

THE FUTURE TRENDS OF IMPACT INVESTING IN ASIA

Presenters:

Piotr Zembrowski, CFA, Manager, Advocacy Research and Content, Asia-Pacific, CFA Institute

Maud Savary-Mornet, Senior Advisor for South East Asia, Global Impact Investing Network

Ronie Mak, Managing Director, RS Group

Dina Pons, Partner, Incofin Investment Management

Pierrick Balmain, CFA, Head, APAC Business Development, BlueOrchard Investments (Singapore) Pte. Ltd.

LET'S GET STARTED

Which describes you best?

- A. I invest other people's money (asset owner, portfolio manager, financial adviser etc.)
- B. I create or sell financial products (fund manager, asset manager)
- C. I invest my own money (individual investor)
- D. Other financial professional
- E. Non-financial professional (accountant, lawyer, etc.)
- F. NGO, development organization, entity that taps into funds from impact investments
- G. Academic researcher
- H. Student



POLLING 2

What are you looking for from this session:

- A. I want to learn about impact investing, its risks and opportunities in general
- B. I want to learn how my money can generate positive impact
- C. I want to learn how my clients can invest with impact
- D. I want to know what are the newest trends in impact investing
- E. I want to find career opportunities in impact investing
- F. I want to learn how to tap into funds from impact investors for my organization, as an investee



PRESENTATION

MAUD SAVARY-MORNET

Senior Advisor,
South East Asia,
Global Impact Investing Network



The Future of impact investment in Asia

Maud Savary-Mornet
Senior Advisor Southeast Asia, GIIN

February 22th

Global Impact Investing Network (GIIN)

The GIIN is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world.

- Builds a **community of practice** among 300+ investors and impact investing services providers across 49 countries.
- Provides **tools, guidance, and resources** to help investors identify metrics and integrate impact considerations into investment management.
- Publishes actionable, high-quality **data, evidence, and insights** that enable investors to make more informed decisions related to impact investing.
- Reaches a **broad network of 30,000 individuals** located on six continents

GIIN Vision

*We aspire to create a world
in which all investments consider social and
environmental impact alongside risk and return.*

Membership

Joining the largest global community of impact investing organizations, members are able to:

- **Participate in In-depth Workstreams**
 - Listed Equities Working Group
 - Knowledge hubs
 - Product Structure Workshops
 - Thursday-Get-Together
- **Learn and Network**
 - Invitations to member-only in-person and virtual events
 - GIIN IRIS & Impact Measurement and Management team office hours
- **Access Industry Tools**
 - First look at groundbreaking research and Impact Measurement and Management tools and resources

A solid blue triangle pointing downwards from the top right corner of the slide, creating a diagonal design element.

What is impact investing?... And what it is
not

Impact investments...

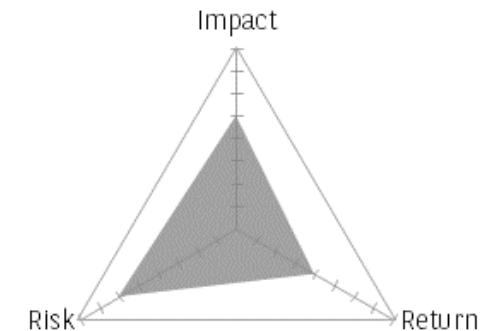
Impact investments are investments made with the **intention to generate positive, measurable social and environmental impact** alongside a **financial return**.

- Made in both emerging and developed markets
- Made across asset classes
- Target a range of financial returns

Intention to generate positive, measurable social and environmental impact

Core Characteristics of Impact Investing

1. Intentionality
2. Use Evidence and Impact Data in Investment Design
3. Manage Impact Performance
4. Contribute to the Growth of the Industry



“The challenges the world is facing are too urgent for impact capital to underperform.”

The full impact investing market size is estimated at
...

USD 715 bn

estimated AUM from over 1,720 organizations ...

Source : GIIN annual impact investor survey, 2020

Respondents represent a wide range of characteristics...

294 impact investing organizations...

- HQ'ed in SEA ("SEA HQ")= 10
- HQ'ed in Oceania ("Oceania HQ") = 9
- Any allocation to SEA ("SEA Allocation")= 77



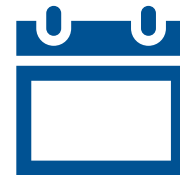
67% seek risk-adjusted market rate returns



Headquartered in 46 countries

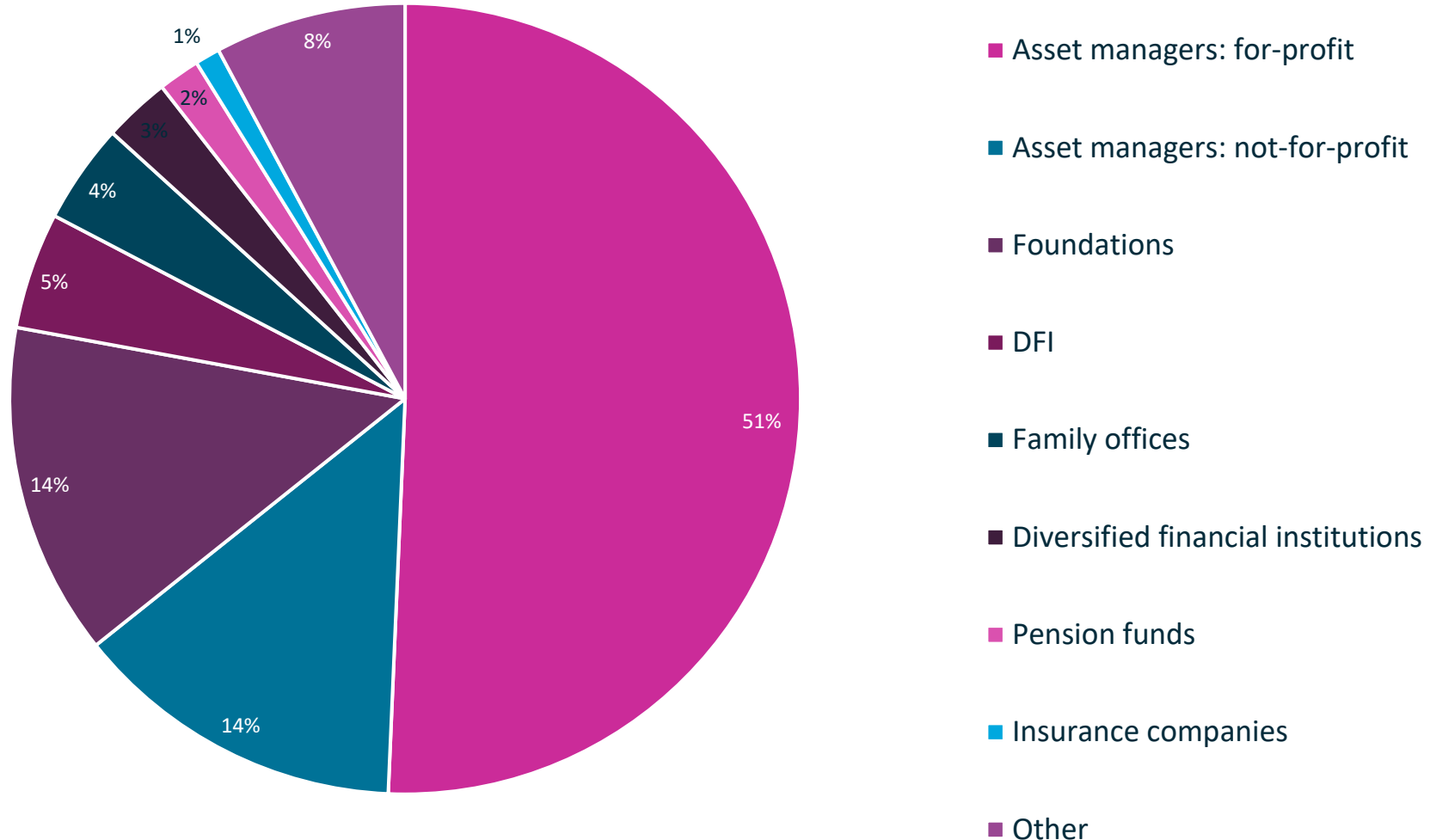


40% make diversified investments while 60% only impact investments



Majority entered the industry during the last decade (52%)

...and diverse organization types

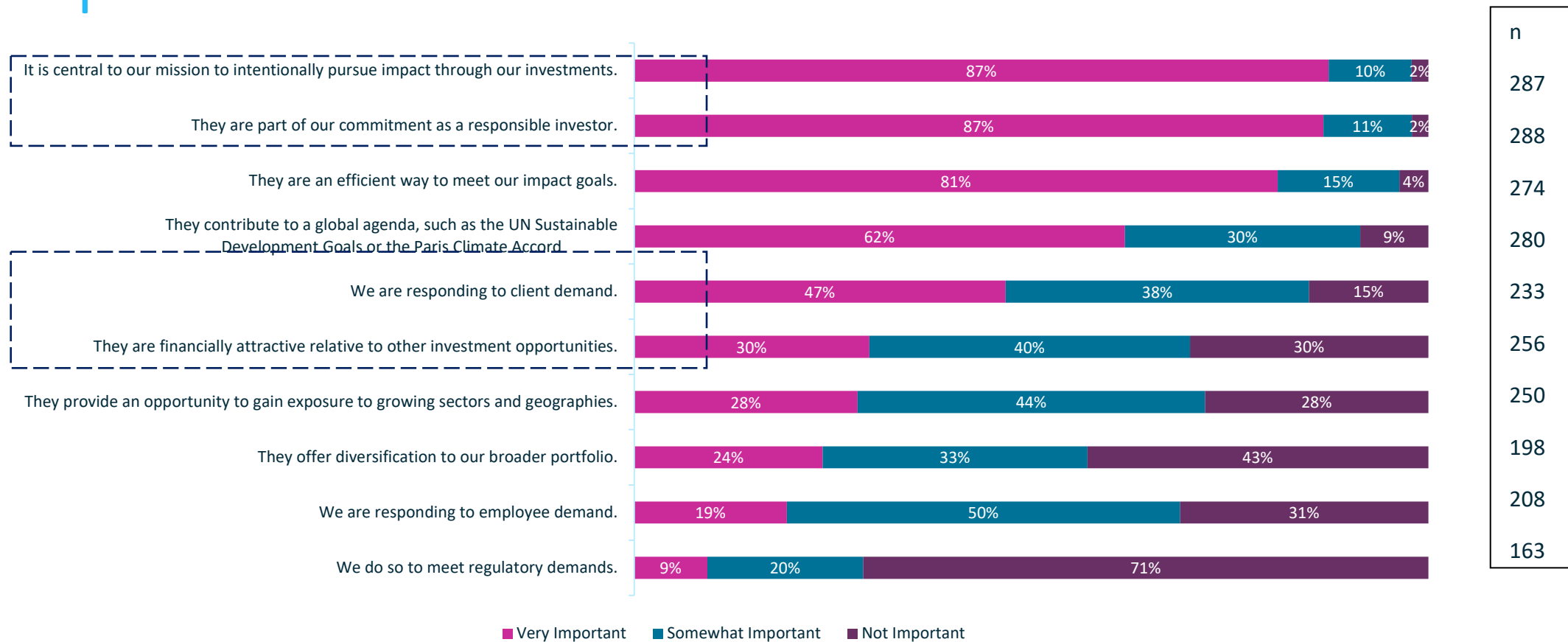


Many leading financial institutions are pursuing impact investments

TEMASEK

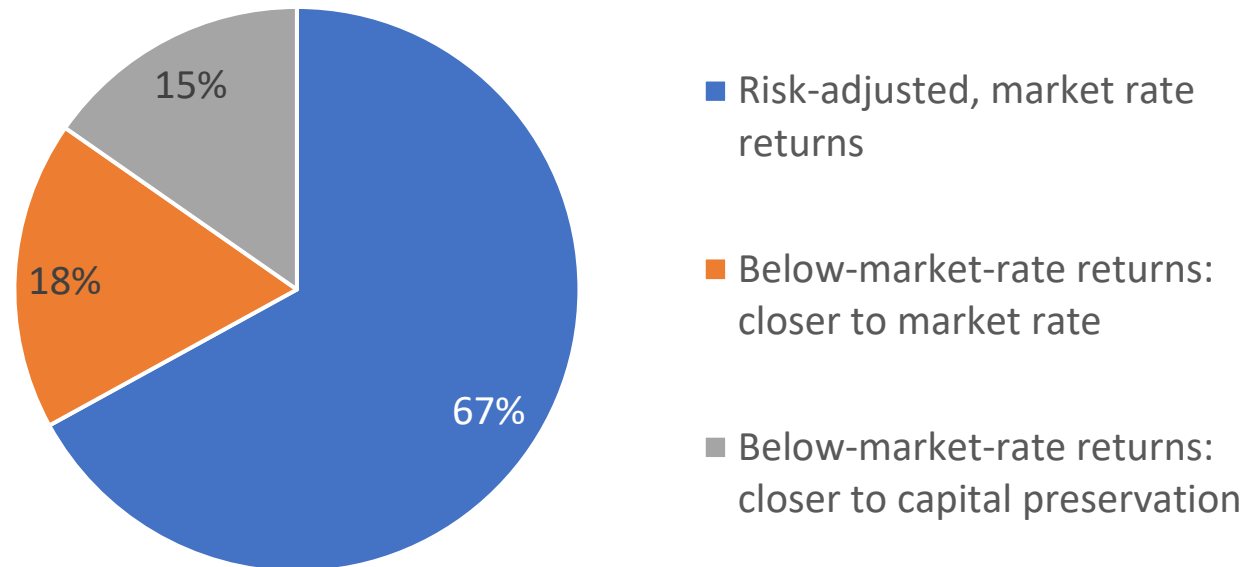


Impact investors are driven by financial and impact motivations

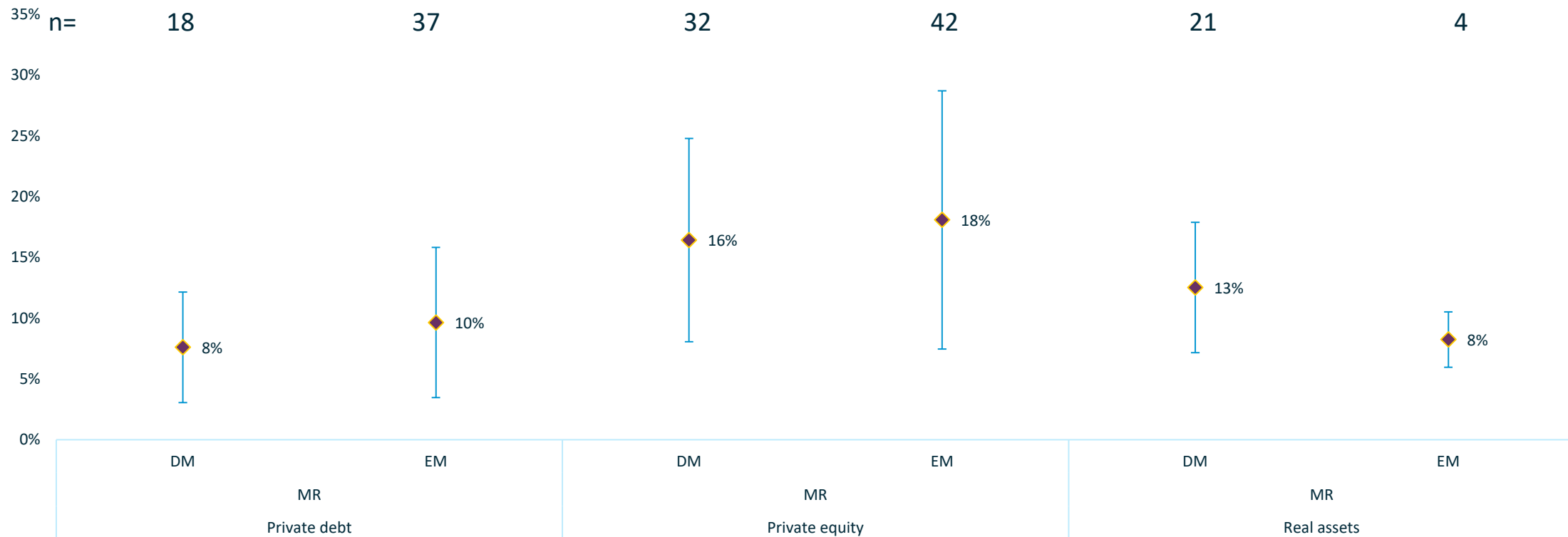


Impact investments target a range of financial returns

Target financial returns primarily sought



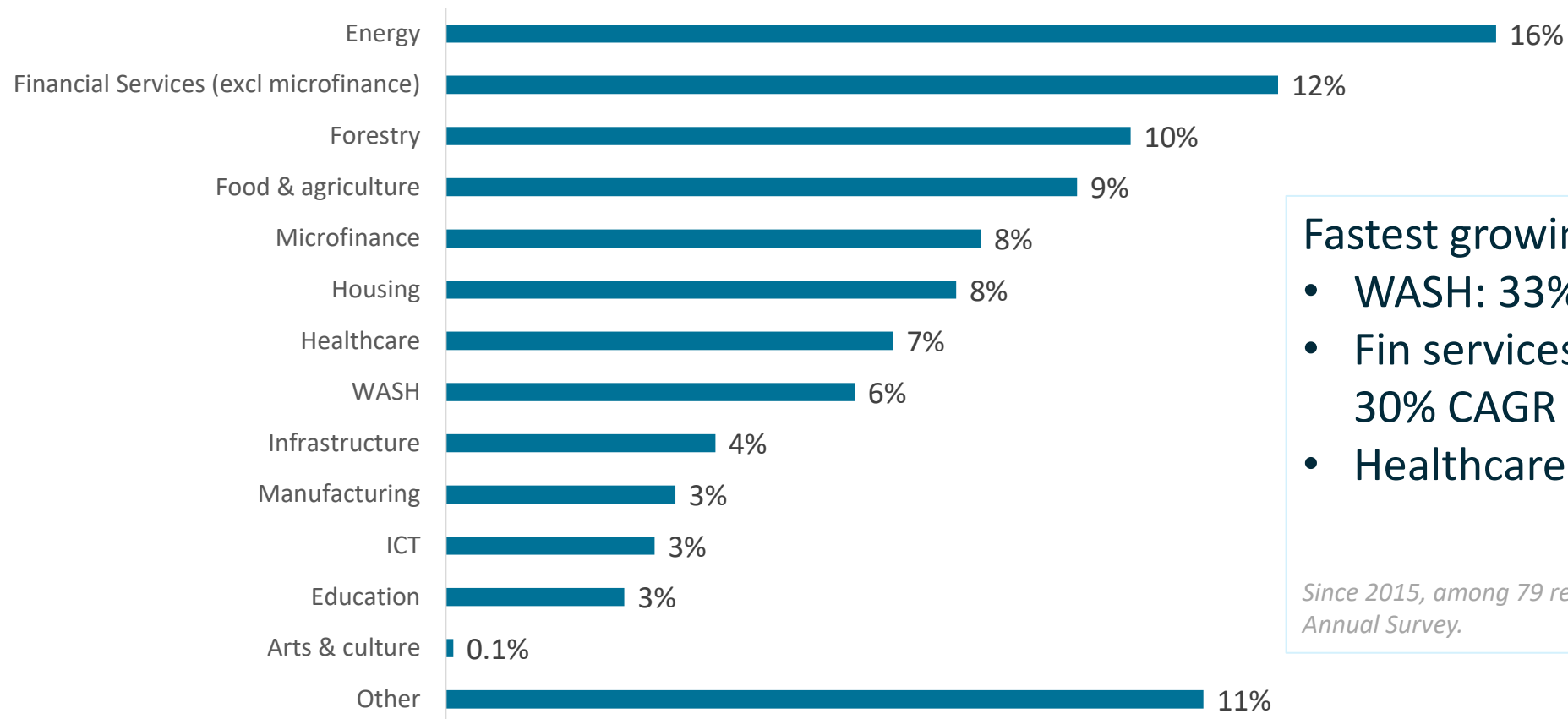
Realized returns vary by asset class, geography, and target returns



Average realized gross returns since inception for private markets investments

Number of respondents shown above each bar; year of first impact investment ranges from 1956 – 2019, with 2011 as the median year. Averages shown beside each diamond; error bars show +/- one standard deviation. Source : GIIN, 2020 Annual Impact Investor Survey

Impact investors allocate AUM to basic services, such as energy, food & ag, and fin. services

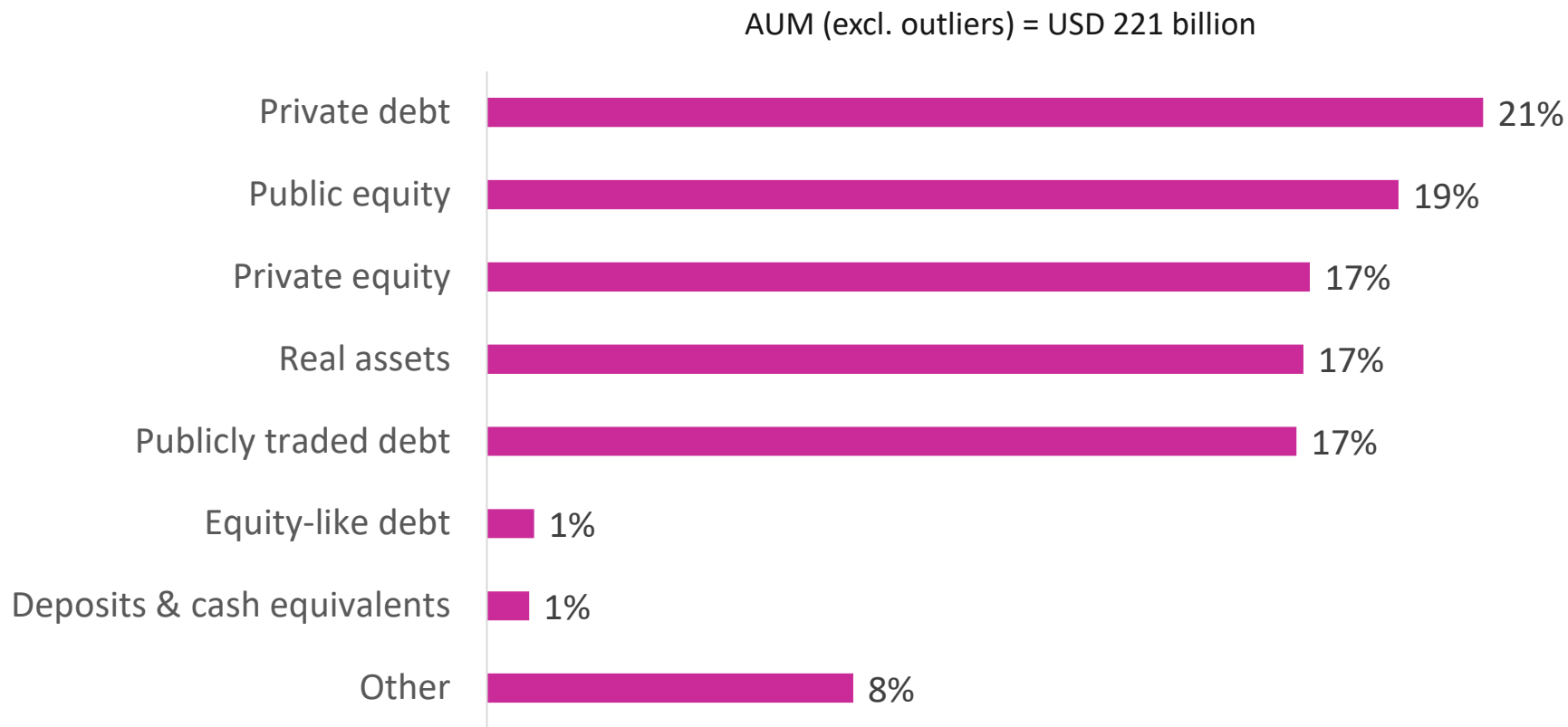


Fastest growing sectors

- WASH: 33% CAGR
- Fin services (excl. microfinance): 30% CAGR
- Healthcare: 23% CAGR

Since 2015, among 79 respondents that also participated in the 2016 Annual Survey.

Impact investments are deployed across asset classes

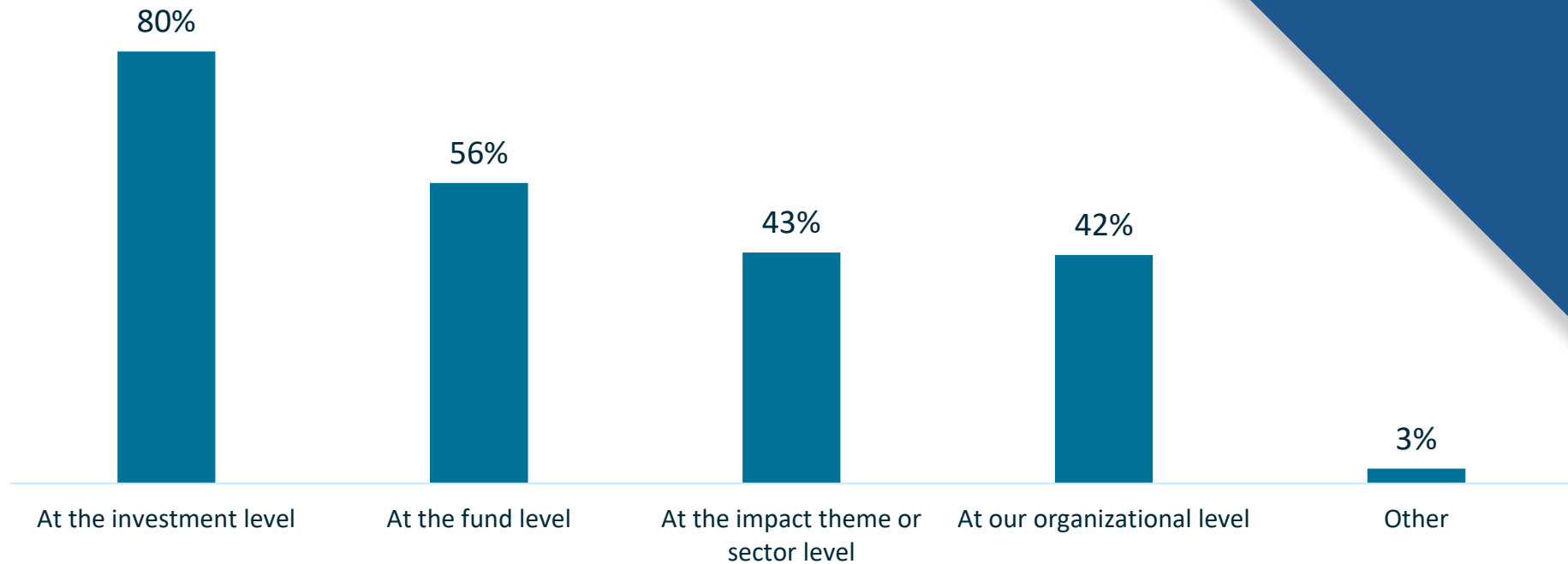


Debunking myths about impact investing

- Impact investing is not philanthropy.
- Impact investing does not mean you have to trade financial return for impact.
- Impact investing is not limited to small investments.

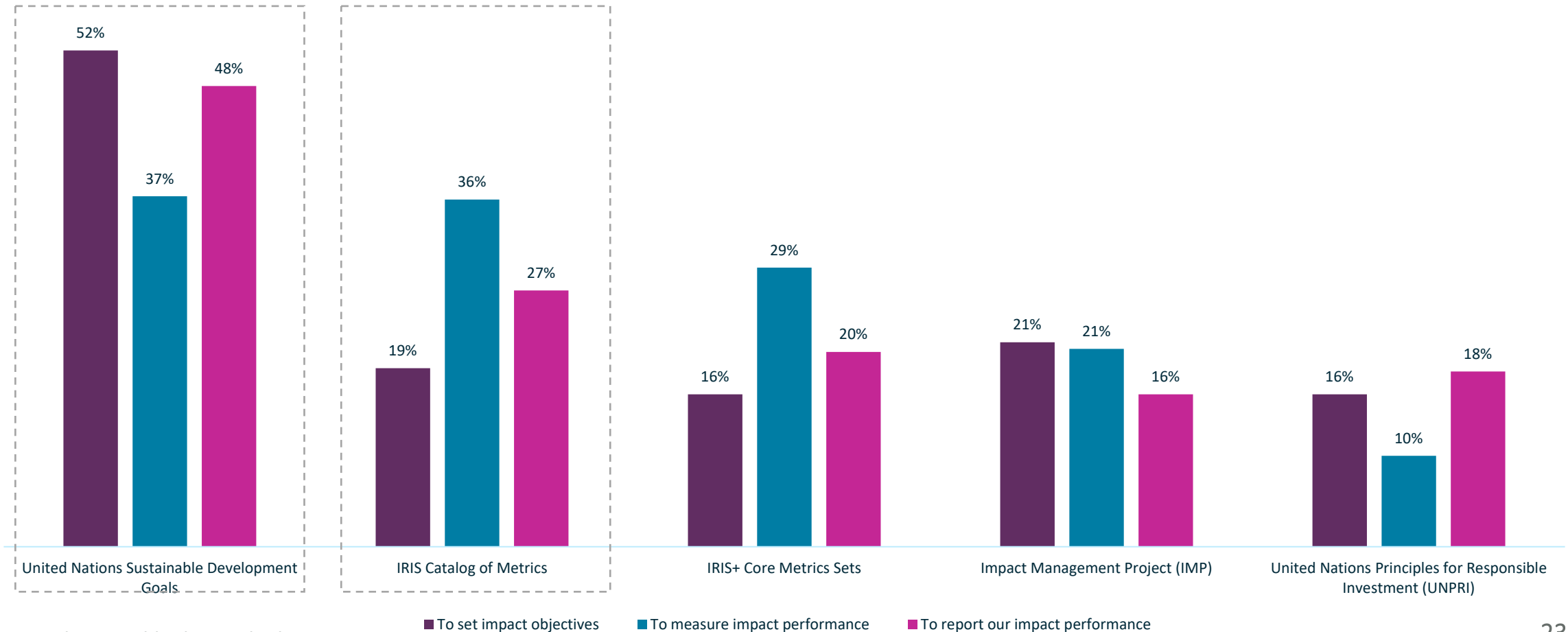
Investors set targets at a variety of levels

Levels at which investors set impact targets



Over half use the SDGs to **set** impact objectives, while IRIS and IRIS+ are used to **report** on impact performance

Use of tools, frameworks, and systems by purpose



IRIS+

IRIS+ is a system to measure, manage, and optimize impact – helping investors to translate **impact goals into real results**.



Core Metrics Sets

to measure progress towards impact goals



Evidence Base

to inform theory of change, anticipate expected impact



Practical Guidance

to improve IMM practice and impact outcomes



Standards Alignment

to standardize impact reporting across the industry



A Public Good

to provide access to all impact investors

IRIS+ | In Alignment with 50+ Standards and Frameworks

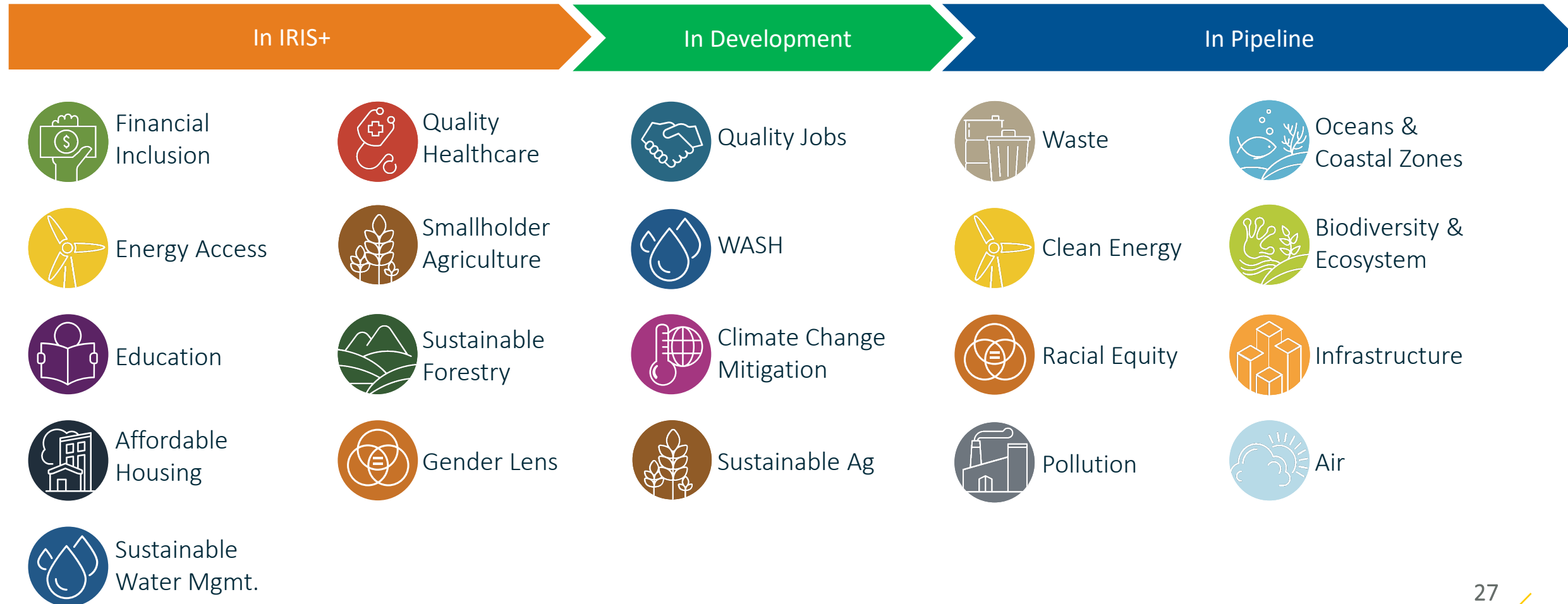
IRIS+ is framework-agnostic, and can be used with any standard or proprietary IMM framework



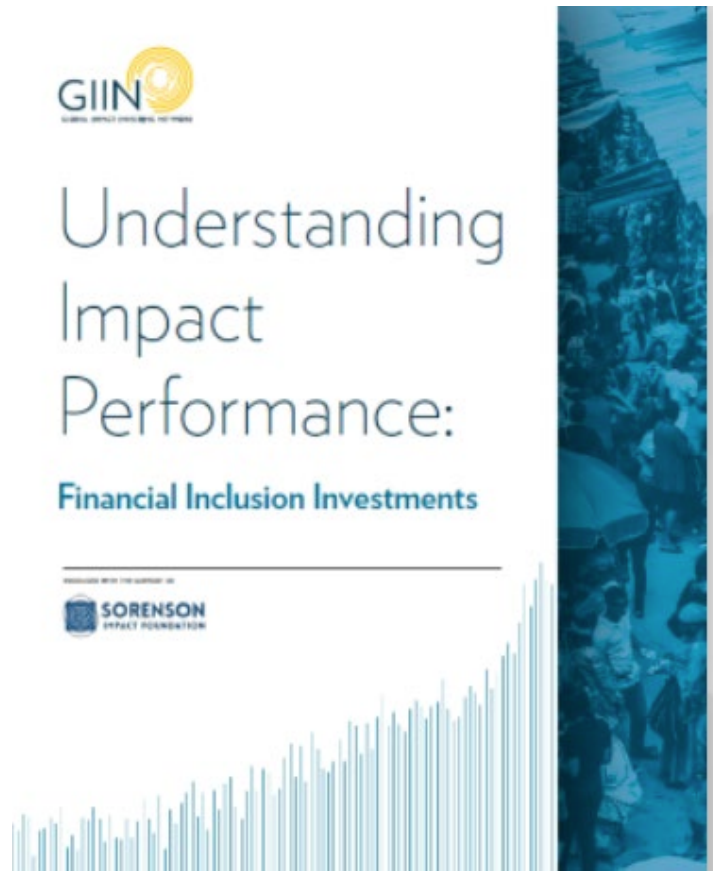
What comes next?

Pipeline for Content Development & Launch

Ongoing development of IRIS+ themes



Understanding impact performance



REGIONAL ADVISORS

Southeast Asia

Maud: msavarymornet@thegiin.org

Australia & New Zealand

Zarmeen: zpavri@thegiin.org

South Asia

Anil: asinha@thegiin.org

Benelux & Netherlands

Wouter: wkoulewijn@thegiin.org

Switzerland, Germany, Austria

Mirjam: mgarzon@thegiin.org

Stay in touch!

Visit us online:

- www.thegiin.org
- iris.thegiin.org
- LinkedIn : The Global Impact Investing Network

Disclaimers

The Global Impact Investing Network (“GIIN”) is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. Readers should be aware that the GIIN has had and will continue to have relationships with many of the organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support. These materials do not constitute tax, legal, financial or investment advice, nor do they constitute an offer, solicitation, or recommendation for the purchase or sale of any financial instrument or security. Readers should consult with their own investment, accounting, legal and tax advisers to evaluate independently the risks, consequences and suitability of any investment made by them. The information contained in these materials is made available solely for general information purposes and includes information provided by third-parties. The GIIN has collected data for this document that it believes to be accurate and reliable, but the GIIN does not warrant the accuracy, completeness or usefulness of this information. Any reliance you place on such information is strictly at your own risk. We disclaim all liability and responsibility arising from any reliance placed on such materials by any reader of these materials or by anyone who may be informed of any of its contents.

PRESENTATION

DINA PONS

Partner,
Incofin Investment Management





Incofin Investment Management

Introduction on Impact Investing

February 2021

Dina Pons, Partner, Co-Regional Director Asia, Impact Manager



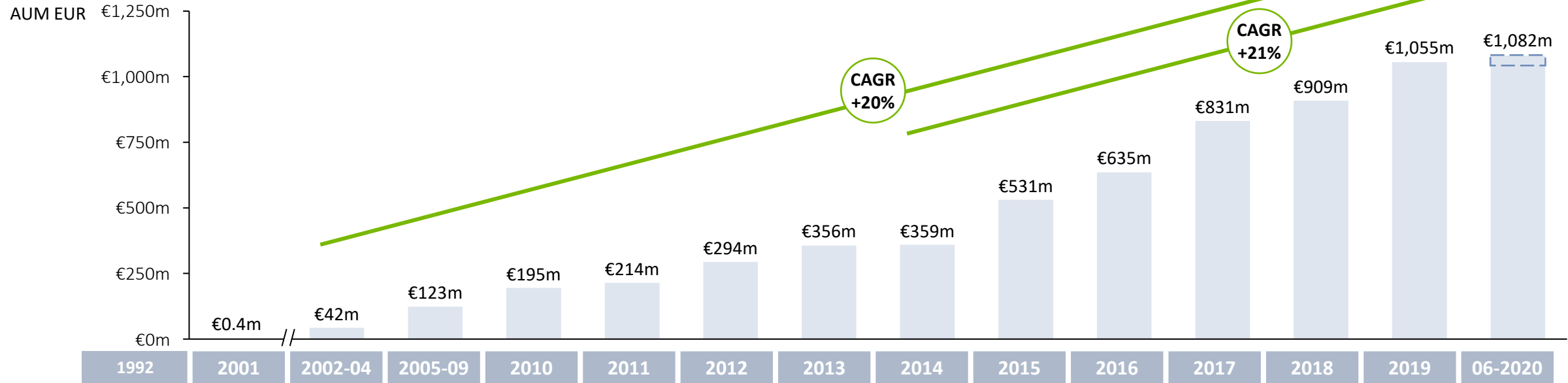


Committed beyond investment

We want to support business solutions that promote **inclusive progress**, with the aim to **improve the lives** of the **more vulnerable** or **less privileged people** of this world.

By doing so, we are committed to deliver **attractive returns** to our investors.

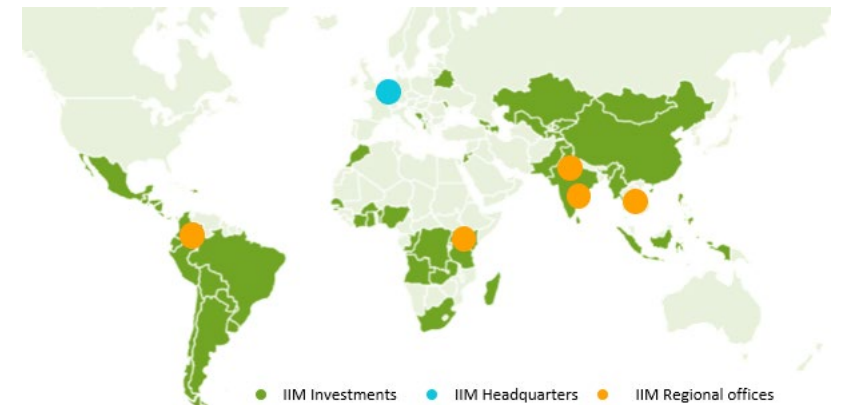
Extensive experience as a fund manager



Some of our investors

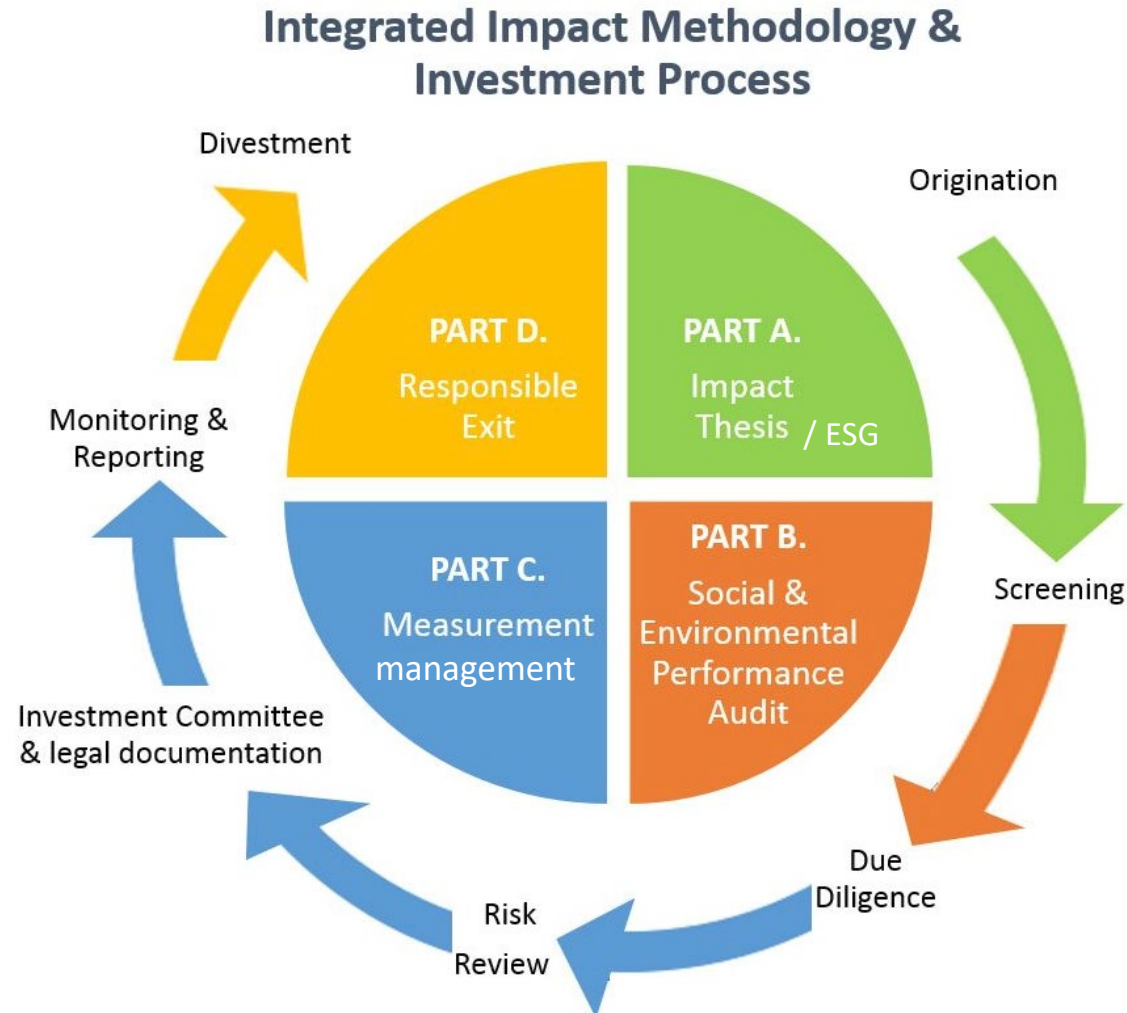


- AIFM licensed,
- Private debt and equity
- Technical Assistance
- Financial Inclusion
- Agriculture and Nutrition
- Drinking Water



Impact throughout Incofin's investment process

Impact methodology: 4 steps embedded in all investment decisions







Part A: Impact Thesis & ESG Risks Assessment

Validating the Impact “match”

- During **origination**, we only select investees that have a social mission which meets the fund’s social goals. We conduct a preliminary ESG Risks assessment.
- Example: the impact thesis of a decentralized pipe water, East Asia

Impact Thesis

Expanding access to affordable safe drinking water in rural Cambodia

I. Intent	<ul style="list-style-type: none">Established with the key objective to expand access to clean and affordable piped water across rural CambodiaPromoters being impact VC investors with global vision and local <u>presence</u> who bring hands-on governance support and international best practicesActively monitoring water usage and quality to ensure high service standards			
II. Who ... is the customer	<ul style="list-style-type: none">In rural Cambodia, 89% of the population do not have access to piped water which exposes them to a multitude of health threats from water borne diseasesAmong those who do have access to piped water, it is typically run by a private water <u>operator</u> without the requisite know-how or funding to meet the water quality standards, run the maintenance, or scale the operations			
III. Why/What ...benefit does the end client have?	<div><p>TARGET 6-1</p><p>SAFE AND AFFORDABLE DRINKING WATER</p></div> <p>Access to safely managed drinking water services at home at affordable price</p>	<div><p>TARGET 3-3</p><p>FIGHT COMMUNICABLE DISEASES</p></div> <p>Reduced risks of contracting water-borne diseases and <u>respiratory diseases (from boiling water)</u></p>	<div><p>TARGET 8-1</p><p>SUSTAINABLE ECONOMIC GROWTH</p></div> <p>Improved productivity due to time saved (from fetching water) and better health</p>	<div><p>TARGET 13-1</p><p>STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS</p></div> <p>Carbon emissions (from boiling water) averted</p>
IV. How ...are the services provided?	<ul style="list-style-type: none">Affordability: Piped water from Water+ is the most affordable option among safe drinking water sources in rural Cambodia - at about USD 0.5 per 1 cubic meter (= 1,000L) it is typically 10 times cheaper than water sold in 20L water jugs. Monthly water bill for a household is typically USD 5, or 1.2% of average household disposable income in rural Cambodia.Quality: <u>Water+’s</u> high quality control standards (daily test at station + quarterly household level test) protect customers from health risks associated with consuming water that is not properly treated. (In comparison, boiling untreated water – a common practice in rural Cambodia – which can cost a household up to USD 180 per year on fuel, not only cannot remove all contaminants but also exposes people to risks of respiratory diseases.)Awareness: Upon acquisition of a new water station, Water+ organizes a village meeting to raise awareness of the benefits of safe drinking water and good <u>hygiene</u> practices.Convenience: Productive hours saved as customers now have access to water 24/7 on premises and do not need to spend			



Output tracking

IRIS ID	Metric
PI8043	Volume of potable water provided
PI1726	# of poor client households
PI2845	# of client households with no access previously
PI7395	\$ of client spending on health
PI2764	Amount of emissions avoided

IRIS+



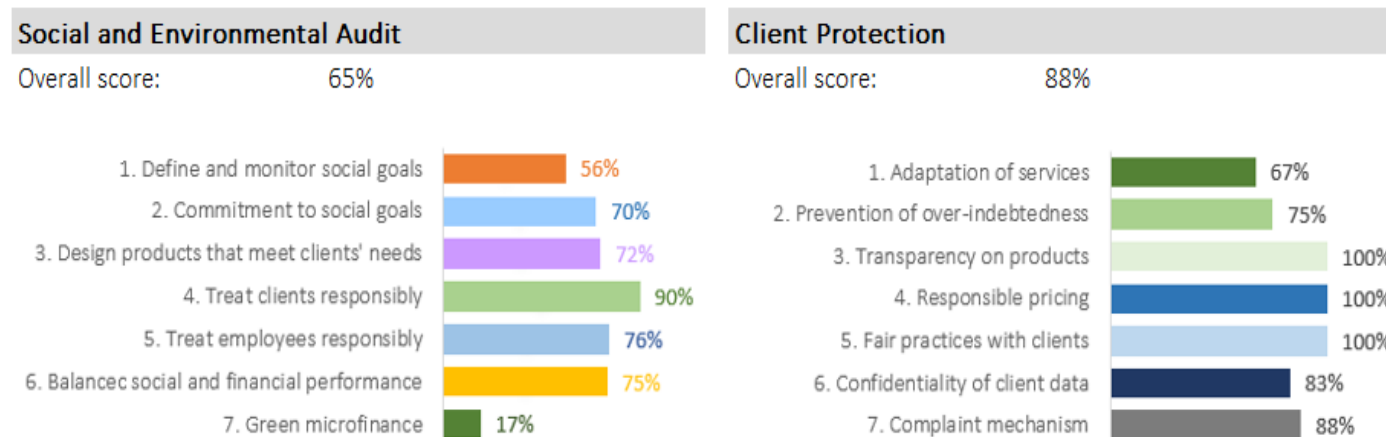
incofin

Committed Beyond Investment

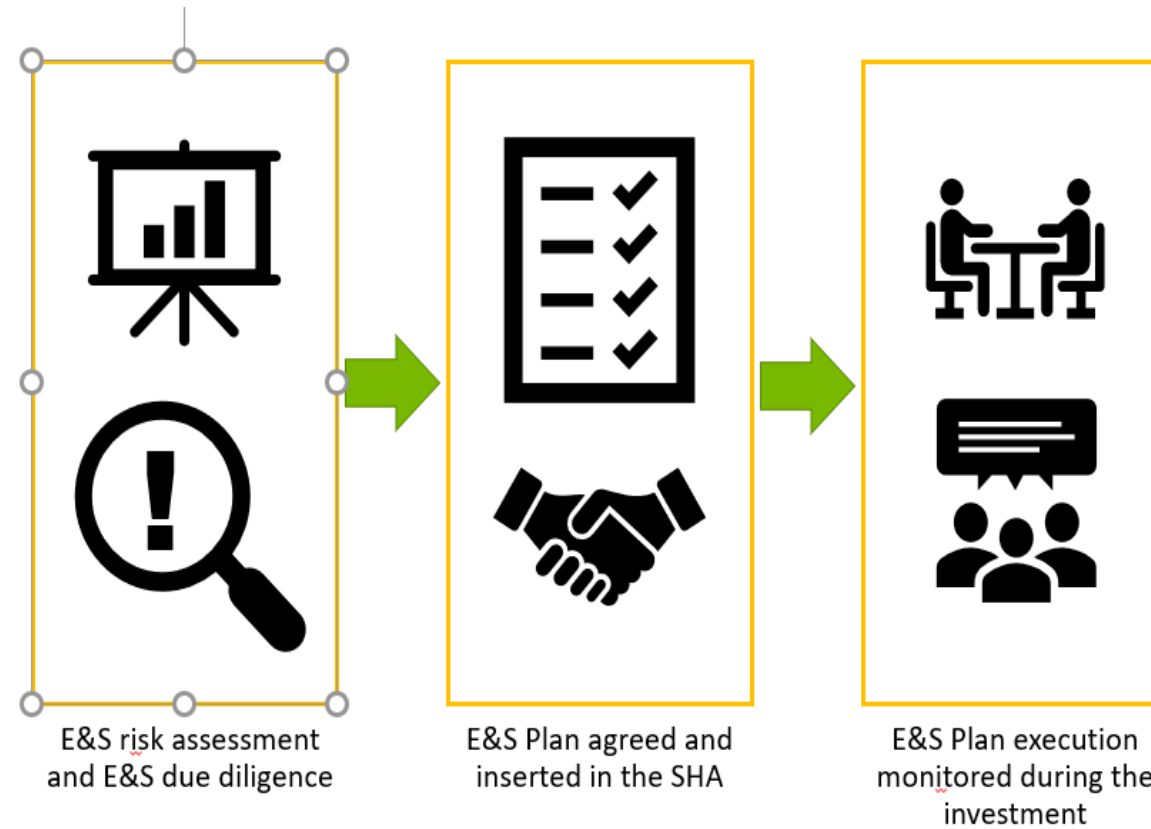
Part B: Social and Environmental audit

- During **due diligence**, we assess the operational performance of an investee through a comprehensive Social & Environmental Audit

Example: Microfinance institution South Asia



Part C: Environmental & Social Value Creation



Part D: Responsible Exit

At the time of exit, potential purchasers are evaluated against a Fitness and Compatibility Review Matrix to ensure the new shareholder is committed to the investee's social mission and has the capacity to take it to the next level while ensuring continuity in operations strategy and social goals.

Criteria

- 1 Reputation (external)
- 2 Reputation (with regulator)
- 3 Financial Stability/Performance
- 4 Regional and Local Knowledge
- 5 Financial Inclusion Knowledge
- 6 Social Performance
- 7 Clear Rationale for Acquisition
- 8 Corporate Culture
- 9 Funding Availability
- 10 Management Stability (at parent level)
- 11 Management Development (for acquired organizations)
- 12 Innovation/Technology





POLLING 3

If you were an impact investor, in which areas would you want your money to make a difference? (Choose two)

- A. Education
- B. Energy
- C. Food and agriculture
- D. Forestry
- E. Healthcare
- F. Housing
- G. Information and communication technologies
- H. Infrastructure and Manufacturing
- I. Microfinance and other financial services
- J. Water, sanitation and hygiene (“WASH”)



POLLING 4

What obstacles do you see to a broader adoption of impact investing?

- A. Investors' lack of awareness of the needs and the opportunities for impact
- B. Unwillingness to potentially sacrifice financial returns to generate impact
- C. Low interest of financial professionals in promoting impact investment
- D. Lack of easily available impact investment vehicles
- E. Lack of clear understanding of the impact the investments generate
- F. Risks of impact-washing



PANEL DISCUSSION

THE FUTURE TRENDS OF IMPACT INVESTING IN ASIA



Piotr Zembrowski, CFA
Manager,
Advocacy Research
& Content,
APAC
CFA Institute



Maud Savary-Mornet,
Senior Advisor,
South East Asia,
Global Impact Investing
Network



Ronie Mak,
Managing Director,
RS Group



Pierrick Balmain, CFA,
Head,
APAC Business
Development,
BlueOrchard Investments
(Singapore) Pte. Ltd.



Dina Pons,
Partner,
Incofin Investment
Management

THANK YOU

