CLIMATE TRANSPARENCY REPORT 2020

Actis

Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-EDFF3F43-0BC3-4DB7-B64D-7F4CD5788AA1/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	-	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Actis
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ 10 - 29.99 billion AUM
Main Asset Class	>50% Infrastructure Internally Managed
Signed PRI Initiative	2009
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

Actis

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation’s investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Actis recognises that climate change risks (physical, regulatory and market) can impact the value of assets in the short and long term, and that the climate crisis presents a significant opportunity to be part of the transition to a low carbon economy.

Our investment strategy reflects climate related risks and vulnerabilities identified as material for our firm by sector and geography. For example, to mitigate against the risk of stranded assets associated with the transition to a low carbon economy we have excluded coal-fired thermal power from our investment strategy. Conversely, to capitalise on transition opportunities, our energy infrastructure strategy is to invest significantly in renewable energy generation. Our Real Estate portfolio focuses on Green Buildings by design, and opportunities for Green certification by identifying energy and water efficiency measures to enhance environmental sustainability whilst also reducing operating costs.

Assessment of physical climate-related risks and opportunities is strategically integrated into Actis' environmental and social due diligence process undertaken by the Responsible Investment team, with support from specialist external advisors where necessary.

As an example of physical climate risks identified, in the case of a run-of-the-river hydropower business which relied on glacial meltwater, we assessed how climate change could positive and negatively affect energy yield if the rate of glacial melt increased due to global temperature rise. Equally energy yields can be impacted by climate driven drought if, for example, water availability limits a solar power plant's cleaning regime.

Our due diligence process have assessed physical climate risks such as flooding and increased exposure to extreme climatic events, such as cyclones. This enables us to (i) understand asset resilience to future flooding events, (ii) mitigate through design options, (iii) estimate costs of improving defences, and (iv) assess the availability and cost of insurance cover.

We are engaging with our investor community on climate related risks and opportunities to better share with them the relevance to our investment strategies. See our recent publication: https://www.act.is/media/2920/ac-0119-003024-street-view-march-2020-low-res.pdf

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Our approach to climate risks and opportunities varies by asset class but the associated timescale is quite similar across our three main asset classes.

For our Energy Infrastructure funds, we typically consider and assess climate related risks across the duration of the operating licence / offtake agreement, which is roughly a 20-25 year period. Our consideration of investment opportunities is focused increasingly on renewables, energy storage and conversion from gas.

For our Real Estate funds, we initially look at the typical holding period of the investment, which is roughly 5-7 years. We then consider exit risk and valuation by assessing how climate risks will impact a longer term owner of the asset. As most institutional investors look to hold assets over the long term, we consider risks beyond our own ownership period through to a 10 to 15 year horizon. Similar to Energy, this brings a comparable time period for consideration of risks and opportunities over 20 years.

For Private Equity, we also typically hold investments for a period of 5-7 years but consider the view of potential buyers, most commonly institutional investors or a corporation that is likely to take a 10 to 15 year view. As above, our approach is to consider and assess climate risks over a 20 year time horizon to ensure the resilience of our assets and companies.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Actis has a specific Climate Change Policy in place as part of its ESG code which sets out objectives to minimise contribution to climate change, both from Actis' own direct operational emissions and the indirect emissions of its investee companies; and to encourage investment in sectors that support the low carbon transition. In addition it states that Actis will seek investment opportunities that have a positive impact on climate change; ensure that for each investment the impact on climate change is taken into consideration by the Investment Committee (IC) pre-investment through our RI team inputs; and that the carbon impact of each investment that is made by Actis will be categorised and appropriate action taken based on the degree of impact upon the climate. Actis' ESMS sets out the risk rating to be applied to climate risks identified in due diligence and included in IC papers.

Our fund strategies consider sectors which are deemed too vulnerable to climate risks for example agriculture in our Private Equity portfolio, or thermal coal generation as a transition risk in our Energy fund. The core of Actis' Energy fund strategy is therefore the development of renewable power generation, focussing on low carbon strategies and advancing the low carbon energy transition. During 2019, we completed the construction of 1.4GW of wind and solar power plants (enough generation to power over a million homes), adding to our 5.6m tonnes of CO_2 offset (equivalent to 800,000 trees). As part of supporting an energy mix away from carbon intensive technologies and to mitigate the risk of stranded assets, Actis has set out in its investment exclusions that it will not invest in the development, construction or operation of coal-fired thermal power plants.

Identification of climate related risks is undertaken during the development of fund strategies and during pre-investment due diligence by the four person in-house RI team with support from external advisors where necessary. Initiatives to manage climate risks or capitalise on opportunities are included in the post-investment plan, and frequently includes the appointment of a dedicated ESG Head to manage climate related risks.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

	specify

Actis has two primary means of disclosing climate related information including PRI 2019 and the sustainability edition of our Street View report: https://www.act.is/media/2920/ac-0119-003024-street-view-march-2020-low-res.pdf

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other role, specify (1)

Risk Committee (including ESG issues)

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Actis is frequently a majority shareholder and we have seats on the boards of our investee companies. Actis Directors meet with the RI team to discuss climate-related issues and opportunities, and raise these during the course of board meetings, where relevant. One of the primary methods for executing our climate-related responsibilities, is to use our influence on the board of our portfolio companies to constitute an ESG Committee, or similar, as a sub-committee to the board, in order to ensure that sufficient time, attention and board-level oversight is given to ESG issues such as climate change. An Actis director and a member of the RI Team attend ESG Committees, and chair the committee in most instances. Together they set the agenda and challenge the company management on their integration of climate-related issues into the management and long-term planning of the business.

In addition, Actis' Climate policy is approved by the Executive Committee (ExCo), which includes the Head of RI, and climate related risks are considered during both ExCo and Risk Committee meetings.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, in order to assess future ESG factors

	Describe

As part of Actis' due diligence, Environmental and social impact assessment ("ESIA") studies are typically undertaken prior to construction to meet local regulatory requirements, secure environmental operating permits and raise project finance. These include modelling of E&S impacts to ensure adequate mitigation is implemented.

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

We carried out scenario analysis to understand the potential impact of climate change and sea level rise on coastal real estate in Ho Chi Minh City. We also modelled a run-of-the-river hydropower business in Asia to assess the impact of glacial meltwater on energy yields.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☑ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

As described under SG 13 our ESIAs undertaken for all greenfield assessments include a specific climate risk impact assessment where relevant and standalone analysis of likely climate risk scenarios over the operating lifecycle of the asset.

☑ Incorporation into investment analysis

	Describe

We carry out scenario analysis to understand the potential impact of climate change over the holding period of our ownership and the time period that our long term buyers will consider. For example our in-house RI team in undertaking ESG DD will consider sea level rise on coastal real estate in Asia during the investment selection process.

☑ Inform active ownership

	Describe

Where physical risks have been identified in DD such as flooding or increased exposure to extreme climatic events such as cyclones, Actis is able to determine appropriate mitigation measures to implement during ownership to ensure asset resilience to future climate related events. This may include mitigation through design options for Real Estate such as raising the finished flood level, or to estimate costs of improving defences for a coastal Energy asset.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☑ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

Our approach to climate risks and opportunities varies by asset class but the associated timescale is quite similar across our three main asset classes.

For our Energy Infrastructure funds, we typically consider and assess climate related risks across the duration of the operating licence / offtake agreement, which is roughly a 20-25 year period. This goes beyond our ownership or investment time horizon which is typically 10-15 years.

For our Real Estate funds, we initially look at the typical holding period of the investment, which is roughly 5-7 years. We then consider exit risk and valuation by assessing how climate risks will impact a longer term owner of the asset. As most institutional investors look to hold assets over the long term, we consider risks beyond our own ownership period through to a 10 to 15 year horizon. Similar to Energy this brings a comparable time period for consideration of risks and opportunities over 20 years.

For Private Equity, we also typically hold investments for a period of 5-7 years but consider the view of potential buyers, most commonly institutional investors or a corporation that is likely to take a 10 to 15 year view. As above, our approach is to consider and assess climate risks over a 20 year time horizon to ensure the resilience of our assets and companies.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☐ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☐ Analysis based on a 4°C or higher scenario

☑ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	☐ Beyond 2 Degrees Scenario (B2DS)
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☐ Sustainable Development Scenario (SDS)
IEA	☐ New Policy Scenario (NPS)
IEA	☐ Current Policy Scenario (CPS)
IRENA	☐ RE Map
Greenpeace	☐ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☐ BNEF reference scenario
IPCC	☐ Representative Concentration Pathway (RCP) 8.5
IPCC	☐ RPC 6
IPCC	☐ RPC 4.5
IPCC	☐ RPC 2.6
Other	☑ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		7	924	154	000
Currency	USD				
Assets in USD		7	924	154	000

	Specify the framework or taxonomy used.

Our Energy, Infrastructure and Real Estate funds specifically target low carbon and climate resilient asset classes and strategies. For example, we invest heavily in renewable power generation and in clean gas-fired thermal power. We consider the role that domestic gas plays in national power generation strategies and include how gas, as the cleanest of the fossil fuels, provides clean baseload power which balances the intermitency of renewables and enables renewable power generation. Our real estate funds implement a 'green by design' approach and integrate sustainability into building design as well as obtaining independent third party green building certification where available.

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☐ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Assessed the vulnerability and adaptability to climate change of local communities and developed measures to mitigate the negative impacts of climate change on their livelihoods

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☐ Weighted average carbon intensity

☐ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14.5	Additional information [Optional]

For our Energy and Infrastructure funds we consider Scope 1, 2 and 3 emission production and include discounts for gas production against our renewable generation, as well as considering embodied carbon from the construction of greenfield assets. This approach to emission calculation contributes to over 55% of our AUM.

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Portfolio carbon footprint	☐ All assets ☑ Majority of assets ☐ Minority of assets	Internal and external stakeholder engagement	tCO2e	Standard Carbon emissions avoided calculator from renewables minus emissions from gas power, and carbon intensity of technology.
Total carbon emissions	☐ All assets ☑ Majority of assets ☐ Minority of assets	Internal and external stakeholder engagement	tCO2e	Power plant emissions generation monitoring.
Carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Internal and external stakeholder engagement	CO2/kwh and CO2e per kwh and CO2e / $ invested	Portfolio carbon footprint calculated over the power produced by Actis and against the amount invested ($).

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

Actis has a 4 person in-house RI team that is responsible for supporting the deal team with the identification, assessment and management of climate-related risks. The RI team undertakes pre-investment due diligence of climate-related risks and presents these to the Investment Committee so they are fully integrated into investment decision making. Post-investment, the RI team support the deal team and many of our portfolio company management teams to identify, assess and manage climate-related risks. Significant risks and opportunities are discussed during quarterly portfolio management meetings and the most material climate-related risks are escalated to the Risk Committee.

Climate change is a discussion item at every Risk committee which meets 3 x annually. As part of this Actis' risk register is updated and the adequacy of controls to manage climate related risks are reviewed and updated accordingly. As the CIO chairs the Risk Committee any risk linked to investment decision making also feeds into the IC decision making and management process.

Any climate related risks that pose a material risk or opportunity for the firm and associated fund strategies are discussed at the Executive Committee (ExCo), which includes the Head of RI.

○ Processes for climate-related risks are not integrated into overall risk management

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

78

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☐ Private equity

☐ Property

☑ Infrastructure

	Percentage of AUM (+/-5%) per asset class invested in the area

56

Brief description and measures of investment

Actis energy investments include renewable power plants, which have generated 1.4GW of clean energy and avoided 5.6 million tonnes of carbon to date in 2019

☑ Renewable energy

Asset class invested

☐ Private equity

☐ Property

☑ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

56

Brief description and measures of investment

Actis energy investments include renewable power plants, which have generated 1.4GW of clean energy and avoided 5.6 million tonnes of carbon to date in 2019

☑ Green buildings

Asset class invested

☐ Private equity

☑ Property

Percentage of AUM (+/-5%) per asset class invested in the area

11

☐ Infrastructure

Brief description and measures of investment

Our Real Estate investments follow a green-by-design approach and obtain sustainability certification

☐ Sustainable forestry

☐ Sustainable agriculture

☐ Microfinance

☑ SME financing

Asset class invested

☑ Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Property

☐ Infrastructure

	Brief description and measures of investment

Actis has created a non-banking financial corporation to provide credit to SMEs in markets where SME growth is limitedby restricted access to credit

☐ Social enterprise / community investing

☑ Affordable housing

	Asset class invested

☐ Private equity

☑ Property

	Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Infrastructure

	Brief description and measures of investment

Actis has investments in affordable housing developments in Africa and Asia

☑ Education

	Asset class invested

☑ Private equity

	Percentage of AUM (+/-5%) per asset class invested in the area

2

☐ Property

☐ Infrastructure

	Brief description and measures of investment

Actis is invested in a tertiary education platform across Africa. This is the first pan-African tertiary education business with a buy and build strategy. There are 45,000 students enrolled to date.

☑ Global health

	Asset class invested

☑ Private equity

	Percentage of AUM (+/-5%) per asset class invested in the area

6

☐ Property

☐ Infrastructure

	Brief description and measures of investment

Actis has several investments in the healthcare sector

☐ Water

☐ Other area, specify

○ No