ACRE IMPACT CAPITAL

Disclosure Statement

Operating Principles for Impact Management

30 September 2024

DISCLOSURE STATEMENT

Acre Impact Capital (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles"). This Disclosure Statement serves to affirm that Acre Impact Capital has the policies and procedures in place to manage impact investments in accordance with the Impact Principles. Total assets under management in alignment with the Impact Principles are US$95.5 million as of September 1st, 2024.[1]

Hussein Sefian
Founder and Managing Partner
Acre Impact Capital
September 30th, 2024

[1] The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

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.

Acre Impact Capital ('Acre') invests in climate-aligned essential infrastructure by partnering with leading commercial lenders and Export Credit Agencies (ECAs). Acre's Export Finance Fund I addresses the estimated $100 billion annual infrastructure financing gap in Africa, driving economic growth and providing essential services for underserved populations.

By investing in the chronically under-funded commercial tranche of ECA-backed sovereign infrastructure projects, Acre mobilises up to 5.6x private sector capital for every dollar invested. By providing debt finance for the commercial tranche (typically 15%) and taking direct sovereign risk exposure, Acre's investments unlock ECA-backed portions (typically 85%). More risk-averse private sector funders are catalysed into the investment through surety from ECA guarantees, hence the catalytic impact of the fund is 15:85, or 5.6x.

Acre believes that sustainable, impactful infrastructure development (SDG 9) is fundamental to economic growth (SDG 8) and providing essential services to underserved populations (SDG 10). It strengthens economies and improves lives by enabling families to gain access to improved and affordable health services, education, water and sanitation and electricity, or by enabling small and large businesses to prosper through improved energy access and transportation. Through the application of a climate lens (SDG 13) and a gender lens (SDG 5) to all investment activities, Acre strives to ensure that all infrastructure investments are both sustainable and inclusive.

Acre targets climate-aligned sustainable infrastructure benefitting underserved populations across four impact sectors, or investment themes, strongly aligned with the UN Sustainable Development Goals:

(i) Renewable Power
(ii) Health, Food and Water Scarcity
(iii) Sustainable Cities
(iv) Green Transportation.

The investment strategy is fundamentally informed by the intention to contribute meaningfully to the identified impact sectors in Africa. It can be said that our impact objectives drive our investment strategy, rather than the other way around.

As such, we are "impact-first", while recognising that this need not mean that we are a concessional finance provider: we target risk-adjusted, market-rate returns, *within* the context of delivering meaningful impact. To this end, our Export Finance Fund I has been set up and is managed so that impact activities and investment activities go hand-in-hand at all stages of the investment process, from origination and screening through monitoring and loan realisation, as described under Principle 2 below.

The "who, what, how, how much and contribution" of our impact is assessed through Acre's Impact Management System (IMS), guiding each stage of our investment process to ensure that our impact objectives play out in reality.

Our impact ambition is to invest in **climate-aligned essential infrastructure** projects that provide access to essential services for **underserved populations**.

For the purposes of clarifying our strategic impact objective, the following definitions are used by the fund to inform our investment activities based on this mission:

(i) **Essential infrastructure** – is defined as essential services and facilities which create or enhance opportunities for improved quality of life and inclusive community. This can be achieved through both creating initial access to such services or by improving and upgrading services to increase access and deliver consistent, reliable outputs. The Fund integrates this consideration into the investment strategy by only considering investment opportunities that qualify as essential infrastructure, in the four impact sectors defined.

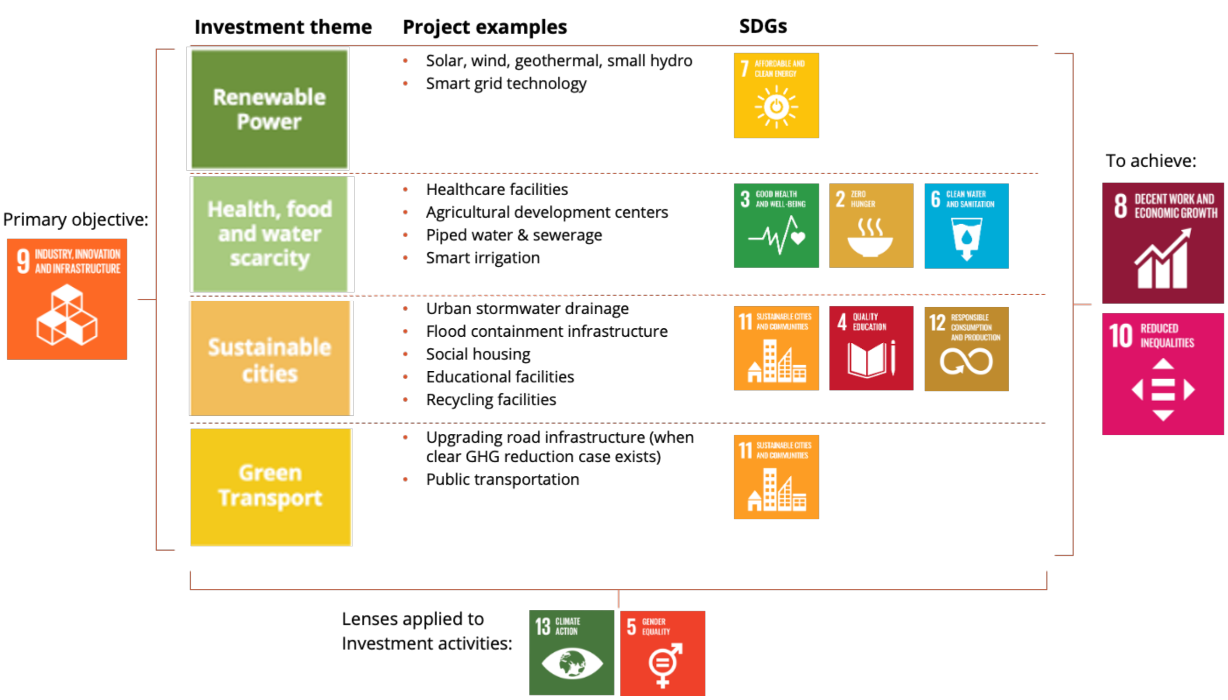
(ii) **Climate-aligned** – is defined by Acre through the application of a climate lens throughout the investment process. At a minimum this involves climate risk assessments; scope 1, 2 and 3 emissions tracking; identification of resilience, resource efficiency and emission reduction opportunities at the project level; and support to implement these.

We operationalise our climate lens by ensuring that our investments support and do not conflict with Nationally Determined Contributions (NDCs) in the country of operation. Where relevant we provide support for projects to ensure alignment with the Paris Agreement, and in some cases, more ambitiously to ensure alignment with the relevant technical criteria provided by the European Investment Bank (EIB) in the Climate Bank Roadmap.

(iii) **Underserved populations** – is a relative term. The Fund adopts the definition used by Impact Frontiers: "consumers, particularly within the bottom of the pyramid, who lack access to mainstream suppliers of goods and services." Access can be affected by several factors, including geographical location and price. Acre also recognises that women and other vulnerable groups are often disproportionately affected by lack of access to essential infrastructure. We screen all investments against this criterion to ensure that our investments are enabling improved living standards for underserved populations and/or enabling improved operating conditions for small and medium enterprises.

The diagram below summarises the integration of our strategic impact objectives and investment strategy, reflecting alignment to the sustainable development goals (SDGs). By investing in infrastructure aligned with our impact themes, we support economic growth and provide essential services to underserved populations, enabling inclusive and sustainable access. We apply a climate lens and a gender lens to all our investment activities, working not only to mitigate climate and gender risks, but also to achieve lasting, positive impacts in these areas.

Figure 1: Acre Impact Capital Strategic Impact Objectives



Acre's theory of change assumes both transaction and system level impacts. The key steps and pathways include:

Transaction level

- **Capital mobilisation** – as described, Acre's investments address the acute financing gap for commercial loans in the export finance market. Providing financing for the commercial loan tranche unlocks ECA guarantees, catalysing private sector capital and mobilising up to $5.6 for every dollar invested by the fund.
- **Increased transaction impact** – during both due diligence and the investment period, Acre engages contractors, borrowers and arranging banks to optimise project design to maximise the potential impact of the transaction.

- **Savings to borrowers** – because the ECA guaranteed tranche is usually priced attractively, with tenors of up to 20 years, borrowers save on interest expense relative to other commercial forms of financing. For sovereign borrowers, this can be re-invested in other social programs or essential infrastructure projects.

- **Essential infrastructure** – increased access to reliable essential infrastructure for underserved populations increases quality of life for individuals, families and businesses and supports sustainable economic development.

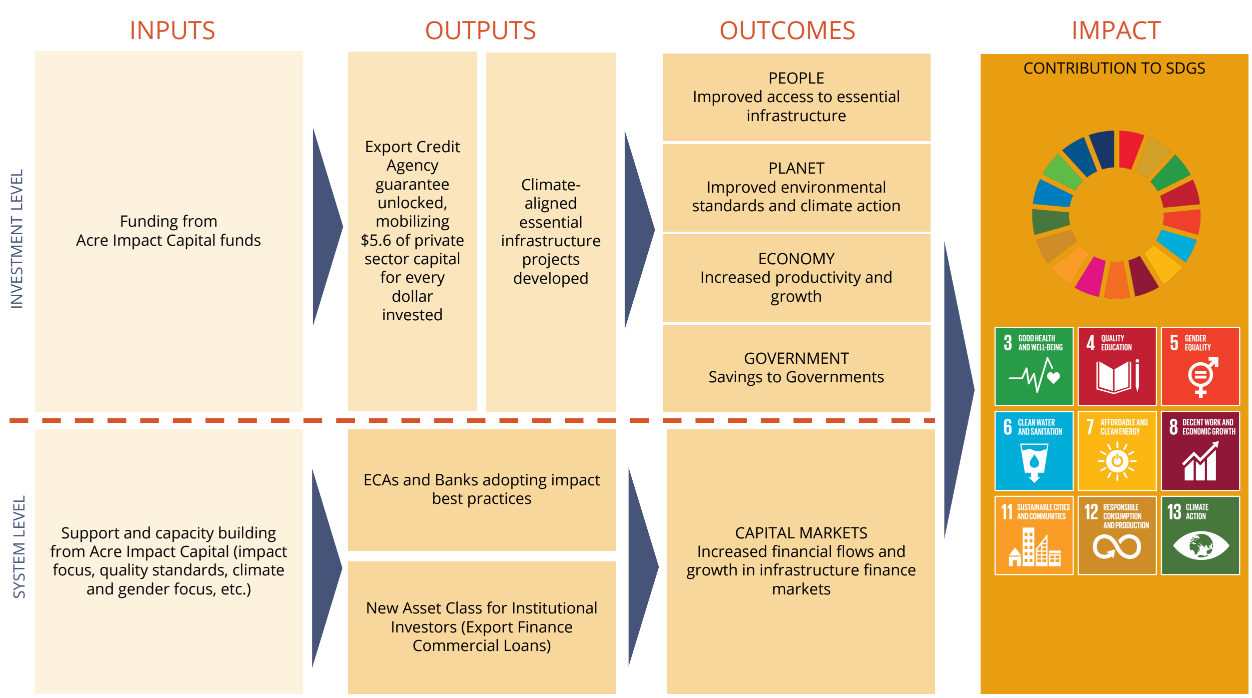
System level

- **Increased industry impact** – by actively engaging the export finance industry in a dialogue on impact, Acre aims to shift the industry from its current risk-based 'do no harm' approach towards maximising the positive environmental and social impact of projects. Acre is already active in industry-wide conversations on this topic. For instance, Acre was commissioned by the International Chamber of Commerce (ICC) *Global Export Finance Committee's Sustainability Working Group* (ICC-SWG) to prepare a white paper on how to increase the flow of sustainable finance in the industry. These efforts have the potential to shift an industry with annual financing volumes equivalent to those of DFIs towards financing more sustainable and impactful projects.

- **New asset class** – Acre's innovative strategy is the first investment proposition focusing on the export finance market. As such, it is providing access to institutional investors to a new asset class which was until now largely funded by international banks. Over time, this will lead to more capital being deployed (either directly by Acre or competing institutions), thus contributing to closing the infrastructure financing gap. We recognise the market shaping role that Acre's operations play and the responsibility to set a precedent for impactful and profitable investment in Africa's infrastructure through this innovative asset class.

- **Contribution to the SDGs** – as demonstrated in Figure 1 above, our operations contribute to a number of SDGs. We are intentional about tracking our impacts in these areas and our activities are guided by an IMS which defines our approach to understanding, managing, monitoring, advancing and reporting on positive social and environmental impacts. The IMS ensures that we avoid impact- (and other forms of) washing. Our commitment to the Operating Principles for Impact Management guides our approach and mandates us to apply best practices for impact management.

Figure 2: Acre Impact Capital Theory of Change



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.

Acre has developed an Impact Management System (IMS) which sets out how it measures, manages and optimises the impact of projects in which it is invested. The IMS is aligned with global standards including the Sustainable Development Goals (SDGs), the Impact Frontiers (IF) framework (five dimensions of impact) and the Global Impact Investing Network's (GIIN) IRIS+ catalogue of metrics.

Acre employs a full-time, experienced Head of Impact who is responsible for ensuring the application of the IMS, as well as the environmental and social management system (ESMS); and is responsible, alongside all Acre team members, for ensuring that the Fund's investments achieve the intended impact/s.

The IMS defines the steps which need to be taken at each stage of the investment process.

1. Origination and screening

- Potential deals are checked for alignment with the Fund's strategy and the SDGs. A negative screen is applied to filter out investments that do not meet the Fund's investment and impact criteria.
- Initial identification of impact opportunities are discussed as a Team and recorded in the pipeline tracking document.
- Initial environmental and social risk identification is undertaken, including defining focus areas for due diligence.
- All pipeline investments are screened for gender risks (using the UNDP Gender Inequality Index) & ability to meet the 2X criteria; climate risks (using the Global Climate Risk Index and ThinkHazard!); and biodiversity risks (using the WWF Biodiversity Risk Filter).

2. Due diligence

- Each potential investment which goes to due diligence stage undergoes an internal impact scoring exercise, which provides a potential impact score of high, medium or low. If the impact score is low (i.e. low potential to generate meaningful change), the Fund will not proceed with the investment. A standardised internal scoring tool is used which is mapped to the five dimensions of impact (what, who, how much, contribution and risk). Scoring criteria include for example, the importance of the outcome (perceptible, significant or transformative); stakeholder characteristics (unlikely to be underserved, mix of underserved and others, underserved, or underserved, including marginalised populations); and financial additionality (substitutes readily available, project may experience delays of 6 months or more, or project may experience delays of 2 years or more and/or be delivered at a higher cost).
- An impact due diligence is then undertaken which provides baseline data and provides additional detail under each dimension of impact, such as details on the intended impact; scale, depth and duration of the impact; evidence of access or lack of access to services; detailed alignment to specific SDG targets; detailed demographics of stakeholders (direct and indirect); and risks to the intended impact not being achieved.
- The *how* of the intended impact is also defined at this stage through development of a theory of change. Impact metrics are identified (wherever possible aligned to IRIS+) and targets for the expected impact of the project are defined.
- Environmental and social due diligence is undertaken as a separate, equally important, exercise.

3. Investment Committee approval

- Details on the impact score, impact due diligence, intended impacts, impact targets and monitoring process are included in the IC memo.
- The IC discusses impact opportunities and risks as part of the decision-making process. At least two members of the seven person IC are impact specialists, including one external impact specialist.
- A section on environmental and social risks is also included in the IC memo.

4. Legal agreement

- Acre attempts, on a best effort basis, to negotiate for the inclusion of development impact clauses in the loan agreement, including for example, details on impact monitoring, providing data and impact reporting.
- Standard environmental and social clauses are included in the loan agreement, including the requirement to comply with the environmental and

social action plan (ESAP) and environmental and social conditions which result in an event of default. Environmental and social reporting clauses are included in all loan agreements.

5. Monitoring

- Data collection and definition of impact baseline relevant to project (if not done during due diligence).
- Identification of responsible party at Project level to implement impact-focussed projects, report and provide insights.
- Acre provides support at the project level during the investment period, including support for addressing gender-related and climate issues, as well as to implement value-add projects in these (and other) areas.
- Monitoring progress and tracking (general, sector and investment-specific) indicators – impact performance is monitored at the project level and then aggregated at the portfolio level. For each project, relevant metrics within the IRIS+ metrics catalogue are selected, where available. These metrics are defined in a monitoring plan and linked to the project's theory of change.
- Course correction and intervention when identified as necessary.
- Determination of contribution/attribution (see Principle 3 below) – the Fund Manager's contribution to change is determined through a range of considerations: (i) financial additionality, including capital mobilisation and capital market development; (ii) impact value; (iii) influence; (iv) comparison to baseline and counterfactual; and (v) determination of net positive outcome.
- Internal and external impact reporting – internal and external impact reports are produced. Acre follows defined standards and approaches to make every possible effort to ensure that the impacts reported are factual. Metrics collected at a project level are aggregated to report Fund/portfolio level impacts. A summary of these metrics is provided below. For each of these metrics, targets have been defined based on assumptions around capital deployed and the expected performance of a model portfolio of typical transactions expected to be funded.
- Incentivising impact performance – internally, Acre staff incentives are informed by both financial and impact performance, this includes impact staff and investment staff, including partners.
- Duration of impact beyond exit – Acre interacts with project level stakeholders to drive cultural change and so ensure that impacts, such as gender inclusion initiatives, continue beyond loan realisation.

Key impact metrics at Fund level:

Key Indicators	IRIS Data set (where relevant)		Definition	Values
Essential products and services provided	Number of essential infrastructure projects enabled	n.a	Number of unique projects that reach financial close thanks to the Funds' investment, which otherwise would not have reached financial close.	Number
Number of individuals benefitting from improved access to essential infrastructure	Client Individuals: Total	PI4060	Number of unique individuals who have improved access to infrastructure during the reporting period.	Number
Jobs directly supported	Temporary Construction Jobs	Modification of PI3687	Net number of new full-time equivalent employees working for enterprises financed or supported by the Fund between the beginning and end of the reporting period.	Number
	Permanent Operations Jobs	Modification of PI3687	Net number of new full-time equivalent employees working for enterprises financed or supported by the organization between the beginning and end of the reporting period.	Number
Capital mobilisation	Investment committed by the Fund	n.a	The total amount of investment committed by the Fund in USD.	Number
	Amount of private sector capital mobilised.	n.a	Amount of private sector investment mobilised by the Fund in USD. This includes the ECA guaranteed tranche of the funding and any local currency financing linked to the transaction.	Number
	Value of reduced interest expense for the Sovereign borrower	n.a	Amount of interest expense saved on the ECA financing relative to a relevant benchmark (e.g. Eurobond) in USD.	Number
	Number of transactions where other parties are monitoring impact	n.a.	Number of transactions whereby ECAs or Lenders that are party to the transaction are also requesting / receiving impact metrics	Number

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.

Acre is in the process of defining a procedure and methodology to be followed for the determination of both financial and non-financial contributions to impact made by the Fund Manager.

Aspects which are considered to determine contribution include:

(i) financial additionality – determination of the possibility of alternative funding; including consideration of capital mobilisation ratio; and capital market development, e.g. catalysing private sector capital into the investment.

(ii) impact value – including incorporation and optimisation of impact; and collection of outcome data (quantitative and qualitative, as appropriate).

(iii) influence of the fund manager on realising the change or impact.

(iv) comparison to baseline and/or counterfactual – determination of depth contribution = outcome in period minus outcome that would have been observed anyway. This is determined through a range of methods, including definition of a control group, stakeholder interviews and market research.

(v) Determination of net positive outcome – this is the contribution of the fund manager.

More details on the Fund Manager's determination of contribution will be provided in the next annual Disclosure Statement, as the process and methodology are yet to be finalised.

Acre leverages the Impact Frontiers (IF) framework to describe its investments based on impact performance and goals.

IMPACT OF UNDERLYING ASSETS / ENTERPRISES

INVESTOR'S CONTRIBUTION		A Act to avoid harm	B Benefit stakeholders	C Contribute to solutions
1	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to understand people or renewable energy projects
2	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
3	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
4	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	*Investment archetypes not yet defined*	E.g. Positvely-screened private equity fund making anchor investments in frontier markets	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
5	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	*Investment archetypes not yet defined*	*Investment archetypes not yet defined*	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people
6	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	*Investment archetypes not yet defined*	*Investment archetypes not yet defined*	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

Acre classifies its activities as **C4**. The rationale for this classification is laid out below.

- **Signal that impact matters**. Acre has a clear positioning as an impact manager and focuses on investments that are expected to have a significant positive environmental and social impact. Acre has developed a detailed Impact Management System (IMS) which sets out how its funds will measure, manage and optimise the impact of projects in which it invests. Acre has also developed a detailed Environmental and Social Management System (ESMS), which ensures appropriate management of environmental, social and health and safety risks.

- **Engage actively.** Acre will engage actively with Borrowers, ECAs, Banks, and Contractors as part of its due diligence process to investigate opportunities to maximise impact. The Firm is already active in industry-wide efforts to increase the flow of sustainable finance in the export finance industry.

- **Grow new / undersupplied markets.** Acre aims to fill a clear gap in the ECA market, where the traditional commercial bank players are no longer willing and/or able to provide commercial loan financing for both strategic and regulatory reasons. This market gap has been recognised by a number of industry players. For instance, Business at OECD, the International Chamber of Commerce and the European Banking Federation comment in a July 2020 report: “Due to the COVID-19 crisis, funding especially for the 15% down payment [...] is expected to be challenging. [...] The result is that much-needed infrastructure remains un-built, or is sourced from non-OECD countries, with a negative Sustainable Growth agenda impact.” By providing funding where commercial banks are unable or unwilling to do so, Acre funds will enable impactful projects to come to fruition, which would otherwise struggle to achieve financial close.

- **Contribute to solutions.** Acre investments will provide essential services to underserved populations with a high degree of positive change. This will be achieved at scale through the financing of major essential infrastructure projects.

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, be aligned with industry standards and follow best practice.

Acre's Impact Management System (IMS) processes and procedures occur in parallel with other investment and due diligence activities (e.g. credit analysis, legal due diligence, environmental and social due diligence, etc.) and are of equal importance in defining how investments are made and managed. The IMS lays out the key impact activities that are expected to be performed at each stage of an investment lifecycle: origination and screening, due diligence, investment committee approval, legal agreement, implementation and monitoring.

All opportunities which fit within Acre's impact themes are evaluated based on the Impact Frontiers (IF) five dimensions of impact (what, who, how much, contribution and risk). The dimensions relevant for impact screening are consistent with those that are assessed in greater detail during impact due diligence.

IMP Dimension of Impact	Screening questions / criteria

WHAT	**What are the SDG-related outcomes and how important are they in the project context?**
	
	• **Outcome**: What are the expected outcomes for the project's beneficiaries?
	• **Importance**: how important are the project outcomes for beneficiaries in the geography / market the project is operating in?
	  – For example, is the project providing access to new and affordable essential services to beneficiaries?
	• **SDG alignment:** do the project outcomes clearly align with at least one SDG target?
	  – Is the project included in the country's National Development Plan or is it likely to contribute to the country's Nationally Determined Contributions?

WHO	**Who are the beneficiaries and are they likely to be deemed underserved?** • **Stakeholder:** Who will be experiencing the expected outcomes? • **Baseline:** what service provision (including jobs/economic activity where relevant) already exists for the target beneficiaries? • **Stakeholder characteristics:** what are the socio-demographic characteristics of the beneficiaries?

HOW MUCH	**How much impact is likely to be created?**
	
	• **Scale:** How many individuals will be experiencing the outcome of the project?
	• **Depth:** At a high level, what is the breadth and depth of the impact? Including:
	  – Affordability: What is the likelihood that the target beneficiaries will be able to access the services?
	  – Access: how likely are the target beneficiaries to be able to access the services?
	• **Duration:** how long is the impact expected to last?

CONTRIBUTION	**What is the Fund's contribution?** • **Financial additionality:** Could another lender / investor have provided funding if the Fund were not involved? If so, on what terms? • **Impact value:** What is the potential for the Fund to add impact value to the project, including: – *Impact incorporation*: Encouraging the Borrower / ECA to include impact considerations in their environmental and social impact assessments – *Impact optimisation*: Encouraging further focus on environmental and social benefits (e.g. CO_2 emission reductions, gender empowerment, etc.) • **Influence post-investment:** What is the Fund's ability to influence stakeholders to ensure impact outcomes are delivered?
RISK	**What are the obvious risks to the intended impact not being achieved?** • **Quality:** is the infrastructure likely to be of good quality? • **Reliability:** is the infrastructure likely to be reliable? • **Financial sustainability:** is there a clear and credible plan to meet operating expenses (including a government budget where relevant)? • **Mission drift:** are there any plans/indications that the project focus is likely to change or evolve which may potentially change the linkage to the SDGs or the Fund's impact objectives? • **Impact track-record:** has the Contractor historically been associated with any practices that have significant potential to detract from and/or enhance the achievement of any of the SDGs?

The five dimensions are assessed quantitatively (as far as possible) and qualitatively based on the information available at this stage of the project lifecycle. This assessment is translated into an impact score, as described under Principle 2 above.

During due diligence, Acre deep dives into IF's five dimensions of impact and quantifies the project impact score. The Fund leverages a detailed due diligence questionnaire which is adapted to the specificities of each project. Local context, socioeconomic circumstances and demographics are considered. At this point the *how* is also defined, i.e. the theory of change is developed, including a corresponding measurement/results framework. This helps guide the actions and interventions which Acre needs to make and/or support in order to achieve the intended impact, including direct, indirect and systemic impacts.

Acre follows a structured approach to collect impact data, establishing relationships with key persons on the ground, and conducting site visits for stakeholder interviews, collaborative impact project conception, data verification and risk identification. During site visits, Acre is also conscious of unintended impacts, such as displacement, and seeks to identify these as far as possible. Data collected is collated according to the IMS processes and used to provide insights, such as whether the fund is on track to achieve impact targets, if any course corrections or interventions are necessary and/or if there any risks to achieving the intended impact.

Acre uses IRIS+ indicators, only using bespoke indicators when this is necessary, to allow for transparency and comparability in impact reporting.

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.

Acre has developed an Environmental and Social (E&S) Policy and an Environmental & Social Management System (ESMS), which sets out how its funds will integrate environmental and social considerations into its operations to minimise any adverse effects and ensure the effective delivery of its overarching objectives. The ESMS conforms to the requirements of global standards, in particular, the IFC Performance Standards, the Equator Principles, the World Bank Environment, Health and Safety Guidelines, the IFC Sector Specific Guidelines and the UN Guiding Principles on Business and Human Rights.

Acre implements its E&S Policy through its ESMS, which ensures the policy is fully implemented through the value chain (i.e. opportunity identification, due diligence, investment, monitoring and reporting).

The main purpose of the ESMS is to avoid, prevent and mitigate any potential adverse environmental and social impacts of invested projects and to enhance positive aspects. The ESMS is designed to help systematically identify, manage and report on environmental and social aspects and potential impacts of its investments:

- Ensuring that environmental and social factors are part of decision making as well as monitoring processes throughout the investment cycle;
- Effectively identifying and managing environmental and social risks;
- Providing a framework to engage with stakeholders on E&S standards and sustainable business performance that the Fund intends its clients and co-investors to meet; and
- Providing a framework to monitor performance, identify areas for preventive or corrective action and ensure a consistent approach to E&S across all lending activities and enable continuous improvement.

The ESMS comprises a set of procedures that are followed to ensure that all investments meet Acre's E&S Policy and standards. This includes a process for screening of potential investments against the Exclusion List prior to investment. In addition, the screening process will provisionally categorise proposed projects into high, medium and low risk (Category A, B or C respectively) projects. All projects will adhere to the level of E&S due diligence required and undergo the necessary actions to minimise potential negative impacts. All projects invested in by Acre shall comply with host country regulatory requirements, the relevant IFC Performance Standards and good industry practice, including the framework referenced and the relevant IFC Sector Specific Guideline/s.

The ESMS covers initial project assessment, construction and operations, through to the redemption of loans extended by the Fund:

- Initial assessment and screening of investment against impact thesis;
- Identification of potential E&S risks and E&S risk categorisation – including defining issues to examine in due diligence;
- Detailed project appraisal/due diligence – against Fund E&S standards;
- Identification of mitigation, monitoring and management measures required to ensure compliance with appropriate standards;
- Inclusion of E&S requirements in loan documentation;
- Provision of support to projects to help address identified gaps, including for example, climate risk assessments;
- Monitoring of project performance to ensure compliance with standards through to exit;
- Internal reporting on the E&S performance of financed projects; and
- Reporting to relevant external stakeholders.

The Head of Impact is responsible for ensuring the application of the ESMS on a day-to-day basis and for ensuring that E&S risks are effectively managed at the Project level. The CEO has ultimate responsibility for the ESMS, as well as the IMS.

The system is subject to regular review and update. The ESMS, including the Fund Exclusion List, was most recently updated in Q2 2024.

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.

Acre's Impact Management System (referenced in Principle 2 and 4) lays out the steps to identify the relevant metrics that enable monitoring and management of the delivery of the envisaged SDG impacts. This includes development of a theory of change for each investment, and the development of a corresponding results/measurement framework, which details specific indicators to measure each step of the theory of change.

For all projects, a set of core metrics will be collected. In addition, a number of ad-hoc metrics will be defined on a case-by-case basis, depending on the underlying nature of the project. Both core and ad-hoc metrics are aligned with the Global Impact Investing Network (GIIN)'s IRIS+ standard definitions and align with the Impact Frontiers framework.

The measurement/results framework provides details on data collection, including when the data should be reported, the data source and the responsible party for collecting and providing the data. This system also allows for data analysis against baselines and intended impacts or impact targets.

Monitoring

Acre uses data reported by investees to understand the extent to which environmental and/or social impact is being delivered through the projects financed by the Fund. Acre compares actual impact achieved to the expected impact identified in the origination/screening and due diligence stages. If necessary, course corrections will be made.

Acre intends to conduct site visits to all projects as required both during construction and after the infrastructure has been built and delivered, i.e. operations phase. These visits involve engaging with key stakeholders, including the target populations. It includes conducting surveys with the target populations to gather more detailed and robust insights and data, both quantitative and qualitative. Site visits also include the requirement to be cognisant of any unintended impacts which may be occurring, both negative and positive. Where negative impacts are identified, these should be mitigated.

Reporting

Acre will prepare annual impact reports which summarise overall portfolio impact and, where appropriate, showcase relevant projects. The impact report is expected to cover the following topics:

- Annual highlights and key metrics (selected from IRIS+)
- Progress against targets
- Progress against impact themes
  - Renewable Power
  - Health, Food and Water Scarcity
  - Sustainable Cities
  - Green Transportation
- Project showcase

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.

Acre's approach to considering sustained impact on exit is considered upfront during the screening phase and due diligence of a potential investment. Because Acre's funds will provide fixed-term debt financing for infrastructure projects, its ability to influence the timing, structure and process of exit is predetermined at the time of making the investment. This implies that any risks that the exit may negatively impact the sustainability of the impact have to be assessed thoroughly at the time of investments. This is an integral part of impact due diligence and addressed as part of the risk dimension of the IF framework, as explained in Principle 4.

As such, conditions which might trigger early exits are defined upfront in loan agreements, detailed as Events of Default (EOD). In every case Acre seeks to rectify ongoing non-compliance, which would trigger an EOD. However, persistent failure to address material issues would legally trigger an EOD and call for immediate recompensation of invested funds.

At the time of exit, i.e. loan realisation, Acre undertakes exit procedures, including conducting exit interviews, preparation of an exit memorandum, and preparation of case studies to capture learnings, and share these publicly.

Two main risks may negatively impact the sustainability of the impact on exit:

(i) **Financial sustainability**. The project sponsor may not have the financial means to maintain the infrastructure, leading to a deteriorated experience for end-users of the infrastructure.

(ii) **Affordability**. The project sponsor increases the cost of the essential services provided by the infrastructure project in such a way that it becomes unaffordable for the targeted end-users.

Both risks will be assessed up-front during the due diligence phase to ensure that investments are channelled towards projects where such risks can be adequately mitigated.

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.

An effective Impact Management System is dynamic, responsive to changing circumstances, and continuously improved through iteration and feedback.

Acre uses the data collected on impact delivery to feed lessons learned from the project into future transactions to ensure impact is approached and considered appropriately across the portfolio and to further scale the impact potential of its operations. The IMS will be reviewed at least on an annual basis, and more frequently as required.

Similarly, Acre seeks to continuously improve its Environmental and Social Management System. Acre aims to solicit feedback annually from internal and advisory stakeholders, investors, select partner ECA E&S staff and external experts about the perception of its E&S performance. Based on this feedback, Acre will implement revisions to its ESMS to improve future performance.

PRINCIPLE 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

This Disclosure Statement reaffirms the alignment of Acre Impact Capital's policies and procedures with the Impact Principles and will be updated annually. Independent verification will be undertaken by an independent third party following the first close of Export Finance Fund I in April 2024. This review is expected to take place, as per our previous Disclosure Statement, by December 2024. The results of the process will be made available on Acre's website.