

# Operating Principles for Impact Management

June 2025 Disclosure Statement





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## Disclosure Statement

AvantFaire Investment Management Limited (AvantFaire) is a signatory to the Operating Principles for Impact Management (Impact Principles). This disclosure statement affirms that AvantFaire continues to have the necessary policies and procedures in place to manage private equity discretionary mandates<sup>1</sup>, which prioritize investments that generate positive cultural, societal, and environmental impacts. Alongside our core themes of "Rural Revitalization" and "Belt and Road Initiatives," we are exploring innovative deep technology opportunities with applications for everyday life on Earth and cutting-edge scientific advancements beyond, all guided by the Impact Principles.

As the 100th signatory, AvantFaire is dedicated to advancing the Impact Principles' standards in Asia, particularly in the Greater China Region. We are committed to collaborating with fellow signatories and the broader impact investing community to promote the growth and recognition of these principles.

The AUM of DM is zero as of June 2025. AvantFaire is currently managing a proprietary impact investment fund of funds with an AUM of USD 5M, whose operation follows the Impact Principles.



A stylized handwritten signature in black ink, consisting of several loops and sharp angles.

Catherine Chen  
Founder and CEO  
AvantFaire Investment Management Limited

June 2025

### Disclaimer:

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 Fun or organization controlling, controlled by, or under common control with the Signatory.

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**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 social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not have 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.*

AvantFaire Investment Management Limited (AvantFaire) is a Hong Kong SAR-licensed impact investment firm. We provide investors with diverse impact investment opportunities, including discretionary mandate services in private equity and tailored investment solutions in partnership with financial institutions. As a signatory to the Operating Principles for Impact Management (Impact Principles) and the Principles for Responsible Investment (PRI), AvantFaire is committed to upholding the highest industry standards. We are also the first Asian equity investment manager certified as a B Corporation, reinforcing our leadership in sustainable and responsible investing across the Asia-Pacific region. Beyond integrating ESG factors into our investment screening, we actively seek companies that generate measurable net positive social impact, ensuring our investments align with our mission to drive meaningful change.

AvantFaire specializes in impact investments that deliver both competitive financial returns and measurable social benefits, proving that profit and purpose can thrive together. We invest with the conviction that addressing societal needs—from improving quality of life to driving sustainable economic growth—creates long-term value for both communities and investors. By fostering collaboration and positive global change, we empower our clients to achieve meaningful impact without compromising returns, turning conscientious capital into transformative outcomes.

AvantFaire manages the AvantFaire Private Equity Discretionary Mandate (DM), investing in agricultural technology, sustainable cities, cultural tourism, and most recently in deep technology to drive measurable impact. Our investment framework aligns with specific UN Sustainable Development Goals (SDGs)—including Clean Water & Sanitation (SDG 6), Affordable & Clean Energy (SDG 7), Industry & Infrastructure Innovation (SDG 9), Sustainable Cities (SDG 11), Responsible Consumption (SDG 12), and Climate Action (SDG 13)—ensuring our portfolio delivers both financial returns and tangible progress toward global sustainability targets.



Source: United Nations Sustainable Development Goals, March 2022

These SDGs are then translated into our impact investment themes to target investments that:

- Utilize natural resources more efficiently
- Pollute less and recycle more
- Enhance the living quality in cities, communities, and villages



- Mitigate negative impacts on the climate from the development of rural areas

This approach enables systematic measurement of our impact contributions against both our stated objectives and the UN's 2015 Sustainable Development Goals (SDGs) through relevant metrics and established impact frameworks.

Our regional footprint in China, Hong Kong SAR, and Singapore allows us to leverage local networks to source and identify impact-driven companies. These businesses must align with our ESG criteria while delivering commercial solutions that advance our environmental, social, and governance impact goals.



**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.*

Our impact investment decisions for the Discretionary Mandate (DM) follow a rigorous process outlined in our Investment Process Policy. We target agricultural technology, sustainable cities, cultural tourism and deep technology sectors, focusing on innovative themes and business models that pass our initial screening before undergoing full due diligence. This approach ensures our portfolio delivers both competitive long-term returns and measurable environmental/social benefits – creating net positive impact at both the company and portfolio levels.

Our impact assessment begins at the initial screening, where we evaluate each company's business model against the DM's impact thesis. We establish measurable impact metrics aligned with relevant SDGs, creating clear benchmarks for tracking progress. During the entire investment period, our team actively collaborates with investee companies to execute their impact strategy while continuously monitoring both financial and impact performance.

We employ an integrated reporting framework to quantify our portfolio's total impact, consolidating key metrics across all investments alongside financial performance data into comprehensive impact reports.

Some of the common metrics attributable to similar impact themes include the amount of Carbon Dioxide (CO<sub>2</sub>) reduction or avoided; the amount of alternative power generated or energy saved; and the weight of hazardous material reduction. Other examples include:

- Metric tons of CO<sub>2</sub> avoided
- Job creation
- Direct beneficiaries
- Women employment
- Benefits to rural communities
- Productivity gains
- Amount of renewable energy deployed

When direct impact measurement from investee companies proves impractical, we employ estimation methodologies for their products' and services' effects, with full transparency in disclosures. Following rigorous review and validation of all inputs and assumptions, we produce annual impact reports for investors. Rural revitalization investments present particular benchmarking complexities due to rapid sector evolution, fragmented ownership structures, and inconsistent industry-wide measurement practices.

Beyond formal reporting, we maintain ongoing oversight of investee companies' impact performance and relevant market trends through continuous monitoring and regular engagement meetings. These sessions ensure compliance with impact strategies, proper monitoring systems, and proactive risk management. Additionally, AvantFaire offers targeted impact expertise and technical support to strengthen investee companies' capabilities when needed.

Our company focuses solely on impact investing. We do not have a separate system to align staff incentives with both impact achievement and financial performance, as these are our dual baselines. We will consider implementing such a system when it becomes applicable to our operations and as best practices emerge.





**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.*

AvantFaire is dedicated to advancing Asia's impact investment sector through rigorous international standards. As signatories to both the Operating Principles for Impact Management and Principles for Responsible Investment (PRI), and as a Certified B Corporation, we embody our commitment to ethical, sustainable business practices. To further amplify our leadership, we actively engage in green advocacy, regularly contribute thought leadership at industry forums, and publish insights on impact investing, sustainability, and ESG innovation.

We cultivate strategic, long-term partnerships across the impact investment ecosystem to access exclusive direct and co-investment opportunities. Over the past year, we have significantly expanded our deal pipeline and professional network while developing collaborative initiatives – including joint research projects – to amplify our social impact. These synergistic engagements with governments, regulators, academia, NGOs, investee companies drive greater awareness and measurable change.

We provide our investee companies with the right support in the form of regular communication and collaborative discussion, as well as access to our network and experience. Other forms of support include but are not limited to:

- Leveraging partnerships in the industry – Our business partners consist of real estate developers, architects, property management companies, and other asset managers, and we maintain close ties with them. We encourage them to adopt our investee companies' products and services to create synergistic benefits.
- Providing ESG / impact support – As a champion of impact investment in the industry, we guide investee companies in improving their respective ESG and other relevant frameworks for compliance, disclosure, and reporting. We also work with the investee companies to develop key performance metrics specific to impact measurement. Additionally, we encourage our investee companies to pursue B-Corp certification.
- Searching for key management personnel – We utilize our extensive network to identify suitable key management personnel (e.g. CEO and other C-suite executives) to help investee companies scale their business.
- Additional strategic initiatives – We work with our investee companies on follow-on investments by PE funds and other professional investors. When needed, we assist the investee companies in obtaining bank financing and government subsidies.

To ensure strong governance in our investment process, each case is assigned both a Deal Team (led by a managing partner with junior staff support) and an independent Support Team (with a different managing partner and junior staff) to provide checks and balances. Both managing partners serve on the investment committee to guarantee comprehensive presentation of all investment details during decision-making. Team assignments are based on expertise, availability, and current workload, with junior staff involvement determined by deal complexity.



**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.*

The Discretionary Mandate (DM) is designed to achieve its stated investment objectives while maintaining a rigorous impact-focused approach. Our impact assessment framework ensures the DM goes beyond basic negative screening or harm reduction, instead proactively delivering measurable positive outcomes through intentional, purpose-driven investments.

Our due diligence process includes rigorous quantification of each investment's potential positive impact, evaluated against our impact measurement framework:

- The type of impact, which should be the core value of the business operation;
- The amount of impact, which should be proportional to the business size;
- The relative size of the impact created within the targeted geographical context;
- The identification of impact beneficiaries;
- The transparency, availability, and authenticity of impact data;
- The probability of the business operation creating the intended impact;
- The sustainability of the impact created by the business operation; and
- The risk factors that could alter the assumptions of impact creation.

We do not require investee companies to adopt specific impact measurement processes, but we expect them to demonstrate a systematic approach for identifying and assessing their intended impact—ensuring alignment with impact investment principles and industry best practices. Beyond performance and risk monitoring, we actively support our investee companies by facilitating access to funding, co-investment opportunities, and strategic partnerships, all aimed at maximizing both financial returns and measurable social/environmental outcomes for our stakeholders.





**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.*

We have a strong conviction that companies with strong ESG fundamentals are better positioned to deliver long-term investment returns. Our evaluation process analyzes the alignment between these ESG factors and the company's impact metrics:

<u>Environment</u>	<u>Social</u>	<u>Governance</u>
▪ Climate Change	▪ Customer satisfaction	▪ Composition of the board of directors
▪ Carbon emission	▪ Relations with unions	▪ Structure of the audit committee
▪ Biodiversity	▪ Data protection	▪ Enterprise policy
▪ Depletion of natural resources	▪ Relations with civil society	▪ Anti-corruption policy
▪ Energy efficiency	▪ Equal pay	▪ Compensation committee
▪ Waste management	▪ Policy regarding the hiring of disabled people	▪ Lobbying policy
▪ Water / air pollution	▪ Diversity and non-discrimination of minorities	▪ Whistle-blower protection
	▪ Health and well being	▪ Diversity and inclusion policy

We evaluate both actual and potential impact when assessing investee companies. For example, a fossil fuel-based power producer transitioning to renewables and carbon capture would demonstrate high impact potential despite its current operations. Recognizing that ESG risks vary by sector, we customize our assessment framework for each industry—for instance, prioritizing air pollution metrics for metals companies rather than retailers.

AvantFaire implements a rigorous monitoring process to track portfolio-wide impact. Based on each investment's complexity and impact potential, we may engage qualified local partners to mitigate execution risks, drive social and environmental awareness, and ensure targeted financial returns.

Our evaluation process prioritizes investee companies' commitment to impact and ESG risk management. We rigorously assess their current ESG practices - or their demonstrated willingness to improve - to ensure effective identification, mitigation, and monitoring of impact-related risks.

For each investee company, we establish the necessary impact metrics, monitor them over the investment holding period, and compare them against a predefined baseline. The sources of impact data may include ongoing dialogues with management, board seats, advisory roles, periodic data submissions, and scheduled reporting. The collected impact data is then compared against impact key performance indicators (KPIs) pre-agreed with the investee company at the inception of the investment.



**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.*

We establish impact measurement frameworks early in our engagement with investee companies, aligning metrics and methodologies through collaborative discussions that respect each party's perspectives. This process includes agreeing on timing requirements while maintaining flexibility to adapt methodologies when justified by new findings or information.

We conduct regular portfolio reviews to assess whether actual impact aligns with initial projections, maintaining ongoing engagement with investee companies through formal meetings and informal management discussions to monitor performance and implement corrective actions when needed. While we may exit investments that consistently fall short of impact targets, we prioritize active engagement—believing that educating and supporting companies in impact management creates positive spillover effects that strengthen the entire ecosystem.



**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.*

AvantFaire prioritizes impact sustainability throughout the investment lifecycle, recognizing that erosion of impact can jeopardize long-term business value. Our disciplined exit process includes: identifying impact-aligned buyers, evaluating potential impact dilution through a structured checklist, and documenting impact considerations in divestment memoranda. We view impact continuity as a fiduciary responsibility, regularly assessing exit implications to preserve both financial and social returns.



**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.*

AvantFaire will conduct an official impact performance review for each investment before the annual impact reports are issued. We meet with our underlying investee companies, review their impact strategies and results, and have them justify their financial and impact performance compared with expectations. Our first-level review focuses on their financial and impact performance, as well as their adherence to the impact investment, measurement, and reporting processes. The second-level review focuses on the management style, stakeholder communication, impact research, and continuous commitment as a company. In addition to issuing an annual financial and impact performance report, we will hold regular meetings with our investors and corporate advisors to discuss the management and performance of the DM and solicit comments and suggestions. Such feedback engagement will guide us to improve our impact strategy development, investment process, assessment methodology, and reporting practices. We will formally document our learnings and experience in our improvement goals. Our underlying investee companies will have their own review and documentation processes to summarize their performance and lessons learned. Typically, the review and documentation process occurs annually for each investee company throughout its lifetime until exit.



**Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.**

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

This disclosure statement, dated June 2025, reaffirms the alignment of AvantFaire's impact management systems on the DM's operation with the Impact Principles. An independent verification<sup>2</sup> of this alignment was carried out on May 20, 2022, by Vukani Impact Collective (PTY) Ltd, which is an international sustainability service provider based in Cape Town, South Africa<sup>3</sup>. It helps investors and businesses innovate through improved measurement and management of ESG performance and impact by applying extensive experience in the IFC Performance Standards, UN Global Compact Principles, Principles for Responsible Investment, Impact Principles, and other frameworks. Another independent verification shall be carried out if there are significant changes in our investment business offers or AUM, or in the latest by 2027.

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<sup>2</sup> [https://www.avantfaireim.com/wp-content/uploads/2022/06/VukaniAssuranceStatement\\_June-2022.pdf](https://www.avantfaireim.com/wp-content/uploads/2022/06/VukaniAssuranceStatement_June-2022.pdf)

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