

Disclosure Statement
Operating Principles for Impact Management
Accion
22 February 2024

Accion International (“Accion”) is a signatory to the Operating Principles for Impact Management.¹ The International Finance Corporation (“IFC”), in consultation with external stakeholders, developed the Operating Principles for Impact Management. These Principles support the development of the impact investing industry by establishing a common discipline around the management of investments of impact.

Accion is a global nonprofit on a mission to create a fair and inclusive economy for the nearly two billion people who are failed by the global financial system. We develop and scale responsible digital financial solutions for small business owners, smallholder farmers, and women, so they can make informed decisions and improve their lives. Through targeted investment strategies, advisory, and expert thought leadership, we work with local partners to develop and scale cheaper, more accessible, and customer-friendly financial solutions. Since 1961, Accion has helped build more than 230 financial service providers serving low-income clients in 75 countries, reaching more than 350 million people.

The following disclosure statement² applies to Accion and all investment strategies managed by its wholly owned subsidiary Accion Impact Management LLC³. The total assets under management in alignment with the Impact Principles is USD 418.97 million as of December 31, 2023.⁴



John Fischer
Chief Investment Officer
Accion
22 February 2024

¹ Operating Principles for Impact Management, December 2023. <https://www.impactprinciples.org>

² This Disclosure Statement is a high-level description prepared for public disclosure and may not, therefore, include every aspect of the systems and processes that each reader may consider important. The sole purpose of this Disclosure Statement is to fulfil Accion’s obligations pursuant to Principle 9. This document shall not constitute and should not be construed as an offer, solicitation or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. Accion makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, Accion shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and Accion does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement. 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.

³ Accion Impact Management LLC (“AIM”) is a wholly owned subsidiary of Accion, that serves as investment adviser to Accion sponsored pooled investment vehicles.

⁴ Assets Under Management for third party funds managed by Accion affiliate Accion Impact Management are reported as committed capital if prior to the end of the investment period and Invested Capital at fair value per investment period. Assets Under Management for Accion’s balance sheet investments are reported as of 12/31/23, but reflect fair values as of the last audited statement of 12/31/22.

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.



Accion’s vision is to create a fair and inclusive economy where underserved people have quality financial choices and opportunities. Our mission is to improve the lives of underserved people by building innovative and responsible financial solutions. We invest, advise, and influence to catalyze capital and demonstration models that accelerate the reach (access, usage, and benefit) and improve the quality of responsible financial services for underserved people – with a focus on women, smallholder farmers, MSMEs, and the communities they serve.⁵

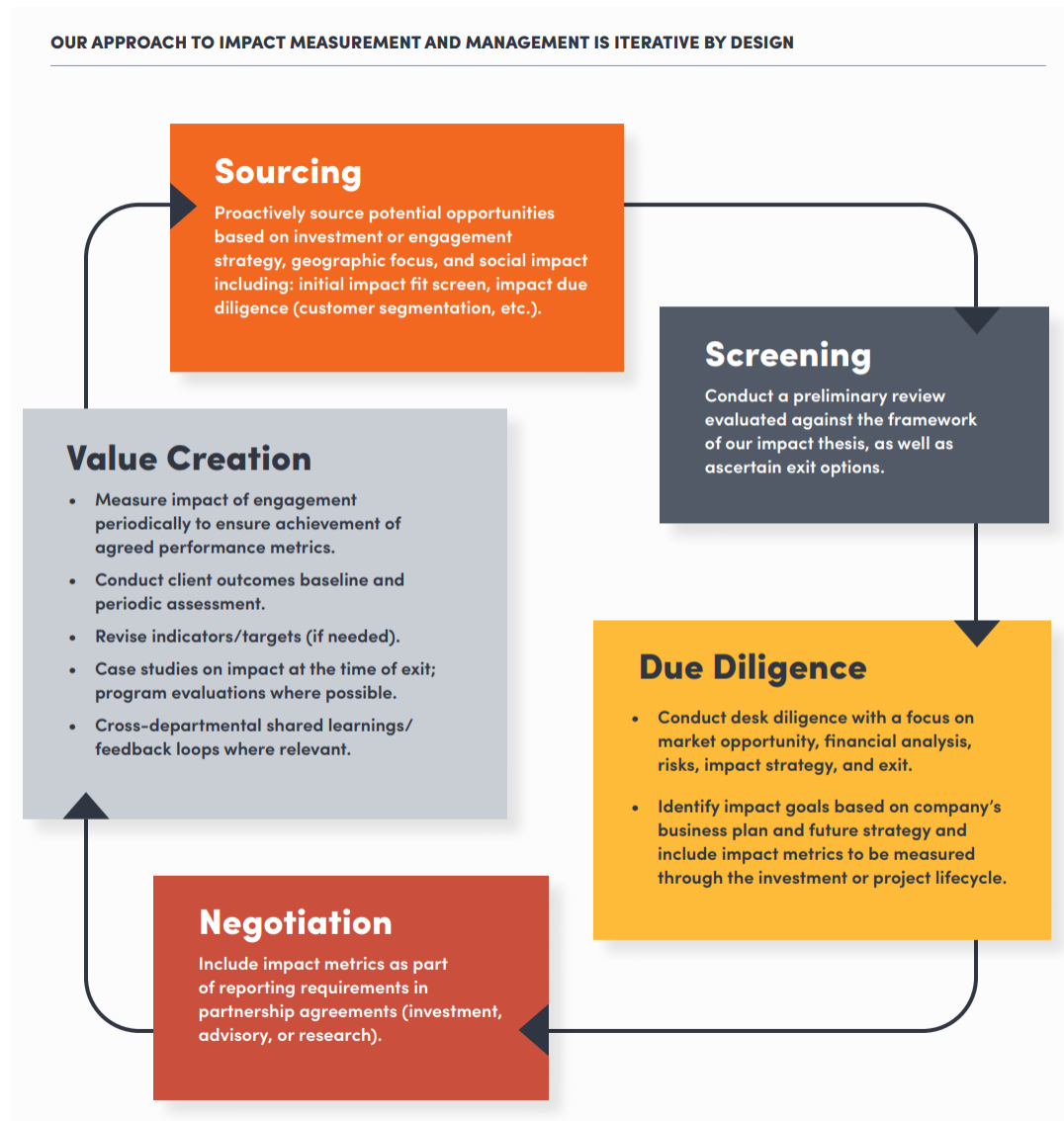
⁵ More info on Accion’s impact measurement and management strategy and approach can be found in our 2022 impact report: <https://www.accion.org/2022-impact-report/>

Accion aims for risk-adjusted market returns with investment strategies and funds that have clearly defined impact theses focused on financial inclusion, primarily within the thematic areas of MSME finance and embedded finance, Agri fintech, and future of work finance. The Sustainable Development Goals that are most closely connected to Accion’s strategy are shown at the center of the above graphic, which also highlights the indicators that are most closely aligned with our impact framework. These include SDG 1 (no poverty), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), and SDG 10 (reduced inequalities). Individual funds may contribute to additional goals relevant to fund-specific strategies, specific sector focus, etc. that are not measured across all investments and are therefore not included in Accion’s impact framework. Additionally, women and climate adaptation and resilience are considered intentionally across thematic focus areas within Accion’s strategy.

Asset classes	Private Equity (100%)
Countries of Operation	Argentina, Brazil, Chile, China, Colombia, Egypt, Ghana, India, Indonesia, Kenya, Malawi, Mexico, Mozambique, Nicaragua, Nigeria, Pakistan, Peru, Philippines, South Africa, Tanzania, Uganda, USA, Vietnam, Zambia

PRINCIPLE 2: Manage strategic impact on a portfolio basis.

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



Impact measurement and management are core to Accion's annual strategic goals and integrated throughout the investment lifecycle, as summarized in the above graphic. Accion's investment activities are carried out under a rigorous, disciplined, and systematic process. Investment teams source potential deals through multiple channels, including referrals, peer investors, market intelligence, and industry-related activities. Deals are initially screened for fit with Accion's strategy and, where applicable, individual funds' Investment Guidelines. During due diligence, investment teams develop an impact

thesis in relation to the investment proposition, detailing how the company's mission, customer segmentation, sector focus etc. align with the impact objectives of the fund.

In collaboration with investee companies during the diligence process, investment teams identify key metrics (financial, operational, and impact) that would be feasible to track and monitor progress toward the achievement of the impact thesis associated with the investment. Impact metrics are aligned with Accion's impact framework, and where possible at the aggregate level, aligned with the GIIN's IRIS+ metrics as well.⁶

On a quarterly basis, investment teams utilize customized portfolio monitoring software to aggregate datasets of operational and impact indicators from all active portfolio companies. These include specific metrics identified for companies based on impact goals relevant to their unique context or business model and impact metrics specific to a given fund or investment strategy's impact thesis. Annually, Accion also tracks metrics which can be consolidated at the portfolio level, including the percent of each portfolio that meets the 2X criteria for gender-inclusive investing, as well as the ability of Accion, through its investments, to catalyze additional capital investments in inclusive sustainable business models.

⁶ Page 11 of Accion's 2022 Impact Report lists out the specific indicators that are aligned with IRIS+, available here: [Accion-2022-Impact-Report.pdf](#)

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. For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/ market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.



Accion's theory of change is outlined in the graphic above. Our contribution is reflected in how we structure and deploy our capital, as well as our engagement model for advisory services, research, thought leadership, and advocacy. It's also why partnerships and industry engagement are central to our approach. We believe that partnering with ecosystem actors presents the greatest opportunity to reach low-income households and underserved microbusinesses with responsible, high-quality products and services at scale.

Accion's contribution strategies include active shareholder engagement, assisting with further resource mobilization (through support to secure debt financing and leading or supporting follow-on equity rounds, etc.), creating long-term trusted partnerships, providing technical advice and capacity building, and governance support, among others. Through these activities, Accion's investment teams support company performance – social and financial – regarding governance, strategy, operations and business development. Another key component of Accion's contribution is the value-add provided through portfolio engagement and advisory services across a range of strategic and operational topics.

Investment teams articulate the impact thesis with specific impact goals identified for each company as part of initial investment approval which will form the basis of tracking through the investment cycle. The impact thesis is a required component of each diligence and investment process, documenting the hypothesized impact narrative, or how the investment is expected to contribute to the desired impact. This impact narrative is also documented in a separate section of the investment memo.

Investment teams track quarterly KPIs of portfolio companies. Investment teams monitor and mitigate the risk of impact drift through active governance and board engagement. Investment Officers identify portfolio companies that may be at higher risk of impact drift and bring these cases to the risk committee for review and discussion. Any changes to specific impact goals are based on discussions with the management and investment committee as required. This allows for regular updates on fund or investment strategy contributions in specific areas within a defined performance period.

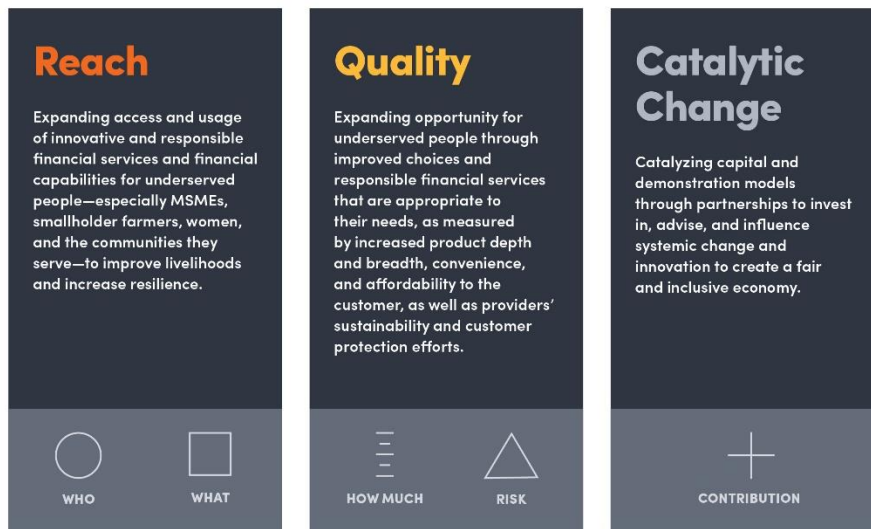
PRINCIPLE 4: Assess the expected impact of each investment, based on a systemic approach.

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 practices.

Our Impact Framework

OUR IMPACT FRAMEWORK DRAWS ON THE IMPACT MANAGEMENT PROJECT’S FIVE DIMENSIONS OF IMPACT



All portfolio companies are measured and assessed against Accion's Impact Framework (above), which is harmonized with the Impact Management Project.⁷ Accion's Impact Framework is applicable across its various investment strategies as well as its advisory and research activities, with some metrics being common across all Accion portfolio companies and some specific to a given thematic area or program. This enables Accion to measure financial inclusion at the aggregate level through a set of core impact metrics across the portfolio and assess progress towards financial inclusion at a portfolio company level.

Accion leverages its Impact Framework to establish and build upon an impact thesis for investee companies during each stage of the investment process, answering the below questions, adapted from the Impact Management Project (IMP). Accion's intended impact is consistent across funds and investments, and companies must have alignment with this intended impact objective to be considered for investment.

What is the intended impact? Accion's intended impact is to catalyze capital and demonstration models that accelerate the reach (access, usage, and benefit) and improve the quality of responsible financial services for underserved people, with a focus on MSMEs, smallholder farmers, women, and the communities they serve. This is directly tied to the "WHAT" dimension of the IMP's 5 Dimensions of Impact, different aspects of which are holistically embedded across the three pillars of Accion's Impact Framework – but for the purposes of simplification, is primarily reflected under the "Reach" pillar, and defined as increased access, usage, and benefit from quality financial services.

Who experiences the impact? This is also addressed by the "Reach" pillar of Accion's Impact Framework, which assesses "WHO" each portfolio company is expected to reach by applying market contextualized definitions for "underserved" customers for each company, as well as "HOW MANY" customers are being reached – with a focus on MSMEs, smallholder farmers, women, and the communities they serve. Accion's "Reach" pillar is thus directly tied to the 'WHO' dimension of the IMP's 5 Dimensions of Impact.

How significant is the intended impact? The "Quality" and "Catalytic Change" pillars of Accion's Impact Framework address this question. The "Quality" pillar emphasizes improved choices among quality financial services. At a company level, Accion measures "Quality" by indicators such as product depth and breadth, capacity to pay analysis, product usage, customer satisfaction, retention, and customer protection efforts of the provider. At the aggregate level, indicators such as number of borrowers and savers, active users of other products and services, and number of insurance policies issued – considered alongside revenue generated – indicate usability as well as the type of financial access that has been enabled – and at what scale. The "Catalytic Change" pillar establishes a longer-term theory of change, focusing on the expected market-wide effects of catalyzing capital and demonstration models through a potential investment. Exploring and de-risking new models and then taking them to commercial scale by leveraging global capital markets is key to our theory of change. We use capital crowded in, measured by equity funding raised and debt financing secured by portfolio companies, as a quantitative indicator to measure this catalytic market change. We also document qualitative examples of demonstration models to provide additional context of the catalytic impact of specific investments or interventions. Accion's "Quality" and "Catalytic Change" pillars are therefore directly tied to the "HOW MUCH," "CONTRIBUTION," and "RISK" dimensions of the IMPs 5 Dimensions of Impact.

⁷ <https://impactfrontiers.org/norms/>

During the due diligence process, the Accion team works with investee companies to ensure the full spectrum of their products and business (from an impact thesis perspective) is understood and vetted and to select impact metrics and KPIs that form a credible basis for monitoring the impact performance of investments established using Accion's Impact Framework, and are also aligned to the company's business plan and strategic objectives. The impact thesis and the planned set of impact metrics and KPIs are laid out and documented in the investment memorandum for each investment.

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.

Accion is committed to responsible ESG management, aligned with industry standards. Accion Emerge (Accion's balance sheet investments) and all investment strategies managed by its wholly owned subsidiary Accion Impact Management LLC (including Accion Transformation Capital and Accion Venture Lab) outline their commitments to environmental, social, and governance factors, and risks in fund investments, and include ESG-related covenants in their respective investment agreements. Risk assessment is core to Accion's due diligence process across all investment strategies and funds. Investment teams identify ESG risk through due diligence activities which include desk diligence, review of policies/processes, field visits, management interviews, and stakeholder interviews. Accion manages risks where possible as a minority investor and actively identifies mitigants, engaging with the management in implementing best practices in ESG.

Accion Transformation Capital's ESMS lays out the process for evaluating the different ESG risks through the investment period, and includes a list of industry principles with which the fund intends to align following internal training, including the IFC Corporate Governance Methodology, among others. The result of due diligence assessments informs an ESG Action Plan for each investment, which is linked to timelines, responsibilities, and resourcing. The depth and extent of the action plan is based on the materiality of risks uncovered. The ESG team conducts quarterly review of the ESG Action plan and requires the investee companies to present an E&S report on an annual basis. ESG Action Plans are refreshed annually by the investment team and ESG team collaboratively.

Accion Venture Lab has developed a formal ESG policy which outlines commitments and processes related to ESG to be adopted in early 2024, effective for new investments going forward. It focuses on alignment with the IFC Performance Standards and leverages the IFC's E&S Risk Categorization Framework in due diligence and final investment committee approval. Supplemental side letters address additional LP requirements where relevant. Given the early stage of companies, the IC memo may include potential steps the company could take on ESG, but these are non-binding. Legacy Accion Venture Lab investments do not have an explicitly defined ESG policy. Supplemental side letters address additional LP requirements where relevant, for both legacy and new investments.

Accion Emerge investments do not have an explicitly defined ESG policy, but typically address governance risk by taking a board seat and investing with like-minded co-investors to have influence over the company's direction, mandating, for example, that companies adhere to relevant social and environmental laws and not engage in excluded activities, e.g., violation of client protection principles, child labor, etc. as part of shareholder agreements.

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.

Accion's Impact Framework drives the measurement, assessment, and reporting of portfolio company-level impact performance. The KPIs established during the investment process, inclusive of impact, operational and financial metrics and indicators, are reported by portfolio companies to Accion on a quarterly basis and are revisited on an as-needed basis as portfolio company business models scale and evolve.

Each fund has a standardized, pre-defined process for impact and performance reporting to LPs on a quarterly basis. Performance and key impact metrics are reported at an investee level and on a fund level, and impact is reported on an aggregate level across Accion's funds and investment strategies.

Portfolio company-level impact performance is assessed throughout the lifecycle of Accion's investment, including during follow-on investment rounds and during the exit process. Actions that may be taken with portfolio companies that are underperforming at any stage in the investment cycle with respect to impact expectations may include active engagement with the investee, adjusting KPIs or expectations due to significant, unforeseen, and changing circumstances.

While the majority of portfolio company-reported KPIs are outputs, Accion has made efforts to incorporate outcome-level data into its impact management process, including participation as a founding member in 2022 of a new index, created by the firm 60 Decibels, that sought to give the microfinance industry greater visibility into its impact by surveying more than 18,000 customers from 72 microfinance institutions globally, many of them Accion partners. In 2023, beyond participating for a second year in the MFI Index, we included additional survey modules on savings and customer protection that are aligned with Accion's Impact Framework, to enable deeper insights on the outcomes underserved people experience, in their words and from their perspective.

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.

Planning for a responsible exit is core to the investment strategies of Accion's funds, starting from initial due diligence.

When exits are considered, funds require an investment committee approval process and Exit Memo which sets out a clear rationale for the exit, with commercial and impact returns, including comparing performance to impact goals at the beginning of the investment. In any potential exit, where funds have discretion to do so, they ensure that such an exit or disposal is consistent with the achievement of the impact thesis and investment objectives.

Careful consideration is paid to whom a particular investment is exiting (evaluating qualitatively based on customer segment focus, governance approach, track record, etc.), as well as the likely path forward for the company and its customers under the new ownership and governance dynamics. Accion's balance sheet investments do not have hard exit timelines, so the investment team makes every effort to not exit to parties which could change or abandon the impact thesis for the company, wherever possible.

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.

Portfolio performance is reviewed under regular portfolio management, followed by quarterly discussions on integrated performance (financial and social), documented through ongoing LP and board reporting. A core component of discussion during quarterly portfolio reviews, focused on strategic shifts or product launches that companies are considering or undertaking is whether the proposed strategic shift or new product continues to benefit the underserved customer or whether it represents a risk of impact drift.

Accion tracks impact created during the investment period by measuring performance on key impact metrics aligned with our impact framework, conducting customer surveys (both in-house and through third parties), and developing and publishing case studies.

Accion is committed to continuously reviewing and improving its impact management systems to adjust to industry standards and best practices. In 2023, Accion invested in the implementation of an integrated impact data management platform provided by a vendor specialized in impact reporting. As part of our theory of change, we've documented our key assumptions, which also help frame our research priorities, to address evidence gaps and adjust our activities based on ongoing learnings.

A primary objective of Accion's Impact Measurement and Management strategy is to integrate outcome data at scale to better understand—and ultimately improve— how underserved people access, use, and benefit from quality financial solutions—while mitigating potential risks.

PRINCIPLE 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

Independent verification and public disclosure on an annual basis alignment of impact management systems with Principles.

This Disclosure Note affirms the alignment of Accion's procedures with the Impact Principles and will be updated annually.

Accion aims to provide independent verification of the company's alignment to the Impact Principles every 3 years, with the first planned verification to occur in 2025.