



## **Disclosure Statement Operating Principles for Impact Management**

Acumen Capital Partners LLC

April 15, 2021

Acumen Capital Partners LLC ("ACP") is a founding signatory to the Operating Principles for Impact Management ("thePrinciples").

This Disclosure Statement serves to fulfil ACP's obligations pursuant to Principle 9 under the Principles. This statement pertains to KawiSafi Ventures Limited ("KSV" or the "Fund"), and affirms that KSV – including its impact management systems, policies and practices, and all investments in the off-grid solar sector – are managed in alignment with the Principles as of 31 December, 2020.

Total assets under management in alignment with the Principles are US \$67.4M, representing KSV's entire portfolio as of 31 December 2020.

The reporting period for the purposes of this verification runs from 1 January 2020 to 31 December 2020.

A handwritten signature in black ink that reads 'Inamdar'.

Amar Inamdar  
Managing Director  
April 15, 2021

## Principle 1 – Define strategic impact objective(s), consistent with the investment strategy

*The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.*

- KSV is a for-profit impact fund managed by Acumen Capital Partners LLC, a wholly-owned subsidiary of the Acumen Fund, Inc. Achieving meaningful impact is an explicit component of the overall investment strategy of the Fund and is tied to financial performance incentives for the Fund's manager.
- KSV was created to unlock the potential of renewable off-grid energy as a faster, cheaper, and cleaner way to bring power to Africa's energy-poor communities than extending the grid. Its aim is to deliver access to clean, affordable energy to more than 10 million people in East Africa, at least half of whom have poverty-level incomes, and displace more than a million tons of CO<sub>2</sub>, thus contributing to reducing energy poverty while helping to avert long-term climate crisis. Failure to meet the lives impacted objective imposes financial penalties on the Manager and remuneration of the Management team.
- As a dedicated climate change fund targeting low-income populations in developing countries, strategic impact objectives are embedded in KSV's founding documents and agreements with shareholders. This includes stringent requirements to meet the environmental and social standards of the Green Climate Fund (GCF) and to report at least annually to KSV's investors on agreed impact indicators and targets.
- Through all its investments and the life of the Fund, KSV has committed to making meaningful contributions to SDG 5: *Achieve gender equality and empower all women and girls*, and SDG 7: *Ensure access to affordable, reliable, sustainable and modern energy for all*.

## Principle 2 – Manage strategic impact on a portfolio basis

*The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.*

- Impact management and measurement is embedded in the operations of the Fund via the Fund's Shareholders Agreement, Investment Criteria, and Investment Agreements.
- Investments are selected based on their ability to achieve the stated impact goals of the Fund.
- Engagement with investee companies about impact is tailored to the context and characteristics of the investee company.
- Impact measurement, ESG performance, and reporting requirements are embedded in investment agreements with investee companies for the life of the investment.
- Fund staff are trained on KSV's impact philosophy and play a role in engagement, monitoring, and reporting on impact during the life of an investment.

### **Principle 3 –Establish the Manager’s contribution to the achievement of impact**

*The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

- The Management team is incentivised and required to identify and invest in companies that share KSV's commitment to impact through the off-grid solar sector.
- Investment teams engage with prospective investee companies and require specific reporting on impact from the start of the investment process.
- The Manager seeks to achieve social and environmental impact and long-term capital appreciation primarily through Investments in Securities of Portfolio Companies that provide and enable access to clean energy products and services to low-income and off-grid populations in developing economies.
- The Fund’s contribution to impact is achieved through the provision of capital as well as through Management support in the form of impact monitoring and assessment, and strategic engagement with investee companies through the life of the investment.
- In addition, a Technical Assistance Fund has been established to support investee company capacity building projects and ecosystem Interventions in support of women and girls and consumer protection.

### **Principle 4 –Assess the expected impact of each investment, based on a systematic approach**

*For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:*

- (1) What is the intended impact ?*
- (2) Who experiences the intended impact?*
- (3) How significant is the intended impact?*

*The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.*

*In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, align with industry standards and follow best practice.*

- The Fund consistently tracks the achievement of impacts in line with a defined set of impact metrics. These include, but are not limited to, carbon emissions avoided, lives impacted, jobs created, households with clean energy access, and women benefited.
- Indicators have been selected in line with international best practice and using recognized industry methodologies, such as provided by the global association for the off-grid solar energy industry (GOGLA).
- In addition, the Fund applies the [Lean Data model](#), which provides bespoke deep-dive analysis of investee impact in terms of their effects on people's lives – including quality of life improvements and net promoter scores.

## Principle 5 – Assess, address, monitor, and manage potential negative impacts of each investment

*For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

- KSV has adopted a proactive approach to assessing ESG risks in potential investments and agreeing Action Plans with investee companies to strengthen ESG performance over time. ESG Action Plans are included in new investment agreements and progress is monitored on at least an annual basis.
- KSV has adopted a comprehensive Responsible Investment (RI) policy and set of ESG Procedures in line with international best practice. KSV aligns with the Principles for Responsible Investment (PRI), Green Climate Fund, IFC Performance Standards, and UN Global Compact.
- The Fund conducts extensive ESG diligence, both in-house and through third parties, and requires ESG compliance and reporting as pre-conditions to investment and through legal covenants in Investment Agreements.
- An external Complaints Procedure is in place. No complaints were received in 2020.
- The Fund conducts a comprehensive annual data collection and review of ESG performance in its portfolio. Among other things, all portfolio companies are assessed in terms of ESG maturity, including whether they are *a) aware of material ESG risks, b) have adopted formal commitments, c) have management systems in place for material ESG risks, and d) are adopting innovative and leadership practices when it comes to ESG.*

## Principle 6 – Monitor the progress of each investment in achieving impact against expectations and respond appropriately

*The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment.*

*Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.*

- Each investee agreement contains covenants that clarify the impact monitoring and reporting responsibilities of investee companies. Impact measurement is discussed with companies at the outset of the investment process to ensure alignment of expectations.
- Throughout the life of the investment, KSV staff communicate regularly with investee companies to obtain impact data and case studies.
- As of the last reporting cycle, KawiSafi Venture's portfolio has directly and indirectly brought improved energy access to an estimated 99 million people globally, including 42 million Kenyans and Rwandans, since investment. This is a significant increase from last year's 64 million, mainly due to new investments in Angaza (B2B) and BioLite (B2C). The portfolio has contributed to an estimated 16.7 million tons of carbon dioxide and black carbon(CO<sub>2</sub>e) emission averted globally, including approximately 11.7 million tons in Kenya and Rwanda.
- Impact data is considered alongside financial performance data when monitoring the performance of an investment and any requirements for intervention.
- In the period April-June 2020, both impact and financial performance expectations were adjusted with each investee company in response to COVID-19.

### **Principle 7 – Conduct exits considering the effect on sustained impact**

*When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustain ability of the impact.*

- KSV's Responsible Investment Policy includes provisions for assessing and considering ESG performance and impact at exit.
- KSV has not yet conducted an exit.

### **Principle 8 – Review, document, and improve decisions and processes based on the achievement of impact and lessons learned**

*The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.*

- KSV's Fund Manager has overall responsibility and is actively involved in monitoring the ESG and impact performance of the Fund's portfolio.
- ESG performance and impact potential are explicitly considered during the appraisal process and preparation of the investment agreement.
- The impact reports for each company based on the 60 Decibels framework are actively considered as part of ongoing portfolio review and engagement with investee companies.
- Insights from the annual portfolio ESG review and impact monitoring are reflected in reports to shareholders and inform engagements with investee companies and adjustments to the Fund investment strategy.

## Principle 9 – Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

*The Manager shall publicly disclose, on an annual basis, the alignment of its impact managementsystems with the Principles and, at regular intervals, arrange for an independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.*

- The Fund prepares an annual report to its shareholders regarding its adherence to ESG and Responsible Investment good practice as well as the ESG and impact performance of its investee companies.
- High-level impact results and descriptions of investee companies are included on the Fund website.
- This Disclosure Statement confirms the alignment of KSV's policies, procedures, and practices with the Principles and will be updated annually.
- Independent verification was conducted by Vukani Impact Collective(PTY)LTD.

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### **Information on the current verifier:**

<b>Name and location:</b>	Louise Gardiner, Vukani Impact Collective (PTY) LTD, Cape Town, South Africa, <a href="mailto:louise@vukaniimpact.com">louise@vukaniimpact.com</a>
<b>Qualifications:</b>	Established in October 2020 ,Vukani Impact Collective(PTY)LTD("Vukani"), (formerly housed under First Principles Sustainability Services),is an international sustainability service provider based in Cape Town, South Africa, which helps investors and businesses innovate through better measurement and management of ESG performance and impact. Vukani specializes in support to private equity funds operating in emerging markets to develop policies and procedures to manage ESG risk and performance inline with frameworks such as the IFC Performance Standards, Green Climate Fund, UN Global Compact, and the Sustainable Development Goals (SDGs). For more information, visit <a href="http://www.vukaniimpact.com">www.vukaniimpact.com</a>
<b>Relationship to Fund:</b>	Vukani (and previously First Principles) has provided the following third-party services to KSV since May 2018: Technical support to develop ESG policies and procedures; In-house ESG training and capacity building; ESG due diligence on prospective investee companies; Annual data collection and analysis of ESG performance of KSV portfolio companies. Vukani has not contributed to KSV's strategies, policies, systems, and monitoring related to impact management and measurement.
<b>Most recent review:</b>	15 April 2021