



# GROWING IMPACT

New Insights into the Practice of  
Impact Investing



*Creating Markets, Creating Opportunities*

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2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

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## ABOUT THE AUTHORS

NEIL GREGORY, Chief Thought Leadership Officer, Economics and Private Sector Development, IFC (Introduction, Chapters 1, 2)

ARIANE VOLK, Research Analyst, Thought Leadership, Economics and Private Sector Development, IFC (Chapters 1, 2)

## CONTENT ADVISORS

Economics and Private Sector Development | Neil Gregory, Albena Melin, Ariane Volk, Thomas Rehermann, Hans Peter Lankes, Friedemann Roy

Partnerships, Communication and Outreach | Tom Kerr, Elizabeth Medb Lewis, Bhattiprolu Balachandra Murti

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## PROJECT TEAM

Project Manager | Albena Melin

Editors | Matt Benjamin, Ann Bishop, David Lawrence

Research Assistants | Aarti Reddy, Prajakta Diwan, Maud Schmitt, Hary Ralarosy, Ahmed Nauraiz Rana

Composition and Design | Rikki Campbell Ogden

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## CASE STUDY AUTHORS

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We would like to thank the authors of the case studies.

**Nabil Marc Abdul-Massih**, CEO, INOKS Capital  
(Case Study #22)

**Jenni Adamson**, Research Analyst, Investment Team, Christian Super Fund (Case Study #2)

**Samira Aissi**, Senior Manager, Social Impact, Swedfund (Case Study #23)

**Runa Alam**, co-founder and CEO, Development Partners International (Case Study #11)

**Robert Antablin**, Co-Head of KKR Global Impact, KKR (Case Study #31)

**Roshni Bandesha**, Senior Manager, Impact Labs, LeapFrog (Case Study #4)

**Suprotik Basu**, Founding Partner and Head of Impact, Blue like an Orange Sustainable Capital (Case Study #24)

**Selena Baxa**, Principal, Client Relations, IFC Asset Management Company (Case Study #3)

**Milena Bertram**, Director, Impact & Sustainability, Finance in Motion (Case Study #26)

**Chongsi Bi**, Associate, IFC Asset Management Company (Case Study #3)

**Benoît Blanc**, E&S and Climate Officer, STOA Infra & Energy (Case Study #13)

**Christophe Bochatay**, ESG and Impact Manager, Triple Jump (Case Study #8)

**Danielle Brassel**, Responsible Investment Analyst, Zurich Insurance Group (Case Study #28)

**Deepa Chakrapani**, Manager, Corporate Results Measurement, Sector Economics & Development Impact, Economics and Private Sector Development, IFC (Case Study #30)

**Sabine Chalopin**, ESG Manager, Denham Capital (Case Study #29)

**Victoria Y. Chang**, Results Measurement Specialist, Manufacturing, Sector Economics & Development Impact, Economics and Private Sector Development, IFC (Case Study #30)

**Matt Christensen**, Global Head, Responsible Investment, AXA Impact Fund—Climate & Biodiversity (Case Study #1)

**Jonathan Dean**, Head of Impact Investing, AXA Impact Fund—Climate & Biodiversity (Case Study #1)

**Augustin Degroote**, Director, Finance and Risks, Blue like an Orange Sustainable Capital (Case Study #24)

**Shade Duffy**, Director, Impact Investment, AXA Impact Fund—Climate & Biodiversity (Case Study #1)

**Stéphanie Émond**, Head of Impact and Operations, FinDev Canada (Case Study #17)

**Orlando Ferreira**, Chief Strategy Officer and Chief Finance and Administration Officer, ad int., Strategy and Development Dept., IDB Invest (Case Study #18)

**Pierre Forestier**, Director, Sustainability and Corporate Governance Dept., Proparco (Case Study #5)

**Dr. Julian Frede**, Senior Manager, DEG (Case Study #25)

**James Gifford**, Head of Impact Advisory, IAF, Credit Suisse (Case Study #10)

**Aurélié Gupta**, Vice President, IAF, Credit Suisse (Case Study #10)

**Paul Hailey**, Head of Impact, responsAbility Investments (Case Study #7)

**Michael Hall**, Sustainability Manager, Development Partners International (Case Study #11)

**Valerie Harrington**, Associate Fund Manager, BlueOrchard (Case Study #20)

**Sarah Hessel**, Senior Officer, Impact & Sustainability, Finance in Motion (Case Study #26)

**Johanna Köb**, Head of Responsible Investment, Zurich Insurance Group (Case Study #28)

**Karin Kronhoffer**, Director, Strategy and Communication, Swedfund (Case Study #23)

**Serge LeVert-Chiasson**, Partner, MD Impact Investment Advisory & CCO, Sarona Asset Management (Case Study #6)

**Tim Macready**, Chief Investment Officer, Investment Team, Christian Super Fund (Case Study #2)

**Alessandro Maffioli**, Head of Development Effectiveness, Strategy and Development Dept., IDB Invest (Case Study #18)

**James Magor**, Responsible Investment Manager, Actis (Case Study #9)

**Elleke Maliepaard**, Senior Manager, DEG (Case Study #25)

**Obie McKenzie**, Vice Chairman, Cordiant Capital (Case Study #21)

**Ken Mehlmann**, Co-Head of KKR Global Impact, KKR (Case Study #31)

**Carmela Mondino**, Senior Operating Associate, ESG & Sustainability, Partners Group (Case Study #12)

**Julie Montels**, Impact Analyst, INOKS Capital (Case Study #22)

**Leigh Moran**, Director, Strategy, Calvert Impact Capital (Case Study #14)

**Shami Nissan**, Head of Responsible Investment, Actis (Case Study #9)

**Anna Oleksiak**, Investments, Blue like an Orange Sustainable Capital (Case Study #24)

**Pascale Oligny**, Head of ESG and Impact, Cordiant Capital (Case Study #21)

**Projects Directorate**, Legal Directorate, Operations Directorate, EIB European Investment Bank (Case Study #15)

**Caitlin Rosser**, Senior Officer, Impact and Communications, Calvert Impact Capital (Case Study #14)

**Christiane Rudolph**, Head of Dept., DEG (Case Study #25)

**Matthew Saville**, Managing Director, STOA Infra & Energy (Case Study #13)

**Hannah Schiff**, Director of Impact, Responsible Investing, Nuveen (Case Study #32)

**Elizabeth Seeger**, Director, Sustainable Investing, KKR (Case Study #31)

**Norah Sullivan**, Development Effectiveness Officer, Strategy and Development Dept., IDB Invest (Case Study #18)

**Kathryn Sutton**, Head of Communications a.i., BlueOrchard (Case Study #20)

**Marina Svistak**, Senior Impact Officer, FinDev Canada (Case Study #17)

**Lorraine Talon**, Development Effectiveness Officer, Impact Measurement Unit, Proparco (Case Study #5)

**Mona Tarpley**, Principal Counsel, IFC Asset Management Company (Case Study #3)

**Romain Vélon**, Investment Analyst, STOA Infra & Energy (Case Study #13)

**Virginie Vitiello**, Environmental & Social Head, STOA Infra & Energy (Case Study #13)

**Apricot Wilson**, Head of Impact and Deputy CEO, Forestry and Climate Change Fund (Case Study #16)

**Maria Teresa Zappia**, Chief Investment Officer, BlueOrchard (Case Study #20)

**Safeya Zeitoun**, Impact Measurement Specialist, Symbiotics (Case Study #27)

**Gwendolyn Zorn**, Head of Impact, Phatisa (Case Study #19)

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## ABBREVIATIONS AND ACRONYMS

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<b>AFD</b> Agence Française de Développement	<b>ESG</b> Environmental, Social, and Corporate Governance
<b>AGM</b> Annual General Meeting	<b>ESMF</b> Environmental and Social Management Framework Manual
<b>AIMM</b> Anticipated Impact Measurement and Monitoring (of IFC)	<b>ESMS</b> Environmental and Social Management System
<b>AIS</b> Actis Impact Score	<b>EU</b> European Union
<b>AUM</b> Assets Under Management	<b>GBP</b> The Green Bond Principles
<b>CDFI</b> Community Development Financial Institution	<b>GIIN</b> Global Impact Investing Network
<b>CHF</b> Swiss Franc	<b>GIP</b> Global Impact Platform
<b>CITES</b> Convention on International Trade in Endangered Species	<b>GRESB</b> Global Real Estate Sustainability Benchmark
<b>CMA</b> Climate Change Mitigation & Adaptation	<b>GSIA</b> Global Sustainable Investment Alliance
<b>CO2</b> Carbon Dioxide	<b>GSS</b> Green, Social, and Sustainable
<b>CS</b> Credit Suisse	<b>HIPSO</b> Harmonized Indicators for Private Sector Operations
<b>CSAM</b> Credit Suisse Asset Management	<b>IAF</b> Impact Advisory and Finance
<b>DEG</b> Deutsche Investitions- und Entwicklungsgesellschaft	<b>ICMA</b> International Capital Market Association
<b>DEI</b> Diversity, Equity, and Inclusion	<b>IDB</b> Inter-American Development Bank
<b>DELTA</b> Development Effectiveness Learning, Tracking, and Assessment tool (of IDB Invest)	<b>IFC</b> International Finance Corporation
<b>DERA</b> Development Effectiveness Rating (of DEG)	<b>IFC AMC</b> IFC Asset Management Company
<b>DFI</b> Development Finance Institution	<b>IMM</b> Impact Measurement and Management
<b>DIPF</b> Denham International Power Fund	<b>IMP</b> Impact Management Project
<b>DM</b> Developed Market	<b>IPP</b> Independent Power Producer
<b>DPI</b> Development Partners International	<b>IRIS</b> Impact Reporting and Investment Standards (IRIS). Refers to the generally accepted catalog of impact metrics, part of the IRIS+ system
<b>E&amp;S</b> Environmental and Social	<b>IRIS +</b> Generally accepted system for measuring, managing, and optimizing impact*
<b>EDGE</b> Economic Dividends for Gender Equality	<b>JICA</b> Japan International Cooperation Agency
<b>EFTA</b> European Free Trade Association	<b>JSIF</b> Japan Sustainable Investment Forum
<b>EGM</b> Extraordinary General Meeting	<b>KPI</b> Key Performance Indicator
<b>EHS</b> Environmental, Health & Safety	<b>LP</b> Limited Partner
<b>EIB</b> European Investment Bank	<b>LRP</b> Livelihood Restoration Plan
<b>EM</b> Emerging Market	<b>MCPP</b> Managed Co-Lending Portfolio Platform (of IFC)
<b>EMPEA</b> Emerging Market Private Equity Association	

- MD** Market Development
- MDB** Multilateral Development Bank
- MEDA** Mennonite Economic Development Associates
- MSME** Micro, Small, and Medium Enterprise
- MW** Megawatts
- OECD** Organisation for Economic Co-operation and Development
- PAPS** Project Affected People
- PRI** Principles for Responsible Investment
- SAR** Special Administrative Region
- SASB** Sustainable Accounting Standards Board
- SBP** Social Bond Principles
- SDGs** Sustainable Development Goals
- SEC** Securities and Exchange Commission
- SME** Small and Medium Enterprise
- SPIRIT** Social Performance Impact Reporting and Intelligence Tool (of BlueOrchard)
- SPM** Social Performance Measurement and Management
- TIAA** Teachers Insurance and Annuity Association of America
- UN** United Nations
- US\$** United States Dollar
- WBG** World Bank Group
- WEE** Women's Economic Empowerment
- WEOF** Women Entrepreneurs Opportunity Facility

*Note: All dollar amounts are U.S. dollars unless otherwise indicated*

*\* IRIS+ is home to the IRIS Catalog of Metrics as well as Core Metrics Sets (short lists of agreed-upon metrics by investment theme, such as financial inclusion, housing, education, etc.), a built-in evidence base, practical how-to guidance to help advance IMM practice, and best-in-class third-party resources. IRIS+ is aligned to 50+ standards, metrics sets, frameworks, and initiatives, including the SDGs, the five dimensions of impact, HIPSO, 2X challenge, and many others. IRIS+ is a public good managed by the GIIN.*



# FOREWORD

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One year ago, IFC and other impact investors unveiled the Operating Principles for Impact Management, a set of clear market standards for how to manage investments aiming to achieve positive impact alongside financial returns.

With the global economy now enmeshed in a deep recession, the impact investment field is facing a crucial stress test as companies scale up their response to COVID-19 and look towards shaping a greener, more resilient and inclusive recovery. At the time of writing, emerging economies were facing a dramatic drop in international and domestic private investment. In spite of that, initial indicators from this report show the impact investing market has been growing and maturing. We estimate the market size for total assets of potential private impact investors to be slightly above \$2 trillion in 2019.

The market uptake of the Operating Principles is also growing strongly. The 58 investors who gathered in Washington, D.C. one year ago have evolved into a community of almost 100 signatories managing an estimated \$300 billion for impact and stemming from 26 different countries across 5 continents. Together, they now form a self-organized community of practice that is deepening its work to align impact measurement systems into a common core of metrics that will further improve comparability across funds and institutions. For example, signatories are working together with the GIIN and IMP to agree on common impact metrics for key themes such as climate, gender, and direct jobs. This critical agenda will help public market investors finance companies that contribute to solutions to social or environmental challenges. It will help commercial banks start to build portfolios of impact-based loans. And it will promote further alignment between the impact measurement and reporting of firms and that of the investors within those firms.

This report, *Growing Impact*, follows IFC's first assessment of the global market for impact investing and investor practices, *Creating Impact*, published in April 2019. In this new report we explore more deeply the size and makeup of the impact investing market and analyze the practices of impact investors, drawing on data from a survey of the signatories to the Operating Principles and a set of 32 signatory case studies. The case studies illustrate how we are creating a powerful market force by embracing a shared vision and approach.



There has never been a more opportune time to adopt and implement the principles, which offer a transparent and disciplined framework for investors and open up new opportunities for collaboration. Working together, we will double efforts to scale up financing to achieve the Sustainable Development Goals. We count on you to join us in this crucial mission.

A handwritten signature in blue ink, appearing to read 'P. Le Houérou'.

Philippe Le Houérou  
*Chief Executive Officer, IFC*

# INTRODUCTION

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One year ago, 58 investors gathered in Washington DC to adopt the Operating Principles for Impact Management. This was a major step forward in bringing transparency and discipline to the practice of impact investing. For this diverse range of public and private institutions pursuing impact across different asset classes and geographies, the Operating Principles provide a basis for comparability and convergence toward best practices. As background to this milestone, we published the *Creating Impact*<sup>1</sup> report, which projected significant growth for the impact investing market in coming years. The report also summarized what we knew about the emerging practices of impact investors in managing and measuring impact.

A year later, the coalition of investors committed to the Operating Principles has grown to almost 100 and our understanding of the impact investing market has grown with it. Yet impact investing, like other parts of financial markets, faces a new obstacle in the form of the COVID-19 pandemic. As most impact investing is in private markets, we expect total assets managed for impact to be less affected in 2020 by COVID-19-related financial market turbulence than other parts of financial markets. At the same time, we do expect COVID-19 to have an effect on this segment too.

Much of the institutional impact investing industry has grown up since the 2008 Global Financial Crisis, and has thus benefitted from the tailwinds of liquid markets, low interest rates, and widespread, steady economic growth as the global economy made its long, slow recovery. Suddenly the winds have shifted, and in the year ahead impact investing will face strong headwinds in terms of tighter liquidity conditions, risk averse investors, portfolio rebalancing, and widespread economic disruption, all of which will threaten the viability of many impactful firms. This is the time when impact investing can demonstrate its full potential—by focusing on impact as well as financial returns, impact investors can make decisions that not only benefit their portfolios, but benefit their investee companies and enable them to continue providing needed goods and services, creating jobs, and generating impact.

This report brings together new insights and data that extend our understanding beyond the *Creating Impact* report: It updates our assessment of the size of the global market one year on—accounting for continued growth in the market and refining our estimates with fresh data sources; it describes the activities of the Signatories to the Operating Principles, which include many of the leaders in the field; and perhaps most significant, it brings together case studies from 32 Signatories explaining how they apply different aspects of the Principles in their operations. This is significant for three reasons.

First, it shows that impact investors are moving beyond the ‘what’ to the ‘how.’ Now that the Operating Principles provide clarity on what it means to be an impact investor, we can move beyond debates about definitions and can delve deeper to learn how to actually execute an impact strategy in the context of specific institutions.

Second, it shows that the Signatories are developing into a practitioner knowledge community that is self-organized by active investors. Most of the Signatories were already engaged in other convening organizations like the United Nations-supported Principles for Responsible Investment, the Global Impact Investing Network (GIIN), or the Global Steering Group for Impact Investment (GSGII), and knowledge platforms like the Impact Management Project (IMP). It has not been our intention to duplicate these organizations’ work, but instead to complement

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<sup>1</sup> IFC. 2019. “Creating Impact – The Promise of Impact Investing.” See also [www.ifc.org/creatingimpact](http://www.ifc.org/creatingimpact)

and partner with them. However, the group of committed impact investors that have signed the Operating Principles has naturally coalesced into a community of practice, having regular discussions and workshops on detailed implementation issues. There is an encouraging openness among these investors to share information and experiences, which allows Signatories to agree on best practices. Signatories are showing that they want to compete on the best impact and financial performance, not on the best impact management process or data standard. For example, Signatories are working together with the GIIN and IMP to agree on common impact metrics for key themes such as climate, gender, and direct jobs.

Third, it shows how the Operating Principles can be applied across a range of different types of institutions and investment strategies. The case studies include examples from large asset managers, large and small development finance institutions, and small specialist impact fund managers. They include investors in venture capital, private equity, private debt, infrastructure, and other asset classes. Some invest in emerging markets, some in developed markets. There are approaches that are applicable across situations, but it is also instructive to see how the Principles can be adapted to different situations.

What emerges from this report is that the impact investing market is both growing and maturing. Just considering impact funds with identifiable measurement systems and the development finance institutions that use the Harmonized Indicators for Private Sector Operations (HIPSPO, see chapter 1), we now estimate the market size for total assets of impact investors in 2019 to be \$505 billion. Adding in other funds and DFIs with impact objectives, the total market size could be slightly over \$2 trillion.<sup>2</sup> We also include estimates of the size of the green, social, and sustainable bond market, and active public market strategies, which suggest that the full scope of impact investing may be substantially larger. We can see the maturation in the thoughtful and practical approaches to managing for impact described in the case studies.

Despite the suddenly more challenging environment, we will continue to seek additional Signatories to the Principles and to collaborate with other Signatories to increase and deepen our knowledge of best practices in implementing the Principles. Over the coming months, many of the initial Signatories will publish their first annual Disclosure Statements, which will be a big step forward in transparency for the industry. IFC will publish an analysis of what we find in these disclosures—the common best practices, gaps, and areas of innovation.

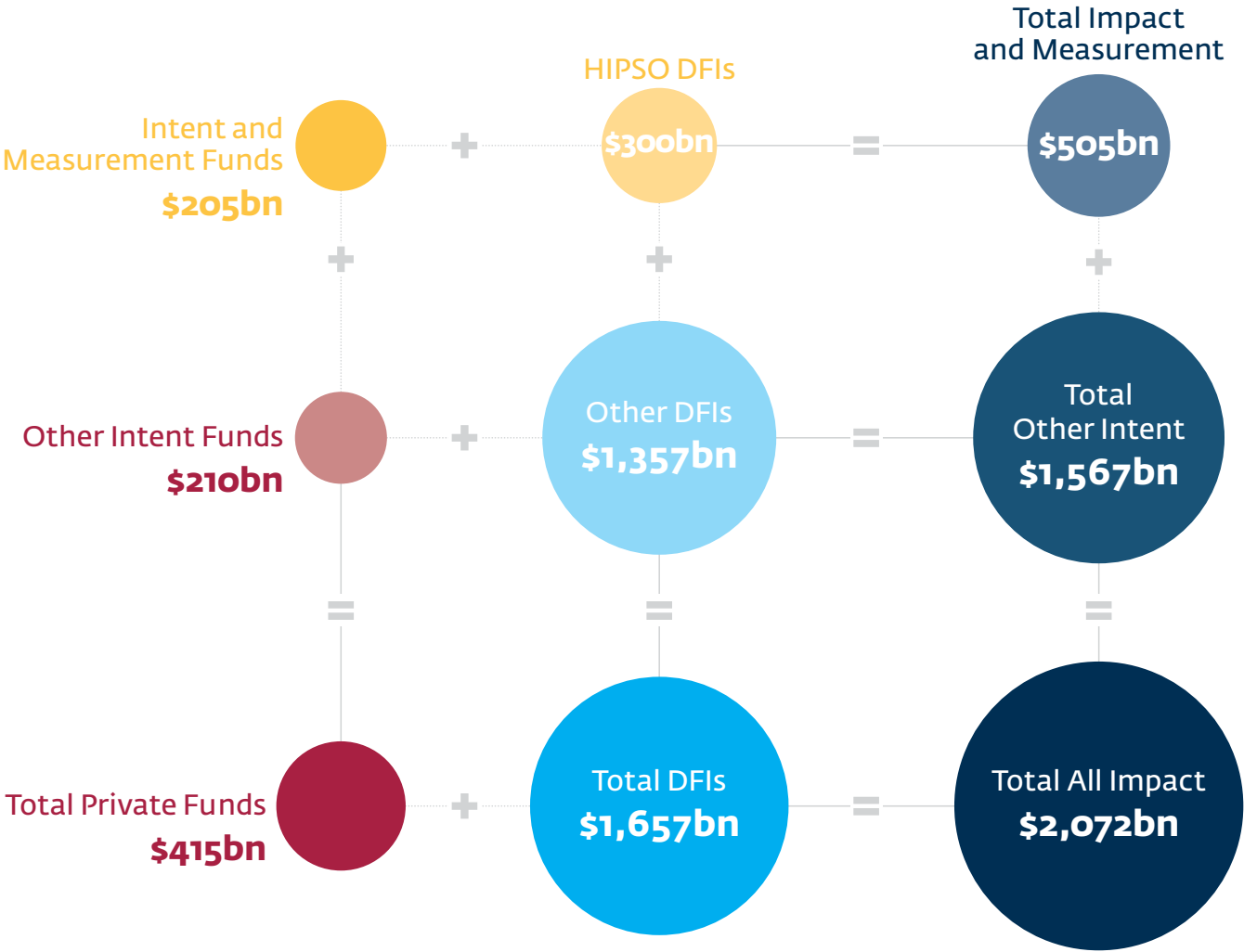
There is one final sign of how far we have come over the past year. Last year's *Creating Impact* report was prepared by IFC. This *Growing Impact* report includes two chapters prepared by IFC along with 31 case studies prepared by Signatories. Growing the impact investing market with credibility and transparency is truly a collaborative endeavor, and we thank all the Signatories for joining us on this journey.

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<sup>2</sup> An explanation of the methodology used in the report, can be found on pages 88 and 89.

# OVERVIEW OF POTENTIAL MARKET SEGMENTS IN THE IMPACT INVESTING MARKET

**FIGURE A** Size of Potential Market Segments in the Private Impact Investing Market



Source: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics, HIPSO, MDB Mobilization reports, Disclosure Statements to Operating Principles for Impact Management and DFI annual reports, Environmental Finance, Global Sustainable Investment Alliance.



# CHAPTER 1

## The Size of the Impact Investing Market, 2019

### What is Impact Investing?

It has been difficult for investors and analysts to track the growth of the impact investing market. Different reports, using varying definitions, have attempted to estimate parts of the market, based on type of investor or of product. As more investors adopt the Operating Principles for Impact Management and publicly disclose the size of their impact assets under management (AUM), it will become possible for the first time to accurately measure the amount of assets that follow a consistent approach to investing for impact. Many investors will make these disclosures for the first time in 2020. In the meantime, we follow the methodology introduced in 2019 in *Creating Impact* to provide an estimate of the total market size, based on key market segments.

Following the definition laid out in that report, we define impact investments as investments made in companies or organizations with the intent to contribute measurable positive social or environmental impact, alongside a financial return.<sup>3</sup> Specifically, the definition encompasses three observable attributes of impact investors that can distinguish them from other investors:

**Intent.** The investor articulates an intent to achieve a social or environmental goal by identifying outcomes that will be pursued through the investment and specifying who will benefit from these outcomes.

**Contribution.** The investor follows a credible narrative, or thesis, which describes how the investment contributes to achievement of the intended goal—that is, how the actions of the impact investor will help achieve the goal. Contribution is considered at the level of the impact investor and can take financial as well as non-financial forms. It is worth noting that in the realm of impact investing, it is seldom possible to attribute a

result to a single activity. Thus, the thesis is a credible narrative that the outcome would not have occurred—at least not to the same extent—without the investment.

**Measurement.** The investor has a system of measurement in place to link intent and contribution to the improvements in social and environmental outcomes delivered by the enterprise in which the investment was made. The measurement system enables the investor to assess the level of expected impact, ex ante, in order to continuously monitor progress and take corrective actions when appropriate, and then finally to evaluate the achievement of impact, ex post.

Investments may be made into the full range of public and private assets, and by a wide range of institutions and funds, if by doing so the investor contributes to achieving impact. Following the methodology introduced in the *Creating Impact* report,<sup>4</sup> which uses the three attributes described above to identify assets managed for impact, this chapter estimates the 2019 market size for impact investing. This includes assets for which evidence is available to show intent for positive impact, identifiable contribution, and measurement of impact, as well as assets for which available information on their alignment with these three elements of impact investing is incomplete. In this way, this chapter provides an overview of the scale of impact investing across a range of asset classes and institutions.

### Size of the market—Overview

We identify segments of the market that have the *potential* to fulfill all three attributes, even if information on whether they actually do so is incomplete. Private investment funds and development finance institutions can most credibly provide evidence of intent, contribution, and measurement of impact. However, not all funds and DFIs that show intent

<sup>3</sup> Here investments refer to debt or equity, as well as the provision of guarantees or risk insurance, which facilitate the provision of debt by a third party.

<sup>4</sup> IFC. 2019. "Creating Impact – The Promise of Impact Investing." See also [www.ifc.org/creatingimpact](http://www.ifc.org/creatingimpact).

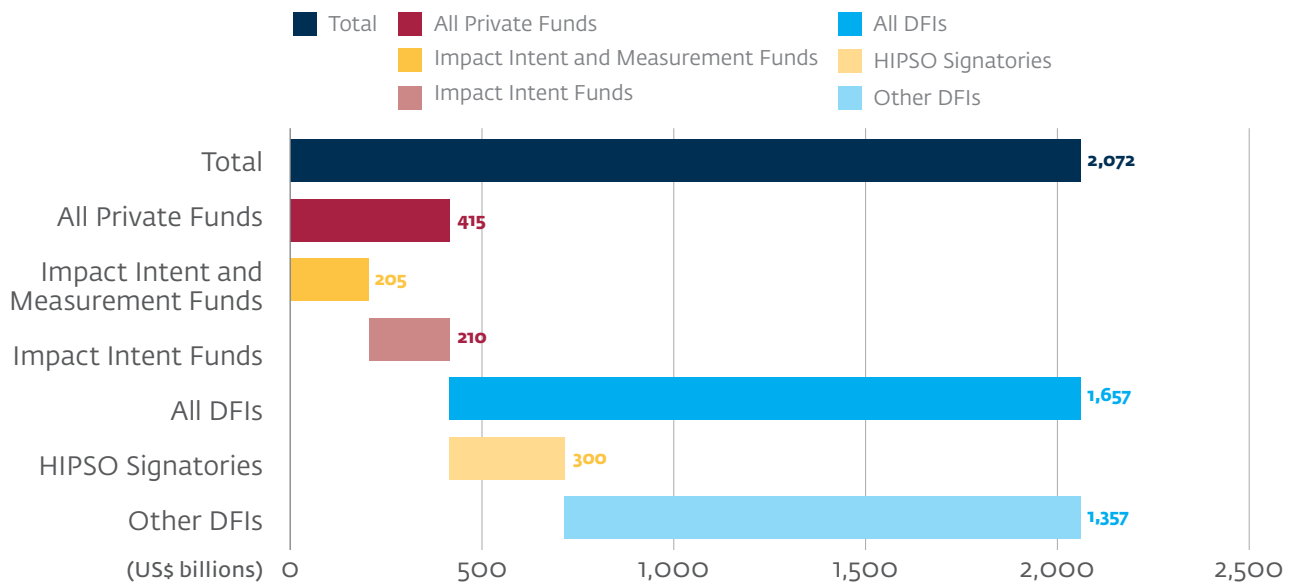
to invest for impact provide information on whether they measure their impact, making it impossible to determine how much of their investments meet that criterion. Thus, we provide two estimates for each segment—a higher number representing all those assets managed with intent for impact, and a lower number representing only those for which we also find evidence of measurement systems in place. For private market funds, we use information available in commercial databases. For DFIs, we use adoption of the Harmonized Indicators for Private Sector Operations (HIPSO) to indicate that impacts are measured.

On this basis, assets managed by private funds with intent for impact total **\$415 billion**, of which \$205 billion can be identified as also having impact measurement. DFIs have impact intent assets totaling **\$1,657 billion**, of which \$300 billion can be identified as having impact measurement. Adding these two segments together, assets with intent for impact total \$2,072 billion, of which we have identified \$505 billion as having impact measurement (the yellow bars in Figure 1.1). This represents the range of assets under management in private markets that meet our definition of impact investing.

In public markets it is more difficult to credibly invest for impact. Assets totaling \$10,582 billion have the *potential* to contribute to positive impact, consisting of two segments. First, there is \$9,835 billion of equity invested using shareholder action strategies, which can have intent for impact. However, we estimate that only a small proportion of these assets are managed with an intent to achieve measurable positive impact and for which there is a thesis of how these investments directly contribute to impact. Second, green, social, and sustainability bonds (\$747 billion) provide a limited amount of impact measurement. Where investors buy these bonds with intent for impact, and the proceeds contribute to additional impact, they can be considered impact investments. But the degree to which these conditions are met is not observable. It is important to note that these bonds may be issued by DFIs to finance their impact investments and may be purchased by impact funds, so this amount cannot be added to the private market estimate without potential double counting.

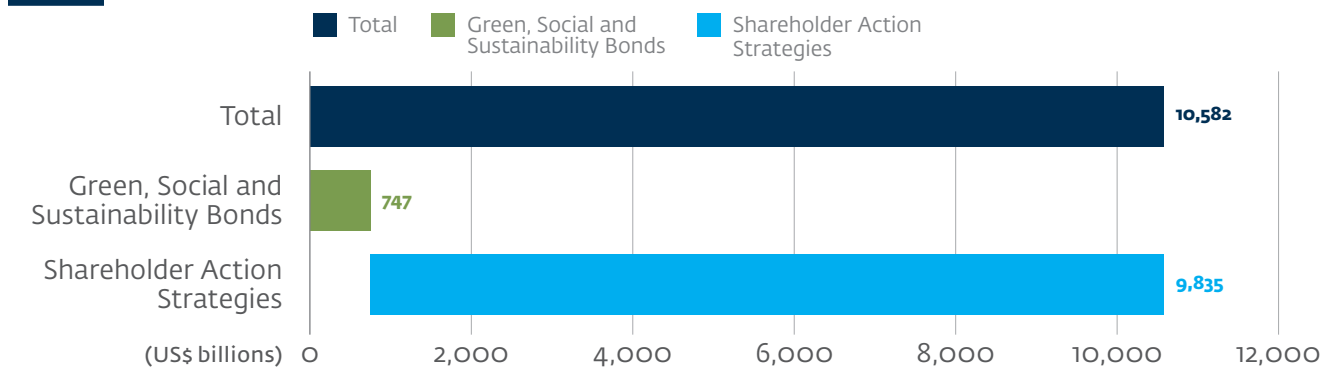
The following sections provide details on the strategies that can be used to invest for impact, and the circumstances under which this is possible.

**FIGURE 1.1** Total Assets of Potential Private Impact Investors in 2019 (US\$ billions)



Source: Preqin, Global Impact Platform, EMPEA, Syminvest; GRESB, IRIS, B-Analytics; MDB Mobilization Reports, DFI annual Reports, Disclosure Statements to Operating Principles for Impact Management, HIPSO.

**FIGURE 1.2** Total Assets of Potential Public Impact Investors in 2019 (US\$ billions)



Source: Global Sustainable Investment Alliance, *Environmental Finance*.

## Size of the market—Private markets

### Private Funds

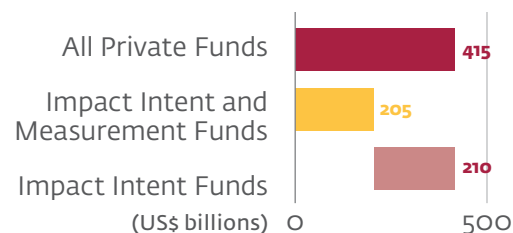
Private and institutional investors inclined to move beyond value-aligned investing face the choice of whether to invest their assets directly into a company or institution, or indirectly via a fund. There is little information available on direct impact investments by private investors, but only on the vehicles that investors can use to indirectly invest for impact. Thus, this analysis assembles the assets under management of private investment funds whose operations demonstrate both positive intent and the use of a measurement system.

These funds indicate intent for positive impact in various industry databases and either have a confirmed impact measurement system in place, or are owned or managed by an institution using recognized impact measurement tools: those of either IRIS, B-Analytics, or GRESB, the latter of which relates to real estate and infrastructure. We assume that the specific contribution of an investor to impact in the private market is well-defined, as investors maintain significant influence over their portfolio companies. Private investors can also contribute to the achievement of impact by providing knowledge or technology to investees.

**Intent and Measurement Funds.** We were able to identify 887 funds, with a collective size of \$205 billion, that show intent for positive impact as well as a measurement system in place. These funds (‘impact

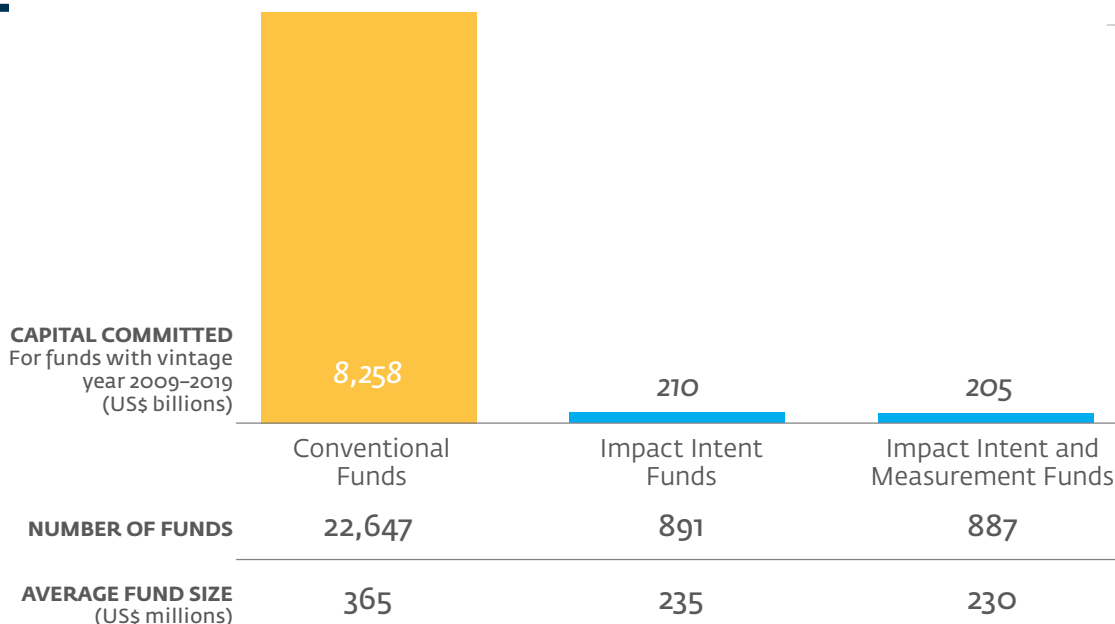
funds’) include private equity and venture capital funds, infrastructure, real assets and real estate, and private debt funds, as well as funds that invest in more than one asset class. While access to data on private impact funds is growing, this estimate shows that the market remains relatively small. The need for greater transparency in the space has inspired increased efforts to identify impact investing funds and to make that information available to the public.<sup>5</sup> These efforts show that impact investing has outgrown its niche and become of interest to a broader audience.

**Impact Intent Funds.** In addition, we identify 891 funds with a total size of \$210 billion that show intent for positive environmental and social impact, but for which there is no confirmed measurement system in place (‘intent funds’). In comparison, we found conventional funds—which do not display an impact motive—to have a total of \$8,258 billion in committed capital between 2009 and 2019. Hence, the capital committed to funds with positive impact—with or without measurement—is a fraction of the available capital in conventional funds.



<sup>5</sup> As a consequence, we cannot directly compare these overall figures to our finding of \$71 billion raised by impact intent and measurement funds from last year’s *Creating Impact* report, as we now have access to a dramatically larger amount of information on impact investing funds.

**FIGURE 1.3** Overview of Private Investment Funds



Sources: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics.

Despite the small overall market size, there is anecdotal evidence that impact investing funds have become more ambitious in their efforts to raise capital, with several funds having raised more than \$1 billion. What used to be the terrain of smaller, specialized impact investors now attracts larger private equity funds. Examples include TPG’s Rise Fund II, which has raised \$1.7 billion as of October 2019 and is targeting to raise \$2.5 billion.<sup>6</sup> TPG’s first Rise Fund closed in 2017 with commitments of \$2.1 billion, far exceeding its \$1.5 billion target. In February 2020, KKR announced the final closing of its \$1.3 billion Global Impact Fund, which seeks investment opportunities in companies whose core business models provide commercial solutions to environmental and social challenges.

Despite being some of the largest funds in the impact investing market, these funds are dwarfed in size by conventional funds, which can exceed \$10 billion in commitments. Conventional funds continue to be larger on average (\$365 million) than ‘impact intent’ or ‘impact intent and measurement’ funds, which on average log \$235 and \$230 million in committed

capital, respectively. Impact investment funds have remained smaller than the average conventional private fund, suggesting that—at least in the past—asset owners may have had limited appetite for such products, or that there is an insufficient available pipeline in suitable projects and companies. Despite the considerably smaller number of funds, the median size of impact intent and measurement funds is larger (\$124 million) than those of conventional funds (\$100 million), suggesting that Limited Partners (LPs) have a considerable interest in sizable impact funds.

Achieving a fund’s target size has traditionally been a measure of success, yet impact funds have consistently failed to meet their targets in the past, with the exception of funds with the vintage year of 2017. Conversely, impact intent funds have met their goals for capital commitments since 2013, and conventional funds, on average, have surpassed their target size over the last ten years.<sup>7</sup>

Due to their impact objective, impact funds more often invest in underserved markets. We estimate that 30

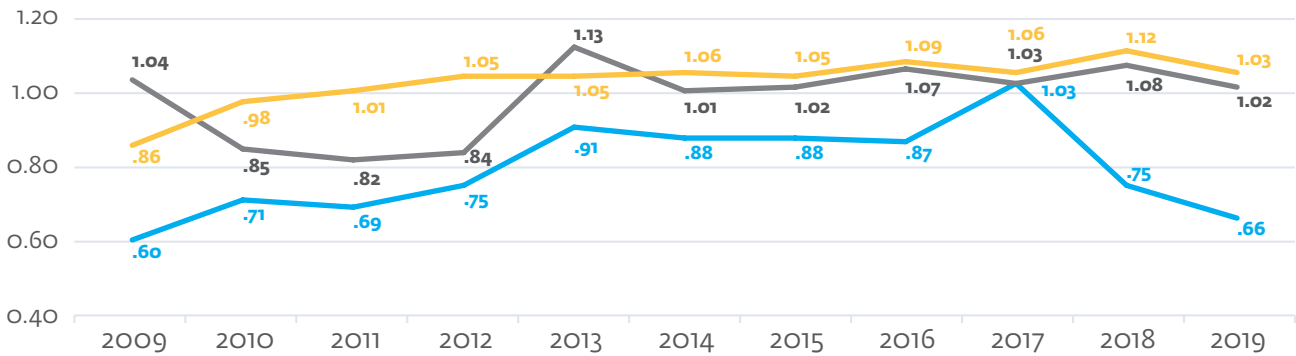
<sup>6</sup> At time of publication of this report.

<sup>7</sup> Includes only funds for which both fundraising goal and current committed assets were available.

**FIGURE 1.4** Impact Intent and Measurement Funds Fall Short of Target Fund Size

**RATIO OF FUND SIZE TO TARGET FUND SIZE**

N<sup>Impact Intent Funds</sup> = 566  
 N<sup>Impact Intent and Measurement Funds</sup> = 611  
 N<sup>Alternative Fund Universe</sup> = 12,370



Sources: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics.

percent of the volume of impact funds was raised for projects in emerging markets, in comparison to 20 percent of the volume of conventional funds. Emerging market funds are, on average, smaller than developed market funds, regardless of whether they are impact funds or conventional funds. This possibly reflects limited investor demand for investments in more risk-prone markets or greater difficulty in generating deal flow, or both.

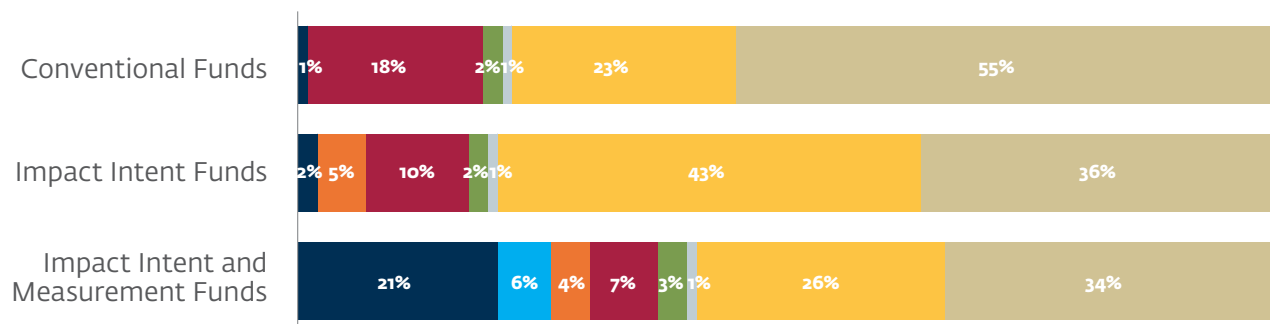
Most conventional funds invest in North America and Europe, which together account for more than

78 percent of all committed capital. Similarly, 79 percent of capital committed to intent funds is invested in these regions. Conventional funds targeting these developed markets are the largest investment vehicles, with an average fund size of \$472 million, compared to an average fund size of \$142 million for funds focusing on Africa. Intent and measurement funds also invest in Europe and North America, but to a lesser extent (60 percent of committed capital). They are comparatively more likely to take global, rather than

**FIGURE 1.5** Regional Focus of Fund Volume<sup>8</sup>

**REGIONAL FOCUS BY CAPITAL COMMITTED**  
(percentage of total)

- Global/Multi-Region
- Middle East and Africa
- Africa
- Asia and the Pacific
- Latin America and Caribbean
- Oceania
- Middle East
- Europe
- North America



Sources: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics.

<sup>8</sup> For a part of the data, it was not possible to distinguish funds focusing on the Middle East from funds focusing on Africa.

regional, approaches to sourcing transactions. Twenty-one percent of impact intent and measurement funds are focused on more than one region, of which more than half (53 percent) target emerging markets only.

When conventional funds invest in emerging markets, they primarily invest in private equity and venture capital (79 percent of all commitments). In comparison, 54 percent of impact funds' emerging market committed capital is dedicated to private equity and venture capital. Impact funds utilize a greater variety of strategies: 17 percent of emerging market impact funds' committed capital is invested in infrastructure and another 17 percent in private debt.

Overall, \$78 billion has been allocated to infrastructure impact funds, which is the preferred strategy for impact investors in developed markets, where \$63 billion is invested using infrastructure impact funds. Notably, an overwhelming share of this capital supports renewable energy businesses and projects.

### Non-Sovereign Operations of Development Finance Institutions

Development finance institutions (DFIs) have been created by governments to provide equity, loans, and guarantees for projects in low- and middle-income countries. Many DFIs also do sovereign lending, so we only include non-sovereign operations. DFIs can be bilateral, implementing a single government's foreign development and cooperation policy, or multilateral,

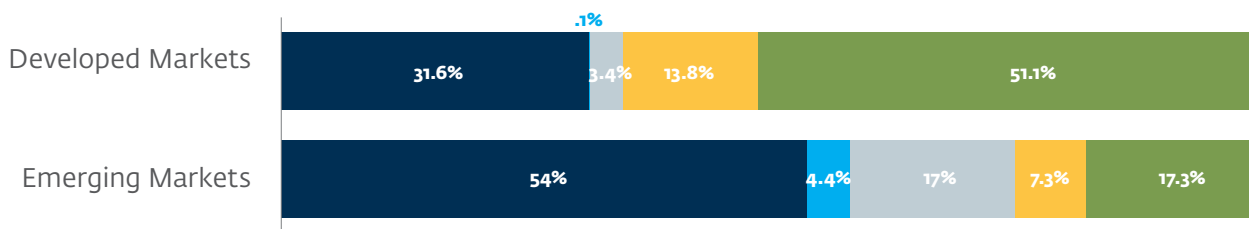
in which case they were established by more than one country. There are also regional development banks that focus on the development of a region (for example the Inter-American Development Bank) and subregional development banks that lend only to their member countries—for example the West African Development Bank (BOAD) or the Black Sea Trade and Development Bank (BSTDB).

Despite their differing organizational structures, DFIs share a common purpose: They have a mandate to pursue some combination of economic, social, and/or environmental goals, which can be understood as the intent to create positive social and environmental impact. DFIs typically use proprietary measurement and monitoring systems to evaluate their impact. These systems help them select, design, and adjust projects to maximize and assess their impact before, after, and over the course of an investment. DFIs' contributions to impact is rather clear, given that they often operate on the explicit premise of additionality, which involves providing services and financing beyond what the commercial market offers. Hence, DFIs are not intended to crowd out private impact investments by using their ability to offer better loan pricing and longer tenors; rather, DFIs are utilizing scarce public money as the catalyst to mobilize contributions from the private sector. DFIs can de-risk projects, for example, through guarantees or subordinated capital, and offer financing and technical expertise for deals that otherwise would not be feasible to finance through

**FIGURE 1.6** Target Asset Class of Private Investment Funds with Verifiable Impact Intent and Measurement

**IMPACT INTENT AND MEASUREMENT FUNDS**

2009–19, N = 826  
(percentage of total)



Note: Excludes funds with global focus. Sources: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics.

commercial banks. By doing so, DFIs can open the door to private investment in emerging markets and help achieve measurable positive impact, especially in the least-developed sectors and countries.

**HIPSO Signatories.** One group of DFIs stands out in its efforts to measure impact. The need to track development results across a broad range of structures, mandates, and shareholders of development finance institutions motivated the creation of HIPSO in 2013. Today, 27 DFIs have signed the Memorandum of Understanding, to work together toward an improved framework for impact measurement. HIPSO data is in the public domain and includes 38 indicators in 15 sectors and industries. The development of HIPSO serves both DFIs—by helping them understand the impact of their investments—and their investees that need to report on their activities to their financiers.

The combined outstanding private sector operations portfolio of HIPSO Signatories is around \$300 billion. This estimate comprises three components: the estimated non-treasury investment portfolios of loans, equity investments, and debt securities to non-sovereign entities; the estimated stock of third-party investment that has been directly mobilized by DFIs over five years; and the estimated gross exposure to guarantees to non-sovereign entities.

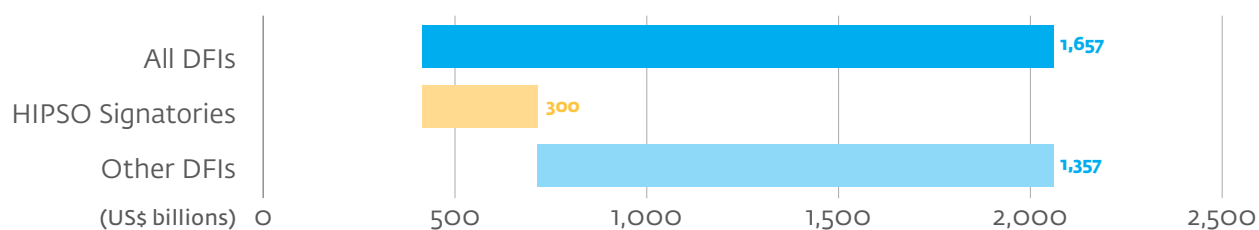
Direct mobilization refers to assets managed and invested by DFIs on behalf of others, including IFC’s Managed Co-Lending Portfolio Platform (MCPPI). MCPPI is an investment fund that allows other investors to gain exposure to subsets of the IFC debt portfolio, such as through tranches of a syndicated loan or by providing credit insurance to IFC’s own account. As of 2020, MCPPI had raised

\$7.1 billion from eight institutional investors, six of which are private institutions.<sup>9</sup> MCPPI also includes an infrastructure facility that aims to help close the funding gap for emerging market infrastructure projects. To date, IFC has raised \$2 billion via MCPPI Infrastructure for this purpose.

IFC also manages the largest amount of assets among HIPSO members—\$83 billion—in alignment with the Impact Principles, followed by the two largest European institutions, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). A group of bilateral institutions, collectively known as the European Development Finance Institutions (EDFI), represents a fourth sizable group of HIPSO signatories. All of them were established in a Member State of the European Union or the European Free Trade Association (EFTA), and invest in the private sector in countries outside of the European Union. EDFIs collectively manage one-tenth of all private sector portfolios invested in firms by HIPSO signatories.

**Other development finance institutions.** There is a large number of multilateral, regional, bilateral, and national development banks that are not part of HIPSO but operate with a development-focused mandate. We identify 12 multilateral development banks and 68 bilateral and national development banks that are serving the public interest. These institutions are often backed by sovereign guarantees that ensure their creditworthiness and enable them to raise funds in global capital markets. Collectively, we assess their lending to non-sovereign entities to be \$1,357 billion.

Many multilateral development banks (MDBs) that did not sign HIPSO primarily engage with



<sup>9</sup> These six are the private insurers: Allianz, Axa, Liberty Mutual, Munich Re, Prudential, and SwissRe, who together have committed \$3.1 billion. The remaining \$4.0 billion was committed by two sovereign investors—China’s State Administration of Foreign Exchange (SAFE), which manages state foreign-exchange reserves, and the Hong Kong Monetary Authority, the currency board of Hong Kong SAR, China. See <https://www.ifc.org/wps/wcm/connect/2458ed31-8c1d-4242-860c-273865976c46/MCPPI+Overview+Flyer+2018.pdf?MOD=AJPERES&CVID=mc09eqz>.



governments and the public sector to further economic and social development, using financial resources, knowledge, and technical services. They can provide strategic advice, which helps governments reform, improve services, encourage more private investment, and promote innovative solutions to development challenges. Some of these MDBs have a specialized private sector arm that is a HIPSO signatory, such as IDB Invest (the private sector arm of the IDB Group). Non-HIPSO MDBs allocate only a small share of capital to investments in the private sector, which we estimate to total \$3.3 billion.

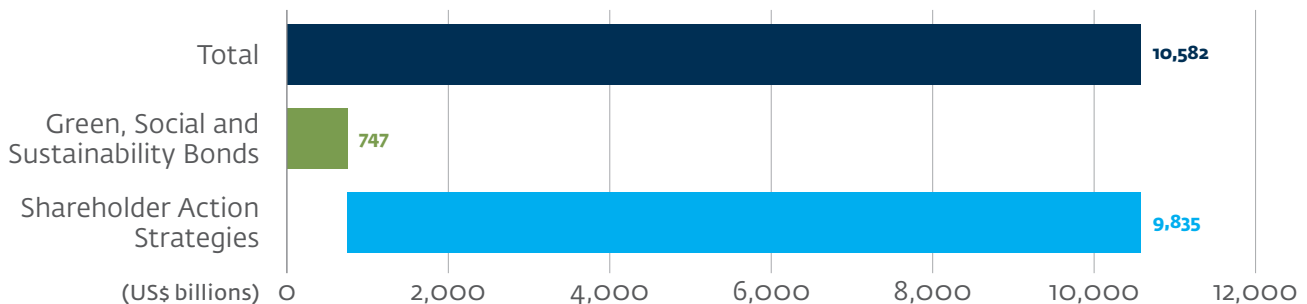
The remaining 68 national development banks, operating nationally and on a broader global basis, invest in private firms and issue loans to individuals and households in addition to their investments in public entities. They are a diverse group located in developing and developed countries and have a plethora of functions, which include furthering local entrepreneurs and small and medium enterprises (SMEs), supporting municipal and social services, and providing educational loans to students, among others. We estimate their non-sovereign lending to be around \$1,354 billion. How much of this pool of capital directly contributes to measurable impact is unclear, as there is limited and often dated information on the private sector operations of many of these entities. In addition, the actual ability of these institutions to measure the impact of these investments and the willingness to publish their results varies considerably and is difficult to assess.

## Size of the Market—Public Markets

By virtue of their complex stakeholder relationships, long supply chains, and large employee bases, many listed companies hold the potential to have enormous impact. Investors pursuing nonfinancial as well as financial goals in public markets can reallocate capital away from companies that harm society and the environment, and toward companies that intend to contribute to solutions to social or environmental challenges.<sup>10</sup> By doing so, they can collectively lower the cost at which a company must raise capital and enable growth. It is, however, not straightforward to identify the positive intent of individual investors and the direct contribution they make to measurable impact. Two strategies in public markets hold the potential to demonstrate intent, measurement and a direct contribution to impact: Green, social, and sustainability bonds, in which approximately \$747 billion is invested, and shareholder engagement strategies, which amount to \$9,835 billion in public equities.

### Green, Social, and Sustainability Bonds<sup>11</sup>

Green, social, and sustainability (GSS) bonds are a way for issuers to raise funds specifically for projects that enable positive change for society and the environment. They appeal to investors as a straightforward instrument to integrate environmental, social, and governance outcomes into fixed income portfolios, and often offer similar yields, ratings, and return profiles to other fixed income investments.



<sup>10</sup> Neuberger Berman. 2019. "Having a positive impact through public markets investments." <https://impactmanagementproject.com/wp-content/uploads/Neuberger-Berman-Public-Markets-Paper.pdf>.

<sup>11</sup> Sustainability bonds were not part of last year's estimate.



Impact investing using GSS bonds is possible if an investor buys the bond(s) with the intent for positive impact, and the issuer measures and reports on the impact that is directly related to the funds raised with the bond. The Green Bond Principles (GBP), a set of widely accepted guidelines for green bond transparency, require any bond following the GBP to disclose which projects have benefitted, the amounts allocated and their expected impact, and recommend reporting on the environmental impact of the funded projects. A 2019 study by the Climate Bond Initiative on post-issuance reporting, however, shows that only 38 percent of green bonds report on the use of proceeds post-issuance, and one-in-five green bonds does not report on environmental impact metrics.<sup>12</sup>

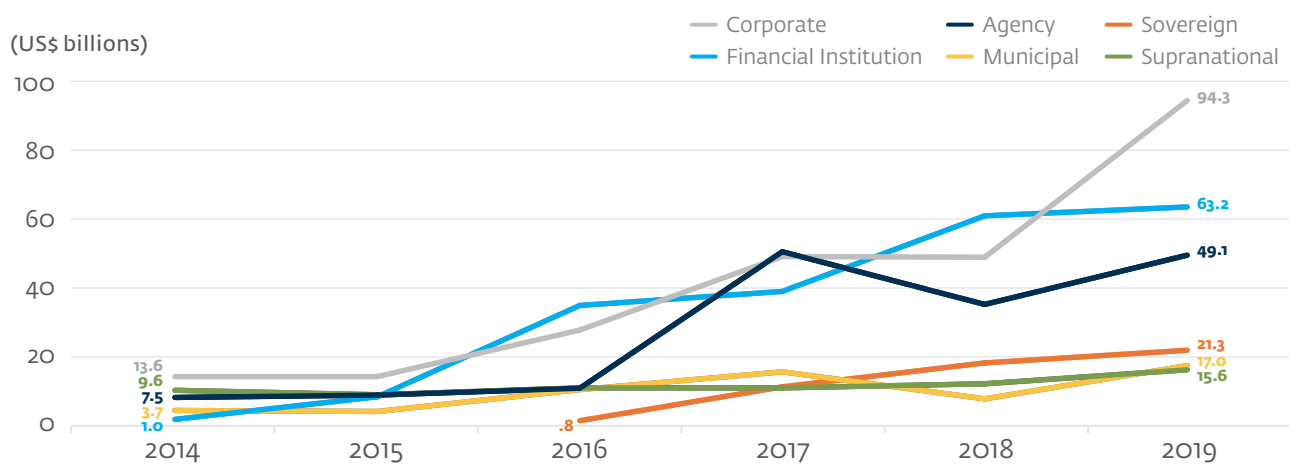
Issuers of GSS bonds define the use of proceeds according to intended social or environmental impact. That is, they identify the types of spending that are eligible to be financed by the bond proceeds. This information helps investors make informed decisions about the specific activities they will be investing in but does not directly link the investors' financial contributions to the impact achieved. Attributing impact may be even more difficult when bonds are used for refinancing: issuing a sustainable bond modifies the balance sheet of an issuer to allocate funds to

sustainable projects, but when a bond is used as a refinancing tool, little additional positive impact is achieved, as no new projects with positive impact are financed. Nevertheless, GSS bonds have been immensely attractive to sustainability focused investors, with an increase of 50 percent in volume issued in the past year.

We estimate that as of 2019 there was \$631 billion in 1,971 outstanding green bonds, an increase of 56 percent over 2018.<sup>13</sup> Of that, \$260 billion in green bonds were issued in 2019 alone. Since the first issuance in 2007, green bonds have become an important contributor to financing the Sustainable Development Goals. A catalyst for the market, IFC issued the first \$1 billion-sized benchmark green bond in 2013. Despite their fast growth, green bonds still represent less than one percent of the \$100 trillion global bond market.

While supranational institutions were the first to issue green bonds, corporates almost doubled their issuances in 2019 and overtook financial institutions as the largest pool of issuers of green bonds. In 2019, 38 percent of green bond volume was issued by corporates, which includes private enterprises as well as state-owned enterprises. Twenty-seven percent of green bond volume was issued by financial institutions, including private and state-owned commercial banks.

**FIGURE 1.7** New Green Bond Issuances by Type, 2014–19 (US\$ billions)



Source: Environmental Finance.

<sup>12</sup> Filkova, Monica, Miguel Almeida, Krista Tukiainen, and Pietro Sette. 2019. "Post-Issuance Reporting in the Green Bond Market." Climate Bonds Initiative. September 2019. [https://www.climatebonds.net/files/files/CBI\\_post-issuance-reporting\\_rev092019\\_en%281%29.pdf](https://www.climatebonds.net/files/files/CBI_post-issuance-reporting_rev092019_en%281%29.pdf).

<sup>13</sup> Our current estimates put the size of the market for outstanding bonds at the end of 2018 at \$404 billion.

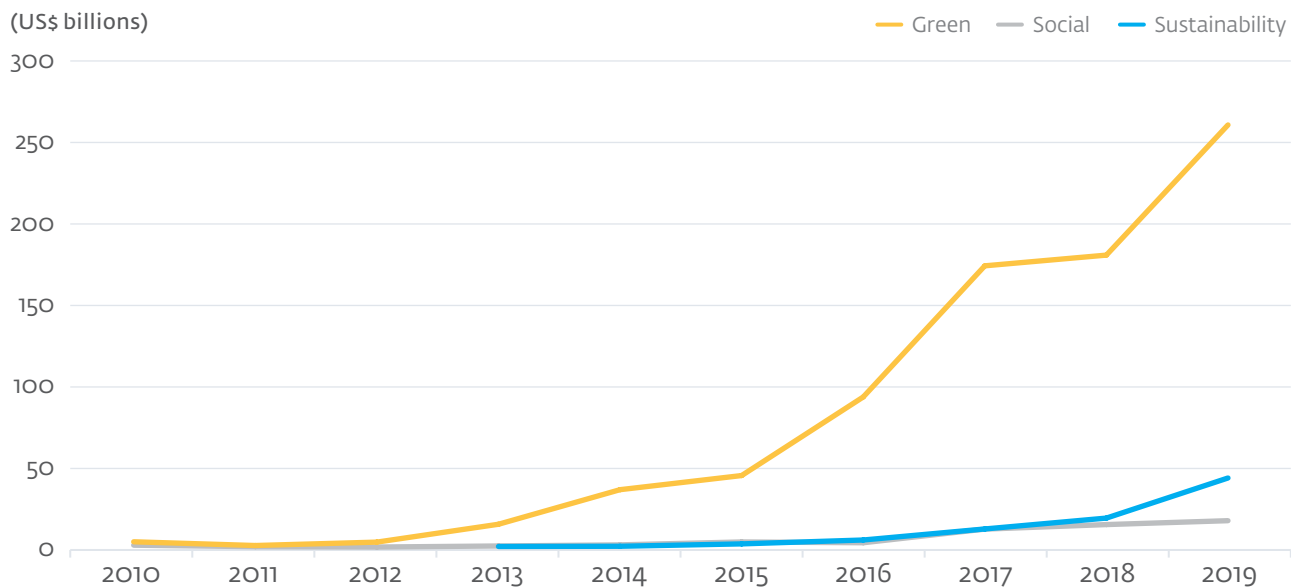
The green bond market remains nascent in emerging markets, though it shows the potential for promising growth.<sup>14</sup> Acorn Project LLP raised \$41 million in Kenya’s first green bond offering, making it the first and the only low-income country green bond to be released in 2019. IFC, along with the World Bank, has supported multiple developing countries in the development of their green bond regulations. In 2017, Fiji issued its first sovereign green bond to bolster climate change mitigation and adaptation. This bond was also the first sovereign green bond issued by an emerging market nation. Since then, the World Bank and IFC have also supported Brazil, Egypt, Lebanon, Malaysia, and Vietnam, among other countries, in issuing sovereign green bonds; they also publish guidance and resources for new green bond issuers.

Green bonds have opened the market for other types of bonds with a sustainability focus—these include social, sustainability, transition, blue, and climate bonds. A nod to SDG 14, so-called blue bonds aim to enhance ocean and coastal resilience. The Seychelles premiered

the first sovereign blue bond in 2018, aided by a partial World Bank guarantee and \$5 million in a concessional loan from the Global Environment Facility, and has raised \$15 million.<sup>15</sup> Since then, Nordic Investment Bank, the international financial institution of the Nordic and Baltic countries, launched a “Nordic-Baltic Blue Bond” in January 2019, with which they have raised SKr 2 billion (\$197 million) for projects related to wastewater treatment, the prevention of water pollution, and water-related climate change adaptation.

The popularity of green bonds has promoted regulation changes and, in general, driven growth in green finance. In 2019, as part of the European Sustainable Finance Action Plan, the EU Technical Expert Group on Sustainable Finance published their recommendations for an EU taxonomy—which determines whether an economic activity is environmentally sustainable—and an EU Green Bond Standard, which aims to accelerate the flow of capital toward environmental objectives. In December 2019, the European Commission launched its European Green Deal Investment Plan, with the

**FIGURE 1.8** Annual Bond Issuances, 2010–19 (US\$ billions)



Source: *Environmental Finance*.

<sup>14</sup> IFC and Amundi. 2018. “Emerging Market Green Bonds Report—A Consolidation Year Paving the Way for Growth.” <https://www.ifc.org/wps/wcm/connect/9e8a7c68-5bec-40d1-8bb4-ao212fa4b7fab/Amundi-IFC-Research-Paper-2018.pdf?MOD=AJPERES>.

<sup>15</sup> The World Bank also partnered with Morgan Stanley to launch a \$10 million Blue Bond in April 2019 with the aim of promoting the sustainable use of ocean and marine resources, with special attention to better waste management.

objective of mobilizing €1 trillion of sustainable investments over the next ten years. The aim is to make Europe climate-neutral by 2050, while enabling European citizens and businesses to capitalize on the sustainable green transition.<sup>16,17</sup>

Similar to green bonds, social bonds are use-of-proceed bonds. That is, the proceeds are designated to finance or refinance new or existing eligible social projects in part or in full, such as education, healthcare, housing, or employment projects.<sup>18</sup> Since 2016, social bonds have had their own set of guidelines that promote transparency, disclosure, and reporting, and these guidelines have been formalized in the Social Bond Principles (SBP). In 2019, \$16 billion in 44 social bonds were issued, bringing the size of the market for outstanding bonds to \$42 billion by the end of 2019. This constitutes an increase of 61 percent over 2018. In 2019, only one social bond was issued in an emerging market, a \$260 million senior unsecured social bond issued in Mauritius by Bayport Management Ltd., which focuses on job creation by financing small and medium enterprises, as well as financial inclusion. Sustainability bonds are a hybrid of green and social bonds and finance a combination of both green

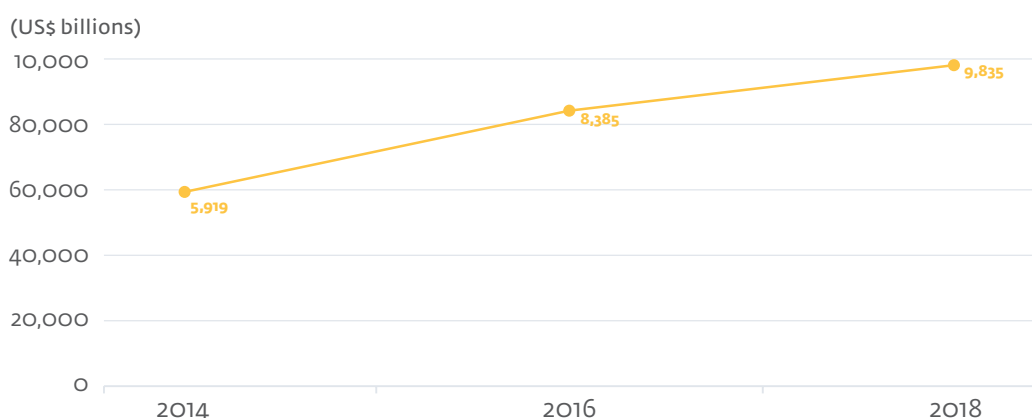
and social projects. As of 2019, there were 193 sustainability bonds outstanding, with a total value of \$74 billion. In 2019 alone, \$41 billion were newly issued. This signifies an increase of more than 200 percent in the size of the sustainability bond market.

### Shareholder Action Strategies

At year-end 2017, \$9,835 billion in assets, which were generally public equities, were managed under the strategies of “corporate engagement” or “shareholder action.” By buying stock in a publicly traded company, investors seek to influence and nudge corporate behavior through both direct and indirect corporate engagement, such as communicating with senior management or boards of companies, filing shareholder resolutions, or voting, including proxy voting guided by comprehensive ESG guidelines.<sup>19</sup>

While there is some evidence that shareholder engagement on ESG issues decreases companies’ risks, the extent to which shareholder action strategies intend to have measurable positive environmental and/or social impact remains unclear.<sup>20</sup> Much of this activity is intended only to improve financial returns, including by reducing ESG risk. Measurement of the direct effects of

**FIGURE 1.9** Assets in Corporate Engagement and Shareholder Action, 2014–18 (US\$ billions)



Source: GSIA.

<sup>16</sup> EU Technical Expert Group on Sustainable Finance. 2019. “Taxonomy Technical Report.” June 2019. [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/190618-sustainable-finance-teg-report-taxonomy\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf).

<sup>17</sup> EU Technical Expert Group on Sustainable Finance. 2019. “Proposal for an EU Green Bond Standard.” June 2019. [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf).

<sup>18</sup> Social bonds should not be confused with social impact bonds, which are usually government funded and contingent on the success of the targeted social program.

<sup>19</sup> Percentage increase in absolute value invested in corporate engagement and shareholder action.

<sup>20</sup> Hoepner, Andreas G. F., Ioannis Oikonomou, Zacharias Sautner, Laura T. Starks, and Xiao Y. Zhou. 2018. “ESG Shareholder Engagement and Downside Risk.” <https://www.q-group.org/wp-content/uploads/2018/02/SHAREHOLDER-ENGAGEMENT-2018-01-31.pdf>.

such strategies is often unavailable, and there have been limited efforts to do so.

Between 2016 and 2018, assets managed using shareholder action strategies increased by 17 percent globally.<sup>21</sup> The majority of these assets (56 percent) are held in Europe, but global interest is growing.<sup>22</sup> In Japan, assets managed in shareholder engagement strategies more than quadrupled between 2016 and 2018, as awareness of sustainable investing has grown. Japan now holds 13 percent of all assets in shareholder engagement strategies. This growth was accompanied by revisions to Japan's Stewardship Code in May 2017, which encourage institutional investors to engage with companies collectively, together with other investors. The newly established Institutional Investors Collective Engagement Forum supports this collective engagement by coordinating suitable events and activities with listed companies.<sup>23</sup>

Two of the major institutional asset owners—the Government Pension Investment Fund and the Pension Fund Association—have become Signatories to the Principles for Responsible Investment (PRI), demonstrating their commitment to sustainable investment. Furthermore, in August 2019, Japan International Cooperation Agency (JICA) adopted the Operating Principles for Impact Management.

In 2018 alone, almost 5,700 proxy materials were filed with the U.S. Securities and Exchange Commission

(SEC). Between 2016 and 2018, the leading issue that emerged in shareholder proposals was the demand for “proxy access,” which is the ability of shareholders to nominate directors to corporate boards and, by doing so, influence companies’ decision making, including their environmental and social strategies. Shareholders were also concerned about disclosure and management of corporate political spending and lobbying, particularly in companies that support lobbying organizations that oppose regulations to curb greenhouse gas emissions.

In 2019, the SEC proposed changes to regulations on the process for including shareholder proposals in a company’s proxy statement. For companies subject to these rules, investors who have held at least \$2,000 in stock or 1 percent of a company’s securities for at least one year can submit a shareholder proposal, which the company must add to its voting agenda at its annual shareholder’s meeting.<sup>24</sup> Additionally, for the first time since 1954, the proposed amendments would update the levels of shareholder support that a proposal must receive to be eligible for resubmission at the same company’s future shareholder meetings.<sup>25,26</sup> Concerns have been raised that some aspects of the proposed amendments may make the proxy voting process costlier and more difficult, especially for investors, and that the additional costs may outweigh any additional benefits for investors and the market.<sup>27,28,29</sup> If so, the ability of investors to have a direct impact on company behavior could be diminished by these rule changes.

<sup>21</sup> The data is based only on Europe, the United States, Canada, Japan, and Australia and New Zealand. The term “Global” here refers to the collated data of these regions.

<sup>22</sup> Some regional differences are definitional. Australia and New Zealand combine positive, negative and norms-based screening into one bucket and do not track corporate engagement and shareholder action as standalone strategies. The United States only counts the portion of corporate engagement assets that are deployed in filling shareholder resolutions as sustainably invested assets.

<sup>23</sup> See website of the Institutional Investors Collective Engagement Forum. [https://www.iicf.jp/en/#sec\\_01](https://www.iicf.jp/en/#sec_01).

<sup>24</sup> Kimbrough, Liz. 2020. “Investors Drop Demands After Tyson Foods Commits to no Deforestation.” Mongabay, February 20, 2020. <https://news.mongabay.com/2020/02/investors-drop-demands-after-tyson-foods-commits-to-no-deforestation/?fbclid=IwAR1hZPhDt4Z214Lv3loxxSd-WWwJNPDuTVkjICBu3N4foDRxgFTYEJveoU>.

<sup>25</sup> For example, a proposal would need support from at least 5 percent of voting shareholders in its first submission to be eligible for resubmission in the following three years. Those submitted two and three times in the prior five years would need 15 percent and 25 percent support, respectively.

<sup>26</sup> U.S. Securities and Exchange Commission. 2019. “SEC Proposes Amendments to Modernize Shareholder Proposal Rule.” Press release 2019-232, November 5, 2019. <https://www.sec.gov/news/press-release/2019-232>.

<sup>27</sup> O’Brien, Amy and Yves P. Denizé. 2020. “TIAA Comment Letter on Proposed Rules on Proxy Voting Advice and Shareholder Proposals.” Harvard Law School Forum on Corporate Governance, February 12, 2020. <https://corpgov.law.harvard.edu/2020/02/12/tiaa-comment-letter-on-proposed-rules-on-proxy-voting-advice-and-shareholder-proposals/>.

<sup>28</sup> SEC Investor Advisory Committee (SEC IAC). 2020. “Recommendation of the SEC Investor Advisory Committee (IAC) Relating to SEC Guidance and Rule Proposals on Proxy Advisors and Shareholder Proposals.” <https://www.sec.gov/spotlight/investor-advisory-committee-2012/sec-guidance-and-rule-proposals-on-proxy-advisors-and-shareholder-proposals.pdf>.

<sup>29</sup> Principles for Responsible Investing (PRI). 2019. “Signatory Sign On Letter: SEC’s Proposed Changes to Shareholder Proposals and Proxy Advisory Firms.” <https://collaborate.unpri.org/group/2206/stream>.

While most shareholder engagement takes place in nonpublic spaces, some shareholder activism has been quite vocal. Following the 2019 fires in the Amazon, over 250 investors representing \$17.7 trillion in assets urged business leaders to reverse worrying deforestation trends and uphold commitments to end commodity-driven deforestation.<sup>30</sup> However, according to a 2018 report by Global Canopy, none of the 500 most important companies in commodity supply chains that threaten tropical forests is on track to eliminate its deforestation footprint, despite committing to do so by 2020.<sup>31</sup>

## Conclusions

Investors employ a variety of strategies to achieve impact in private and public markets. The portion of the market in which intent to contribute to measurable impact is most clearly observable, and in which there exists a direct narrative of contribution to impact, is relatively small and restricted to private markets: private impact funds with measurement and HIPS0 DFIs collectively manage \$505 billion in assets. Including the broader universe of development banks and impact funds without identified measurement systems increases that estimate to \$2.1 trillion invested for impact.

Larger amounts of capital are invested in public markets, including in green, social, and sustainability bonds and in shareholder action strategies. There is limited evidence of intent, measurement, and contribution for the individual investor in public markets, but if even half of GSS bonds and 10 percent of shareholder action strategies fulfill all three attributes, another \$1.4 trillion can be added to the total for impact assets. We may, therefore, conjecture that in 2019 between \$505 billion and \$3.5 trillion in assets were invested for impact through a wide range of funds, assets, and institutions.

As more investors adopt the Operating Principles for Impact Management, publicly available information about the size of the impact investing market will increase. Signatories to the Principles commit to an annual public disclosure of their total assets under management in alignment with the Principles, in both public and private markets. Over time, further evolution of GSS bond standards may also help clarify the extent to which these instruments contribute to measurable impact, while the broader range of development banks may also increase their disclosure of how they measure their impact. All of this will serve to bring more transparency and certainty to estimates of market size in future years.

<sup>30</sup> Investor statement on deforestation and forest fires in the Amazon, dated October 29, 2019. [https://d8g8t13egvf20.cloudfront.net/Uploads/r/q/s/investorstatementondeforestationandforestfiresintheamazon\\_29\\_oct\\_2019\\_665598.pdf](https://d8g8t13egvf20.cloudfront.net/Uploads/r/q/s/investorstatementondeforestationandforestfiresintheamazon_29_oct_2019_665598.pdf).

<sup>31</sup> Forest 500. 2019. "Forest 500 Annual Report 2019: The Companies Getting it Wrong on Deforestation." <https://forest500.org/publications/forest-500-annual-report-2019-companies-getting-it-wrong-deforestation>.



## The Operating Principles for Impact Management

Investors are increasingly looking to invest with impact, with a growing number of investors adopting the Sustainable Development Goals (SDGs) as a reference point to illustrate the relationship between their investments and impact goals. Despite the growth in the impact investing market in recent years, the lack of a common standard for what constitutes impact investing created confusion for investors. In response, IFC, in consultation with leading impact asset managers, asset owners and other key market participants, led the initiative to create a framework for impact investing—one that is focused on ensuring that impact considerations are purposefully integrated throughout the investment lifecycle.

The Operating Principles for Impact Investment Management (the Principles) describe essential features of managing investment funds with the intent to contribute to the achievement of social, economic or environmental impact alongside financial returns. This goes beyond asset selection which aligns investment portfolios with impact goals (e.g., SDGs), and requires a credible investment thesis of how the investment contributes to the achievement of impact. They reflect emerging best practice across development

finance institutions, specialist impact funds, and others with many years of experience in managing investments for impact.

On April 12, 2019, 58 global investors came together to launch the Principles at the World Bank Group (WBG)–International Monetary Fund (IMF) Spring Meetings in Washington, D.C. These First Adopters became the initial investors committing to manage their impact assets in accordance with the Principles. Investor interest continues to grow since the launch, with more organizations stepping up to become Signatories. As of June 2020 we count almost 100 Signatories. A complete list of all Signatories is shown on the penultimate page of this report. By providing greater discipline and transparency in impact investing, IFC and the other Signatories intend to foster increased mobilization of capital for impact and a high standard for the social and environmental impact that these funds could achieve.

For more details about the Operating Principles for Impact Management, the Signatories, and how you can become a Signatory, please visit: <https://www.impactprinciples.org/>.



# The Principles

## 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.

## 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.

## 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.<sup>32</sup> The narrative should be stated in clear terms and supported, as much as possible, by evidence.

## 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<sup>33</sup> 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?<sup>34</sup> 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<sup>35</sup> and follow best practice.<sup>36</sup>

<sup>32</sup> 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.

<sup>33</sup> Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

<sup>34</sup> Adapted from the Impact Management Project ([www.impactmanagementproject.com](http://www.impactmanagementproject.com)).

<sup>35</sup> Industry indicator standards include HIPS0 (<https://indicators.ifipartnership.org/about/>); IRIS ([iris.thegiin.org](http://iris.thegiin.org)); GIIRS (<http://b-analytics.net/giirs-funds>); GRI ([www.globalreporting.org/Pages/default.aspx](http://www.globalreporting.org/Pages/default.aspx)); and SASB ([www.sasb.org](http://www.sasb.org)), among others.

<sup>36</sup> International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & Communicable, Cross-checked, Empowering, and Diverse & Disaggregated), among others.



**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)<sup>37</sup> 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.<sup>38</sup> 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.

**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.<sup>39</sup> The Manager shall also seek to use the results framework to capture investment outcomes.<sup>40</sup>

**PRINCIPLE 7:**

Conduct exits considering the effect on sustained impact.

When conducting an exit,<sup>41</sup> 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.

**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.

**PRINCIPLE 9:**

Publicly disclose alignment with the Principles and provide regular independent verification<sup>42</sup> 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.

<sup>37</sup> The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

<sup>38</sup> Examples of good international industry practice include: IFC's Performance Standards ([www.ifc.org/performancestandards](http://www.ifc.org/performancestandards)); IFC's Corporate Governance Methodology ([www.ifc.org/cgmethodology](http://www.ifc.org/cgmethodology)), the United Nations Guiding Principles for Business and Human Rights ([www.unglobalcompact.org/library/2](http://www.unglobalcompact.org/library/2)); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

<sup>39</sup> Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

<sup>40</sup> Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC ([www.oecd.org/dac/](http://www.oecd.org/dac/)).

<sup>41</sup> This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

<sup>42</sup> The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

# What We Know About the Signatories to the Operating Principles for Impact Management—Survey Results

## What we already know about impact investors

As of April 1, 2020, more than 90 institutions have signed onto the Principles, which corresponds to more than a third of the 266 respondents to the latest GIIN survey of impact investors.<sup>43</sup>

Many development finance institutions (DFIs) have taken the opportunity to be early adopters of the Impact Principles: Among the Signatories, we count eight multilateral and 16 bilateral DFIs. Over two thirds of Signatories are asset managers, which includes institutions such as banks, specialized impact investors, asset and investment managers, funds and fund managers, among others. To date, three asset owners have adopted the Impact Principles, among them a pension fund and two insurance companies.

Most Signatories beyond DFIs are headquartered in North America (25 percent) and Western Europe (37 percent). Only four Signatories are headquartered in emerging markets, three of those in Sub-Saharan Africa.

## Results from the survey

To learn more about the characteristics of the Signatories, IFC conducted a survey in December 2019. The results from the survey paint a clearer picture of how and where the Signatories invest for impact, their thematic focus, and their target returns. Fifty institutions participated in the survey; respondents only answered in regard to funds or strategies that they manage in alignment with the Principles. Some questions allowed for more than one answer. The survey was conducted anonymously and the results are not representative of all Signatories.

## Where do Signatories invest?

The Signatories show a strong focus on investments in emerging markets, with 71 percent of Signatories in the survey investing only in emerging markets, possibly to take advantage of untapped business opportunities in geographical areas with the greatest development needs. This is consistent with the large number of DFIs among the Signatories, which often have a geographically restricted development mandate. Only one respondent reports that all of their impact investments are targeted toward developed markets, while 14 respondents split their impact investments between developing and developed markets (See Figure 2.1).

Four out of five Signatories report investing in Sub-Saharan Africa, Latin America and the Caribbean, and/or South Asia (See Figure 2.2). Only a few Signatories invest in developed markets such as Europe, the United States, or Canada. This differs from previous assessments of impact investors: The GIIN reports that among its survey respondents worldwide, close to half invest at least some of their assets in the United States and Canada, followed by Sub-Saharan Africa, where 44 percent of GIIN survey respondents invest.<sup>44</sup>

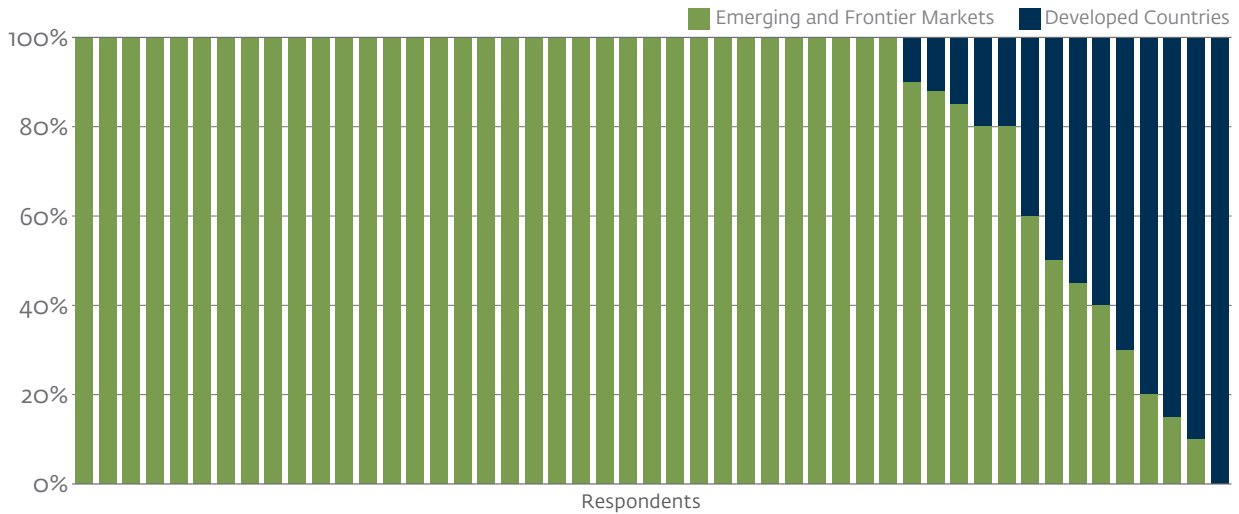
## How long have Impact Investors been active?

Many of the Signatories are pioneers in the impact investing market. Two-thirds of respondents have been investing for impact for more than ten years, while less than 10 percent of Signatories have less than three years of experience in impact investing. Experience in how to manage assets for impact seems to be advantageous for adopting the Principles.

<sup>43</sup> Mudaliar, Abhilash, Rachel Bass, Hannah Dithrich, and Noshin Nova. 2019. "Annual Impact Investor Survey." Global Impact Investing Network (GIIN), June 19, 2019.

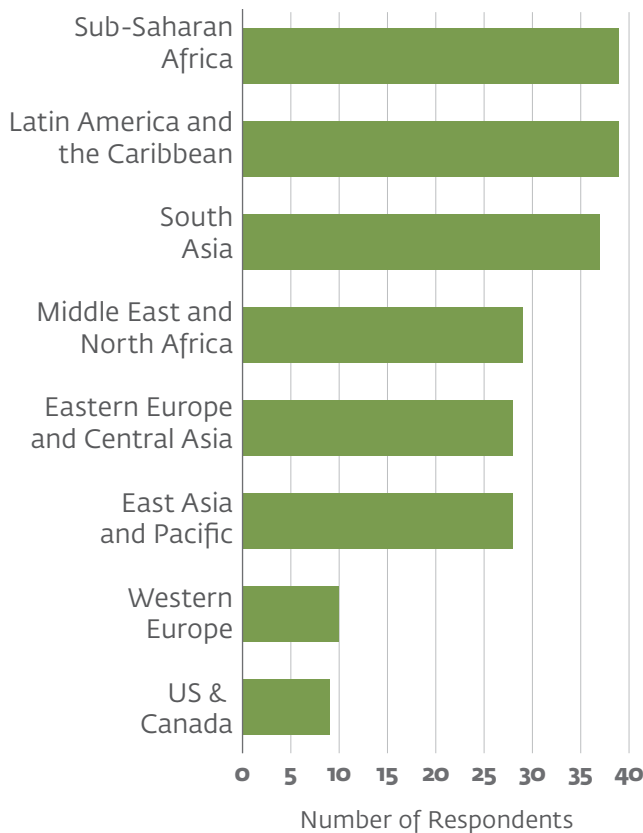
<sup>44</sup> The GIIN survey distinguishes between South East Asia, South Asia, and East Asia, whereas the World Bank Group classification only distinguishes East Asia and the Pacific from South Asia.

**FIGURE 2.1** Share Invested in Emerging Markets vs Developed Countries



Source: IFC.

**FIGURE 2.2** In Which Regions Do Impact Investors Invest?



Source: IFC.

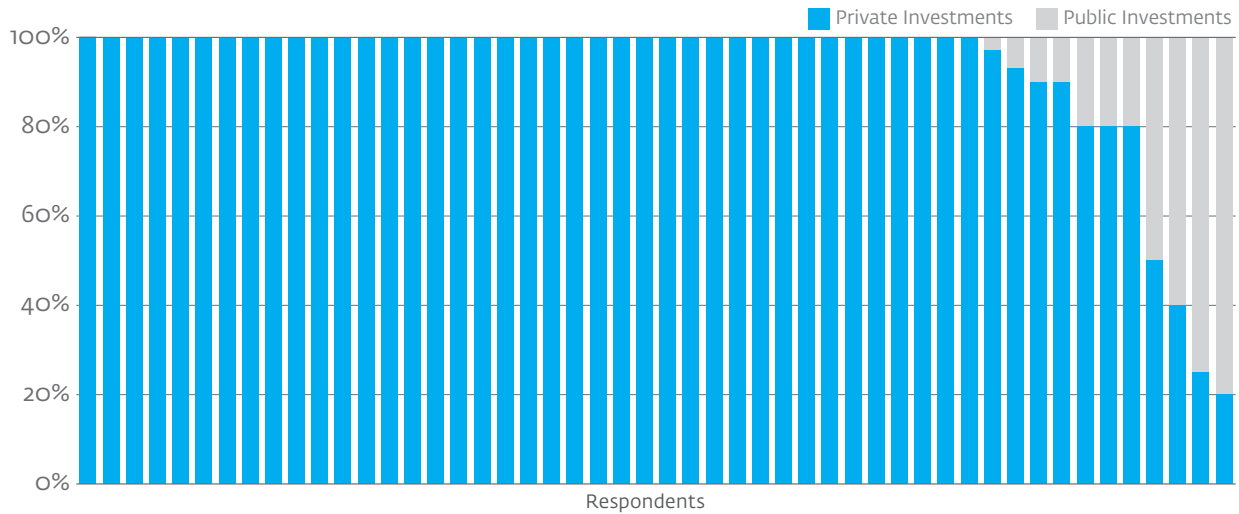
**Are impact investments made as private or public investments?**

Signatories report that they primarily invest in private assets; only one out of five Signatories invests in any publicly traded assets (See Figure 2.3). Nevertheless, even these respondents also have private market strategies in place, in addition to their public market strategies. The Signatories that invest in public assets concentrate on public debt rather than public equity. This reflects the fact that it might be difficult to contribute to measurable positive impact via publicly traded equity securities, and in general, through publicly traded assets. We find that Signatories that invest in emerging markets are somewhat more focused on private investments, while those targeting both developing and developed markets more often hold both public and private assets.

**Do Impact Investors have thematic preferences, and if yes, what are they?**

Many impact investors invest along one or multiple “themes.” Only nine Signatories reported that their institution does not have a theme for their investments. Among impact themes, the largest percentage of Signatories invests with the goal of financial inclusion, followed by green or sustainable technology/products, energy or energy efficiency, and agriculture/agri-processing (See Figure 2.4). We see that preferences for

**FIGURE 2.3** Share Invested in Public or Private Investments



Source: IFC.

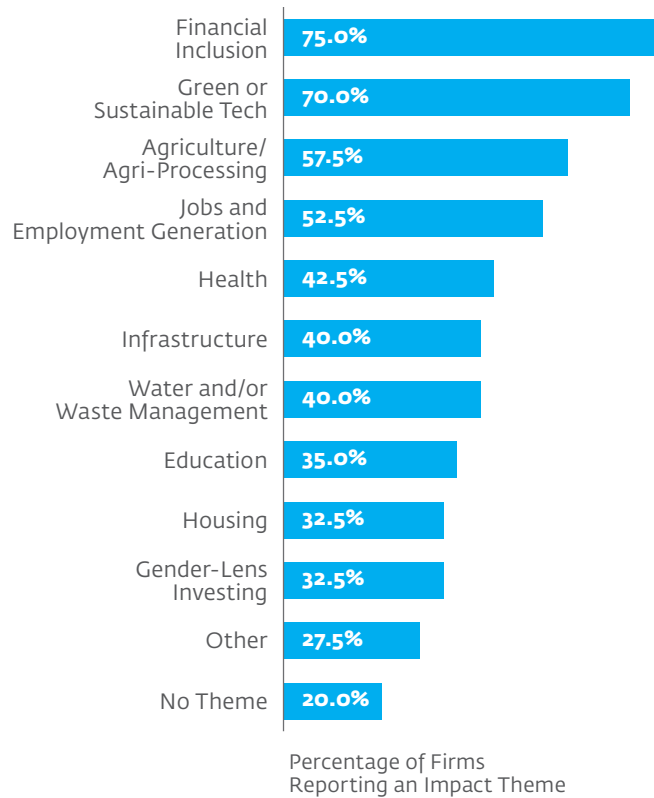
specific impact themes differ depending on the target market (See Figure 2.5): The appetite for investments that further financial inclusion seems to be driven more, relatively speaking, by investors in emerging markets. The GIIN similarly reports that investments in microfinance and financial services seem to be driven by emerging markets-focused investors, while investors focused on developed markets report little interest in financial inclusion.<sup>45</sup>

Notably, Signatories that invest in education also often aim to improve health outcomes; health and education are comparatively often named as preferred themes by investors that target both emerging and developed markets. Emerging market investors pay special attention to furthering job creation, gender-lens investing, as well as infrastructure.<sup>46</sup>

Half of all Signatories have five or more thematic focuses, demonstrating the diversity with which Signatories to the Principles invest. Other impact themes mentioned include disruptive technologies, racial equity, and fragile states.

We can also observe a preference for certain impact themes depending on which markets respondents invest in: Signatories that invest in both public and private markets more often report an interest in water and/or waste management than Signatories that only invest

**FIGURE 2.4** Thematic Preferences as Reported by Signatories

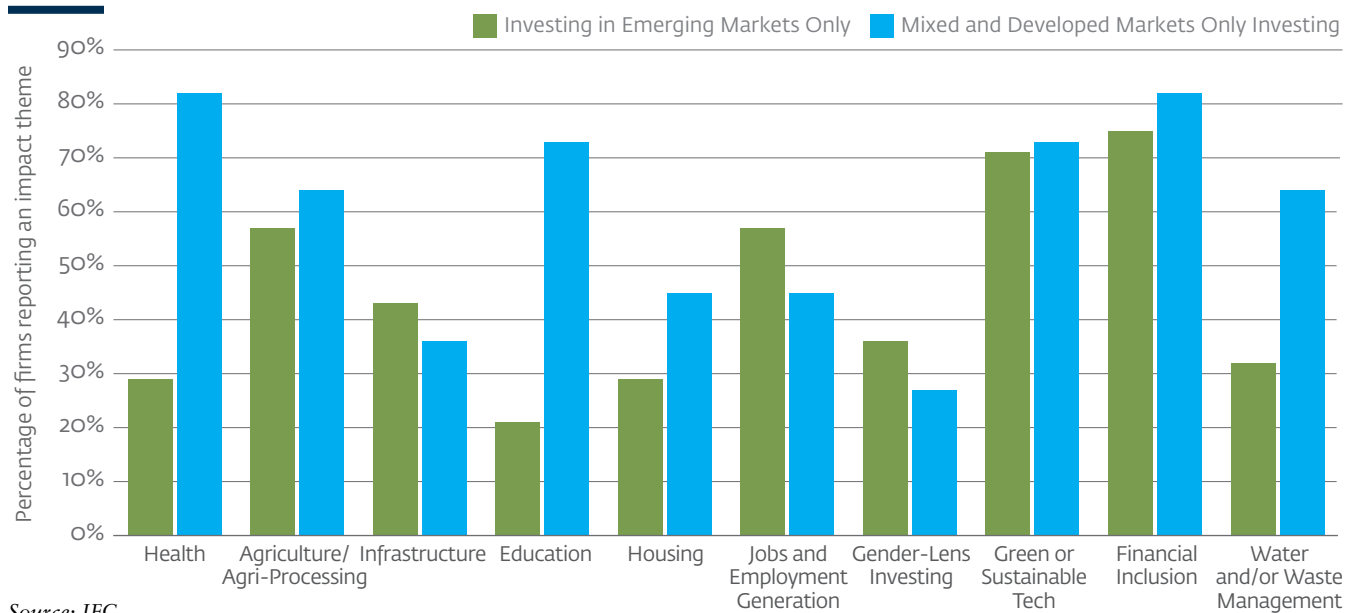


Source: IFC.

<sup>45</sup> Mudaliar, Abhilash, Rachel Bass, Hannah Dithrich, and Noshin Nova. 2019. "Annual Impact Investor Survey." Global Impact Investing Network (GIIN), June 19, 2019, p. 20.

<sup>46</sup> The category "mixed" in Figure 2.5 includes one Signatory that reported investing in developed markets only.

**FIGURE 2.5** Investors Prefer Different Themes, Depending On Where They Invest



Source: IFC.

in private markets. Conversely, investors in private markets are investing comparatively more toward agriculture/agri-processing.

### Signatories aim for risk-adjusted market rate of returns

Most respondents (84 percent) reported that they strive for risk-adjusted market rate returns, while for 15 percent of respondents, target returns were not a single choice. Some Signatories report that they have more than one portfolio, and these can have a range of expectations regarding target returns. They range from the return of capital only to market-oriented, but not maximizing, financial returns. Others employed a portfolio approach, in which investment decisions allow for differing impact and return expectations across projects. In contrast, one-third of respondents to the GIIN survey reported targeting returns below the market rate.

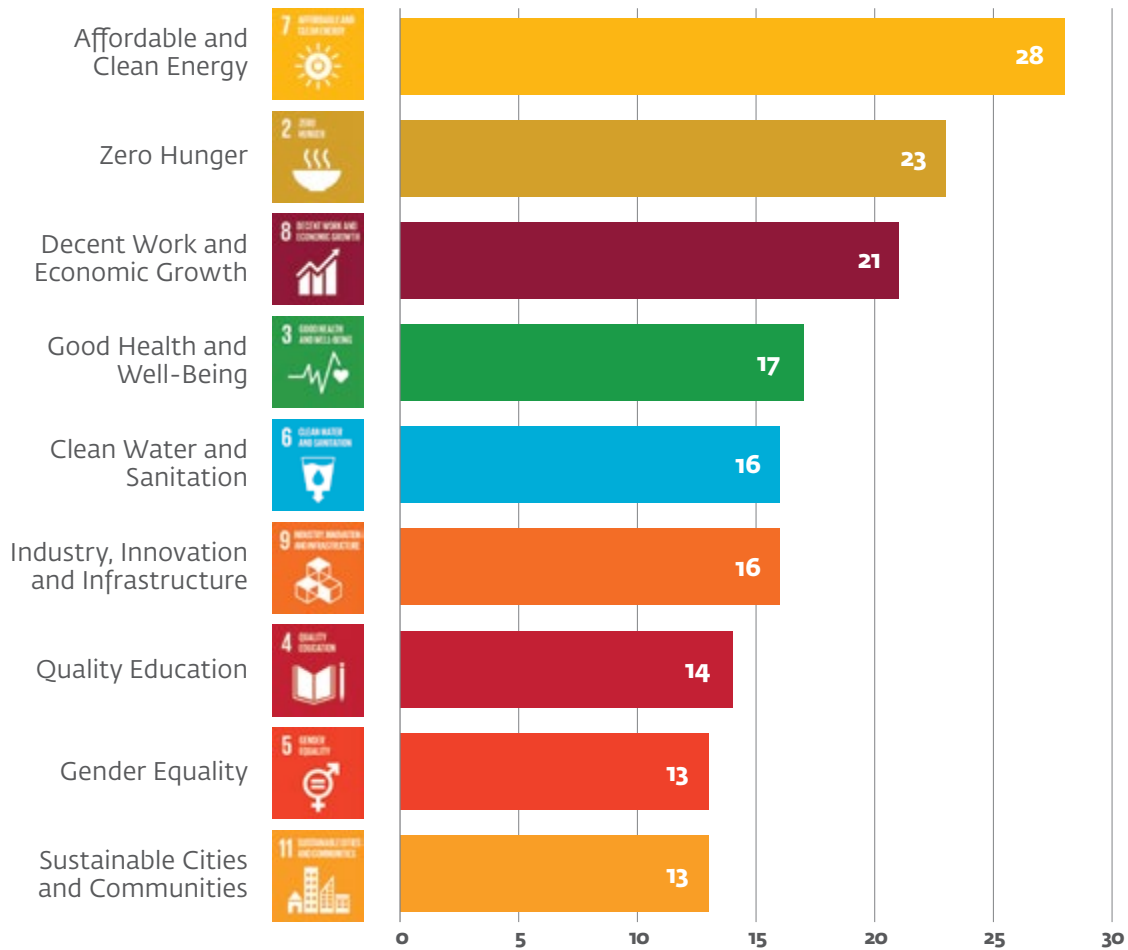
### Matching Impact Themes to Sustainable Development Goals

Since their launch in 2015, more and more investors have recognized the Sustainable Development Goals (SDGs) as the dominant framework around investing with impact. The SDGs and the global indicator framework associated with the SDGs can be used to identify, analyze, and manage business risk, and

allow investors to adopt a shared language with other investors, governments, and civil society. The framework can also be used to seek out investable opportunities and drive innovation.

The Signatories invest along impact themes that relate to the SDGs. We mapped each theme to one of the SDGs, based on which SDG related most clearly to that theme. No SDG was mapped to the theme of financial inclusion, as working towards financial inclusion contributes to multiple SDGs, such as SDG 10: Ending Inequalities and SDG 8: Decent Work and Economic Growth. Similarly, we do not map to SDG 1: Ending poverty, as many other SDGs contribute toward this overarching goal. The challenge of climate change is a priority (See Figure 2.6): Twenty-eight respondents invest toward ensuring access to affordable, reliable, sustainable, and modern energy for all (SDG 7). Twenty-three respondents target SDG 2, which seeks to end hunger, achieve food security and improved nutrition, as well as promote sustainable agriculture, via their investments in agriculture and agri-processing. Recognizing the importance of private sector development, 21 respondents invest in job and employment generation and contribute to achieving SDG 8, which promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

**FIGURE 2.6** SDGs Most Targeted



Source: IFC.

**BOX 2.1** Signatories to the *Operating Principles for Impact Management: Creating a Community*

The Signatories to the Operating Principles for Impact Management (the Principles) are creating a community of practice that is engaged in learning from all members, developing and sharing knowledge on emerging best practices in impact management, and implementing the Principles. Signatories have also expressed interest in converging on common approaches to impact measurement. To that end, in 2019 a workstream was formed to harmonize approaches to impact measurement, including the harmonization of metrics, indicators, definitions, and data used. Several important SDG cross-cutting themes have also been identified as the first to focus on, harmonizing metrics around gender, climate, and direct job creation.

In creating this unique community, Signatories are moving beyond merely signing the Principles. They are looking to develop common impact measurements and impact performance management, which could eventually lead to common impact reporting. Going forward, this community effort will seek to go beyond harmonized metrics and indicators and attempt to define sets of metrics that, when taken together and described in context, will identify meaningful indicators of performance for each investment theme and SDG. Ultimately, the output of this work can be shared with any investor looking to measure and manage impact performance.

## CHAPTER 3

# Case Studies—Experiences of Signatories to the Operating Principles for Impact Management

Following the launch of the Operating Principles for Impact Management in April 2019, IFC reached out to Signatories in the fall of 2019, and invited each of them to write a brief case study about their experience with implementing the Principles. Signatories were asked to choose one of the nine principles to illustrate how they are implementing the Principles as impact investors. A total of 32 Signatories submitted case studies. You can find the participating Signatories and the principles they selected on page vi of this report. The case studies are organized by the Principle chosen, i.e., case studies on Principle 1 appear first followed by case studies on Principle 2, and so forth.

Sharing these case studies is intended to promote an exchange of experiences among Signatories, to build a community of practice among impact investors, and to share best practices with impact investors who are not yet Signatories and the investing community at large. Facilitating this exchange will promote the growth of the impact investing market.

We expect additional Signatories, both existing and prospective ones, to identify principles and write case studies about them. To access all current case studies, please visit <https://www.impactprinciples.org/>.





# CASE STUDY 1: AXA IMPACT FUND—CLIMATE & BIODIVERSITY

## Signatory



## Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

Impact investment at AXA Investment Managers follows a simple guiding principle—what we do should deliver outcomes that are intentional, measurable, and positive. This principle lies at the heart of the AXA Impact Fund—Climate & Biodiversity, our third impact fund and one focused on the ecosystems that will support our world into the future.

We believe that finance has a role in fostering a society that supports fairness and equity, as well as an environment that can sustain our population and our investments over the long term. This is core to our identity and is embedded in what we do and in how we serve our clients.

This is why we established the AXA Impact Investing (Private Equity) strategy in 2012. Our objective was to use our institutional investing expertise to demonstrate that investors can address critical social and environmental challenges and generate positive outcomes for people and the planet, all while meeting fiduciary obligations to generate risk-adjusted financial returns. Our core impact program deploys capital through alternative assets—private equity, venture capital, private debt, and project finance—providing access to the deepest and most diversified investment opportunity sets to generate impact outcomes.

The Climate & Biodiversity fund, launched in July 2019, was developed in response to increasing concerns

about how climate change threatens biodiversity. Our parent company AXA Group has been at the forefront here, and at the G7 Environment meeting in May 2019 launched “**Into the Wild—Integrating nature into investment strategies,**” a joint report with the World Wildlife Fund France. The report highlighted the economic and financial impacts of biodiversity loss and climate change.

The Fund will invest up to \$200 million of capital into credible solutions that deliver those intentional, measurable, and positive outcomes, targeting both climate change and the loss of biodiversity. It will invest to promote mitigation, adaptation, and resilience in relation to these critical environmental challenges.

To do that we will seek out projects, such as those in the Peruvian region of Madre de Dios (see below), that **Protect Natural Capital, Promote Resource Efficiency,** and improve the **Resilience of Vulnerable Communities** to the effects of climate change and biodiversity loss.

The success of the Fund will be measured according to two criteria, financial and impact. Our investments are expected to generate market-rate financial returns. In addition, we have identified key performance indicators and expect our investments to contribute at significant scale to **carbon dioxide emissions reduction, healthier ecosystems, habitat conservation, and empowerment of vulnerable people and communities.**

**TABLE 3.1.1** KPIs, Target Outcomes, and Performance Indicators

KPI	TARGET OUTCOME	PERFORMANCE INDICATORS
KPI-1	Climate change mitigation	Tonnes of CO <sub>2</sub> avoided
KPI-2	Landscape conservation	Number of hectares under improved management
KPI-3	Habitat protection	Area of critical habitat conserved or protected (for globally important or threatened species)
KPI-4	Climate resilience	Number of people empowered





**Illustrative Investment—  
Forest Conservation in Peru**

We are investing capital and working with a range of partners and stakeholders to restore degraded lands and prevent deforestation of primary forest in the Madre de Dios region in Peru while helping smallholder farmers to develop sustainable agroforestry livelihoods.

This primary forest is home to thousands of plants, fish, and animal species, including species listed as endangered by the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES).

The positive impacts of the investment are clear: protection of 600,000 hectares of high value ecosystems, 2.5 million tonnes of carbon emissions savings through natural sequestration, over 30 High Conservation Value Species Protected, and improved income generation for 300 smallholder famers and their families.

*“Addressing eroding biodiversity is a complex but increasingly pressing challenge. Nature produces elements essential to human activity and to our very survival, from food and shelter to medicines’ active ingredients. Moreover, diverse ecosystems are key to tackling climate change, as flourishing forests and well-preserved oceans absorb carbon emissions. Conversely, climate change accelerates biodiversity loss, creating a vicious circle. Our dependence on diverse ecosystems to thrive, if not survive, is therefore not to be doubted.”*

—THOMAS BUBERL, CEO, AXA GROUP



The Fund will directly address six of the UN Sustainable Development Goals that tackle climate change and environmental degradation and we will monitor, manage, and measure the direct contributions made by our investments to these SDGs. The Fund is a further demonstration that we recognize the need for new capital to meet both the social and environmental challenges identified by the SDGs.

**Authors** | Shade Duffy, Jonathan Dean, Matt Christensen

## CASE STUDY 2: CHRISTIAN SUPER

### Signatory



### Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

Christian Super’s first impact investment was in 2006 and was driven by a desire to better align our members’ investments with their values and beliefs. Since then, we have looked for opportunities that could contribute to human welfare and have expanded our impact investment portfolio to around 10 percent of our total assets. Impact investing has become a successful part of our portfolio, delivering our targeted returns while also diversifying our investments. This opportunity to contribute to positive social and environmental impact is highly valued by our members.

Principle 1 of the Operating Principles for Impact Management requires Signatories to “Define strategic impact objectives, consistent with the investment strategy.” Christian Super has approached this in two ways. First, our Investment Management Policy defines our impact asset classes and outlines both the specific financial returns and the general positive impact we expect. Second, we have an Impact Investing Policy that specifies the impact goals for each investment and aligns with key measures such as the Sustainable Development Goals or the IRIS metrics.

Implementing strategic impact objectives occurs at an investment level through our due diligence process. Rather than setting whole-portfolio targets, Christian Super works with fund managers and investee companies to understand their intentions regarding impact and to develop objectives and metrics that demonstrate impact achievement. Without clear goals that align with industry standards, it would be difficult to measure impact achieved, and thereby the success of the intended impact. Having goals helps build the integrity of the impact investing industry. When strategic impact objectives are developed and aligned with industry standards, it reduces the risk of “impact washing.”

Christian Super’s impact portfolio is notably diverse, which makes it challenging to develop impact objectives for each investment. Additionally, the goals and measurement tools each manager uses vary, making it difficult to verify that depth of impact. In this regard, industry standards such as the Operating Principles, IRIS+, and the Impact Management Project have helped us to achieve consistency in response to great diversity.

Our impact objectives balance the challenge of providing members with strong returns for their retirement while contributing to the broader goal of improving human welfare—something our members value deeply. We consistently review and measure these goals with managers, and then celebrate when positive results are achieved, or discuss how to mitigate any potentially negative impact. We also assess whether broader positive impact may be occurring that is beyond the initially intended impact. This feedback ensures that positive impact continues to be the main objective of our investments.

Christian Super is proud of the impact we have achieved with our partners, and we continue to work on achieving greater depth of positive impact and enhancing our impact measurement tools so that we consistently ensure that our impact objectives are in line with our goals.

**Authors** | Jenni Adamson, Tim Macready



Soapbox, a Christian Super impact investment through Sovereign's Capital, has donated nearly three million bars of soap, and has funded over 6,000 hygiene lessons across the globe. Photo supplied by Soapbox.

*“Being a Signatory to the Operating Principles for Impact Management reflects our commitment to achieving genuine impact through our investment portfolio. These case studies represent an opportunity for Signatories to demonstrate what strategic thinking about impact investment looks like in practice, and also to learn valuable lessons from each other.”*

—ROSS PIPER, CHIEF EXECUTIVE OFFICER, CHRISTIAN SUPER

## CASE STUDY 3: IFC ASSET MANAGEMENT COMPANY

### Signatory



In 2014, IFC and Goldman Sachs 10,000 Women founded the Women Entrepreneurs Opportunity Facility (WEOF)—the world’s first global finance facility designed to help address the vast unmet financing needs of women-owned businesses in developing economies. The Women Entrepreneurs Debt Fund (the Fund) was launched in 2016 and focused on a dual bottom line: investments that create impact for women entrepreneurs and generate commercial returns. It provided external investors an opportunity for the first time to finance women entrepreneurs at scale.

The Fund is an innovative investment vehicle tailored for investors seeking to empower women entrepreneurs in emerging markets globally while taking more traditional commercial bank credit risk. The Fund was a fundraising, investing, and impact success and demonstrates that spurring lending to women entrepreneurs in emerging markets is a commercially attractive proposal.

The Fund’s guiding principle and investment strategy were communicated to and understood by investors upfront. In addition, reporting standards for both the financial and nonfinancial results were agreed upon early in the Fund’s life. In this way, the interests of investors and the fund manager were well aligned from the start, with the fund manager aware of expectations on what they must deliver, and investors cognizant of exactly what their investments are expected to achieve, both in terms of impact and financial return.

There were initial challenges, however. From a portfolio construction point of view, one particular challenge was that to reach the maximum number of women-owned small businesses, the manager had to reach out to banks with already established networks. In addition, risk-adjusted returns to investors needed to be factored into the equation. Thus, there is a bias against working with smaller banks in more frontier markets that may be better positioned to encourage lending to these women owners.

### Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

To manage these challenges, the investors and the fund team together created “Impact Criteria” as part of the investment evaluation criteria, in addition to the commercial assessment of the investment. The “Impact Criteria” include factors such as low income, economic inequality of the country, credit gap for women-owned small businesses in the country, and bank size, among others.

Defining impact objectives in this way allowed the fund to manage its impact and returns on a portfolio basis. It also allowed for better communication with investors and included them as part of the process. More important, the investors and the fund manager were well aligned and were working together to create both the predefined impact criteria and the impact reporting needed for full transparency in the process.

In addition to quantitative reporting, the investors and the WEOF team actively discussed the qualitative aspects of each investment, such as actions taken, or to be taken, by the banks to catalyze lending to women-owned small businesses. In addition, annual site visits were arranged for the investors to meet with one of the investee banks and, when possible, women entrepreneurs that the bank has provided financing to. By interacting with these women entrepreneurs, the investors were able to hear their stories and financing needs firsthand and witness the impact of their financing.

**Authors** | Selena Baxa, Chongsi Bi, Mona Tarpley





Having worked in a printing business in Japan, the founder of this printing factory decided to use her experience to build her own printing business in Vietnam. As a result of the loan she received from ABBank, this businesswoman was able to scale her factory to accommodate a steady inflow of contracts as manufacturing shifts from China to Vietnam. Credit: IFC AMC.

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*“This was one of the first funds to have implemented what is now Principle 1 back in 2016, and IFC AMC has taken it one step further by having an interactive and collaborative partnership with its investors, from setting the impact criteria to the development of the impact reporting. Although the fund fills just a fraction of the total credit gap, it has broader demonstration effects by showing that women-owned SMEs are an attractive market for commercial banks.”*

—RUTH HOROWITZ, DIRECTOR, IFC  
ASSET MANAGEMENT COMPANY

## CASE STUDY 4: LEAPFROG

### Signatory



LeapFrog is a growth private equity investor in Africa and Asia focused on financial services and healthcare businesses that address the opportunity to serve four billion emerging consumers. Founded in 2007, LeapFrog’s companies now reach over 200 million people, 162 million of whom live on less than \$10 a day.<sup>47</sup> In total, global institutional investors have committed over \$1.5 billion to the group’s funds, enabling LeapFrog to invest in 27 high-growth business that reach low-income consumers across 35 countries with essential services and support over 128 thousand jobs.<sup>48</sup>

LeapFrog’s investment approach, Profit with Purpose, pursues synergies between financial returns and social impact, where each enhances the other. Profit meets purpose at the customer, where each low-income person has the ability to buy a quality product or service that protects their household against risks and empowers them to be their own agents of change.<sup>49</sup>

Thanks to LeapFrog’s companies, many millions of low-income consumers and their households have accessed high-quality tools for mitigating risks and enhancing their financial and physical health, as well as taking entrepreneurial leaps out of poverty. Over four billion low-income people are able to pay for these critical financial and health tools but have been either excluded or underserved because of income or factors related to a health condition, caste, religion, ethnicity, or gender. Prior to the term impact investing being coined, LeapFrog therefore set out to address this historic challenge and opportunity, at scale.

LeapFrog’s focus on delivering impact through investments in financial services and healthcare is based on two factors. First, financial inclusion and access to quality healthcare remain two of the world’s most pressing development challenges. At the time of LeapFrog’s inception, the UN Millennium Development Goals represented the global financial inclusion challenge and effectively anchored LeapFrog’s Financial Inclusion Fund I and Fund II. Today they are encapsulated in Sustainable Development Goals #1 No Poverty and #3 Good Health and Well-Being.

### Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

LeapFrog’s funds are designed to address these.

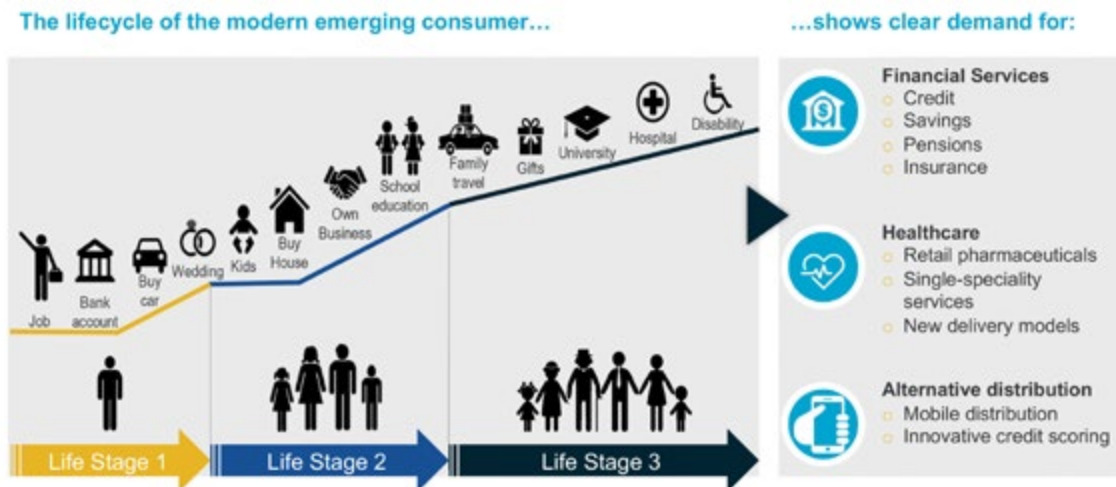
Second, LeapFrog drives intense hands-on operational engagement at company board and management levels. The focus on just two sectors has enabled LeapFrog to build its expertise and depth in responding to the unique needs of investee companies and their consumer bases. This has enabled LeapFrog companies to grow, on average, at over 30 percent per year while also improving the quality and sustainability of earnings. Such value creation reflects expert solutions ranging from designing new products, advising on pricing, building out systems infrastructure, and rapidly scaling new digital-based distribution.

The Profit with Purpose ethos is embedded in each LeapFrog fund through dual targets: top-quartile emerging market private equity financial returns (“profit”) and reaching millions of emerging consumers with critical tools and services (“purpose”). “Purpose” integrates environmental, social, and governance (ESG) risks in addition to positive impact. For the first two LeapFrog funds, Financial Inclusion Fund I and Fund II, at inception, the purpose goal was set of reaching 25 million and 50 million emerging consumers, respectively. Both goals have now been exceeded. For the most recent LeapFrog fund, Emerging Consumer Fund III, the purpose goal is reaching 70 million emerging consumers with quality healthcare and financial inclusion tools.

LeapFrog was one of the first fund managers to declare, quantify, and track its impact goals alongside financial goals, and it has been an innovator in integrated reporting of the two. Setting purpose goals as a practice was undertaken to respond to the lack of actionable insights and benchmarking of impact performance, as is expected for financial performance. By declaring an impact goal, LeapFrog has had to ensure it continues to invest in measuring impact well and keeping the fund’s performance accountable to all relevant stakeholders.

Most recently, the impact track record achieved across previous funds was utilized as the basis for deriving and expanding the expected impact of the newest LeapFrog

**FIGURE 3.4.1** The Emerging Consumer Opportunity



Source: LeapFrog.

fund. A measurable track record made it possible to undertake a bottom-up performance analysis through comparison of actual quantifiable results achieved versus those expected, the suitability of specific business models in achieving Profit with Purpose results, and risk factors that could hinder performance. The internal learnings were combined with knowledge codified in external academic sources and market studies undertaken by field leaders such as CGAP, The Lancet Commission, and The Global Index.

The dual targets act as the foundation for portfolio construction. Each investment opportunity is assessed against its potential contribution to the dual return and impact focus of the given fund. The contribution to both goals is based on the current and expected performance of the company over the holding period. The goals continue to be refined based on the diligence findings, most importantly the commercial, impact, and consumer centricity diligence results, as well as the latest best practices (e.g., industry-specific client protection principles) that materially influence the return and impact expectation. Finally, the goals of each investment are stated in line with the declared fund goals, representing the financial returns target and the impact target (reaching a defined number of emerging consumers), which are used as the core decision making factor by the investment committee.

**Author** | Roshni Bandesha

*“The business case for impacting investing was envisioned at LeapFrog’s founding thirteen years ago, and today global investors are waking up to this opportunity. We set out to reach 25 million emerging consumers by 2020 and have exceeded our wildest expectation by reaching 200 million people, often with life-changing health and financial well-being products through our portfolio companies. We have seen first-hand how Profit with Purpose inspires an innovative mindset that enables leaps of growth, profitability, and impact. The journey of impact investing is in its early days, however, and billions are yet to be served, while entire markets are yet to be reshaped.”*

—DR ANDREW KUPER, FOUNDER AND CEO, LEAPFROG INVESTMENTS

<sup>47</sup> Purchasing Power Parity (PPP) exchange rate.

<sup>48</sup> FIIRM results, September 2019.

<sup>49</sup> The goal of enabling choices, or capabilities, is based on the pioneering work of Nobel Prize-winning economist, Amartya Sen, and his Capability Approach for human development. See Sen 1999.

## CASE STUDY 5: PROPARCO

### Signatory



Proparco is the private sector financing arm of Agence Française de Développement (AFD) Group. It finances and supports projects led by private companies, investment funds, and financial institutions in developing and emerging countries.

For its 40<sup>th</sup> anniversary, Proparco defined and adopted a new strategy and objectives for the period 2017–2020 to guide its growth and build on its strengths.

The core objective of this action plan was to double annual commitments in order to triple impacts on sustainable development. Four targeted impacts were clearly defined in relation to the key Sustainable Development Goals (SDGs): creating jobs, improving access to essential goods and services, tackling climate change, and supporting innovation. Through this strategy, Proparco committed to supporting an effective, responsible, and sustainable private sector.

To reach these targets, specific investment objectives were identified for the investment teams in order to attain our impact goals. These are:

- Increase investments in Africa as well as in least-developed and post-crisis countries where development returns are higher (frontier countries);
- Finance climate-action projects that contribute to low-carbon transitions while developing access to essential services such as green electricity and water;
- Help businesses implement good environmental and social (E&S) practices so they can maximize impact through E&S risk mitigation and good governance;
- Support innovative projects that can offer new solutions to alleviate poverty;
- Develop equity projects where we can deploy more resources to transform actors;
- Mobilize public third-party resources to scale impacts.

### Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

This strategy has been combined with organizational changes in response to the rapid growth in activity, and, more important, to the evolving needs of our clients. It has proved successful so far, as Proparco was able to achieve its financial targets in 2017 and 2018 while redirecting its commitments toward more impactful projects:<sup>50</sup>

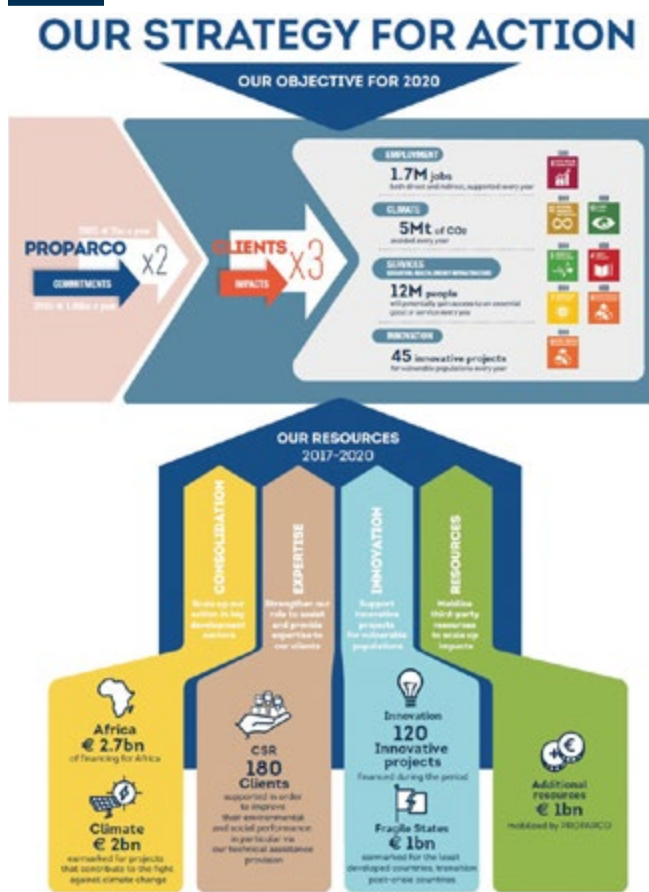
- €1.2 billion to climate projects
- €1.3 billion on the African continent
- €0.55 billion in “frontier” states
- €0.7 billion in equity and quasi-equity
- €0.5 billion of mobilized public third-party resources

A key lesson from this strategy is that being impact-driven does not prevent us from growing our portfolio. On the contrary, it has created new opportunities, in particular toward start-ups and micro, small, and medium enterprises (through Choose Africa), and has increased Proparco’s visibility.

After 2.5 years of implementation and learnings, we have decided to update our strategy to take into consideration a paradigm shift for Proparco regarding our capacities and instruments. Indeed, in 2018, restructuring within the AFD Group led to the transfer of all private sector activity to Proparco, giving it access to a wide range of blending instruments. For this purpose, we have collected feedback from stakeholders, clients, partners, and our teams both locally and in Paris. The key element today is to ensure that the organization continues to provide the responsiveness and level of service expected by its clients, and stays relevant in order to build more sustainable and inclusive societies.



FIGURE 3.5.1 Our Strategy for Action



Source: Proparco.

Proparco’s 2020–2022 strategy will focus on:

- Measuring our impact both on direct and indirect jobs and access to goods and services, as well as on the long-term transformation of sectors, economies, and actors to better support sustainable development objectives;
- Developing specific support to actors of the future economy (transformation and emergence);
- Increasing our ambition in fragile states for climate, financial inclusion, and gender;
- Developing new high-leverage/mobilization effect instruments and activities.

**Authors** | Pierre Forestier, Lorraine Talon

*“I am convinced that the industry really needs content Principles. As for Proparco, we think that designing an impact-driven strategy is the cornerstone for any serious impact creation approach. The OPIM are a first step for impact investing, which will have to be complemented progressively with ‘substance standards’ for Impact Management.”*

—GREGORY CLEMENTE, CEO, PROPARCO

### The Choose Africa Initiative

In Africa, small businesses and start-ups will play an essential role in integrating the 450 million young people expected to enter the job market by 2050. The Choose Africa initiative will harness 2.5 billion euros from all of the resources of Proparco and AFD to provide unprecedented support for African small businesses, through:

- Financing to meet the specific needs of businesses, adapted to their stage of development.
- Technical and strategic support to accompany local financial partners and MSME beneficiaries in their strategies, operations, and environmental, social, and governance practices.
- Promotion of local entrepreneurial ecosystems that are favorable to entrepreneurship and innovation in order to stimulate local economic development and MSME competitiveness.

<sup>50</sup> Cumulative commitments for 2017 and 2018.

## CASE STUDY 6: SARONA ASSET MANAGEMENT

### Signatory



Sarona Asset Management traces its roots to 1953 when Mennonite Economic Development Associates (MEDA) was created. Today, MEDA is a Canada-based not-for-profit organization whose mission is to create business solutions to poverty. However, in 1953 MEDA was a for-profit corporation making social investments supporting Mennonite refugees fleeing economic and political hardship in the aftermath of the Second World War.

MEDA's first act as a corporation was to lend to a Mennonite community resettled in the Chaco, a dense, jungle-like area of rural Paraguay. There, the local community sought funding and know-how to establish a dairy farm that could employ local aboriginals as well as local Mennonites and first processed milk, then yoghurt and cheese, and eventually expanded into a tannery to create leather for goods such as shoes. A study commissioned by MEDA Paraguay in the 1990s demonstrated that over 70 percent of the Paraguay's dairy sector could be traced to people who worked and were trained in this dairy company. The name of the company was Sarona Dairies, which is the origin of our name.

Sarona Asset Management, founded in 2010, today seeks to achieve three things: to act as a bridge for private investors seeking commercial returns in impact investments; to invest in private debt and private equity that benefit growing businesses in markets in Asia, Latin America, Emerging Europe, and Africa; and to do these through a values lens, supporting local partners that invest with impact.

Sarona does these through a theory of change that seeks to help our local investment partners improve their impact and ESG policies. We also use processes that enable them to improve the positive effects of capital and allow us to better understand how these growing companies affect local economies. To measure whether we are successful, we apply six impact objectives to our monitoring activities. First, we measure job growth and who benefits from it. Second, we measure job quality. Third, we seek to identify ways to empower women

### Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

within these companies. Fourth, we look for improved governance within the company's management. Fifth, we measure whether the environmental footprint drops as these companies scale. Sixth, we seek to understand community benefits such as product and service depth and breadth, the number of consumers being affected by the companies' operations, the companies' supplier bases, and the taxes the companies pay to local governments. We measure all of these using IRIS-compliant metrics as well as case studies and stories on the companies and the local investment partners, and how they contribute to these six impact objectives, as well as to the Sustainable Development Goals.

Our reporting is open, public, and transparent. We also subject ourselves to third-party validation of our business model through the transparency report of the United Nations-supported Principles for Responsible Investment and the B Lab assessments, and we recently became a Signatory to the Operating Principles for Impact Management. It is important for us to maintain a dialogue with our stakeholders, understanding that we do not have a perfect system or solution, but that we strive to improve incrementally each year as we learn and adapt to ever-changing market dynamics. Our investors, both public and private, appreciate our approach and wish to support our impact through different means. Our public partners have at times provided bespoke technical assistance that enables greater impact at the company and fund manager level. They have also improved the risk/return profile of these investments through blended finance, helping private investors become involved in emerging markets.

If there is one thing the original MEDA investment in the Sarona Dairies has taught us, it is the importance of planting a patient seed of economic development and letting it grow over time, perhaps to influence an entire industry. Our dream is that Sarona can do the same in impact investing.

**Author** | Serge LeVert-Chiasson



Sarona Dairies in Paraguay in the 1950s following MEDA's investment.



Original Sarona farm gate taken from the site of the Sarona Dairies in Paraguay.

*“Generating positive impact is at the core of who we are. And measuring outputs and impacts has become extremely important. But that isn’t even the half of it. If we as business leaders are to deliver prosperity for all, our work must go both deeper and wider. We must rapidly advance our own understanding of the crises facing the earth and society; we must change industry thinking; and we must create healthy new economies through deep and trusting public-private collaboration. Achieving the SDGs and beyond will only be possible if we as business leaders take risks to lead.”*

—GERHARD PRIES, FOUNDER, CEO,  
AND MANAGING PARTNER, SARONA

## CASE STUDY 7: RESPONSABILITY INVESTMENTS

### Signatory



When responsAbility Investments was founded in 2003, impact investing was not yet broadly embraced by mainstream investors. More than a decade before the world started talking about the Sustainable Development Goals and Impact Principles, we set out to shape our entire investment strategy around a single objective: using for-profit investments in emerging economies to deliver measurable impact. Sixteen years later, our investment products have successfully delivered on our promise by disbursing assets worth a total of \$10 billion since 2003, into non-listed companies in over 90 emerging economies. Our distinct investment approach has enabled us to manage strategic impact on a portfolio basis.

When defining our investment strategy, we adopted a three-step approach to ensure impact. Our first decision concerned the markets where we would be active. We chose to focus on emerging economies both for their potential to achieve impact and to address the clear financing gap. Our next step was selecting the sectors and themes that would deliver the biggest contributions with regard to what are now the SDGs and those that presented attractive investment opportunities. We chose financial inclusion, climate finance, and sustainable agriculture. Finally, we defined the type of businesses that we wanted to target: successful companies clearly adhering to Environment, Social, and Governance (ESG) requirements, and those with a business model that can provide the products and services needed to address development gaps.

With this investment approach we ensure that every dollar we channel to emerging economies delivers on our impact objective, be it through microfinance investments in El Salvador, energy efficiency financing in Bangladesh, or funding for agricultural processors

### Principle 2

Manage strategic impact on a portfolio basis.

in Kenya. Our rigorous and disciplined reporting process covers not only financial aspects, but equally considers impact indicators specific to each product and sector. We use these indicators as part of our monthly reporting to investors on our private debt funds. Once a year, we aggregate the impact reporting for our entire portfolio and present it in an impact report. By broadly sharing our approach within the industry, we actively contribute to the discussion around impact measurement and enable investors to make more informed decisions as to the allocation of their impact portfolio.

While this careful selection of assets according to their impact potential ensures that our entire portfolio is 100 percent impact focused, for some of our products we go a step further and base each financing decision on how it meets a set of impact indicators. One of the responsAbility-managed climate funds is an example of this approach: it targets companies and projects that will either generate renewable energy or improve energy efficiency by at least 20 percent. By using proprietary monitoring software developed by responsAbility to track each sub-loan made by our partner institutions, our energy specialists are able to ensure that the fund achieves targets for volumes disbursed by partner banks, and reductions in carbon emissions. These targets are central to the fund's fee structure, with incentives in place for the fund manager to reach appropriate levels. Since 2015, the fund has financed 85,000 sub-loans that have removed 13 million tons of lifetime carbon dioxide emissions in projects ranging from bakeries in Ecuador to tuk-tuks in Cambodia.

**Author** | Paul Hailey





In this climate finance project, a Mongolian bank used targeted loans to drive the adoption of renewable energy. With 2,500 hours of sunshine a year, the harnessing of solar power has triggered a veritable development boom, with renewable energy becoming affordable for those with even modest incomes.

*“The careful selection of assets according to their impact potential ensures that our entire portfolio is 100 percent impact focused.”*

—PAUL HAILEY, HEAD OF IMPACT, RESPONSABILITY INVESTMENTS

## CASE STUDY 8: TRIPLE JUMP

### Signatory



Investing for impact has been Triple Jump’s focus since its start in 2006. As an impact-driven asset manager, we believe that investing in entrepreneurship has the potential to overcome global challenges such as poverty, inequality, and climate change. We therefore select investments where capital empowers people and improves lives.

Our impact management framework has evolved over the years from a top-down approach in selecting sectors that generate impact, to actively managing impact at the portfolio level and selecting individual investments based on their expected contribution to the overall impact of our portfolio.

Applying a portfolio approach is a key pillar of an active impact management strategy. The funds and mandates we manage aim to deliver double or triple bottom line returns, and within their impact theses, we target several impact objectives. Combining diverse impact and financial objectives often entails trade-offs that must be looked at from a portfolio-level perspective in order to guide a portfolio construction and investment selection process that optimizes the impact, risk, and return profile of the fund.

Our approach to managing impact at the portfolio level includes the following steps:

- 1. Setting benchmarks per segment:** Once the impact thesis and key impact indicators of the fund have been set, the investment universe is segmented into what we call “blocks,” which are categories of investments with similar characteristics in terms of impact, risk, and return. For each block, we estimate the expected performance of a typical investment for all of the fund’s impact indicators. These then become our impact benchmarks per block. Setting realistic impact targets per block is based on existing data and on a large number of examples of investments that fit each category within the block.

### Principle 2

Manage strategic impact on a portfolio basis.

- 2. Projecting portfolio impact using benchmarks:**

A model portfolio based on the abovementioned block benchmarks is constructed in such a way that the allocation between blocks optimizes the expected performance against the various impact and financial objectives that should be reached at the end of the fund. This projection model allows us to calculate the overall expected impact and how each block contributes to it. This serves to steer portfolio construction and investment selection.

- 3. Using benchmarks during investment selection:**

At the investment selection stage, each potential investment’s expected impact is assessed against the benchmark of the corresponding block and is also viewed with respect to the fund’s impact to date.

- 4. Projecting portfolio impact using investee-level impact projections:**

If selected, the expected impact of the new investment is added to the portfolio to generate an expected impact of the entire portfolio to date. This figure is then compared to the projection model to assess our progress against expectations. Doing so allows us to identify expected over- and underperformance against the fund’s impact indicators, and to inform priorities for portfolio construction and investment selection.

- 5. Incorporating actual impact results:**

The actual (ex-post) impact results of each investment are collected on a regular basis and entered into the projection model. As ex-post impact results replace ex-ante projections, earlier assumptions on blocks and benchmarks are revised for greater accuracy.



Through the Dutch Good Growth Fund, Triple Jump supports the development of local early stage finance initiatives for SMEs, such as here with an incubator in Morocco.

This portfolio approach to impact management allows us to have a continuous view of where the portfolio is heading in terms of impact, based on the best available estimation of the impact of individual investments at that time. With this information we are able to optimize the portfolio on an ongoing basis and make strategic decisions in terms of portfolio allocation and investment selection. This approach requires a rigorous impact framework with a consistent way to assess investments ex-ante against different impact objectives.

**Author** | Christophe Bochatay

*“By applying a portfolio approach to managing impact, Triple Jump is able to steer its portfolio toward an optimal combination of impact and financial results for its clients.”*

—STEVEN EVERS, CEO

## CASE STUDY 9: ACTIS

### Signatory



In the 70 years Actis has been investing in high-growth markets, we have never seen a compromise between responsible investing and delivering competitive returns. We understand the positive social and environmental impacts that can be achieved in our markets through private investment, which is why Actis became a founding Signatory to the Operating Principles for Impact Management in April 2019. Prior to signing, we developed an impact measurement framework called the Actis Impact Score (AIS), which enables us to compare the impact of different investments and assess Actis’s contribution to the achievement of impact.

To assess our contribution, we consider what would have happened in the absence of our investment. We look at the circumstances that led to a positive outcome and whether or not this outcome was the result of specific decision-making and stewardship by Actis and the management team. As an active investment manager, typically with a controlling equity position, Actis does not distinguish between initiatives advocated by Actis and those initiated by the company management team. We work with management teams that are closely aligned with our values and share our intention to generate positive impact.

We measure our contribution on a scale ranging from Low to Moderate to High. Each impact is considered on a case-by-case basis, recognizing that contribution levels to any particular impact can differ. For example, if an impact was already occurring at the time of our investment, continues to occur throughout the management period without significant change, and our contribution to the business is predominantly a financial one, then our contribution is scored as Low. In contrast, if positive impacts have significantly increased as a result of our active ownership style, strategic decision-making, goal setting, and execution,

### Principle 3

Establish the Manager’s contribution to the achievement of impact.

and via targeted interventions that increase impact, then our contribution would be classified as High. Such investments might include a successful expansion into underserved markets, the launch or innovation of new products or services, the forging of new partnerships that catalyze significant scaling, or surpassing existing industry practices to impose international best practices and set a new bar for the industry.

Below we present specific examples to demonstrate how Actis interprets its contribution to the achievement of impact:

#### 1. Low Contribution—

##### Affordable Housing in India

The project will create 650 local construction jobs at peak, as well as 60 skilled/highly-skilled permanent positions, in a country with high youth unemployment. However, it is reasonable to assume that a competitor would have created similar local employment opportunities.

#### 2. Moderate Contribution—

##### Tertiary Education in Brazil

Before Actis invested in an established tertiary education institution in Brazil, it was serving only students from middle- and high-income groups. Actis recognized an opportunity to improve access and affordability, by providing quality education to lower-income students through distance learning, which increased enrolment by 350 percent during our ownership. This strategy also increased female enrollment in the student body by 390 percent.

#### 3. High Contribution—

##### Credit Bureaus in Africa

A lack of access to credit is a major obstacle to economic growth in Sub-Saharan Africa: only 8 percent of adults are covered by credit bureaus, compared with 63 percent in OECD countries.





Actis investments in affordable housing. (Photo for representation only.)

Actis’s investment established the first credit bureaus in three African countries and increased the variety of financial products offered by the company threefold. This resulted in an additional 25 million credit reports per year and the development of a new biometric identification system that was subsequently adopted by the Ugandan government as its national ID system.

**Authors** | Shami Nissan, James Magor

*“The Actis Impact Score takes an evidence-based approach to ensure that we are focused on making a meaningful contribution to positive social and environmental impact through our investments across multiple asset classes in high-growth markets.”*

—TORBJORN CAESAR, ACTIS SENIOR PARTNER

## CASE STUDY 10: CREDIT SUISSE

### Signatory



In 2017, Credit Suisse (CS) committed to increasing impact investing by establishing its Impact Advisory and Finance (IAF) Department, which reports directly to Thomas Gottstein, CEO of Credit Suisse. The IAF Department is responsible for setting CS's impact investing strategy, as well as directing, coordinating, and facilitating activities across the company that lead to sustainable and impact investing. The department serves the growing demand for impact investing solutions, particularly from CS's private wealth clients.

Credit Suisse Asset Management's (CSAM) Real Estate Fund, Green Property, is one of the sustainable investing solutions we offer to our clients, and we believe it generates impact. According to the International Energy Agency, real estate is responsible for 33 percent of all carbon dioxide emissions, 40 percent of energy consumption, and 50 percent of all natural resource consumption.<sup>51</sup> With Swiss francs (CHF) 2.6 billion assets under management, Green Property is the first real estate fund dedicated to investing in newly built properties and project developments in Switzerland that achieve energy efficiency and de-carbonization, while targeting stable returns from rental income. In 2018, the fund achieved energy consumption of 92 kWh/m<sup>2</sup>, against the national average of some 125 kWh—a decline of 7 percent since 2012. Similarly, carbon dioxide emissions fell to 13.6 kg CO<sub>2</sub>/m<sup>2</sup>, which is 60 percent below the national average of 33 kg CO<sub>2</sub>/m<sup>2</sup> and a decline of 9 percent since 2012.

In implementing Principle 3 on the Manager's contribution to the achievement of impact, we highlight the three following aspects:

**Direct funding:** There is a clear link between the capital raised for Green Property and the actual funding of underlying green assets. The funding of greenfield real estate projects would not have materialized, or been developed as fast, had the Green Property financing not been accessible. We believe that CSAM's participation in this industry—and

### Principle 3

Establish the Manager's contribution to the achievement of impact.

its commitment to the highest standards of green building—is driving capital into the greenest solutions and encouraging others to do the same. CSAM has been a pioneer in setting up the first green real estate fund and creating scalable investor demand for this new green investment product. As such, the CHF multi-billion fund has not only directly contributed to the environmental impact of the properties financed, but has also created a precedent of a successful green real estate investment strategy, which has high potential for replication.

**Field building:** In addition to the direct financing of green buildings, CSAM is contributing to the green property industry through its proactive improvement of building standards for green real estate. In 2009, CSAM developed its own 'green property' seal to address sustainability factors across five dimensions, with 50 criteria. At the time of our launch, no other comprehensive standard was available, and this has supported the development of best practices for sustainable real estate. We believe that our setting of concrete standards will enable others to follow our lead and achieve additional impact.

**Active ownership:** During both building construction and refurbishment processes, CSAM ensures the responsible consumption of resources; efficient and optimized water consumption; conservation of environmentally-sensitive areas; the development of sustainable ecosystems; carbon dioxide emission reductions; and improvements in energy efficiency. CSAM also collaborates with Siemens on an environmental management system to measure and report the environmental performance at the asset level. The optimization measures we have implemented for CSAM's properties cover energy and heating systems, and we have set and defined performance objectives for both energy efficiency and carbon reduction strategies.

**Authors** | James Gifford, Aurélie Gupta



Credit Suisse Real Estate Fund Green Property: Institutionalizing investments in green real estate.

*“A robust and coherent framework is essential in order for CS to transparently demonstrate real impact. A measurable contribution by the investor is a key pillar underpinning our impact investing framework, which champions direct funding of impactful enterprises, alongside robust, active ownership during the investment period, to demonstrate the additionality of capital.”*

MARISA DREW, CEO, IAF, CREDIT SUISSE

<sup>51</sup> Sources: International Energy Agency (2017), Credit Suisse Asset Management (Switzerland) Ltd.

## CASE STUDY 11: DPI

### Signatory



Development Partners International, or DPI, is a leading private equity firm focused on investing in companies poised to benefit from the growth of Africa’s rapidly expanding middle classes. DPI was founded on the belief that sustainability delivers impact, and therefore it seeks to generate strong financial returns for investors by creating competitive companies, while also focusing on the benefits these companies deliver for societies and the environment. By doing so DPI can also deliver positive results to the employees and customers of our companies, as well as their communities.

DPI seeks to outperform other PE firms both on returns and on ESG and impact. The firm’s DNA combines the two, and every DPI professional is devoted to both. While DPI has a dedicated ESG/Impact team in addition to its investment and portfolio management teams, every professional at DPI undergoes annual training in ESG and impact investing. And performance against ESG and impact objectives are evaluated annually, which inform the Investment and Portfolio Management team remuneration packages. DPI’s ESG/Impact team serves on the general partner’s Portfolio Management team, so operating changes and impact work are combined within every investee company, and each new investment has impact objectives and measurement plans identified during the due diligence phase that are included in the shareholders agreement. In this way, impact is fully integrated into the investment, portfolio management/ value add, and exit processes.

We have found that the impact initiatives included in our approach as an active and engaged investor contribute to better and stronger businesses. Yet it is a constant challenge to document the impact of our investments. This is not because the outcomes are not clear and measurable, but because of the difficulty in accurately communicating the increasingly complicated links between our initiatives and their contribution to increased impact. We are working to address this by

### Principle 3

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focusing on an integrated approach to each investment by 1) intentionally stating our impact objectives at the beginning of each investment and 2) engaging each team on their respective initiatives. DPI’s new integrated ESG and Impact Management System was created with both impact and ESG in mind and is therefore more robust and granular in trying to address Key Performance Indicators (KPIs) upfront, outlining work, the timing of this work, and measuring results at exit. All of these are determined during due diligence, approved by the Investment Committee, discussed in our portfolio meetings, worked at the investee company level, and reported to both our team and our LPs.

As an example, one of our investments is a microfinance business that we helped to achieve higher operational standards by improving social and environmental performance, business integrity systems, customer care, and the approach to client protection. In the African regions in which DPI operates, this requires direct and regular engagement, active board membership, and frequent on-site visits. The result of active engagement by DPI led to improved terms of capital and direct access to capital to better deliver impact. The access to capital, such as favorable debt from international sources, would not have previously been available for this company, as it did not have the institutionalized systems to provide international financial institutions comfort. The company’s new status was then used to leverage the improved cost of capital, thereby allowing it to offer more financial products to women entrepreneurs, in many cases for the first time.

Portfolio monitoring has proven essential to DPI in managing investments for both ESG and impact performance. On a number of occasions, opportunities to further contribute to impact have been identified during such monitoring visits. DPI currently carries out formal monitoring visits to each portfolio company to assess ESG and Impact. This monitoring is further





A customer of MNT, one of DPI's Egyptian portfolio companies.

supplemented with quarterly and annual data gathering on key agreed metrics, not only on impact, but on broader ESG performance. However, DPI's portfolio management team and the investment team carry out significantly more visits; and having clearly stated impact objectives allows every member of the team to identify opportunities to further our contribution.

In conclusion, DPI has worked for many years to combine impact with commercial returns. Our challenge now is to better demonstrate the idea that impact and commercial returns are not mutually exclusive, and that both have been achieved simultaneously in the past and can be again.

**Authors** | Runa Alam, Michael Hall

*“From the beginning, we’ve worked in the knowledge that we can contribute more than just invested equity. In being an active and engaged investor, we’ve made a bigger, measurable difference to our portfolio companies and the communities they operate in. It is also our belief that these contributions will have impact well beyond the life of our involvement.”*

—MICHAEL HALL, SUSTAINABILITY  
MANAGER, DPI

## CASE STUDY 12: PARTNERS GROUP

### Signatory



Partners Group is implementing Principle 3 through active private equity ownership.

In 2018, Partners Group, a global private markets investment manager, launched an impact-at-scale investment strategy focused on companies and infrastructure assets with business models that can advance the Sustainable Development Goals. A central tenet of this investment thesis is that active ownership is the primary lever to improve an asset’s financial performance while also increasing its impact. By acquiring a controlling interest in companies on behalf of its clients, Partners Group implements significant value creation and environmental, social, and corporate governance (ESG) initiatives that drive financial and social returns and minimize negative impacts. The firm has created a simple yet robust framework for measuring the impact of these initiatives.

Identifying Partners Group’s contribution to impact begins in the due diligence process for all investments within the strategy, with the first step being the proprietary impact assessment. During this assessment, Partners Group engages an independent provider to build an evidence-based model linking a potential investment’s core business activities to measurable outputs, outcomes, and impacts that contribute to a specific SDG target.

In line with Principle 3, the assessment also estimates the degree to which Partners Group, as manager, would materially contribute to the asset’s SDG impact, and outlines specific metrics to measure the firm’s impact contribution during ownership. The final output of the assessment is a clear framework for Partners Group’s impact narrative, which is documented over the life of the investment.

**Techem:** In 2018, Partners Group invested on behalf of its clients in Techem, a German energy infrastructure and energy services company and market leader in “sub-metering” services. Sub-metering is a cost-efficient way to reduce individual heat and water consumption by providing residential energy consumers with technology

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and services that offer consumption data on a regular basis and incentivize more efficient resource use through lower costs. Today, Techem’s services lead to a total CO<sub>2</sub> avoidance of more than seven million tons per year.

The impact assessment for Techem established that installing and maintaining sub-metering devices in apartment buildings enables better monitoring of energy use and temperature regulation, helping to improve energy efficiency and advance SDG target 7.3 to: “by 2030, double the global rate of improvement in energy efficiency.” The assessment also outlined that, as Techem’s lead investor, Partners Group would hold majority governance rights and could use its expertise to enhance the company’s impact through strategic and operational improvements.

Partners Group’s impact contribution includes:

1. **Business building:** Partners Group identifies assets whose core business generates positive impact, and then scales that business by leveraging the firm’s internal team of industry and ESG experts and business-building toolkits. Partners Group is scaling Techem’s business by proliferating sub-metering services and accelerating energy efficiency improvements across the company’s customers.
2. **Impact value creation:** Partners Group also identifies discrete ways in which it can increase an investment’s positive impact while also improving operational and/or financial metrics. At Techem, one strategy is to improve digital communication tools so that inhabitants can more easily monitor their heat and hot water consumption and also compare it to their peers. This uses consumer behavior to further reduce consumption while also attracting new customers interested in more tech-enabled solutions. In addition, Techem is exploring technology innovations to optimize heating systems and save fuel. Providing such systems to customer properties could further reduce resource consumption and increase energy savings.



In 2018, Partners Group invested on behalf of its clients in Techem, a German energy infrastructure and energy services company and market leader in "sub-metering" services.

- 3. Working with management teams:** Driving impact at portfolio assets requires buy-in from the management teams, and Partners Group's active ownership model is highly beneficial to implementing these initiatives. Many management teams are also often eager to drive the conversation forward. For example, Techem's management team supports quantifying the company's impact on energy consumption, as it has positive effects on government relationships, consumer marketing, employee satisfaction, and the overall business strategy, as the company seeks to reposition itself from a "metering" firm to an "energy efficiency" firm with a vision to "make buildings green and smart."
- 4. Ensuring accountability:** Partners Group establishes impact Key Performance Indicators (KPIs) for all of its impact investments, which are then tracked and reported annually. Techem improved the way it measures the reduction in energy consumption achieved by its clients. To monitor its impact contribution, Partners Group has also built impact governance into the firm's broader asset management process. This means that investment teams report on impact performance alongside financial performance to the Operational Value Creation committee, which oversees all assets across Partners Group's portfolio.

*"Driving impact at portfolio assets requires buy-in from the management teams, and Partners Group's active ownership model is highly beneficial to implementing these initiatives."*

—CARMELA MONDINO, SENIOR OPERATING ASSOCIATE, ESG & SUSTAINABILITY, PARTNERS GROUP

**Author** | Carmela Mondino

## CASE STUDY 13: STOA

### Signatory



At STOA, we believe that impact investing is critical to achieving universal access to affordable, reliable, and sustainable modern energy for all. Our firm, which is dedicated to meeting the need for essential infrastructure in emerging markets, is building and operating wind power plants in the Tamil Nadu and Gujarat regions of India. To reach our goal, we have partnered with French electric utility company Engie in a joint venture to install wind power capacity of around 700 MW. This is expected to support India’s economic growth, provide employment opportunities, and contribute to the South Asian nation’s transition to clean energy.

STOA’s financing contribution is through two kinds of instruments: a commitment to invest construction equity in the projects developed by the platform, and participation in the various guarantees required by local off-takers, transmission companies, construction companies, and banks. STOA’s financial support has helped the platform build a current project portfolio whose total project costs exceed 400 million euros.

Once the target of 700 MW has been reached, the STOA-Engie partnership will have installed over 300 wind turbines in the states with India’s most prolific wind resources and a combined population of 120 million people. The project’s technical teams will have to demonstrate their ability to achieve optimal commissioning in time for the windy season, while also dealing with constraining weather conditions, including the heavy rains typical in the project area.

STOA engaged with Engie early in the process to carry out Environmental and Social Impact Assessments for each wind power plant, following IFC performance standards. The company also implemented an Environmental and Social Management Framework Manual (ESMF) for managing the E&S risks across the project life cycle (through the screening, mobilization, construction, and operations stage) for the projects acquired or developed

### Principle 3

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under the platform. The company hired an Environmental Health & Safety (EHS) manager to manage the EHS risks of the project, and the Environmental and Social head of STOA monitors the progress through an Environmental and Social Action Plan.

As an example, bird deflectors have been installed to enhance bird protection on all the associated project transmission lines, and they are the only such deflectors in the Tamil Nadu region where many other wind operators are also located.



*Bird deflector installed on all transmission lines.*



*STOA E&S Head site visit.*

STOA and Engie expect the project to create 15,340 jobs (the sum of direct, indirect, induced, and second-order jobs sustained in the economy). Over the life of the project, STOA will monitor results by measuring direct and indirect job creation, based on the project’s added value.

Given the country’s carbon-intensive electricity mix, the project is expected to achieve emissions reduction of around one million tons of carbon dioxide equivalent per year. STOA has calculated this figure based on existing power generation, and we will measure the actual amount as part of our annual reporting. Altogether, the project’s wind turbines are expected to produce an amount of electricity equivalent to the consumption of two to three million Indians, and to reduce power outages as well.

**Authors** | Virginie Vitiello, Matthew Saville, Romain Vélon, Benoît Blanc





Project Calabria—a 480 MW wind power platform in India.

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*“Our challenge is how to integrate a social dimension into energy transition, where the infrastructure sector in which we operate will have to fully play its role. We are convinced that impact investments have the potential to make a significant contribution; and to achieve positive and measurable social and environmental effects, we have defined strategic impact objectives. Our ambition is to achieve measurable, positive impact, and to progress in achieving the Sustainable Development Goals.”*

—CHARLES-HENRI MALÉCOT, CHIEF EXECUTIVE OFFICER, STOA INFRA AND ENERGY

# CASE STUDY 14: CALVERT IMPACT CAPITAL

## Signatory



## Principle 4

Assess the expected impact of each investment, based on a systematic approach.

Calvert Impact Capital is a U.S.-based nonprofit impact investor that connects capital and communities, bridging the gap between investors in capital markets and mission-driven organizations working to create impact in communities around the world. To date, we have raised \$2 billion in investor capital, deploying debt capital to funds and financial intermediaries in over 100 countries and across nine sectors, including affordable housing, microfinance, small business, and renewable energy.

Over the past 25 years, we have seen many firms enter the market with varying levels of impact rigor. What excites us most about the Operating Principles for Impact Management is their emphasis on impact integrity and public disclosure. We believe that firms that have and disclose their impact management practices will be preferred by investors, who will have tools such as the Principles at their disposal to evaluate impact investment options.

The nine Principles encompass the entire investment lifecycle from deal sourcing to exit/repayment. A key component of a robust impact management practice is embodied in **Principle #4: Assess the expected impact of each investment, based on a systematic approach.**

This means that the impact investor has a consistent methodology for assessing the expected impact of a loan or investment at the due diligence stage, before capital is committed. This approach enforces quantitative rigor and accountability when predicting the investment’s impact, as opposed to relying on “gut checks” and narrative rationales.

Over the past two years, Calvert Impact Capital has been developing and refining an internal impact scorecard that reflects a proprietary impact rating system. As a small shop with a team of just 36 people, we thought this was a great opportunity to demonstrate that rigorous internal impact ratings are achievable for asset managers regardless of an organization’s size.

We built our impact scorecard to align with the five dimensions of impact as described by the Impact Management Project:

1. What
2. Who (and where)
3. How much (scale and depth)
4. Contribution (investor and enterprise/borrower)
5. Impact risk

**FIGURE 3.14.1** Impact Scorecard



Source: Calvert Impact Capital.



The farmers in Rwanda’s Nyamasheke District once struggled to get a decent price for the pineapples they grow. An investment in juice and biscuit producer Agasaro Organic by Grofin—a Calvert portfolio member—provided the working capital for needed equipment to increase production, providing 550 local farmers with fair pricing for their produce. Credit: Agasaro | GroFin Rwanda.

Our impact scorecard has two parts, which are aligned with these dimensions. The first section scores the projected **market impact** (the value our financing provides to the markets in which we operate) and **investor contribution** (the added value our capital provides to our borrowers) we expect through the loan. The second section scores the impact we project the borrower to have on the **community and/or planet** (the tangible positive impact on social and environmental challenges), internal **policies related to ESG** (environmental, social, and governance policies) practices, **DEI** (diversity, equity, and inclusion) practices, **gender diversity** in senior leadership and on the board, and the **anticipated impact risk** (the risk that the impact will not be achieved). Overall, the scorecard has 29 indicators across 10 categories, the scores of which are added together and normalized on a 0-5 scale for comparison.

**FIGURE 3.14.2** Borrower Performance Against Portfolio Metrics



Source: Calvert Impact Capital.

*“The widespread adoption of the Principles will introduce the clarity and consistency necessary to unleash greater investor participation and, ultimately, enable the industry to achieve the scale required to address the Sustainable Development Goals.”*

—JENN PRYCE, CEO, CALVERT IMPACT CAPITAL

Our scorecard has not only allowed us to assess the projected impact of our entire portfolio—roughly 100 loans and investments totaling \$400 million—but has also allowed us to build robust benchmarking tools for evaluating new loans. For example, when considering a new loan, we can compare the impact score of the proposed loan to a benchmark of other similar loans in our portfolio in the same sector. These analyses enable our staff and credit committee to be more diligent in considering impact before capital goes out the door.

It is important to note that we developed our impact scorecard over a period of two years, consistently testing it with our investment officers and the management team, and iterating the model based on feedback and learning. We now have a customized tool that can project the expected impact of a loan and help us learn more about the actualized impact of a loan after capital has been deployed. Consistent with best practices and Principles 5 and 6, we can use the impact scorecard to monitor the progress of the borrower and the impact of our capital, and manage and address impact risks. These efforts help maximize the impact of our capital for the benefit of our investors, the communities our borrowers serve, and the planet that we share.

**Authors** | Caitlin Rosser, Leigh Moran

## CASE STUDY 15: EUROPEAN INVESTMENT BANK

### Signatory



As the European Union’s public policy bank, the European Investment Bank’s role is to provide financial support to projects that address market failures and are also sound in economic, technical, and environmental terms. For a project to receive EIB finance, it should be clear that it could not have proceeded—at least not to the same extent—without the Bank’s backing.

Standardized quality assessment has been a key focus of our project appraisal procedures since 2005. In the intervening years, we have honed our methodology based on our experience and in line with Multilateral Development Bank (MDB) best practice and EU policy changes. All projects are subject to a rigorous assessment carried out by a multidisciplinary appraisal team. At the core of the appraisal process for our projects within the EU is a structured value-added methodology. This mechanism is the foundation of our due diligence process. It aims to identify and prioritize projects for financing by assessing them along a number of dimensions. The value-added analysis identifies the market failures and priority policy objectives addressed by a given project, thereby providing both a rationale for EIB intervention and a number of indicators of the Bank’s additionality. It also supports the tracking of those projects through their implementation and early operational phases.

By requiring project team members to conduct a thorough analysis of each project proposal for presentation to decision makers, the methodology ensures that the EIB invests in quality projects while also ensuring that individual operations remain in line with the Bank’s remit, thereby maintaining the highest possible quality in terms of the Bank’s fulfilment of its mission.

This methodology consists of three pillars, each of which represents a key dimension of project assessment. Combined, they provide a clear framework to evaluate project proposals.

### Principle 4

Assess the expected impact of each investment, based on a systematic approach.

Pillar 1 rates a project’s contribution to policy objectives and establishes whether it falls within one of the high priority areas, such as climate action. The rationale for EIB support, in terms of the specific market failures to be addressed, is also set out here.

Pillar 2 assesses quality and soundness in terms of what the project will contribute to growth, environmental and social sustainability, and employment, as well as the promoter’s ability to deliver the project. The project’s economic viability is evaluated in most cases through a cost-benefit analysis, using a set of rigorous and publicly available appraisal guidelines developed in-house and in line with international standards and best practice.

Pillar 3 looks at how the EIB’s contribution will ensure the project’s success in terms of the Bank’s financial and technical contribution. Does EIB funding offer better conditions than other lenders? Will the Bank’s presence catalyze financial support from other sources? Can the EIB make a difference by contributing technical advice?

EIB project team members award each project proposal points according to the degree to which it meets the criteria set out within each pillar. A rating is calculated for each pillar based on the total points received at project initiation; during the appraisal phase, in preparation for presentation of the project to the EIB’s governing bodies for approval; and upon completion, with a view to gauging success and drawing lessons learned.

In addition to the due diligence based on the pillars themselves, a set of measurable, standard indicators is identified for each project. These comprise key project characteristics, which are the same for all projects; sector-specific indicators expressed in terms of outputs and outcomes; and custom outputs and outcomes specific to the project. The indicators are used to set



EIB Vice President Ambroise Fayolle visiting the Blue Moon incubator in Addis Ababa.

a baseline and targets for each project, against which progress and success can be measured, enabling the Bank to provide a concrete statement of the project’s impact. Pillar ratings as well as project indicators also feed into the ex-post evaluation of selected projects.

EIB’s annual reports on its operations use aggregated ratings and indicators to showcase the impact of EIB financing in key policy areas and sectors across the EU. These reports are published on the Bank’s website and provide valuable insights into the difference that EIB finance makes to society.

**Author** | “Projects Directorate, Legal Directorate and Operations Directorate” of the EIB

*“The Impact Principles have been developed to provide minimum standards for private investors in the process of managing and selecting investment funds for impact. The EIB, like many other investors, has decided to join the initiative led by IFC to confirm its deep commitment to strong quality of investment and focus on impact. This is part of our DNA!”*

—AMBROISE FAYOLLE,  
VICE-PRESIDENT, EIB



## CASE STUDY 16: INVESTING FOR DEVELOPMENT SICAV, FORESTRY AND CLIMATE CHANGE FUND

### Signatory



#### Forestry and Climate Change Fund

There are many good intentions driving impact investment, as it is clear that significant additional capital needs to be redeployed if we are to achieve the Sustainable Development Goals. But the business case for impact investment needs to go beyond good intentions. More work is clearly needed to demonstrate how impact contributions are being made and how they can be measured. With this perspective in mind, Investing for Development became a Signatory of the Operating Principles for Impact Management.

At the launch of the Forestry and Climate Change Fund, two core output metrics were defined to keep track of the Fund's intended positive impact on a social and environmental level. These metrics were:

- The sequestration of 14 million tons of CO<sub>2</sub> in secondary and degraded forests in which the Fund invests; and
- The creation of 3,000 jobs in the value chains derived from the timber production and transformation.

Yet the Fund has a small portfolio of niche investments and therefore a bottom-up approach is fundamental to understanding how each individual project will contribute to these two overarching goals. To understand this, prior to investment, the local investment team and the investment adviser, UNIQUE, spend considerable time on the ground assessing expected impact.

The methodology developed for carbon sequestration is fundamental to this. The Fund considers there to be three main sources of carbon sequestration for each of its projects:

1. Avoiding deforestation when the project protects the secondary forest from land use changes

### Principle 4

Assess the expected impact of each investment, based on a systematic approach.

2. The balance between carbon stock enhancement in the forest through improved forest management and preservation, considering the extraction rate
3. The substitution effect of harvested wood products from extracted wood.

These of course are highly dependent on the context of each project, its geography, and deforestation pressures, and therefore our local team and investment adviser spend considerable time on the ground seeking to understand the context of each project. Their first step is to establish a baseline scenario that looks at carbon sequestration prior to any intervention from the Fund. This involves a clear understanding of the area of forest involved and its inventory—a process that is supported by the Fund's development of a forestry inventory app. From this, the main carbon pools in the forest can be understood based on current operating dynamics.

Once a baseline scenario has been established, the Fund will consider the current management practices and the threats of deforestation. Based on this, it will determine how the Fund's intervention will change management practices and mitigate deforestation threats. A second scenario will then be projected to assess the extent to which carbon sequestration can be attributed to the project under the proposed management scenarios, and to estimate the significance of the impact. This enables us to calculate one KPI for the projected environmental impact of the Fund. We are also aware that the Fund's intervention will have repercussions in other areas, from biodiversity to landscape resilience. Although these do not form part of our core KPIs, they are monitored for each investment we make.



Visiting client “Taller de Arte” in Petén, Guatemala; a project developed for the integration of women of the community in the wood industry.

Assessing the social impact of the Fund requires a different perspective. During initial missions, investment staff assess the communities likely to be impacted by the Fund’s intervention. This allows them to determine which particular groups will be impacted and to identify interventions that can be conducted to support women and indigenous communities, in particular. Based on the completed financial projections, the Fund can estimate job creation and then consider how best to ensure this work goes to those most in need of it.

Monitoring impact on a project-by-project basis helps to ensure that our expected impact is in line with the impact we initially forecasted.

**Author** | Apricot Wilson

*“Working through the Operating Principles for Impact Management has been a great learning process and a good chance to appraise our internal processes and build on them.”*

—APRICOT WILSON, HEAD OF IMPACT & DEPUTY CEO, FORESTRY AND CLIMATE CHANGE FUND

## CASE STUDY 17: FINDEV CANADA

### Signatory



FinDev Canada is a development finance institution launched in 2018 to support inclusive private sector growth and sustainability in emerging and frontier markets. We invest across Sub-Saharan Africa and Latin America and the Caribbean, in businesses that economically empower women, develop local markets, and address climate change.

Our commitment to the Operating Principles for Impact Management stems directly from our values and strategic priorities. Right from the start, we established that we were going to **lead with impact and build an organization able to evaluate deals for both their financial performance and impact potential.**

One of the first things we developed was our Impact Framework, which describes the changes we aim to see in our priority markets, through our investments and investees, and the strategies and activities that underpin the achievement of this vision. The framework pushes us to evaluate and proactively manage our portfolio’s contribution toward meeting our three impact goals (Figure 1) and to **embed impact considerations in every step of our investment cycle, from origination to asset management.**

We screen each potential investment on its ability to

**FIGURE 3.17.1** FinDev Canada’s Impact Goals



#### Market Development (MD)

- Expand local ownership and leadership
- Strengthen local SMEs and value chains
- Increase employment and local economy value-add (taxes and salaries)



#### Women’s Economic Empowerment (WEE)

- Support women’s business ownership, leadership and decent employment
- Improve equal access to and control over basic services (water, energy) and economic tools (financial services, digital connectivity)



#### Climate Change Mitigation & Adaptation (CMA)

- Support sustainable industries that reduce natural resource use, waste and carbon emissions
- Contribute to the transition to a low-carbon economy
- Scale climate adaptation solutions

Source: FinDev Canada.

### Principle 4

Assess the expected impact of each investment, based on a systematic approach.

meaningfully contribute toward one or more of the three impact areas. Each impact area is underpinned by a set of questions and indicators. For example, for women’s economic empowerment, **we evaluate every investment on four vectors:** 1. Women business owners; 2. Women in leadership roles; 3. Women’s access to quality employment; and 4. Women’s access to and control over basic services and economic empowerment tools. This helps us direct our capital and advance gender equality in a more comprehensive way, i.e. not just supporting more or better jobs for women but looking at addressing several other key gender gaps.

When we screen for impact at origination, we **leverage data from national, regional, and sectoral datasets.** This helps us understand country-specific development needs and assess a prospect investment on its relative impact potential. For example, it can highlight if a company is operating in a carbon intensive industry or how the percentage of women employees compares to regional averages.

In selecting our key impact metrics, we **aligned them with industry best practice.** For example, our gender metrics align with the 2X Challenge criteria<sup>52</sup> and IRIS indicators.<sup>53</sup>

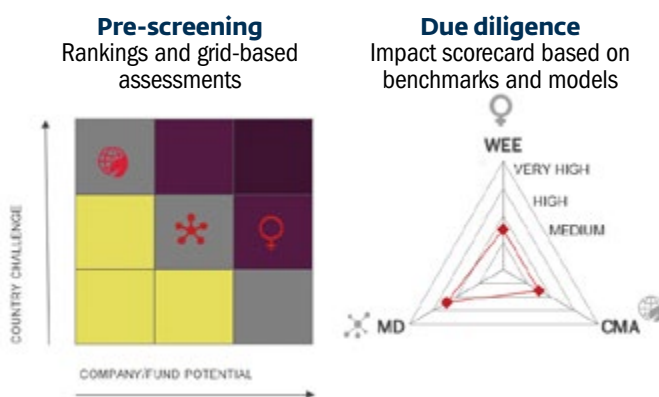


To systematize the way we evaluate impact data at origination, we developed a set of analytical and visual tools (Figure 2). These tools enable us to quantify current and potential impact of a prospect investee and compare it with other deals in the pipeline. We don't expect each deal to score high on all three impact areas as our strategy is to build a balanced portfolio. However, as a gender-lens investor, what we look for in a deal is its ability to confidently demonstrate a strong performance and/or future commitment toward Women's Economic Empowerment, plus at least one other impact area, either Market Development or Climate Action. Our tools help us identify and visualize key impact contributions of a potential investment and make more informed decisions. Without them and the framework, we would be throwing impact darts in the dark.

In applying our tools and framework over the past year, we also drew an important lesson, which is **the way we define 'impact' may not always resonate with a client**. For many of them, revenues, profit margins, satisfied customers, and an effective workforce are the ultimate drivers of their business. Our role is to first understand their perspective and then demonstrate how, for example, achieving better working conditions for women can drive up their bottom line. One of our clients, Danper Agricola La Venturosa, an EDGE-certified<sup>54</sup> Peruvian agricultural producer, is a great example of a corporation that has understood the link between a gender-sensitive approach and business performance. For example, Danper provides on-site health services to workers (46 percent of who are women) and their children so that medical care for families does not hamper the ability of the workers, particularly women, to earn a living—reducing absenteeism, retaining experienced and skilled staff and maintaining higher worker productivity overall. We learnt that addressing impact and gender equality from a business perspective is a compelling way to build and sustain alignment with our clients and achieve meaningful results.

**Authors** | Marina Svistak, Stéphanie Émond

**FIGURE 3.17.2** Examples of Impact Tools at Origination



Source: FinDev Canada.

*“As a new Development Finance Institution, it was clear that FinDev Canada had to build an organization that would be equally versed in, and able to, evaluate deals for their financial performance and impact potential. Our Development Impact Framework clearly articulates our vision and strategy, and sets out the approach we use to proactively assess, evaluate, and manage our investment portfolio to ensure every transaction contributes to meeting our impact goals.”*

—STEPHANIE EMOND, HEAD OF IMPACT AND OPERATIONS, FINDEV CANADA

<sup>52</sup> 2X Challenge is a global DFI-led initiative that aims to mobilize substantial capital toward women's economic empowerment. To qualify under it, investments need to meet specific criteria in line with the four vectors mentioned earlier (<https://www.2xchallenge.org>)

<sup>53</sup> IRIS is a generally accepted system of metrics used by impact investors and designed to help measure the social, environmental, and financial performance of an investment. IRIS is managed by the GIIN (Global Impact Investing Network) (<https://iris.thegiin.org>)

<sup>54</sup> EDGE stands for Economic Dividends for Gender Equality and it is the leading global business certification for gender equality. EDGE provides a clear picture of a company's commitment and measures workplace gender equality through five areas of analysis: equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working and company culture (<http://edge-cert.org>)

## CASE STUDY 18: IDB INVEST

### Signatory



From the CEOs of the world's biggest companies to institutional investing giants, a more holistic view of stakeholder value is taking hold. Investors are increasingly seeking opportunities to achieve social and environmental impact alongside financial returns and contribute to the Sustainable Development Goals. This bodes well for the growth of the impact investing industry.

Despite the strong appetite for impact, it can be difficult for investors to know where to invest. Thus, IDB Invest's framework for systematically assessing the expected impact of investments is critically important to making resource allocation decisions for us and for our co-investors.

As the private sector arm of the Inter-American Development Bank Group, IDB Invest is leveraging decades of experience as an impact investor to crowd in private capital to high-impact projects in Latin America and the Caribbean. We are bringing to bear our Impact Management Framework, which includes a set of tools and practices to support the investment process from beginning to end and manage our portfolio's triple bottom line: impact, sustainability, and financial returns.<sup>55</sup>

The backbone of our approach to assessing expected impact is the Development Effectiveness Learning, Tracking, and Assessment tool (DELTA), one of the instruments in our end-to-end framework. The DELTA is a fact-based scoring system that rigorously assesses the impact potential of each investment, assigning a score from zero to 10. The DELTA score is a key decision-making factor in IDB Invest's portfolio approach, together with our Financial Contribution Rating, which assesses each transaction's contribution to IDB Invest's long-term financial sustainability. Proposed investments need to meet certain impact and financial rating thresholds in order to advance, with decreasing financial contribution requirements for

### Principle 4

Assess the expected impact of each investment, based on a systematic approach.

highly impactful projects. In this way, we can build and manage a portfolio that maximizes development impact while maintaining financial sustainability and working toward meeting the SDGs in the region.

The DELTA score is comprised of two elements, Development Outcome and Additionality. The Development Outcome assessment is grounded in an economic analysis that monetizes the potential net benefits of the investment to the economy and society. This assessment also quantifies the project's direct effects (who will benefit and how) and indirect effects (how it will improve market linkages, foster the business climate, or create new markets through innovation and knowledge spillovers) on social and economic development. Environmental, social, and governance (ESG) risks are also factored into the equation.

As far as Additionality, the DELTA scores both the financial and nonfinancial value added that IDB Invest brings to the investment, a key feature of our impact investing approach. Valuing financial additionality creates incentives to allocate IDB Invest resources where they are needed most and maximize resource mobilization efforts. Similarly, scoring nonfinancial additionality encourages the use of our technical assistance resources to further enhance impact and mainstream sustainable business practices.

The DELTA also helps steer decision-making by capturing information on alignment with strategic institutional and country priorities, as well as identifying the expected SDG contributions of each transaction. Additionally, the quality of project design at entry is assessed to ensure proper results measurement. Each project includes a results matrix with indicators and targets, as well as a monitoring and evaluation plan outlining how data will be collected and results evaluated. The DELTA score is updated annually to reflect actual progress toward the project's impact objectives.



Panama Canal Expansion Project.

Ultimately, the DELTA is a hybrid approach, encompassing both the “rating” and “monetization” impact measurement framework archetypes. Looking forward, thanks to widespread digitalization, big and low-cost data, and an expanding evidence base on impact outcomes, there is enormous opportunity to improve how we as impact investors monetize the impact value upfront when assessing new opportunities. In turn, framing impact and financial returns similarly will help bring even more mainstream investors into the impact investing fold.

**Authors** | Orlando Ferreira, Alessandro Maffioli, Norah Sullivan

*“The best way to make a dent in the Sustainable Development Goals is by connecting countries and private sector investment. For IDB Invest, this means offering our deep capacity to select and structure projects with the greatest impact potential and build a strong pipeline of investment opportunities in Latin America and the Caribbean with a renewed focus on mobilization and knowledge transfer.”*

—ORLANDO FERREIRA, CHIEF STRATEGY OFFICER AND CHIEF FINANCE AND ADMINISTRATION OFFICER AD INT., STRATEGY AND DEVELOPMENT DEPARTMENT, IDB INVEST

<sup>55</sup> For more details on our Impact Management Framework, see the 2019 Development Effectiveness Overview.

## CASE STUDY 19: PHATISA

### Signatory



Phatisa is a leading private equity firm operating across Sub-Saharan Africa. Our investment strategies are rooted in our corporate mission of feeding and housing Africa. That entails buying and building inclusive businesses that deliver positive impacts for all stakeholders and the environment where our investees are located.

To us, creating impact means investing in companies with the intention of generating positive and measurable social and environmental outcomes alongside financial returns. Phatisa’s business case for investing with impact is clear. First and foremost, it ensures alignment with our funds’ strategic objective: to achieve what we call development equity.<sup>56</sup> Second, we believe businesses that contribute to pressing development challenges are businesses of the future because of the critical role the private sector is playing in achieving the Sustainable Development Goals. Investing with an impact lens also helps drive revenue by tapping into previously undercapitalized markets. It propels operational efficiencies and, when engaging bottom-of-the-pyramid suppliers, it stabilizes the supply chain. For a private equity investor, it enhances the business’s value at exit, ultimately creating long-term value for all.

The Phatisa Impact Measurement and Management (IMM) system defines the steps and processes needed to ensure that our funds achieve strategic objectives. We have integrated impact considerations into all aspects of the investment process, from deal sourcing through to exit. We consider the potential investment’s ability to address one or more of the SDGs, including zero hunger (SDG 2) and sustainable cities and communities (SDG 11), among others. In addition to the financial return and ESG assessment, we have an internal scoring system that assesses the potential of the investment to achieve developmental outcomes against the core SDGs we are committed to (SDGs 1, 2, 5, 8, 11, and 13).

Moving an investment opportunity to the due diligence stage requires a minimum score for impact. During

### Principle 4

Assess the expected impact of each investment, based on a systematic approach.

due diligence, specific initiatives are identified to drive impact within the portfolio company and a plan to achieve the proposed impacts is created.

During the investment period, data is collected and used to track performance, identify areas for improvement, and assess whether our activities have any unintended negative consequences. We relay this information to fund investors and round up the fund managers’ impact performance on a biennial basis in data-driven impact reports.<sup>57</sup>

We have encountered multiple challenges along the way and learned important lessons, including:

- Reliable and sufficient baseline data is needed to determine whether we have been responsible for generating quantifiable positive changes and for whom<sup>58</sup>;
- The portfolio company delegate should be empowered to drive tailored impact projects and provide clearly defined impact data;
- Indicators should be understood consistently across the entire investment portfolio; and
- Portfolio companies need to support impact projects and initiatives by selling the business case, and they must understand the need to create inclusive businesses that benefit a variety of stakeholders, as well as the business and its neighboring communities.

This impact management approach has unlocked new opportunities for both our investment portfolio and for us as a fund manager. By making it easier to raise much-needed funds from private and development-focused investors, it has helped Phatisa build sustainable assets and communities in Africa while ensuring the best possible returns for investors.

**Author** | Gwendolyn Zorn



Eggs remain one of the most affordable forms of protein globally. Since Phatisa invested in Goldenlay's expansion in 2012, production in this Zambian table-egg business has increased by more than 50 percent. Credit: ©2018 Phatisa.

*“At Phatisa, we believe—and our portfolio performance has proved this—that there is a positive correlation between business performance and socioeconomic and environmental value. We believe the SDGs are achievable, and as we strive to address food insecurity and build sustainable cities, all while focusing on empowering the poorest people in our value chains, we accept the challenge of creating a more equitable, just, inclusive, and sustainable future for all.”*

—STUART BRADLEY, MANAGING PARTNER, PHATISA

<sup>56</sup> An introduction to development equity (DevEq), <https://vimeo.com/184976980>

<sup>57</sup> 2018 African Agriculture Fund Development Impact Report, <http://online.fliphtml5.com/hucy/flcu/>; and 2018 Pan African Housing Fund Development Impact Report, <http://online.fliphtml5.com/hucy/mvie/>

<sup>58</sup> Phatisa is aligned with the processes followed by the Impact Management Project, a forum for building global consensus on how to measure, manage, and report impact, <https://impactmanagementproject.com/about/>



## CASE STUDY 20: BLUEORCHARD

### Signatory



After almost 20 years of proven track record and growth, BlueOrchard is a living example of the commercial viability of, and business case for, impact investing. BlueOrchard’s mission is to make an intentional, positive, social, and environmental impact across a variety of sectors in emerging and frontier markets, while providing attractive returns to investors. In unison with BlueOrchard, the impact investing industry has grown substantially over the years, attracting larger investors and the potential to generate significantly more funding to scale up industry activity. However, an essential component of doing so is improving, professionalizing, and standardizing the industry’s impact management, as this demonstrates the effectiveness and relevance of impact investments toward achieving the SDGs. The Operating Principles for Impact Management play a key role in this regard, as they demand transparency, consistency, and standardization, ultimately resulting in a sustainable and responsible advancement of the industry that benefits all players.

Assessing, addressing, monitoring, and managing the potential negative impacts of each investment is extremely relevant for our practice, as a proper impact assessment needs to consider any negative impacts, and mitigation can come only after those have been identified. In order to assess both our positive and negative impacts, we have been using and improving our Social Performance Impact Reporting and Intelligence Tool (SPIRIT) for 10 years as an integral part of our investment analysis process. This tool not only allows for the analysis of a potential investee’s social or environmental impact, but also finds the gaps

### Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

and deficiencies in its business operations. Once the weak points are identified, we can decide how and if we will engage with the potential investee, keeping in mind that improvements at an investee level have the potential to amplify overall impact for the end beneficiaries.

To assess the social performance policies and processes of current or prospective investees, SPIRIT focuses on six key areas of social impact aligned with the Universal Standards of Social Performance Management, plus a seventh focused on environmental protection. Together these create an eligibility score up to 100 for each investee.

In putting theory to practice, BlueOrchard recently engaged with a potential investee operating in the retail sector and the financing of durable consumer goods for low-income households in Latin America. The due diligence and SPIRIT assessment showed a certain lack of formalization in the social and environmental procedures of the company but reflected overall good practices. Moreover—and imperative for the advancement of the relationship—the company showed great willingness to improve these procedures, as it found the gaps were due to a lack of information and guidance regarding best practices. BlueOrchard saw this as an opportunity to increase its additionality and further develop its understanding of that particular business model. Using loan covenants as a management and monitoring tool, BlueOrchard and the investee agreed on binding conditions to the loan. These conditions required the investee to go through a specific third-party certification that would entail a thorough analysis of client protection practices and formalization of its internal processes.





An end client of one of BlueOrchard's investee companies, using the computer that she has been able to purchase using a microloan. Credit: Grupo Monge.

It is important to closely interact with and monitor investees in order to ensure that agreements are being implemented. From the manager side, however, this is limited by time and resources, as this thorough interaction cannot be done with all investees. Loan covenants with early repayment features, good relationships with investees, and periodic impact assessments are therefore crucial as they help mitigate risks. Moreover, having a goal of balancing financial and social return is imperative to succeed in the implementation of Principle 5 and in impact investing in general.

Overall, the Operating Principles for Impact Management provide structure to managers and confidence to investors, which together attract more capital to be invested through a stricter process—and thus allow for greater impact.

**Authors** | Maria Teresa Zappia, Valerie Harrington, Kathryn Sutton

*“Guiding clients through a journey of improvement in their social practices is an incredibly rewarding experience and a core part of our role as an impact investor.”*

—MARIA TERESA ZAPPIA, CIO,  
BLUEORCHARD

## CASE STUDY 21: CORDIANT CAPITAL

### Signatory



### Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

Cordiant Capital believes that impact investing is increasingly gaining traction among return-driven institutional investors. What used to be, almost exclusively, the purview of development finance institutions, and a handful of foundations and endowments, is now seriously considered too by pension funds and insurance companies. Should these institutional investors become fully engaged, the magnitude of development impact could increase many-fold, as the monies they manage eclipse those of all of the current impact investors.

For this change to occur, institutional investors must feel confident that they will get a compelling financial return, that the risks are identified and well managed, and that the development outcomes reported by asset managers are meaningful, accurate, and independently audited.

When deploying capital on behalf of pensioners and insurance policy holders, the manager's primary duty must always be a fiduciary one. But they can still achieve significant development impact by the choices they make with regard to geography, sectors, and specific companies. For example, a mobile tower deal in Latin America can deliver a compelling risk-adjusted financial return, and at the same time provide transformational connectivity for the small businesses, civil society organizations, and families that depend on telecommunications services.

Commercially-minded managers, like Cordiant, are best positioned to make this type of "systems-level" impact. When managing hundreds of millions of dollars, it is impractical to deploy capital in small increments. That is best left to the boutique,

developmental firms that seek change and improvement at a granular level. Although vitally important, these small players seldom generate the commercial returns that would make a portfolio of them attractive to return-seeking pension funds and insurance companies. However, Cordiant's large-scale investments in platforms such as mobile telephone networks, food processing facilities, wind farms, and transportation hubs can earn both attractive financial returns, and achieve meaningful and measurable development impact for large numbers of people.

Cordiant invests in telecommunications infrastructure (mobile towers, data centers, fiber optics, and cable companies), agribusiness, renewable energy, and transporting goods and people. Each of these four sectors offers attractive commercial returns, and can have system-level development impact, but they also have associated environmental, social, and governance (ESG) risks (for example, food safety and packaging standards in the agricultural sector).

If the risks are too great or would not be substantially outweighed by the potential development impact, Cordiant will not invest. However, if we judge that the risks are moderate and manageable, Cordiant works with the investee company to mitigate or eliminate its ESG risks. Many good businesses in emerging markets initially fall short with regard to ESG standards because they are unfamiliar with international best practices, or they lack the financing necessary to upgrade their equipment and processes, so they meet ESG standards. Part of Cordiant's financing and post-investment technical support package goes to helping investee companies comply with ESG standards.



Sustainable agriculture in Brazil.

To measure the development impact of investments in Cordiant's chosen sectors, we screen, select, and monitor investee companies using the Impact Reporting and Investment Standards (IRIS) metrics developed by the Global Impact Investing Network (GIIN). To assess and manage ESG risk, we use tools developed by the International Finance Corporation, and the Sustainable Accounting Standards Board (SASB). We have also begun to use third-party auditors to assess our ESG risk management capabilities, as well as our development outcomes. This move toward third-party auditing gives greater credibility to Cordiant's efforts in the impact investing space.

**Authors** | Pascale Oligny, Obie McKenzie

*“We are delighted to witness the continually growing interest in impact investing amongst the institutional investor community. Cordiant was founded in 1999 with the goals of investing to generate strong commercial returns for investors whilst also producing positive developmental outcomes.*

*We welcome the industry's move towards more common standards and principles, as this will enable more focused and effective deployment of capital. As we enter our third decade, Cordiant looks forward to continuing to work with our investment peers on this important initiative.*

*We are in a dynamic and transformative moment where impact investing commands the attention of institutional and retail investors alike. It is now incumbent on the industry to deliver on the promise of meaningful, measurable, and audited development outcomes.”*

—BENN MIKULA, CO-CHIEF EXECUTIVE OFFICER, CORDIANT CAPITAL



## CASE STUDY 22: INOKS CAPITAL

### Signatory



### Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

INOKS Capital believes that impact investing is a powerful way to channel capital to companies that contribute to a sustainable and inclusive future and address the immediate needs of an economy. Such investing goes beyond inclusion and compliance with international standards; it seeks to engage with counterparties to unlock and scale their potential impact. As impact investing becomes increasingly common and accepted, it is critical to adhere to recognized industry standards such as the Principles, which provide guidance for more consistent practices and enhanced comparability across investment practices.

With a mission to provide capital access for added-value and resilient activities in the real economy, and in order to contribute to more sustainable value chains worldwide, INOKS places impact and ESG at the heart of what we do and has done so since our founding. Over the years, INOKS developed consistent and integrated processes designed to measure and manage the impact of our investments while also identifying, mitigating, and monitoring potential ESG risks related to our investees' activities.

ESG risks are the actual or potential negative impacts that business activities can have on the environment, on society, or on company governance. INOKS is primarily involved in the agricultural sector, which carries substantial environmental and social (E&S) risks that need to be rigorously identified and managed. These include child labor, harmful activities (such as the use of machetes and unsafe machines), heavy loads, exposure to hazardous materials, limited access to personal protective equipment, agricultural pollution, poor land management, and loss of biodiversity. These risks may be greater in emerging markets—where our investees mainly operate—because regulation in many of these areas is less institutionalized and law enforcement is often weaker in these regions.

E&S risks are analyzed at three levels, including inherent risk (commodity and value chain segment), contextual risk (country of operations), and specific risk (level of compliance with standards and regulation). INOKS uses the IFC Performance Standards to identify and assess E&S risks associated with a prospective investee and its operations. If a specific performance standard is triggered by the nature of the operation, INOKS will examine whether or not the company complies with the performance criteria of that standard, via both a desk review and field visits. In the case of noncompliance with the identified performance standard, INOKS can engage with the prospective investee to develop a corrective action plan to address the issue in a reasonable timeframe and stipulate this as a requirement in the contract agreement.

ESG performance includes both the level of compliance with INOKS ESG Standards and the successful implementation of the defined improvement measures. It is monitored on an annual basis through on-site visits and by collecting data on the occurrence of any ESG issue, change in ESG policies, validity of environmental permits, and media attention. We also closely follow the implementation of the improvement measures specified in the corrective plan. Over the last two years, 65 percent of the stipulated corrective measures have been implemented by our counterparties.

**Authors** | Nabil Marc Abdul-Masih, Julie Montels



A local rice processor in Côte d'Ivoire, working on the development and structuring of the local rice sector to promote production by smallholder farmers.

*“By working with our counterparties to identify and mitigate these risks, we reduce our exposure to credit, liability, and reputational risks and improve our investees’ compliance with regulations and standards. This enhances their brand reputation, access to capital, and cost saving from operational efficiencies. We also believe it allows for the creation of business models that will be more resilient to current and upcoming challenges and is needed to achieve true Sustainable Development.”*

—NABIL ABDUL-MASSIH, CEO,  
INOKS CAPITAL

## CASE STUDY 23: SWEDFUND

### Signatory

# Swedfund

### Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

Swedfund's energy investments have been exclusively focused on renewable energy since 2016, and they primarily promote the development of renewable energy sources in developing countries. However, despite the huge potential for renewable energy, relatively few projects have been carried out in these countries.

In 2018, Swedfund invested \$15 million in JCM Power, and in 2019 we added another \$10 million. Together with its local partners, JCM owns and develops renewable energy resources and it currently has several projects at different stages of development in Sub-Saharan Africa, South Asia, and Central America.

Swedfund employs a rigorous environmental, social, and governance (ESG) process, which is initiated in the due diligence phase of our investment process. Our ESG analyses encompass everything from gender, environment, and health and safety, to human rights and good working conditions. Our process aims to identify gaps where a company is not complying with the legislation and the conventions that Swedfund has signed, and gaps in fulfilling our other investment requirements and objectives. Our gap analysis results in an action plan for the company to implement.

Swedfund has set several requirements for JCM, including development and implementation of a comprehensive and effective Environmental and Social Management System (ESMS) to ensure that JCM maintains a high standard in its ESG work, in due diligence, and in its project companies; for JCM to appoint an ESG Director at the corporate level; and for JCM to develop a complaints mechanism that is accessible for employees, civil society organizations, and other stakeholders.

Swedfund is collaborating with JCM on all of these requirements, and together we have established an advisory committee for ESG, with one of Swedfund's ESG Managers as an active member. This committee is advising JCM's board on sustainability issues,

assisting JCM in identifying good examples of relevant environmental and social practices, and monitoring JCM's activities. Swedfund also provides funds for technical assistance, which has included developing a system for JCM to measure impact and evaluating the development impact of one of JCM's wind farms.

One of JCM's investments is the development of a solar-power plant near the town of Salima in Malawi. Only about 12 percent of Malawi's population has access to electricity, and most of the energy consumed in the country comes from wood, which is obtained in a non-sustainable way. To construct the solar plant, JCM needed to purchase the rights to approximately 180 hectares of customary land. This presented a potential negative impact on the livelihoods of 227 project affected people (PAPs) who derived most of their subsistence from the land. Through the application of the ESMS, JCM was able to effectively mitigate this potential impact and restore the affected persons' livelihoods to the same or higher level than before.

To accomplish this, JCM implemented a Livelihood Restoration Plan (LRP) that details the steps to restoring livelihoods, beginning with paying compensation to the PAPs for their land and assets such that they have the financial means to re-establish their livelihoods successfully. JCM has been monitoring their progress and has followed the steps in the LRP, including the critical steps of identification and support of vulnerable or food-insecure PAPs. In late 2019 and early 2020, JCM provided food security packages to identified vulnerable PAPs, as well as seeds for planting, and training on agricultural best practices. JCM is in the process of implementing further livelihood restoration initiatives, specifically to educate all the PAPs, on conservation agriculture for more efficient and sustainable subsistence livelihoods.

**Authors** | Samira Aissi, Karin Kronhöffer





A 60 MW project being built in Malawi. The project creates 300 local jobs and is expected to contribute significantly with 20 percent of Malawi's current installed capacity.

*“Swedfund has the ambition to work actively on adding value in all our portfolio companies. The investment in JCM is a good example of how we as owners play an active part, partly through our governance role, and partly through the measures we identify prior to deciding to invest.”*

—MARIA HÅKANSSON, CEO OF SWEDFUND

*“The land and asset compensation process and Livelihood Restoration Plan are an outstanding example of JCM implementing the ESMS policies and procedures that Swedfund supported JCM to develop. This example clearly demonstrates how we have assessed, addressed, monitored, and managed a potential negative impact of the project.”*

—ALAN COCHRAN, ESG DIRECTOR, JCM

## CASE STUDY 24: BLUE LIKE AN ORANGE

### Signatory



Blue like an Orange Sustainable Capital (Blue like an Orange) seeks to mobilize private capital to invest in a diversified set of emerging market companies that deliver both strong risk-adjusted returns and social impact to directly support the United Nations Sustainable Development Goals.

As an investor, Blue like an Orange believes that each investment should have a social, economic, and environmental purpose that supports inclusive growth, while also enhancing portfolio performance.

Tangibly measuring the social progress of our investments is paramount for Blue like an Orange. In both our screening and monitoring processes, we systematically assess and document the social and development impact of each of our transactions against the SDGs. This drives not only our decision-making processes related to origination and investment, but also provides us and our borrowers with the data we all need to maximize development outcomes.

Just as every investment in our pipeline and portfolio is provided with an internal, shadow credit rating, every investment now receives an “SDG shadow rating” through our internal rating system that we call “SDG Blue.” During investment pipeline development and origination, our system evaluates each investment’s potential to help achieve the SDGs. We annually review all of our investments using SDG Blue to determine whether our rating (and underlying factors) has improved or deteriorated.

Blue like an Orange is not simply “aligned” with the SDGs or “mapped” to them but goes several steps further to determine at the goal, target, and indicator

### Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

levels what impact each investment will have against each goal. Where the agreed UN SDG indicators are less applicable (often as a result of the public sector lens used to develop many of the SDG targets and indicators), we have “translated” the indicator into something more applicable to private investments. In this translation process, we drew on the excellent work of our partners who developed the IRIS+ and the Impact Management Project.

SDG Blue also takes a proactive and “intentional” approach with regard to impact. This means that Blue like an Orange has a “point of view” regarding which goals and targets we would like to progress, given our sectoral focus, investment thesis, and values.

In developing SDG Blue, we opted for something that was “complicated enough” to be robust, but not so complicated and multifaceted that the impact narrative is obscured.

As we have begun to apply our rating tool, one particularly satisfying result has been discovering how our rating system generates dialogue, not just internally, but also with our borrowers, and that it creates a platform for substantive conversations about how to improve impact.

While we believe that SDG Blue is robust, and it has the support of our independent Sustainability Advisory Committee, we know that our tool can and should be improved, and we are committed to doing so over time.

**Authors** | Suprotik Basu, Augustin Degroote, Anna Oleksiak



Produbanco, one of Blue like an Orange's borrowers, supports SMEs and green businesses in Ecuador.

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*“Through SDG Blue, our application of the Impact Principles is meant to contribute to the essential dialogue about the SDGs, which we view as the most meaningful international commitment to improve our people and planet. We also look forward to continuing the conversation and learning from other Signatories.”*

—SUPROTIK BASU, FOUNDING PARTNER OF BLUE LIKE AN ORANGE, HEAD OF IMPACT

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*“The objective of Blue like an Orange is to show that it is possible to have a significant return, while also having a positive impact. Furthermore, Blue like an Orange subscribes to some of world’s leading impact investing initiatives such as the Operating Principles for Impact Management. Such involvements reflect our commitment to be held accountable, and also to contribute to the dialogue around sustainable development”*

—BERTRAND BADRÉ, CEO AND FOUNDING PARTNER, BLUE LIKE AN ORANGE



## CASE STUDY 25: DEG

### Signatory



In line with the Operating Principles for Impact Management, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), the German Development Finance Institution and Member of the KfW Group, has created and implemented a new system to measure and manage the development impact of its portfolio: the Development Effectiveness Rating (DERa).

The DERa uses five outcome categories to assess the development contributions of each client and to present the development impact of investments made by DEG clients:

- Decent jobs
- Local income
- Market and sector development
- Environmental and social stewardship (E&S)
- Community benefits

**FIGURE 3.25.1** Development Effectiveness Rating



Source: DEG.

### Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The first three categories assess major contributions to development by the private sector, while the latter two measure the extent to which a company is acting in a sustainable manner on behalf of the environment and the communities within it. These five outcome categories form the backbone of the DERa rating. Each outcome category was operationalized in a two-step approach to derive a single indicator score. By adding up the points of each of the five outcome categories, we are able to establish a *single key performance indicator (KPI) for each client*.

When developing the indicators and aggregate categories, DEG relies on both quantitative and qualitative indicators to fully grasp development impact. Most indicators have been selected because they already exist and build on existing knowledge in other forms of reporting, including financial reports (such as tax payments from audited annual reports) or E&S data (such as the number of jobs that are part of a DFI’s general E&S monitoring). By using existing indicators, DEG can limit the reporting burden and use existing data as efficiently as possible.

Vital elements used to create DERa include the Sustainable Development Goal Agenda, the Harmonized Indicator Set for Private Sector Operations (HIPSO), and DEG’s 15 years of experience in impact management with the preceding “Corporate Policy Project Rating” system, among others.

#### Utilizing the DERa to monitor and manage impact

DEG manages the quality of both its entire portfolio and each individual investment. It has clear financial targets for its return on equity, and the average DERa score is the corresponding measure for development returns. In addition, an ex-ante assessment of a DERa score for each investment, an expected score to be achieved within five years, and an annual DERa update enable DEG to manage and enhance

development quality for each client. The average DERA score for the overall portfolio shows the development quality of DEG's portfolio in a specific year. At an individual client level, DEG expects to see improvements over time.

The DERA also allows for much-needed disaggregation, as it is comprised of multiple data inputs at the level of the individual client. This makes it possible to compare regions or specific client groups in relation to their DERA scores and their role in supporting return on development. With the DERA and this case study, DEG is referring to both Principles 4 and 6.

At the level of the individual client, the DERA has two primary management functions:

- At acquisition, a baseline and an *ex-ante* estimate for the status in five years allows portfolio managers to determine whether a client supports DEG's overall DERA portfolio target
- For portfolio management, the DERA score shows the development potential of each client and, as the rating can be disaggregated and comparisons made for each indicator, the potential for improvement is visible up to the level of each single indicator.

DEG has been using the DERA since the beginning of 2017. The system is applied annually to DEG's entire portfolio and has been applied to all new commitments since January 2017, achieving 100 percent coverage of DEG's clients in 2017, 2018, and 2019. The DERA score is one of the major KPIs to assess DEG's own overall performance, and the DERA data is used for all impact-related DEG reporting, including the annual reporting on development impact.

**Authors** | Christiane Rudolph, Dr. Julian Frede, Elleke Maliepaard

*“DEG offers us substantial added value, mainly with advice on environmental and social topics, and its extensive network in Africa.”*

—PAUL BOTHA, CO-FOUNDER AND CEO  
OF THE SOUTH AFRICAN INVESTMENT  
COMPANY METIER

## CASE STUDY 26: FINANCE IN MOTION

### Signatory



At Finance in Motion, we harness the power of finance to make a positive difference for people and the planet. As an asset manager that has focused exclusively on impact investments in emerging markets since our 2009 inception, we welcome the growing interest in investing with positive impact. And we take it as a sign that our market-building efforts are bearing fruit. In fact, our track record shows that investees committed to doing good for society or the environment tend not only to deliver on expected returns, but also do so in the long term.

Impact, however, is not an automatic component of existing investment opportunities. It requires intentionality, strategic focus, and continuous management.

For us, this starts with good groundwork. The “what” and “how” of achieving impact—that is, the funds’ impact objectives and approaches for pursuing impact through dedicated financing and technical assistance—are defined in the funds’ strategy documents. We then operationalize these strategic goals through, for example, annualized targets for portfolio development and impact results.

When it comes to selecting investments for our funds, impact is just as important as financial performance. During each due diligence process, the alignment of an investment with the fund’s strategic impact orientation is carefully reviewed. Only if an investment meets the requirements for financial return and development impact potential, as well as sound environmental and social management, will it proceed.

Comprehensive monitoring then accompanies all investments:

- We require our investees to report on a set of predefined impact indicators, mainly on a quarterly basis, that allow us to understand how our funds are being used and who they are reaching. Collecting and analyzing data from almost 140 investee companies across five continents can present a

### Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

challenge, and we have developed special software solutions to facilitate these. Our requirement for regular reporting also creates an opportunity to raise awareness for the key commitments and objectives of our mandates and builds lasting capacities within the investees.

- We conduct periodic, in-depth impact studies and field visits, as well as collaborate on external evaluations and assessments, to collect additional quantitative and qualitative information for a deeper understanding of the funds’ impact mechanisms and the scale of their final impact on people and the planet.

This monitoring system enables us to manage our strategic impact by providing a constant feedback loop of how we are progressing toward our targets and helping us to calibrate our strategy and planning for deeper, broader impact. These allow us to:

- Inform portfolio composition. To address the diverse needs of our target group and work toward the full range of intended impact, our portfolio needs to include different kinds of investee institutions. When it comes to strengthening employment opportunities, for example, our impact studies show that small enterprises are more likely to create jobs than micro enterprises, which are more likely to support self-employment. We therefore look for a balance of institutions that support microenterprises as well as those that strengthen the SME sector, including commercial banks and leasing companies.
- Facilitate scaling of innovations across the portfolio—or the funds, as in the case of a share class specially set up for local currency financing. After launching this instrument in one fund and observing its impact, we worked with our investors to introduce it to two additional funds. On top of that, we have always pursued initiatives to raise awareness of the importance of local currency financing among regulators and the financial sector in our target markets.





*Finance in Motion—advised funds constantly strive to enhance strategic impact management—including through integration of new technologies, such as drone-based land-use monitoring piloted by the eco.business Fund in El Salvador. Credit: eco.business Fund/Carlos Romero.*

- Guide expansion into new regions and activities with an evidence-based impact agenda. Having piloted and reviewed the potential of financial technologies for our target groups, our funds now support financial institutions in identifying and implementing fintech innovations. Working toward a systemic impact, they further help tech entrepreneurs develop and scale tools that are customized to our target group’s needs.

Finally, our impact management practices matter for us as a company. We draw on our impact track record to attract new investors for our funds and additional capital to the impact investing market. At a time when more and more players are coming into the market, we want to help establish credible, transparent, and accountable impact management and communication practices. In addition to publishing our own reports and white papers, we contribute both the knowledge we gain from our impact monitoring as well as our experiences in collecting data from investee companies in 28 emerging markets to the development of common impact measurement and management standards.

Finally, we are measured by how we ourselves measure and manage impact. As fund advisor, our performance fee is also based on our funds’ development impact performance, in addition to meeting financial targets.

*“For us, managing our impact is just as important as managing financial performance. This allows us not only to track our progress toward our impact goals, but also to continuously hone our strategy. When we can show credible, clear impact, we can motivate investors and further build the impact investing market.”*

—SYLVIA WISNIWSKI, MANAGING DIRECTOR, FINANCE IN MOTION

**Authors** | Milena Bertram, Sarah Hessel

## CASE STUDY 27: SYMBIOTICS

### Signatory



### Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Symbiotics implements Principle 6 of the Operating Principles for Impact Management through its Social Performance Measurement and Management (SPM) Framework. This framework, in use since 2010 and formalized in a publication in 2017,<sup>59</sup> demonstrates the approach Symbiotics uses to systematically monitor the social performance of all the investments in our portfolio. It defines a standardized set of indicators collected on a regular basis to assess the extent to which Symbiotics' investments are making a positive social impact.

A key component of Symbiotics' SPM framework is the systematic assessment of the likelihood that our investees will contribute positively to sustainable development and social impact. This is done through Symbiotics' proprietary social responsibility rating. We score each institution on a scale of zero (lowest) to five (highest) stars, and usually do not invest in institutions that receive a rating below two stars. We have used this rating system for all of our investment decisions since 2010.

Symbiotics' investment analysts rate each of our potential investees during the due diligence process we conduct before making any investment, and we repeat it on an annual basis to monitor how each institution's social practices are progressing relative to their pre-investment levels. This rating methodology has seven dimensions: (1) social governance, (2) labor climate, (3) financial inclusion, (4) client protection, (5) product quality, (6) community engagement, and (7) environmental policy, and these dimensions together have 98 qualitative and quantitative indicators.

Symbiotics' investment agreements with all its investees also include obligations that require them to report on a set of predefined social performance indicators on a monthly or an annual basis. Investees must collect these data and report them to Symbiotics.

Examples of the indicators collected include:

- Number of end borrowers by type of loans (microcredit, small and medium enterprise (SME) loans, housing loans, and so on)
- Number of depositors
- Average loan and deposit size
- End borrower's sex
- End borrower's location (rural or urban)
- End borrower's activity (agriculture, production, trade, services, or other activity)

Through these indicators, Symbiotics is able to assess whether its investments fulfill our promise to investors—reaching out to low- and middle-income households and micro and small enterprises in emerging and frontier markets and providing them with responsible financial services that foster job creation and access to primary goods such as affordable housing, food, and energy.

If an institution's social responsibility rating drops compared to that of the previous year, or if its social performance indicators demonstrate that it is not reaching the targeted end clients, Symbiotics contacts the institution to ask for an explanation. If the company is no longer aligned with the announced social mission, Symbiotics does not renew its loan beyond the current outstanding one.<sup>60</sup>

Symbiotics also monitors its social performance through impact measurement studies. It offers investors the option of conducting tailored research projects that collect data directly from a sample of end clients. This enables the measurement of progress toward specific objectives, using indicators that our investees would otherwise not measure. Symbiotics is currently conducting two such projects: (1) a four-year impact study in 12 countries to measure the effect of loans



An analyst during a due diligence.

on SMEs in terms of their employment creation and business growth, and (2) an impact study to measure the effects of microfinance on financial inclusion, employment, and poverty in Sub-Saharan Africa.

Symbiotics' promise to deploy funds where money usually does not flow is central to our relationship with investors. Symbiotics simply could not work in the absence of social performance indicators, as they are at the core of all our investment operations, just like financial indicators. Social performance indicators are crucial to the selection, evaluation, and performance monitoring and reporting of investees. Symbiotics' portfolio-aggregated impact indicators allow investors to regularly follow—whether through factsheets or through annual social performance reports—what exactly their money is contributing to. We have found that investors greatly appreciate this level of rigor and transparency, as it enables them to evaluate tangible performance and voice any concerns.

**Author** | Safeya Zeitoun

*“Providing transparency on the social performance and impact of its investments is Symbiotics’ bread and butter. The success of impact investing depends on being able to demonstrate that it can positively contribute to social progress while generating attractive financial returns.”*

—SÉBASTIEN DUQUET, CHIEF  
INVESTMENT OFFICER, SYMBIOTICS

<sup>59</sup> [https://symbioticsgroup.com/wp-content/uploads/2017/10/SPM\\_web.pdf](https://symbioticsgroup.com/wp-content/uploads/2017/10/SPM_web.pdf)

<sup>60</sup> As a debt investor, Symbiotics rarely resorts to early divestment.

## CASE STUDY 28: ZURICH

### Signatory



At Zurich Insurance Group, being a responsible and sustainable company is at the foundation of our business. One of the key ways we achieve this is through impact investments, which allow Zurich to help fund solutions to some of society’s most pressing social and environmental challenges. Doing so successfully means identifying investments that target a specific impact goal while also generating a financial return commensurate with their risk.

We also require such investments to be measurable in terms of impact achieved. This is why, when Zurich became the first private-sector investor to commit to specific impact targets in 2017, we also set out to develop a methodology that allowed us to measure impact on a portfolio level, across asset classes and underlying investment instruments.

The targets we set in 2017 were 5-5-5: achieving impact investments totaling \$5 billion that would result in avoiding 5 million tons of CO<sub>2</sub>-equivalent emissions while improving the lives of 5 million people each year. We developed a measurement framework for these targets, the first of its kind to measure CO<sub>2</sub>-equivalent emissions avoided and the number of people who benefited. And we aggregated these two metrics across asset classes and investment instruments.

The amount of CO<sub>2</sub> emissions avoided is calculated using self-reported data from the issuers of impact investing instruments. We then compare this to a baseline scenario of the higher-carbon status quo of the economy. For the number of people who benefited, we use our investees’ self-reported data to count the number of people covered by their services in education, housing, or financial inclusion, in addition to other measures of improved living standards. We count only those individuals who are part of a specific targeted audience, who previously lacked access to these services.

### Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Our framework has had a promising start. As a result of our pilot study, we calculated that, as of December 2018, Zurich’s underlying investments helped avoid 3.4 million tons of CO<sub>2</sub>-equivalent emissions worldwide and improved the lives of 2.4 million people. This brings us half way to achieving our ambitious impact investment targets.

Measuring impact is admittedly a labor-intensive process. The first hurdle is often just finding the issuer’s reported impact. And the methodology has limitations. For example, there is no general industry-accepted definition of “people benefited” against which to measure. Similarly, our measurements rely on self-reported data by issuers, which is heterogenous and uses different baselines and methodologies on aggregated CO<sub>2</sub> emissions avoided, for example. However, we believe this is the best approach currently available. Timing can also be an issue, as impact reporting can lag for up to a year after the date of issue. Indeed, the actual impact may often be underestimated, with additional projects undertaken that are not captured in the latest reporting.

Given these shortcomings, we therefore see our methodology framework as an important starting point. We hope others will benefit from our experience and also measure their impact, and we would be interested to learn from their experiences and share with them ideas for improvement.

In turn, the investment community can help to make reporting and measurement more effective by providing readily accessible data, reporting according to the International Finance Institutions’ harmonized framework, and developing a common framework for the concept of “people benefited.”



**FIGURE 3.28.1** Shaping a More Resilient Tomorrow



Source: Zurich.

Generally, we have been impressed by the availability of impact reports—whether from bond issuers or private equity funds. However, there is more work to do together to find common standards and facilitate aggregation on the portfolio level. We are hopeful that progress on measurement can be achieved and that this will help us move forward together toward greater societal resilience.

**Authors** | Johanna Köb, Danielle Brassel

*“Setting targets and measuring their achievement is the core of any impact strategy. At Zurich, we make a qualitative and quantitative assessment of each individual investment, and then aggregate the data for avoided CO<sub>2</sub> emissions and people benefited across the whole impact investment portfolio. Setting targets truly encourages a gear-shift in how impact is measured, compared, and ultimately perceived within a portfolio. We’d recommend to consider it.”*

—JOHANNA KÖB, HEAD OF RESPONSIBLE INVESTMENT

## CASE STUDY 29: DENHAM INTERNATIONAL POWER FUND

### Signatory

DENHAM INTERNATIONAL POWER FUND (DIPF)

The Denham International Power Fund (DIPF) became a Signatory to the Operating Principles for Impact Management in August 2019. The investment strategy of the DIPF is to develop low-cost power projects (renewables and gas) in markets where there is a fundamental need for new power generation. Several studies show that access to competitively priced power is a major enabler of industrial and economic growth, as well as improvement in living standards.

The investment strategy of the DIPF contributes to Goal 7 of the SDGs: “Affordable and Clean Energy.” Our investment strategy also provides employment opportunities, contributing to SDG 8: “Decent Work and Economic Growth.” This is achieved not just by providing employment opportunities, but also through ensuring that international labor standards are implemented. Also, implementing community-related projects contributes to a number of other SDGs. The case study is drawing on Denham power team’s experience from an older Denham fund (fund VI). BioTherm Energy was a Fund VI investment.

To develop the ‘impact’ exit strategy for the DIPF, we drew on experience and lessons learned from prior exits managed by Denham’s International Power team. Our strategy is two-fold in assessing the effect on sustained impacts from an exit. First, we assess the buyer’s commitment to impact and shared values. Second, we take a preferred position in negotiating the sale agreements to ensure that our community commitments continue. We take this approach because, in some cases, although a renewable energy sector developer has committed to investing in a community, once the project was sold, the buyer did not have the same level of engagement or willingness to invest in the community. This resulted in the community raising grievances. Thus, for each DIPF exit process, we will determine how such risks can be mitigated.

### Principle 7

Conduct exits considering the effect on sustained impact.

For example, in August 2019, Denham Capital sold BioTherm, a South Africa-based pan-African renewable energy business, to Actis. BioTherm’s assets included the operation, construction, and development of a portfolio of assets, totaling 288MW of electricity production. These are Golden Valley, a 123MW wind project in Eastern Cape; Excelsior, a 33MW wind project in the Western Cape; Aggeneys, a 46MW solar project in the Northern Cape; Konkoonsies II, an 86MW solar project in the Northern Cape; and a 4MW biogas facility. BioTherm’s energy business is intrinsically impactful: once a renewable energy project is built and generating energy, the project generates clean power and carbon dioxide savings.

At the time of sale, BioTherm had invested in numerous community projects, including:

- Education-based initiatives, including providing suitable staffing and properly trained teachers, adequate school equipment, and access to institutions of higher learning for students (through a bursary program)
- Healthcare initiatives covering the procurement of basic yet necessary healthcare equipment and assistance, with a focus on the needs of healthcare professionals in rural communities
- Community infrastructure projects, including financial support for the construction and upgrading of community facilities (retirement homes, community libraries, and so on), and the electrification of community facilities, and
- Providing financial support to local small and medium enterprises (SMEs), as well as training and mentoring programs to aid the growth of these businesses.





27MW Dassiefontein Klipheuwel Wind Project in South Africa, developed by BioTherm.

Actis has a robust responsible investment approach, has been developing renewable energy projects since the inception of the Renewable Energy Independent Power Producer (IPP) program, and is also a Signatory to the Operating Principles for Impact Management. We felt comfortable that Actis would continue implementing best ESG practices. Also, in the case of BioTherm’s wind and solar projects, continued community investment was ensured through obligations under the government’s implementation agreement for each of the respective projects. In summary, based on Actis’s prior experience in South Africa’s renewable energy sector, we were confident that the company would effectively implement our projects to achieve positive impact.

**Author** | Sabine Chalopin

*“In selling BioTherm, it was important to know that our efforts in engaging with communities will be continued in the same manner and approach as initiated by Denham Capital during the project’s formative years. It was important to us that support for the communities continues after our exit strategy”*

—JASANDRA NYKER, FORMER CEO  
OF BIOTHERM

## CASE STUDY 30: INTERNATIONAL FINANCE CORPORATION

### Signatory



Like every multilateral development bank, the World Bank Group and IFC benefit from self-evaluation programs and assessments that support their strategies and operational learning agendas in real time and help meet commitments to donor and external partners. This is in addition to an independent evaluation function that reports directly to the Board and holds us accountable for the achievement of development impact, while supporting operational learning. This note focuses on IFC's self-evaluation agenda.

At IFC, self-evaluations cover the spectrum of operational activities—from individual transactions to sectoral and country level work. At the transaction level, IFC conducts mandatory self-evaluations on a representative sample of its investment operations once they have reached operational maturity. These self-evaluations are then reviewed, and their ratings validated by our Independent Evaluation Group, or IEG. The self-evaluation ratings are made public in IFC's Annual Report, and the process of reporting on these is vetted by an external assurance provider that also audits the Annual Report. In addition, the IEG and self-evaluation ratings are integral to IFC's Corporate Scorecard and cascaded to the regional key performance indicators (KPIs). For example, the KPIs track the differences between the self-ratings and IEG ratings, with the goal of minimizing any gap in candor that may exist. The KPIs also influence decisions on managerial and departmental performance and inform incentive mechanisms. In this way, there is a clear and direct link between the self-evaluations and our performance metrics and incentives.

Over the last five years, IFC has started to conduct demand-driven studies covering its investment operations, in order to fill knowledge gaps and build an evidentiary base for assessing IFC strategy, as well as to inform key stakeholders within and outside the

**Principle 8** Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

organization. Evaluations have been undertaken in sectors such as manufacturing, agribusiness, tourism, retail, education, infrastructure, and financial markets.

For example, in response to questions about the development impact of investing in high-quality hotels as part of its tourism offerings in low-income and fragile and conflict-affected states, a study was conducted to assess the impact of IFC's tourism investments on the local economy. IFC's tourism strategy is to support the development of critical infrastructure in places that lack international standard hotels. These investments send positive signals to other investors and are often among the first private sector investments in a transitional economy. In order to better understand how these investments deliver impact, IFC engaged consultants to gather data and assess the nature of different types of impacts generated in three types hotel investments—a resort, a luxury hotel in a city, and a hotel focused on serving business travelers. The findings included the economic footprint of each hotel in terms of GDP contribution, jobs created, and tax revenues generated. The study also included recommendations about how the development impacts of these investments can be amplified, for example through developing supply chain linkages or training local suppliers and hotel employees.

IFC shared the findings of this assessment broadly, both within and outside the organization. The results were discussed and disseminated to operational teams in IFC and presented to the Board of Directors in a discussion on the World Bank Group's (WBG) engagement in the tourism sector. They were also presented at the IFC Evaluation Conference to other International Finance Institutions, to deepen our collective understanding of the nature of direct, indirect, and induced development impacts from tourism investments. Within IFC, the findings have also been incorporated into the sector guidelines for investment teams originating tourism deals.



The Azalai Group's Grand Hotel has brought local firms into its supply chain and improved local employment opportunities.

As a result of the tourism investment study, the design of a recent IFC and IDB investment in Latin America incorporated an advisory component to work with a local vocational training institute to enhance the employability and upward mobility of the local workforce. This would help local suppliers meet the quality standards required by the client and other hospitality businesses in the area. Tourism investments also now routinely incorporate green building components, as relevant. This experience has helped IFC further build on the methodology used for other such assessments.

The recent introduction of IFC's AIMM tool allows IFC to strengthen the quality of information available for self-evaluations at the transaction level. The sector level self-evaluations, such as the one on tourism, provided important information in developing the sector guidance for assessing new tourism projects under AIMM. Where the evaluation covers multiple markets, these self-evaluations provide an assessment on the development gaps and the stage of market development in the sector. Thus, they are an important source of information in those areas where IFC expects to stimulate strong market movements.<sup>61</sup>

**Authors** | Deepa Chakrapani, Victoria Y. Chang

*“IFC was pleased to have our approach to impact used as a reference in the development of the Operating Principles for Impact Management. Now the Principles in turn are reinforcing our own approach. Self-evaluations are a critical element to ensure that we are focused on monitoring and assessing the results of our operations from design to completion. They create a critical feedback loop that completes the end-to-end support framework for impact assessment which starts with an ex-ante approach to demonstrate our intent to manage for impact before estimating and measuring the expected development impact of IFC interventions.”*

—HANS PETER LANKES, VICE PRESIDENT,  
ECONOMICS AND PRIVATE SECTOR  
DEVELOPMENT, IFC

<sup>61</sup> In addition to the self-evaluations at the program and sector level, the WBG's IEG undertakes fully independent evaluations of policies, strategies, and reports on these directly to the Board of Executive Directors. These independent evaluations build from the transaction level assessments and are centered on broad development themes, strategies, sectors, or mandates that the WBG entities are charged with delivering. The evaluations include recommendations, for which Management develops and commits to an action plan, which is also monitored on an annual basis.

## CASE STUDY 31: KKR

### Signatory



Following a decade of investing in companies that addressed critical needs, including responsible production and consumption, next generation energy, workforce development, and environmental solutions and clean water, in 2018 we launched our first dedicated impact investing fund, KKR Global Impact (the Fund). Our thesis is that there are tremendous opportunities to generate attractive financial returns by building and growing companies that aim to solve some of the world's greatest sustainability challenges. This means investing in companies that deliver locally relevant solutions to the Sustainable Development Goals.

As a global investment firm with more than 40 years of experience, we believed we had both the intellectual and financial resources to contribute to solving these problems and help scale the practice of impact investing.

At the same time, we knew that despite our deep experience of responsible investing, our journey into impact investing would not be easy. So we looked to the early pioneers of impact investing to inform our approach. And in April 2019, we became a founding Signatory to the Operating Principles for Impact Management. We recognized early on that any credible impact investor would need a rigorous approach to assessing and managing impact. In particular, we embraced the idea of disclosure and independent verification of our impact management system.

Since the Fund was relatively new, we decided to use a third-party to help us assess our progress to date and define our priorities for 2019 and 2020. We engaged Tideline, a leading impact advisory firm, to assess and verify the extent to which KKR's impact management approach was aligned with the Principles and to make recommendations on how to further build on our work.

To perform the assessment and verify the Fund's alignment with the Principles, Tideline conducted a review of KKR's impact management procedures. This included a review of diligence and portfolio management guidance and templates that investment

### Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

teams use to evaluate and measure impact. It also included a series of interviews with KKR team members and the Fund's nonprofit partner, BSR. The output included an evaluation of how aligned KKR's impact management efforts are with the Principles, recommendations for improvement related to each Principle, and a verification statement that the Fund was aligned with the Principles. This assessment and verification was completed in April 2019 and a summary shared with Fund investors.

Since early 2019, we have carefully implemented Tideline's recommendations, working to maintain and improve our areas of strength, as well as address potential shortcomings in our approach to impact management and future disclosures. Our early assessment efforts helped uncover specific areas for improvement, including:

- **Focusing on ongoing impact management.** With our external assessment having occurred early in the life of our strategy, we were able to use the findings to help inform the development of our impact management processes, post-investment. For example, we built additional impact management considerations into our existing Portfolio Management Committee materials to revisit a transaction's impact thesis and risks to achieving impact over time.
- **Strengthening data collection and analysis.** Understanding that data quality is critical to impact management, in 2019 we completed an assurance readiness exercise to evaluate our data management and controls procedures and provide recommendations for improvement. The findings of this assessment will be key to us as we develop our asset-level reports in coming years.
- **Learning from our experiences.** Based on ideas from the external assessment, we developed an impact assessment checklist that explicitly captures lessons learned from each investment, which has helped us improve our processes over time.





In 2019 KKR Global Impact invested in Ramky Enviro Engineers Ltd., a leading provider of environmental services and responsible waste management solutions in India that advance several SDGs.

In our view, alignment with these Principles and other ESG and impact-related constructs should be a journey of continuous improvement. We plan to repeat this exercise in 2020 with another external review of our impact management system that we intend to make public as part of our Disclosure Statement to be published in April 2020.

We believe impact accountability is key to scaling the impact investing industry. However, it is not just about disclosure, but rather using disclosure and verification to help drive continuous improvement. Although there are a variety of impact investing strategies, and impact management processes often differ, we believe the Principles provide a commonly applicable framework that can be universally adopted. We also believe that IFC has built a community of investors committed to learning from each other, and that transparency will help inform other current and potential Signatories to the Principles, thereby making it easier for more fund managers and investors to enter the impact investing space. We look forward to learning from others' efforts, and together we must continue the work of scaling this field with integrity and transparency.

**Authors** | Ken Mehlman, Robert Antablin, Elizabeth Seeger

*“Authenticity and transparency are critical to the continued growth and evolution of the impact investing market. While we are still early in our journey, we are proud to have built transparency into our approach from the very beginning. We hope that by sharing the details of our efforts to date and goals for future improvement, we can join other current and future impact investors in scaling this market.”*

—KEN MEHLMAN AND ROBERT ANTABLIN,  
CO-HEADS, KKR GLOBAL IMPACT, KKR

## CASE STUDY 32: NUVEEN

### Signatory



As the asset manager for TIAA, Nuveen has been making impact investments for about three decades. Our impact investments began with community development and affordable housing in the United States and have expanded over time to a global portfolio that spans asset classes and totals over \$4 billion in assets under management today. Over this time, we have seen and helped prove out a strong business case for investments that can generate measurable positive changes for communities and the planet, while delivering market-rate returns. We have also seen clients grow increasingly interested in understanding the impact of their investment portfolios, and increasing net-positive outcomes, while earning an appropriate risk-adjusted return.

As new players have entered the impact investing market to meet growing demand, the need for transparency in asset manager practices around impact has never been greater. This is where Principle 9 of the Operating Principles for Impact Management comes in. At Nuveen, we see two types of value in this principle, which requires Signatories to disclose how they align with the other eight principles and to obtain independent verification of those disclosures:

- First, the transparency of the disclosures and verifications will bring clarity to the practices impact investors are implementing, ensuring credibility.
- Second, we look forward to learning from the verification process about where our own impact management processes are already well advanced, and where they can improve.

Nuveen’s impact measurement and management (IMM) systems are developed and led by dedicated experts, in collaboration with the investment teams, to ensure high-quality implementation of our impact frameworks, criteria, and monitoring systems. Because these experts work in teams technically separate from the portfolio management teams, some degree of independent checking already occurs. However, after careful consideration of our options, Nuveen has opted

### Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

to engage a third-party consultant to verify our first set of disclosures, rather than relying on an independent internal team. The reasoning for this decision was twofold, in line with the value-add we see above. First, using a third party further enhances external credibility. Second, a consulting firm with expertise in this area could bring insights to help inform our own assessment of our practice, relative to our peers.

Once we decided to engage an outside provider of verification services, we solicited proposals and evaluated them based on four main criteria:

1. Track record of providing high-quality services related to impact measurement and management
2. Verification methodology that is transparent, well-defined, relevant, and right-sized
3. Suitability of service offering for our firm’s diverse impact investment strategies
4. Value relative to cost.

While we decided to pursue verification from a third party for our first set of disclosures, we also appreciate that this may be prohibitively expensive for some impact managers, such as those operating at smaller scale or in emerging markets. As a longtime partner of these managers, we encourage other independent and cost-effective verification methods to avoid creating artificial barriers to entry. We selected a specialist impact consultancy and are currently in the process of contracting them, aiming to have the verification done by mid-May 2020.

The novelty of the disclosure and verification tasks presented both challenges and opportunities for Nuveen. Our participation in the development of the Operating Principles for Impact Management instilled a high level of comfort with the overall concept of disclosing our alignment with the Principles. However, external validation of our IMM processes will be a first for Nuveen (as it will for the rest of the industry), and it required socialization with various stakeholders. The cost also needed to be justified and a budget identified.





Clients of a Nuveen investment.

Preparing our disclosures offered an opportunity to document a consolidated view across portfolios and teams about how we manage impact. It helped us see the commonalities more clearly and test our rationale for differences. In addition, as noted above, we anticipate an opportunity to learn from our verifier about how our tools and processes compare to industry standards, and to identify new ideas for further improvement. Over time, we expect verification and disclosure to play a critical role in the evolution of the impact investing industry. Just as audited accounts enable trust and reduce transaction costs in the broader financial industry, impact management verification will pave the way for a more transparent, credible, and effective impact investing marketplace.

**Author** | Hannah Schiff

*“Nuveen enthusiastically welcomes the new era of transparency that disclosure and independent verification of impact management practices will bring.”*

—VIJAY ADVANI, EXECUTIVE CHAIRMAN OF NUVEEN, A TIAA COMPANY

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# METHODOLOGY

## Methodology for Calculating the Size of the Market for Impact Investing in 2019

The following describes the methodology applied to four parts of Chapter 1 in this report:

### Private Investment Funds with Intent for and Measurement of Impact

We have assembled fund-level data from publicly available sources and sources with restricted access. These include the recently assembled Global Impact Platform (GIP) by Phenix Capital, the online database of the Emerging Market Private Equity Association (EMPEA), Syminvest, Symbiotics' Online Platform for Microfinance and Small Enterprise Impact Investments, and Preqin, an alternative assets database.

We identify conventional funds, “impact intent” funds, and “impact intent and measurement” funds that were launched in the last ten years. For conventional funds, there was no identifiable intent for positive impact. “Impact intent” funds indicated an “ethos,” or an intent to further or engage in economic development, environmental responsibility, microfinance, and/or social responsibility. “Impact intent and measurement” funds—or “impact funds” for short—need to demonstrate that they measure the impact of their investments. This can be confirmed by cross-checking against databases that confirm a measurement system and/or indicators used to measure impact for their listed funds, or by cross-checking against users of the Global Real Estate Sustainability Benchmark (GRESB); against IRIS, the generally accepted system for impact investors; or against B-Analytics, an impact assessment platform for B-Corporations.

Fund sizes correspond to total fundraising from 2009 to 2019 by private investment funds with verifiable intent for, and measurement of, impact. These funds operate only in private markets: private debt and equity, real estate, infrastructure, and natural

resources. Their fundraising is equivalent to assets under management (AUM) under the assumption that it takes 10 years to return capital to investors. We explicitly exclude publicly traded assets and funds that are managed by development finance institutions (DFIs), to avoid double counting.

*Sources: Preqin, Global Impact Platform, EMPEA, Syminvest, GRESB, IRIS, B-Analytics.*

### Investments in the Private Sector by HIPSO Signatory DFIs

Estimates are for 2019 or latest financial year available. We include two groups of DFIs: First, 14 multilateral development banks (MDBs) and 13 bilateral DFIs that are signatories to the Harmonized Indicators for Private Sector Operations (HIPSO). Initially, 25 DFIs were part of HIPSO. Their committed portfolios include non-treasury investment portfolios of loans, equity investments, and debt securities to non-sovereign entities, the stock of third-party investment that has been directly mobilized by DFIs, and gross exposure to guarantees to non-sovereign entities. In general, DFIs only expect to pay claims on a small fraction of their gross exposure to guarantees or risk insurance. Gross guarantee exposure amounts were taken as gross exposure to guarantees without counter guarantee. For MIGA, gross guarantee exposure does not include guarantees against the non-honoring of financial obligations by sovereigns, sub-sovereigns, or state-owned enterprises. Mobilization is reported as annual commitments or approvals; we estimate mobilization assets by assuming that assets are five times the five-year average of annual commitments.

Where available, data is sourced from public disclosure statements, for instance as provided by the Signatories to the Impact Principles. Otherwise, data is sourced from published financial statements and the *Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions* 2018.

Source: HIPSO, MDB Mobilization reports, Disclosure Statements to Operating Principles for Impact Management and DFI annual reports.

## Non-Sovereign Lending by Non-HIPSO MDBs and Other National and Regional Development Banks

We compiled a list of development banks, which are institutions with some government ownership and a mission statement to promote economic development. In addition to lists kept by associations such as the Organisation for Economic Co-operation and Development (OECD) and the International Development Finance Club (IDFC), we conducted a web search for “development bank” for each World Bank member country. Banks were included in the list if they satisfied three criteria: (a) their mission statement and reference documents suggest a mission that relates to social and economic development, as opposed to just financial return, (b) they have some government ownership or were originally formed by an act of government (multiple banks are identified in some countries), and (c) recent balance sheets were available.

We include 12 multilateral development banks and 68 bilateral and national development banks with charters or mission statements describing intent to contribute to social or environmental impact alongside financial return. Given limited data on the share of portfolio allocated to treasury, sovereign, and non-sovereign operations, we assume that national development banks’ private sector portfolios correspond to the self-reported, weighted average of private sector lending and guarantee operations as a percentage of total assets in the 2017 Survey of National Development Banks. In the survey, national development banks reported on average 38.7 percent of their total assets as private sector lending/guarantee portfolio, based on the latest

data available. In addition, we collected data on private sector portfolios through direct outreach and by consulting annual reports and financial statements for all multilateral and bilateral development banks.

Sources: Annual Reports, personal outreach.

De Luna-Martinez, Jose, Carlos Leonardo Vicente, Ashraf Bin Arshad, Radu Tatu, and Jiyoung Song. 2018. “2017 Survey of National development banks.” (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/977821525438071799/2017-Survey-of-National-development-banks>.

## Green, Social and Sustainability Bonds

The value of all green and social bonds outstanding is as of year-end 2019. This includes sovereign issuance. Outstanding bonds refers to bonds that were issued between 2008 and 2019 and that had a maturity date in the year 2020 or later. If the data indicated a range for maturity date—which would be custom when bonds of different lengths of maturity are issued together—we were not able to discern the maturities of parts of the issuance. Hence, we counted the full issuance as outstanding if all parts of the issuance are maturing in or after January 2020. Bonds with missing maturity dates could not be counted against outstanding bonds. We base our estimate on data from Environmental Finance (EF), which includes self-labelled green/social/sustainable bonds. EF claims that the majority of these bonds adhere to one or more guidelines.

Source: Environmental Finance.

## Corporate Engagement and Shareholder Action

Values are for start of 2014, 2016, and 2018, respectively. Sustainable investing assets for 2018 are reported as of December 31, 2017, except for Japan, which reports as of March 31, 2018, and currencies were converted to US dollars at the exchange rate prevailing at the time of reporting, for comparability.

Source: Global Sustainable Investment Alliance, *Global Sustainable Investment Reviews 2014-2018*.

## FURTHER READING

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### Investing for Impact: Operating Principles for Impact Management

February 2019—12 pages

*Investing for Impact: Operating Principles for Impact Management* (the Principles) have been developed by a group of asset owners, managers, and allocators to describe essential features of managing investments into companies or organizations with the intent to contribute to measurable positive social or environmental impact, alongside financial returns.

The Principles may be adopted at the corporate, line of business, or fund level. Managers that offer a range of investment strategies may adopt the Principles for assets which they choose to identify as impact investments. Institutions and fund managers that only invest for impact may adopt the Principles at the corporate or fund manager level.

The Principles may be implemented through different impact management systems and are designed to be fit for purpose for a range of institutions and funds. A variety of tools, approaches, and measurement frameworks may be used to implement the Principles.



### Creating Impact: The Promise of Impact Investing

April 2019—82 pages

Impact investing has emerged as a significant opportunity to mobilize public and private capital into investments that target priority development needs, particularly in emerging markets. Investors are increasingly looking to invest with impact by aligning their strategies to achieve the UN Sustainable Development Goals. To better understand what it would take to scale up credible impact investing, IFC published the *Creating Impact: The Promise of Impact Investing* report, which offers the most comprehensive assessment to date of the potential global market, along with practical suggestions for next steps.



## **SIGNATORIES TO THE OPERATING PRINCIPLES FOR IMPACT MANAGEMENT AS OF JUNE 2020**

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Actis	The European Bank for Reconstruction and Development (EBRD)	Multilateral Investment Guarantee Agency
Acumen Capital Partners	European Development Finance Institutions (EDFI)	Norfund
Adenia Partners	The European Investment Bank (EIB)	Neuberger Berman
Albright Capital Management LLC	Finance in Motion	Nuveen, a TIAA Company
AlphaMundi Group	FinDev Canada	Obviam
Amundi	Finnfund	Oesterreichische Entwicklungsbank AG (OeEB)
AXA Investment Managers	Flat World Partners	Partners Group
Belgian Investment Company for Developing Countries (BIO)	FMO – the Netherlands Development Finance Company	Phatisa Group Limited
Big Society Capital	Foundation Corporation Holdings	Proparco
BlackRock, Inc.	Franklin Templeton Social Infrastructure Fund	Prorsum Capital
Blue like an Orange Sustainable Capital	FullCycle	Prudential Financial, Inc., Impact Investments Group
BlueOrchard Finance	GEF Capital Partners Latam	The Private Infrastructure Development Group Ltd. (PIDG)
BMO Financial Group	IDB Invest, Member of the Inter-American Development Bank Group	Quona Capital
BNP Paribas Asset Management	IFC	responsAbility Investments
Calvert Impact Capital	IFC Asset Management Company (AMC)	Sarona Asset Management Inc.
Capria Ventures	IFU – Investment Fund for Developing Countries	SEAF
Cardano Development (ILX Fund and TCX)	Impact Bridge S.A	STOA Infra & Energy
CDC Group	Incofin Investment Management	Swedfund
CDP – Cassa Depositi e Prestiti	INOKS Capital SA	Swiss Investment Fund for Emerging Markets (SIFEM)
Christian Super	Investing for Development SICAV	Symbiotics S.A.
COFIDES	Investisseurs & Partenaires – I&P	The Osiris Group
Community Investment Management (CIM)	Islamic Corporation for the Development of the Private Sector (ICD, Member of IsDB Group)	The Rise Fund
Cordiant Capital	Japan International Cooperation Agency	The Rock Creek Group
Credit Suisse	Kohlberg Kravis Roberts & Co.	TriLinc Global, LLC
Deetken Impact Sustainable Energy	LeapFrog Investments	Trill Impact AB
DEG – Deutsche Entwicklungsgesellschaft mbH	LGT Lightstone Europe LLP	Triple Jump
Denham International Power GPLP SCSp	LGT Venture Philanthropy Foundation	Turk Ventures Advisory Limited
Developing World Markets	MicroVest Capital Management	UBS Group
Development Bank of Latin America (CAF)	Mirova	UOB Venture Management Private Limited
Development Partners International LLP	Mountain Nazca	U.S. International Development Finance Corporation (DFC) (formerly OPIC)
DWS Group GmbH & Co. KGaA		VentureWave Capital Ltd.
Earth Capital		Water.org
Egyptian-American Enterprise Fund		WaterEquity
		Zurich Insurance Group



IFC  
2121 Pennsylvania Avenue, N.W.  
Washington, D.C. 20433 U.S.A.

[ifc.org/ThoughtLeadership](https://ifc.org/ThoughtLeadership)  
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*Creating Markets, Creating Opportunities*

JUNE 2020