



# The Actis Energy Impact Model

EXPLAINED



# The Actis Energy Impact Model



*"I want us to be a thought leader.  
I want us to have real impact.  
I do not want a PR trick."*

**Torbjorn Caesar**, Co-Head, Energy, Actis

*"Is public opinion on renewables now at a tipping point? When will the public start lobbying institutional investors to amend their investment criteria to take greater account of sustainability? In my opinion it is only a question of time."*

**David Grylls**, Director, Energy, Actis

a new tool to  
measure the  
progress Actis  
makes over the  
lifetime of each  
of its energy  
investments





The provision of a safe reliable electricity supply is a key driver of economic and social development.



Whether helping small businesses grow through the provision of light, power and mobile telephony, or providing households with refrigeration, washing machines and a replacement for biomass cooking, electricity is fundamental to a country's development.

Yet investments in power generation and distribution businesses tend to have high social and environmental impacts.

Power projects can displace communities; they use land and water in their operation and scarce resources in their construction. They may also emit noxious gases and in some cases produce large and sometimes dangerous quantities of waste. Distribution businesses transport live electricity into the heart of local communities which in the emerging markets can have profound implications for public safety.

Actis has always tracked the performance of its investments in areas such as health & safety and emissions. However we wanted to take a more holistic view of the positive and negative impacts of our investments. We are convinced that this will help us drive greater value and more successful outcomes for our investee companies and the communities in which they operate.





FINANCE  
PEOPLE  
SOCIAL / COMMUNITY  
INFRASTRUCTURE  
ENVIRONMENT  
GOVERNANCE

*“The Energy Impact Model helps Actis pay attention to the long-term effects of its investments; offering the model for other private equity firms to adopt is a brilliant act of leadership.”*

**Jonathon Porritt**, Founder / Director,  
Forum for the Future

## What is it?

The **Actis Energy Impact Model** captures the key value drivers of each Actis energy investment in a systematic way.

The model assesses progress in six areas: Finance, People, Social/Community, Infrastructure, Environment and Governance.

The model pinpoints where action is required and then tracks performance over the life of the investment.

We are convinced that this model will help build value in our portfolio companies which is meaningful and lifts the financial worth of the company.

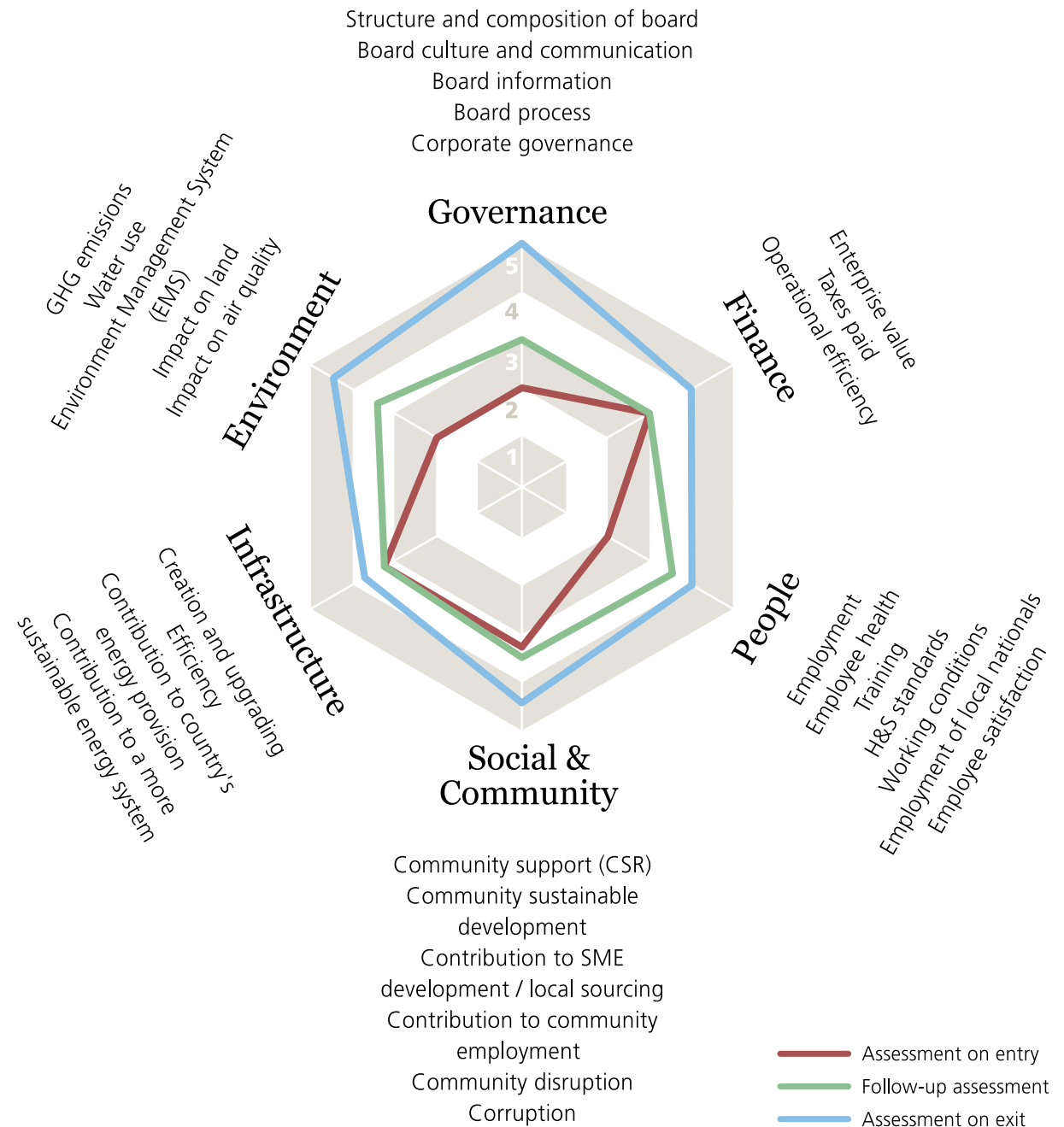
Having piloted the model, it is now being applied to Actis energy investments as part of our investment management process and on an ongoing basis as part of annual planning and target setting.

# How does it work?

Our system is based on the Five Capitals model, which was developed by Forum for the Future, a leading sustainability NGO that works with the business community. Six areas are assessed: Finance, People, Social / Community, Infrastructure, Environment and an additional category, Governance.

Each area is built up from a series of sub-measurements, for example the People category looks at measures including: employee satisfaction, working conditions, employee health and training.

The model is populated by the Actis Investment Manager and the portfolio company management team.



Impact appears mainly as a tool to measure the effect of environmental projects

The World Bank and IFC include impact assessment into their project evaluation procedures

Formation of the UNPRI

1950s 1960s 1970s 1980s 1990s 2000 2005 2011 THE FUTURE

Driven by developmental organisations and NGOs

## Where did it come from?

Over the last two years the enlightened financial community has shifted its thinking in the area of responsible investment from compliance and single issue management towards a more integrated balanced scorecard approach. The growth in energy demand in Brazil, China and India has been a key contributor to this new approach, ramping up the pressure on land, water and sites of social and environmental importance, for example the Amazon basin in Brazil where large hydro power plants are being built to meet Brazil's burgeoning power needs.

### Actis Energy Impact Model



= +  
Higher enterprise value  
Higher impact



# In practice

The Actis Energy Impact Model is a practical tool for investment professionals and portfolio company management teams.

Following its investment in May 2011, Actis presented the Actis Energy Impact Model to the DEOCSA / DEORSA management team as part of a 100 day plan: DEOCSA / DEORSA is an electricity distribution business in Guatemala.

The Actis team found that by presenting an integrated tool which included all the possible drivers of value, the senior management were able to appreciate how financial and non financial metrics formed Actis's complete approach to value creation.

The presentation of the model demonstrated to the management team that Actis was serious about the inclusion of environmental, social and governance impacts as part of its value creation philosophy. By focusing on a wider set of drivers and encouraging a more inclusive discussion, many of the issues that they were dealing with day to day, for example around local communities, or health and safety, were smoothly integrated into the long term value creation plan.



*"We have only just embarked upon our partnership with Actis but already the Energy Impact Model has helped guide and structure our business plan: clarifying the areas where we must concentrate our efforts in both the short and long-term."*

**Adriana Lazcano**, Head of HR, DEOCSA / DEORSA

# Why we hope this model will be adopted

## Repeatable

Measures progress over time

## Defensible

After 2 years of development it can withstand academic scrutiny

## Accessible

It is available for others to use, adopt and improve

## Easy to use

Data collection is rooted in easily reproduced excel charts and an in-depth methodology document is available

## Innovative

It does something new and tracks these drivers in a rigorous and replicable way

## Not too bureaucratic

We have ensured the data requirements are not too arduous for either the investee company or the Actis Investment Manager

## Iterative

As we continue to put this model into practice we will improve and refine the measures

*“As an LP, we strive to remain in step with the latest thinking on development impact measurement: we believe Actis’s model represents an important step change in the private equity industry.”*

**Shonaid Jemmett-Page**, COO, CDC

*“I really like the Energy Impact Model. Being in the renewable business I believe that it is highly important to measure non financial drivers of market value. Environmental and social performance create long term sustainable value which is not traditionally measured or considered to make an investment decision.”*

**Alex Rojo**, Project Manager / Owner’s Manager, Cerro de Hula





For technical support  
and to learn how you  
can use the model  
in your organisation  
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Actis invests exclusively in the emerging  
markets with US\$4.6bn funds under  
management.

Actis is guided by the ethos that capital  
invested in the emerging markets can  
and should be transformational for  
society. This ethos is called the positive  
power of capital.

The Energy Impact Model and its six  
value drivers encapsulate the positive  
power of capital: measuring the  
interventions Actis makes to build  
financial value in its portfolio.



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