us to build deep local knowledge in multiple markets. Amongst 48 employees, 21 nationalities are represented, and 20 languages are spoken.

Our regional teams are composed of professionals familiar with local market dynamics, benefiting from their personal knowledge, and extended business networks. This provides an ability to identify and connect successfully with the best entrepreneurs in local start-up ecosystems worldwide.

Overall, more than 40% of White Star Capital team members do not live in their country of origin or are of immigration descent. These personal characteristics are key in connecting the dots between different markets, evaluating the international relevance of potential investments, and in turn deploying one of White Star Capital's key strengths: expanding start-ups' reach at a global level.

To name a few examples:

- Eric Martineau-Fortin, co-founder and Managing Director of White Star Capital, embodies this approach. With three passports and experience living in over four different countries for several years, Eric has built and maintained long term relationships with entrepreneurs worldwide. He sits at the Board level of start-ups in five different countries, across three continents.
- Eddie Lee, General Partner, based in New York and of Korean origins, is an active member of both local start-up scenes. He has led investments in both markets and is now a Board member of Carbon6, Percent and Sizzle in the US, but also of Seoul-based SWING mobility, identified through his operators' network.
- General Partner in Singapore, Cristina Ventura's knowledge of Asia's investment ecosystem was instrumental in opening White Star's latest office and establishing the fund in Singapore. From Barcelona, Cristina brings over two decades of network building in Asia, studies and worked in 7 countries, and is now repeating this process in the Middle East, opening offices in Abu Dhabi and Dubai, being familiar with local practices from her time at GUCCI Europe & Middle East, several years at LVMH, being part of PRADA IPO in HK, and opening APPLE HK & China.
- Born in South Africa to Taiwanese parents, before growing up in the UK, and eventually moving to Hong Kong, Joe Wei encapsulates the background White Star Capital look to bring to the team. Joe has spent time as a banker, investor, and founder, which provides him with an exceptional knowledge base to support our portfolio across Asia.

II. A winning factor when making investment decisions

We believe White Star Capital's ability to optimise value creation for all its stakeholders is a direct result of our multiple points of view, experiences, and perspectives. White Star Capital consciously leverages the diversity of our team during its investment due diligence process to avoid blind spots and enhance the understanding of a product or a service.

After an investment opportunity is identified by one of our local offices and undergoes a first internal due diligence process, all partners take part in the investment decision. A meeting between the founders and all partners is organised, and we ensure the entire investment team has an opportunity to express their opinion and help the partner responsible for the deal make the most informed decision. We make a point of maintaining a balance between financial and operational profiles around the table, to be as exhaustive as possible in potential upside and risk assessment.

In addition to our diversity of nationalities, White Star Capital employs people with various cultural backgrounds, lifestyles and interests. Women account for 20% of the team and co-workers under 30 for over 25%. White Star Capital does not set gender or racial quotas to maintain the meritocratic principles of our organisation. Diversity has happened organically as we believe that it builds our strength and fosters - amongst many other things - more informed and objective investment decisions.

This approach has led to White Star Capital investing in companies based across 14 different countries with a broad collective of diverse founders. Of the 63 active start-ups across our portfolio, 12 have been founded or co-founded by women. As the entry barriers to entrepreneurship progressively overcome gender, we hope to see this share dramatically increase in the coming years.

III. Diversity and inclusion as a way to support portfolio companies

As part of our growth platform offering, portfolio companies continually benefit from holistic operational support thanks to the diversity of professional experiences represented amongst White Star Capital's team members.

(from left to right) Eric Martineau-Fortin, Founder and Managing Partner, and Sep Alavi, General Partner

A few examples of the support a diverse team can offer:

- Eric Martineau-Fortin and Jean-Francois Marcoux, White Star Capital's founders, are seasoned bankers alongside several others in our team. They can provide expert guidance on finance-related matters, frequently advising companies like Tier or Sleek on international M&As, or companies such as Dialogue for a successful IPO preparation in Canada.
- As a certified business coach, Cristina can accompany founders through the shift in managerial approaches needed at scale. As a long-term luxury, innovation, tech and investment leader, together with Tom Solleveld a branding and communications expert, White Star Capital is able to review communication plans and support with relevant press connections, or assist in start-ups' brand positioning.

The team is also assisted by eight venture partners spread across our different geographies, who can offer technical and sector-specific capabilities. For instance

- Based in New York, Henry Davis is the Co-founder of Chord. His expertise ranges from brand equity to ecommerce strategy and can guide start-ups through discussions involving growth strategies, operations, brand positioning, and marketing strategy optimisation.
- Alberto Lopez Toledo was the CTO and technical co-founder of Freshly, a food delivery company, formerly part of White Star Capital's portfolio and acquired by Nestlé in 2020. He serves as an in-house tech expert working closely with Toronto-based Usamah Khan, White Star Capital's data specialist. The in-house tech team they form can lead technical due diligence internally, and in turn provide detailed advice on the ideal tech stack to implement at complex product-led companies such as Wrk, or asset and ops-heavy SWING.
- Vargha Moayed is the former Chief Strategic Officer of European unicorn UiPath. His B2B SaaS Sales Ops expertise allows him to directly jump on calls with fintech companies like Seyna, to help them approach the pricing challenges they face with intricate software and financial products.

IV. Beyond White Star's team: D&I best practices from our portfolio

Looking beyond the approach White Star Capital has taken in creating a team with multiple backgrounds and experiences, our portfolio companies are also actively taking meaningful action towards more inclusive practices across various industries and have implemented meaningful D&I frameworks.

Uvaro

Uvaro is a community-based training program, with a 12-week career accelerator that enables students and young professionals to successfully prepare for a long-term career in tech sales.

The company aims to drive more diverse and skilled applicants into tech sales and business development. Their program is affordable and accessible to applicants of all social backgrounds thanks to a deferred tuition model and a scholarship fund. As a result, 67% of its applicants are women and following the completion of the training program they go on to earn on average 6% more than members who identify as men.

Internally, Uvaro implemented measures to live up to the D&I standards it fosters. Detailed D&I metrics are continuously tracked, such as the distribution of employees vs. managers, the salary distribution of males and females and the distribution of gender and race amongst their applicant population. The company also set up a transparent compensation grid, and reviews it every year based on market trends to ensure equitable pay for all employees.

TheGuarantors

TheGuarantors primarily address the D&I question through improving housing accessibility and financial inclusion. In the US, marginalised groups such as unbanked, unemployed or non-US citizens face ever increasing challenges to gain access to decent housing as prices rise and landlords impose stricter policies for tenant applications. Acting as a digital "guarantor" (as insurance broker), TheGuarantors provides housing access to marginalised tenants by insuring the financial risk of loss of rent or handling security deposits for lower monthly fees.

Internally, The Guarantors has implemented a regular D&I survey, to better map employees' diversity and adapt hiring accordingly. As a result, diversity improvement objectives were set at the workforce and board of directors' level. The company also introduced a new compensation policy to include pay equity in conjunction with a consistent compensation review process.

Petfolk

Petfolk runs a network of in-person and virtual veterinary clinics in the US. It focuses its diversity, equality and inclusion efforts on the veterinarians it employs. The US Bureau of Labor Statistics reports that the veterinary workforce is the least diverse of all US health care professions, with more than 90% of veterinarians are white, whilst only 5.6% are Asian, 4.7% Hispanic or Latino, and 1.2 % are Black or African American.

Petfolk is working to remove structural barriers embedded with racial inequalities through veterinary education, thoroughly communicating about its positioning as a responsible and equal opportunity employer and forbidding any legal retaliation against an individual who files a charge of discrimination or reports harassment.

Conclusion

White Star Capital strongly believes in the correlation between diversity and inclusion on company and investment performance. That said, we do not apply binary or hard targets, but rather an organic approach. Our internal culture rewards diversity of experience, which translates into hiring processes that seek out new skillsets and backgrounds not currently present in the team. This in turn allows us to connect with the broadest possible group of founders, and in turn benefits the value-add we can provide post-investment.

We aspire to have the collective open-mindedness to detect talent everywhere, without bias. As a team, we are convinced this open approach is the way to match our ethical values to the investment model we operate.

About **White Star Capital**

Founded in 2014, White Star Capital currently has over $1 billion in assets under management. It has invested in more than 70 companies that have gone on to collectively raise over $3 billion and generate over $2 billion in annual revenue. The firm has achieved 18 exits and two IPOs, backed five unicorns, and its portfolio companies collectively employ more than 8,000 people.

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