Operating Principles for Impact Management
Clime Capital is a signatory to the Operating Principles for Impact Management (the Impact Principles). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms Clime Capital investments and operations are managed in alignment with the Impact Principles. Total committed capital under management in alignment with the Impact Principles is US$22.3 million as of October 31st, 2023.

MASON WALLICK
Chief Executive Officer
Clime Capital Management Pte. Ltd.
20 December 2023

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PRINCIPLE 1
Define strategic impact objective(s), consistent with 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.

Clime Capital has developed a well-defined impact strategy that aims to provide early-stage development and scale-up capital to accelerate the transition to low carbon energy in Southeast Asia. The primary focus of this strategy is on Vietnam, Indonesia, and the Philippines. To achieve its impact objective, Clime Capital concentrates on two key impact themes: reducing CO2 emissions and mobilizing the private sector to achieve positive outcomes.

In support of its impact strategy, Clime Capital has conducted extensive research and gathered evidence from sources such as Convergence. This research substantiates the need for the Fund’s impact strategy and highlights the importance of using catalytic capital to mobilize new sources of funding for the Sustainable Development Goals (SDGs). By leveraging this research and evidence, Clime Capital is well-positioned to make a significant impact in the region.

Clime Capital is dedicated to expanding its impact strategy by developing a cohesive approach that clearly articulates the connections between the social and environmental challenges being addressed, the specific subsectors and activities being focused on, and the desired outcomes. This approach also includes a clear link to the SDG targets selected by Clime Capital.

Clime Capital’s approach is backed by a summary of evidence and research that supports its investment strategy and climate assumptions. This evidence will be updated regularly with new data and research to ensure that Clime Capital remains at the forefront of addressing social and environmental challenges in the region. By creating and implementing this approach, Clime Capital is demonstrating its commitment to achieving its impact objectives.
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.

Clime Capital has taken its approach to integrating impact considerations at each stage of the investment lifecycle in its Investment Process and Due Diligence Policy and Reporting Guidelines. Clime Capital has developed a set of core impact metrics, including CO2 savings, installed energy capacity (MW), generation (MWh), and employment metrics, to facilitate the comparison of impact performance across portfolios for each fund. Clime Capital also assesses the estimated private sector leverage ratio to consider the mobilization of private sector capital. This data is aggregated using the MIS, which enables the development of impact and performance reports.

In addition, impact considerations such as estimated reduction of CO2 emissions, increase in new renewable energy production, and the effect of investments in replacing existing and future fossil fuel energy generation are integrated into Clime Capital’s annual compensation bonus criteria.
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.

Clime Capital’s contribution to its investors is both financial and non-financial. Financially, the firm provides early-stage catalytic capital, while non-financial contributions include advisor support, operational support, measurement of carbon impact, increased credibility, and the opportunity for investees to acquire follow-on capital.

The value-add provided by Clime Capital is broadly articulated in its investment approval memoranda. The firm’s track record in leveraging its added value is outlined in short case studies within a presentation deck and select short films on its website. Clime Capital’s value-add presentation also presents evidence that the firm tracks its investor contribution activities across transactions.
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.

Clime Capital has established a consistent and standardized framework for assessing the potential impact of each investment. This framework is implemented through the use of Preliminary Investment Memos, which include a Climate Impact Assessment section. This section outlines the expected positive impact of the investment, such as CO2 savings and emission reductions.

To facilitate accurate projections, Clime Capital develops a Carbon Forecast for each prospective investment. This forecast provides detailed information on the expected climate impact of the investment, allowing Clime Capital to make informed decisions about its potential impact.

In addition to this rigorous assessment process, each prospective investment must demonstrate how its business model contributes to climate mitigation and a low carbon strategy. This requirement ensures that all investments made by Clime Capital align with its overall impact objectives and contribute to the transition to a low carbon economy.

By implementing this comprehensive approach to assessing the potential impact of its investments, Clime Capital is demonstrating its commitment to achieving positive social and environmental outcomes.
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.

Clime Capital employs a thorough strategy to evaluate and address potential adverse effects related to investments or ESG risks, utilizing its robust Environmental and Social Management System (ESMS) Framework. This framework, intricately designed, incorporates considerations at every stage of the investment process and assigns clear responsibilities for risk management. Additionally, Clime Capital receives regular Environmental and Social (E&S) Reports from its portfolio companies, providing quarterly and annual reflections on E&S issues, along with more frequent monthly updates. Through this comprehensive approach in managing EHSS risks, Clime Capital underscores its commitment to responsible and sustainable investment practices.

The company's Environmental and Social (E&S) Policy aligns with the objective of seamlessly integrating E&S considerations into the investment process. The policy emphasizes collaboration with stakeholders, including investees, to promote enhanced E&S practices, and delineates specific responsibilities for identifying, assessing, deciding, and monitoring E&S risks and impacts.

Furthermore, the policy highlights Clime Capital's dedication to adhering to internationally recognized E&S standards. This commitment extends to compliance with local laws and regulations in all countries of investment, adherence to Clime Capital's Exclusion List, incorporation of IFC Performance Standards and supporting Guidance Notes, alignment with the World Bank Group's Environmental, Health, and Safety Guidelines, adherence to UN Guiding Principles on Business and Human Rights, and a commitment to ILO International Labour Standards, including the ILO Core Conventions and Basic Terms and Conditions of Employment. Overall, Clime Capital's comprehensive approach underscores its commitment to achieving positive social and environmental outcomes.
PRINCIPLE 6
Monitor the progress of each investment in achieving impact 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.

Clime Capital has established a comprehensive investment impact monitoring process, as outlined in its reporting guideline. This process is based on quarterly impact and performance reports, which track key performance data for each company, such as installed capacity, CO2 offset, and the number of jobs created. In addition, investee companies provide monthly updates that record the milestones achieved compared to the previous month, including cumulative CO2 offsets and cumulative jobs created.

To facilitate effective monitoring, Clime Capital uses a traffic light system to track the impact status of each investment. A green light indicates that the portfolio company is on track, while a yellow light indicates that milestones are delayed but the impact and financial performance may recover over the life of the fund. A red light indicates that the investment is not expected to achieve the impact over the life of the fund. If monitoring indicates underperformance, Clime Capital may engage with the company to address the issues and, in extreme cases, may divest from the project.

By implementing this rigorous investment impact monitoring process, Clime Capital is able to effectively track the performance of its investments and ensure that they are aligned with its overall impact objectives. This approach enables Clime Capital to make informed decisions about its investments and take appropriate action when necessary to achieve its desired outcomes.
PRINCIPLE 7
Conduct exits considering the effect on sustained impact

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

Clime Capital has developed a comprehensive investment exit process, which provides an overview of EHSS reporting for each investment and outlines a set of core covenants to be included in the transaction. These covenants are designed to enhance the likelihood of impact being sustained post-exit and include provisions such as a prohibition against changing the business, assurance of environmental compliance, and prohibition of exclusion list activities.

In addition to these measures, Clime Capital also requires its portfolio companies to report against a core set of impact data. This reporting, combined with Clime Capital’s value-add activities during the investment process, increases the likelihood of mission lock and investment success. By implementing these rigorous reporting and monitoring processes, Clime Capital is able to ensure that its investments continue to have a positive impact even after exit.

Overall, Clime Capital’s investment exit and associated processes demonstrate the firm’s commitment to achieving sustainable impact through its investments. By carefully considering the potential long-term impact of its investments and implementing measures to enhance its sustainability, Clime Capital is able to make a lasting positive contribution to the communities and environments in which it operates.
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.

Clime Capital has established a rigorous process for monitoring the impact and performance of its investments. This process is implemented through the use of impact and performance reports, which provide an overview of portfolio and investment-level impact across the impact metrics identified during the ex-ante stage. In addition to these reports, investee companies are required to submit monthly reports that provide key status and project updates.

The combination of these monthly and quarterly reports provides evidence that Clime Capital has a consistent approach to reviewing and documenting the impact performance of each investment. By regularly monitoring and reporting on the impact of its investments, Clime Capital is able to ensure that its portfolio is aligned with its overall impact objectives and is making a positive contribution to the communities and environments in which it operates.

Overall, Clime Capital’s rigorous approach to impact monitoring and reporting demonstrates the firm’s commitment to achieving positive social and environmental outcomes through its investments. By carefully tracking the performance of its portfolio and taking appropriate action when necessary, Clime Capital is able to make a lasting positive impact in the regions where it operates.
PRINCIPLE 9
Publicly disclose alignment with the principles and provide regular independent verification of the alignment

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

The robust impact management processes form a crucial element of Clime Capital's impact investing strategies, and an annual commitment is made to disclose our alignment with the Operating Principles for Impact Management. Clime Capital will undergo external verification of its disclosure statement, and the conclusion of the verifier's assessment will be published. The selection of an external verifier will be finalized, with the initial verification results expected to be published before the end of 2023. The statement undergoes annual updates and publications to ensure ongoing compliance with the Impact Principles. Moving forward, Clime Capital is scheduled to undergo another independent verification next year. This step comes after development of Impact Measurement and Management System (IMMS). Independent verification will be sought with any significant changes to our impact management process, but at a minimum, it will be conducted biennially.

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