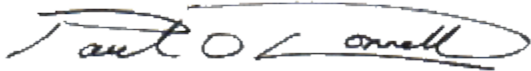


Disclosure Statement Operating Principles for Impact Management

WaterEquity — May 20, 2025

WaterEquity affirms its status as a signatory to the Operating Principles for Impact Management (the Impact Principles). This Disclosure Statement affirms that all WaterEquity funds operate in alignment with the Impact Principles. As of December 31, 2024, WaterEquity had USD 348 million in assets under management across four funds.



Paul O'Connell
President and CEO
WaterEquity

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.

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.*

- WaterEquity is an asset manager dedicated to mobilizing private investment to the water and sanitation sector. We invest in financial institutions, enterprises, and infrastructure in emerging and frontier markets that help deliver safe water and sanitation solutions to low-income communities, while seeking financial returns for investors.

- Investments must focus on at least one of three impact areas: Access (accelerate universal access to safely managed water and sanitation), Quality (improve freshwater quality), and Scarcity (mitigate the effects of water scarcity).
- WaterEquity’s investment strategies contribute to the Sustainable Development Goals (SDGs), specifically SDG6 through targets 6.1 and 6.2 (universal access to safely managed water and sanitation) as well as 6.3 and 6.4 (improve water quality and address water scarcity).
- Investing in safe water and sanitation also leads to multifold, positive impact for families, communities, and the environment. The evidence base for water and sanitation indicates outcomes linked to multiple SDGs, including: SDG1 No Poverty, SDG3 Good Health & Well-Being, SDG5 Gender Equity, SDG8 Decent Work and Economic Growth, and SDG13 Climate Action.
- Prior to launching a fund, WaterEquity develops an impact framework that considers how the investment strategy contributes to the goal of universal access to safe water and sanitation, and its evidence base. This process ensures that each fund’s investment strategy is aligned with the organizational mission and is an effective use of WaterEquity’s resources.

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.*

- WaterEquity manages impact at a portfolio level and sets fund-level targets for social return. Decision-making for portfolio construction incorporates both financial and social returns, and portfolio management includes ongoing monitoring of both.
- WaterEquity’s process to manage impact at the portfolio level includes evaluating the impact of the portfolio, structuring the investments to facilitate impact, and monitoring the impact at the individual investment and portfolio levels on a quarterly basis. Reporting on social performance focuses primarily on the key performance indicator (KPI) shared across every fund—the number of people reached with access to water and/or sanitation. However, in addition to this KPI, WaterEquity assesses the social return of fund portfolios across multiple dimensions of impact, recognizing that each investment may have a different impact profile and therefore contribute to different kinds of social or environmental performance relative to any financial return. *(Refer to Principle 4 for more about this social impact rating.)*
- Each member of the investment management team is responsible for integrating impact into the investment process; this is reflected in annual performance reviews and annual training. In addition, WaterEquity’s staff incentive system incorporates company performance, including measures of both financial return and impact, to determine employee incentive payments.

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.*

- Global investment in water and sanitation must triple to achieve SDG6, and increasing private investment is essential to reach the necessary investment levels. WaterEquity’s mission is to accelerate private capital investments in the sector, both through our own assets under management and by demonstrating that water and sanitation is a viable investment opportunity. Therefore, every investment represents an opportunity to contribute to the impact experienced by the individual end-clients of that company, and an opportunity to contribute to systems change in unleashing private capital markets for SDG6. This systems-change narrative is articulated at both the organizational and fund level.
- At the individual investment level, WaterEquity considers its contribution to each investment’s projected impact based on the impact score described in the Principle 4 below. Every investment is scored for the level of investor contribution as part of the comprehensive impact scoring process, although a high contribution score is not required of every deal. This “Acceleration” section of the impact score includes objective indicators to identify the level of investor contribution for each individual deal. Examples include provision of technical assistance and operational improvements as conditions precedent or subsequent.

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.*

- WaterEquity’s investment process incorporates impact at each stage. During the screening stage, WaterEquity evaluates the potential investee as a fit for the fund’s impact profile. During due diligence, WaterEquity evaluates each potential deal across multiple

dimensions of impact to assess its fit with the fund's impact objective, develop impact projections, and produce an overall impact score.

- WaterEquity calculates the impact score by rating the investment across five dimensions, based on the Impact Management Project's impact management norms:
 - How many people will the investment reach? This includes the total potential for scale and the projected people reached with access to water and sanitation.
 - What type of water and sanitation impact does the investment support? This includes an assessment of the different types of outcomes from the specific water and sanitation facilities financed.
 - Who does the investment reach? This includes an assessment of gender, income levels, relative poverty levels, and relative need for water and sanitation in each geographical context. When relevant the assessment includes the watershed which may benefit.
 - Will the investment accelerate the market solution for water and sanitation access? This includes an analysis of the investee's potential for growing their water and sanitation-related business, and WaterEquity's contribution to impact.
 - What is the risk that impact will not occur as intended? This includes elements of historical performance or practices that could negatively affect one of the above dimensions.
- WaterEquity evaluates the impact projections and score for each potential investment alongside the broader risk/return profile, including financial return, credit risk, country risk, and environmental, social, and governance risk. The impact projections and score directly inform investment terms such as investment amount, as well as the final investment decision.

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 negative impact 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' negative impact risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

- WaterEquity undertakes a risk analysis of every potential investment. This analysis identifies the potential for negative impact across different stakeholders including the environment, employees, and clients. Through this process, WaterEquity may set

operational related improvement requirements for potential investees either as milestones during the investment, or as conditions precedent to the investment.

- WaterEquity bases this analysis on industry standards, including the IFC Performance Standards, the ISSB, and relevant industry standards such as the Client Protection Pathway.
- Reporting requirements for investees include operational performance, and WaterEquity works with investees to address gaps and unexpected events.

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.

- WaterEquity monitors investment performance against social impact targets, using quarterly reporting of financial, operational, and social indicators via standardized reporting templates. Early detection of challenges and shortfalls enables timely corrective action to maximize social impact.
- WaterEquity also manages impact at the portfolio level. Quarterly reporting includes assessments of the portfolio’s progress against impact targets and aggregates social performance of the portfolio.
- In addition to self-reported quarterly updates, WaterEquity has the right to visit, inspect, and evaluate investees to confirm the accuracy of reported information. For a sample of the portfolio, WaterEquity verifies self-reported data by conducting end-client surveys. These surveys verify impact reporting, gather end-client feedback, and test ex-ante assumptions about outcomes.
- If an investee does not demonstrate use of investment proceeds for water and sanitation impact as agreed, WaterEquity works with the investee to improve results, and has the option to enforce the covenants of the investment agreement when necessary.
- WaterEquity produces quarterly reports for investors and fund dashboards for internal review that assess both financial and social performance. Indicators and reporting methodologies align with industry standards, including IRIS+, the Joint Impact Indicators, and Volumetric Water Benefit Accounting.

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.*

- With debt, the investee’s continued commitment to water and sanitation and their track record of social performance are important considerations in the decision to renew a loan or to exit a company.
- With equity, WaterEquity deliberately works to establish governance and impact management that will sustain post-exit. Exit will also include screening potential buyers to identify any red flags and also understand their approach for sustained impact.

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.*

- At maturity, WaterEquity reviews the social performance of each investment. This review compares outcomes at the end of loan terms to targets established at the due diligence phase. It also looks at any verification survey results. This review informs management of individual investments and also fund strategy.
- In addition, the Investment Management team reviews internal policies and tools annually and revises them based on outcomes.

Principle 9 – Publicly disclose alignment with the Impact 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 Impact 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 Note re-affirms the alignment of WaterEquity’s procedures with the Impact Principles and will be reviewed annually.
- WaterEquity engaged Luminis Advisors to conduct an independent verification of this alignment in December 2020. The independent assurance letter is included at this [link](#).
- Luminis Advisors, LLC (6304 Blackwood Road, Bethesda, MD 20817, USA) is an independent advisory firm that provides a range of solutions to the impact investment market based on deep industry knowledge, expert risk analysis, and a comprehensive suite of benchmark data. Since its founding in 2014, Luminis has worked with a wide range of stakeholders, including asset managers, investors, as well as other service providers, and has completed more than 550 evaluations of over 150 impact investment funds.

- WaterEquity will arrange for a second independent verification of alignment by December 2026.