



apis | partners

Focus on ESG & Impact

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Introduction

Apis Partners' focus on ESG and Impact

One of the **founding principles of Apis Partners¹** is the **strong desire to create positive social impact in the regions and communities that we invest in**. A **core tenet of Apis' investment mandate** is the **recognition and promotion of financial inclusion**, which fulfils the fundamental needs of underprivileged and disenfranchised segments of the population in growth markets, to **provide paths out of poverty**.

More broadly, this **direct impact** includes the **creation of robust employment**, an increase in **fiscal receipts by governments**, and **development of further capital**, which ultimately **fosters economic growth and wealth distribution in these regions**. **Our commitment** to provide catalyst capital for impactful and inclusive financial services providers in growth markets has been **central to our activities from our inception**.

Beyond theory and good intentions alone, Apis has invested in inclusive financial services companies in growth markets which **collectively span a significant scale of impact**:

- 15.8 million customers
- 270 million transactions
- \$16.0 billion transaction value
- 370,000 distribution points
- 130+ of countries

In line with this, Apis believes that the **importance of rigorous environmental, social and governance, and impact ('ESGI') principles** in building **responsible and enduring relationships with partners and customers** for sustainable value creation in growth markets, **cannot be overemphasised**. We understand that **maintaining solid ESGI principles in our target geographies** has a significant developmental impact in these markets by **improving the performance of companies and working conditions for workers and local communities**, and also **reducing investment risk**. This includes maintaining high standards around financial inclusion, health and safety, environmental issues, social engagement, business integrity, corporate governance, and transparent accounting practices.

We recognise that companies that conform to solid ESGI principles are **more likely to achieve superior investment returns and multiplied impact** as a result being more profitable and sustainable in the medium to long term. This creates an **inherent alignment between our core ESGI principles and the goal of providing superior returns to investors**.



¹ Apis Partners LLP (the "Manager" or "Apis") is the manager of APIS Growth Fund I, L.P., APIS Growth I (B), L.P., and Apis Growth I Africa L.P., which are collectively referred to as the 'APIS Fund', or the 'Fund'.

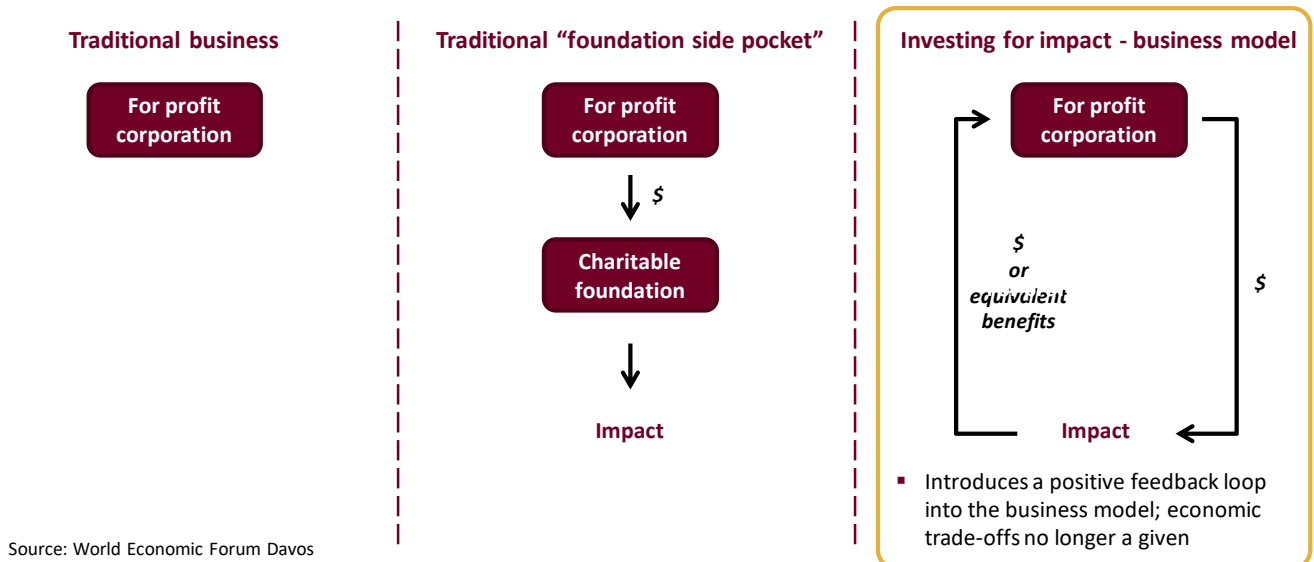
How Apis thinks about impact

Focus on sustainability

Whilst Apis’ focus on impact has been central to all activities from inception, and the investment mandate is impactful by nature, we are also concerned with the **long-term sustainability of this impact**. Apis therefore utilises a **“for profit, impact filtered”** approach to making investments for **sustainable impact creation**. When making equity investments into impactful business models, Apis believes that **profitability is the key measure of sustainability**:



With this approach, Apis believes there are **no economic trade-offs when investing for impact** - generating financial returns alongside social impact; thus **Apis aligns investors’ ambitions for high-growth opportunities with the urgent imperative to sustainably create wealth where it is most needed**:



Impact definition

Apis utilises a framework suggested by the Stanford Social Innovation Review² to define the parameters of impact created by investments in portfolio companies, which are:

- Enterprise impact

 - The **social value of the goods, services, or other benefits provided** by Apis’ portfolio companies
 - **Apis’ investment mandate**: investing in financially inclusive business model that are impactful
 - **Apis’ rigorous ESG principles**: ensures companies have sound management / operational practices
- Investment impact

 - Apis’ **financial contribution** to the social value created by portfolio companies
 - Apis makes **concessions in deploying capital** to achieve impact including:
 - **A willingness to work through potential governance problems**: FS in growth markets
 - **A high level of DD for smaller deals sizes**: a minimum threshold other investors may not overcome
- Non-monetary impact

 - The **non-monetary contribution** that Apis makes to portfolio companies’ social value
 - **Domain expertise**: Decades of experience of building and investing in financial services sub-verticals in growth markets allows us to add value across numerous dimensions including:
 - **Product and geographical expansion, governance, technology and cross-pollination**



How Apis helps to create impact

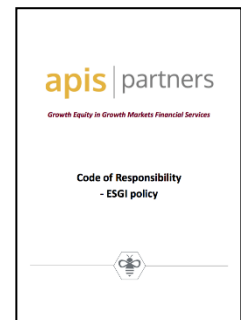
ESG and Impact implementation

Apis' approach is based on the recognised value that rigorous ESG (Environmental, Social and Governance) principles have in **building enduring, high-quality relationships with partners and customers for sustainable value creation in growth markets and actively making a positive difference.**

As such, Apis believes that the process of helping to develop ESG principles in the Target Regions has a **significant development impact** in these growth markets by improving the performance of companies, working conditions for workers and local communities, helping to develop access to future capital, and reducing investment risk.

Apis' Code of Responsibility - ESGI (ESG & Impact) Policy

Apis' Code of Responsibility sets out Apis' requirements, recommendations and management systems to invest responsibly. Through this Code, Apis works closely with investee companies to make required improvements to build sustainable value creation into the core operations of their businesses; this starts with basic compliance requirements and works towards the adoption of internationally recognised standards of best practice.



ESGI Management System

Apis has developed a fully integrated **ESGI management system to assess, manage and monitor ESGI issues at all stages of the investment process:**



- When **identifying, assessing and mitigating ESGI risks associated with investments**, Apis' ESGI management system utilises a combination of **portfolio company national laws/standards, IFC Performance Standards, ILO Conventions and the UK Bribery Act (for matters of business integrity)**
- In addition, all companies invested by the Fund must strictly adhere to Apis' ESG principles which may require standards that are greater than those required by local law. Whilst the nature of the Target Regions means that this adherence may be at times challenging, **Apis is determined to work closely with Portfolio Companies to make required improvements to build such policies into the core operations of their businesses** and make continuous improvement in these areas



ESG and Impact performance measurement and reporting

ESG and Impact performance in portfolio companies is monitored regularly, consisting of:

- Monitoring of progress on the implementation of **agreed ESGI Action Plans**
 - Apis works with portfolio companies to develop and agree an ESGI Action Plan at the time of investment
 - This details a set of objectives that will help companies achieve compliance with Apis' ESGI Policy or make best practice ESGI improvements in reasonable time frames, taking into consideration the risks and opportunities specific to that business and its size and resources
- Checking if any aspects of ESGI performance have changed (beyond those already acknowledged through the Action Plan)

Impact measurement

Apis collects defined and agreed Impact KPIs from portfolio companies, as per a **proprietary impact measurement framework**³ which was created in collaboration with Quona Capital (formerly Accion Frontier Investments Group), and published by the Centre for Financial Inclusion and NextBillion.

The framework provides holistic **qualitative and quantitative impact measurement at both the company and market levels**, across three axes and 12 impact categories:



The framework is **tailored to specificities of impact measurement in financial services growth markets investing** and **focuses on attributable and measurable 'output' metrics**.

The framework is **not intended to be prescriptive around Impact KPIs (IKPIs) measured**, but instead **offers mutually exclusive, collectively exhaustive (MECE) groupings** (around Access, Quality and Markets), **to guide process around impact measurement** for portfolio companies in financial services

Impact and ESG reporting

Apis provides detailed reporting on the ESG and Impact performance of portfolio companies, including on their Anti-Bribery & Corruption and Anti-Money Laundering policies.

ESG & Impact Report



Report on ABC and AML policies



³ For more information and the full framework, please visit: <http://apis.pe/2015/08/an-agile-approach-to-impact-measurement>



Impact created by Apis' portfolio companies

Financial inclusion at the core

Apis has an **established record of investing in financially inclusive and impactful companies** - the **enterprise impact** of the selected Apis Fund portfolio companies is detailed below:



*MicroCred is a leading financial institution providing **high quality financial services that are accessible and adapted to the needs of financially underserved customer segments**, and is focused on micro, small and medium entrepreneurs ('**MSME**') across **10 markets in Africa** (Madagascar, Senegal, Nigeria, Ivory Coast, Mali, Tunisia, Zimbabwe, Burkina Faso) **and Asia** (Nanchong, Sichuan).*

Impact created:

- MicroCred **directly addresses the constraints that MSMEs face** in accessing finance: **a lack of working capital**, and **a lack of security or assets to be able to access credit**
- MicroCred's loans are utilised by MSMEs for **working capital** and **fixed asset purchases**; these loans **support the expansion of local business**. MSMEs play an important role in growth markets' **GDP contribution, local employment and new job creation**
- The Company is **subscribed to the Smart Campaign** - a set of core principles for the **protection and fair treatment of microfinance clients**



*Direct Pay Online ('**DPO**') is the **leading online payments processor across East and Southern Africa**. It has a local presence across **8 countries in the region**, and has the **ability to process transactions in a further 24 countries**. DPO currently supports **all leading credit card types, all mobile-money types, direct interbank transfers and PayPal**, and is expanding into a hosted model for online bank payments and the mPOS space.*

Impact created:

- Electronic payments is a **key enabler of financial inclusion by reducing the friction compared to cash payments**. DPO **enables an electronic payment infrastructure** that combines multiple payment types and **allows all types of merchants to accept payments**, thus enabling the growth of these businesses
- DPO has significantly **expanded the range of payment alternatives available to payers** in these markets
- DPO has recently launched a **program to equip student developers** at Strathmore University, Nairobi, with technical and management **skills to build and run e-commerce sites**





Star Health

Star Health is a leading private retail health insurer in India. Founded in 2006, it has the largest footprint amongst all the stand-alone health insurance companies, with a presence across 22 states.

Impact created:

- Star Health provides **affordable access to health insurance cover** for almost 6 million lives in India - formal health insurance plays the role of a **social protection mechanism**
- With **average policy rate of USD 120 per year**, Star Health's policies are accessible to a **large portion of the population** who would have otherwise had to resort to **out-of-pocket expenses for health treatment** and in some cases resorted to substandard medical treatment
- Star Health has an **extensive range of 37 products** and is a **pioneer in launching many industry-first policies covering specific illnesses** such as HIV and Diabetes as well as **focused plans for senior citizens**

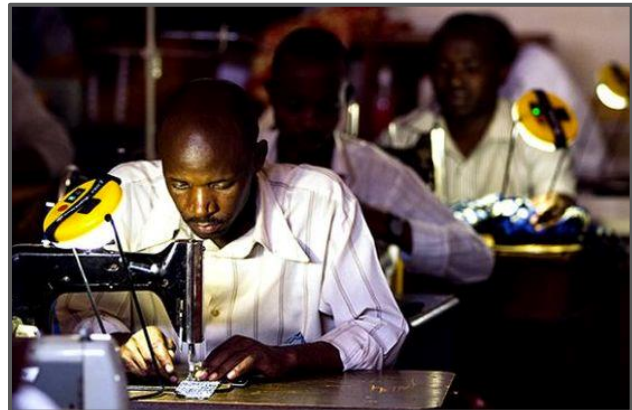


Greenlight Planet

Greenlight Planet ("GLP") is a leading provider of off-grid solar financing products for energy and financially underserved consumers in Africa and Asia. The Company has focused on providing the most affordable and highest quality products in the market, that are the most widely-available through broad ranging local distribution partnerships (indirect distribution), as well as sold directly through the Company's own network of retail stores and sales agents (direct distribution).

Impact created:

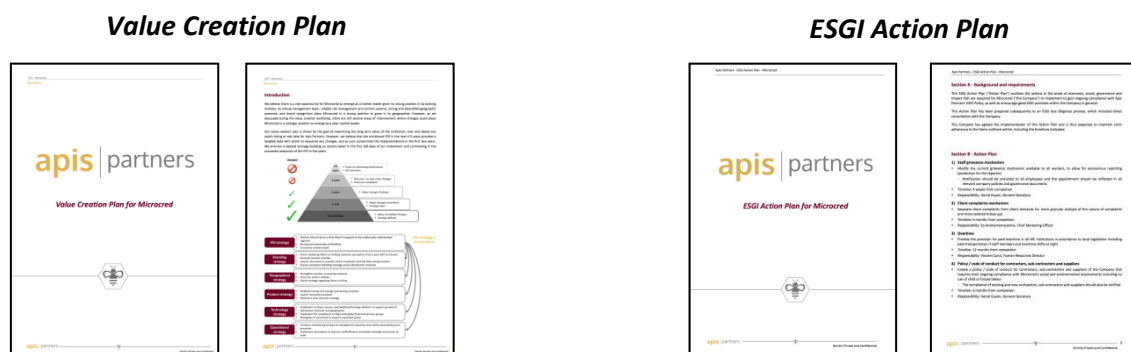
- The Company's Sun King **domestic solar lighting and power devices (7 million sold in 40 countries globally)** help families live brighter, safe and more productive lives, whilst reducing harmful **greenhouse emissions** (by substituting expensive and environmentally unfriendly kerosene-powered lamps)
- By offering **affordable financing for its solar devices**, the Company increases the **accessibility of its products** and **helps more consumers to gain access to clean, off-grid sources of light and electricity**
- GLP provides **predominantly unbanked consumers with their first access to formal financial services** (by extending credit in the form of a high-value asset that is paid off over time), **which creates behavioural credit history / scored for these consumers** that could help them to gain additional services in the future



ESG and impact value created by Apis Multiplying portfolio company impact

Apis plays an **active role in identifying areas of operational, strategic and ESG value creation** in all portfolio companies.

Comprehensive and integrated plans for value creation are made for all portfolio companies at the time of investment, and Apis supports the operationalisation of these plans for the duration of the partnership with portfolio companies:



Apis has helped to cultivate ESG capabilities within portfolio companies, which have manifested into tangible and important areas of ESG improvement such as:

- **ESGI management system:** The implementation of an ESGI management system that ensures a systematic approach to ESGI risk assessment, addressing relevant risks, monitoring and reporting on progress
- **Complaints mechanism:** The creation of a mechanism (spanning all countries of operation) to receive and respond to complaints (including customer complaints and also human rights violations from employees, the public or civil society organisations)
- **Policy / code of conduct for contractors, sub-contractors and suppliers:** The creation of a policy / code of conduct for contractors, sub-contractors and suppliers of MC that requires their ongoing compliance with MC’s social and environmental requirements including no use of child or forced labour
- **Gender policy:** The revision and expansion of existing gender policy to include the HR policy around equal working opportunities and pay
- **Health and safety policy / management system:** Creation of a health and safety policy / management system which follows all local health and safety laws as applicable, and includes regular and recorded health and safety training for all employees, as well as emergency and response plan and procedures
- **Client data protection policies:** Implementation of policies for the protection of client data



Apis' non-monetary value addition has translated into further enterprise impact created in portfolio companies, for example:

Distribution network expansion

- Apis has assisted portfolio companies in developing a structured approach to alternative distribution network expansion, leveraging its expertise in the design and execution of such infrastructure; ***this has helped them reach more underserved clients, especially those in rural areas***

Geographical expansion

- Apis has provided opportunity analysis and potential partnership and customer acquisition opportunities to portfolio companies, and continually seeks cross fertilisation of ideas across its portfolio companies; ***this has furthered the reach of these companies' products, multiplying the impact opportunity***

Development of additional products

- Apis' domain expertise in developing and launching financial services products has helped portfolio companies to launch new, financially inclusive products and value-added services; ***this has ensured impact beyond the portfolio companies' existing product and services offerings***

Maintenance of robust systems

- It is important for portfolio companies to maintain high levels of processes, procedures and transparency. Apis' technical expertise has helped portfolio companies to maintain these robust systems; ***this has ensured continued responsible service provision***



Stakeholder engagement

Maximising collective impact

Apis has direct and indirect relationships with **industry bodies, growth markets regulatory bodies and NGOs.**

Apis' relationships with key stakeholders facilitate financial inclusion and the broader developmental agenda to maximise our collective impact.

These relationships also ensure the **continued relevance of Apis' ESG and financial inclusion / impact principles** as per the latest thinking in global policy circles. An overview of these relationships is outlined below:

Industry bodies

Apis maintains close dialogue with and gains market intelligence and opportunities to collaborate from its many partners.



Udayan Goyal is member of the SWIFT Enablers Board

- Deals with innovation in the SWIFT community



Matteo Stefanel was member of WEF's Global Agenda Council on Financing & Capital

- Deals with impediments to the flow of capital globally



Rotimi Oyekanmi was Board Chairman of the AVCA

- Promotes development of PE and VC as an alternative asset class in Africa

Regulatory bodies

Apis has the opportunity to directly contribute to the regulatory agenda with regards to suitable financial services provision that takes into account key differences in the stage of financial infrastructure development between countries in growth markets.



Reserve Bank of India



Central Bank of Nigeria



South African Reserve Bank

South African Reserve Bank



Central Bank of Kenya



Bank of Uganda

NGOs

Ensures continued relevance of Apis' ESG principles and financial inclusion focus



Apis is a signatory to the UN-supported Principles for Responsible Investment (PRI)



Bill & Melinda Gates Foundation



Soros Economic Development Fund



Financial Inclusion Forum

Several DFIs



About Apis Partners

Apis Partners LLP (“Apis” or “Apis Partners”) is a private equity fund manager that supports financial services companies in Africa and Asia with catalytic growth capital. Apis is managed by an accomplished team with extensive expertise in traditional and technology enabled financial services globally.

Apis Partners counts on industry-specialised human capital and resources: in addition to the core team based in London, Apis’ operating network includes dedicated on-the-ground regional presence in India, South Africa, East Africa and West Africa, with a second office established in Lagos, Nigeria.

Apis Partners is highly conscious of the developmental impact that the provision of growth capital for financial services in growth markets can achieve, and it has incorporated the deepening of financial inclusion as a core tenet of its investment mandate. Apis Partners LLP is the manager of APIS Growth Fund I, L.P. and APIS Growth I (B), L.P., and Apis Growth I Africa L.P.

Apis Partners LLP is authorised and regulated by the UK Financial Conduct Authority as a Small Authorised UK AIFM under authorisation number 628289.

Important information

[To come]





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