



# IMPACT INVESTING

A DEMANDING DEFINITION FOR  
LISTED AND NON-LISTED PRODUCTS

**FIR** FORUM POUR  
L'INVESTISSEMENT  
RESPONSABLE

France<sup>7</sup>  
Invest

Association des investisseurs  
pour la croissance

---

## CONTENTS

<b>Introduction</b>	Page 2
<b>What is impact investing?</b>	Pages 3 à 4
<b>The core characteristics of an impact investing approach</b>	Pages 5 à 6
Intentionality	
Additionality	
Impact measurement and its use	
<b>Scope and position statements on methodologies</b>	Pages 7 à 8
The differences between impact investing, SRI, ESG and solidarity-based finance	
Position statements on methodologies	
<b>Proposal: complex issues that remain open</b>	Pages 9 à 10
<b>The challenges for financial practitioners and regulators</b>	Page 11
<b>Appendix I - List of the working group participants</b>	Page 12
<b>Appendix II - Market initiatives and methodologies on impact</b>	Pages 13 à 17

---

Impact is the new frontier in socially responsible investing. Whilst socially responsible investment focuses primarily on companies with the best environmental, social and governance (ESG) practices, the time has come to construct funds capable of demonstrating their positive impact, and thus that fully meet their commitment to investors.

Having long been a proponent of ESG criteria within private equity in France, in 2012 France Invest established an Impact Commission bringing together impact investors in the unlisted sector. For 20 years, the French Social Investment Forum (*Forum pour l'Investissement Responsable - FIR*) has promoted socially responsible investing, and already has proven experience of impact investing with French solidarity-based funds (*fonds solidaires*). However, we must concede that constructing an impact fund for listed equities or bonds remains a new venture. This new stage is not intended to replace previous practices - in our opinion, these practices represent a solid foundation on which to build a new requirement.

Many practitioners across all sectors - seed funding, LBOs, the listed universe - are now starting to think about impact investing. With this joint guide, developed by comparing the practices of sophisticated professionals in the listed and unlisted segments, France Invest and the FIR hope

to avoid succumbing to empty marketing rhetoric and impact washing. Our aim is simply to outline a satisfactory definition of an impact fund, and what can be expected from such a fund. More testing, research, methodological innovation, in short, progress is required to develop standard practices, but the profile of what constitutes sound practice is already becoming apparent. The funds that meet the guidelines of this report have earned the right to refer to themselves as impact investors. We would encourage the regulator and professionals to work together to build the impact investing segment of the future, which is extremely demanding, both as regards methodologies and outcomes. With climate change accelerating, biodiversity collapsing, and inequalities widening to a worrying extent, impact investing represents a way forward that is worthy of our efforts and encouragement. This is the real aim of this guide.



**Mathieu Cornieti**  
Chairman of the Impact  
Commission of France Invest



**Alexis Masse**  
Chairman of FIR (French  
Social Investment Forum)

## INTRODUCTION

Over the last ten years or so impact investing has gained significant ground in France and internationally; it will represent an estimated<sup>1</sup> USD 715 billion in 2020 versus USD 502 billion in 2019 (2020 Annual Impact Investor Survey, GIIN). In France, a growing range of players are involved in impact investing today – primarily those with funds investing in the unlisted sector, but we are starting to see the first moves in listed markets.

Whatever scope we take for assessing the size of the market, it remains a niche segment made up of a large number of small players that have the explicit aim of investing with the intention of generating a positive social and/or environmental impact, in parallel to a financial return. This pioneering approach is today proving increasingly popular among a growing number of socially responsible investors, particularly since the success of the United Nations' Sustainable Development Goals (SDGs). These investors have recently started to expand their ESG approach to include consideration of the impact of their investments, particularly in relation to the core business of investee companies.

This has led to a proliferation of international initiatives, such as the Impact Management Project (IMP) and the Operating Principles for Impact Management (OPIM)<sup>2</sup> of the World Bank Group's International Finance Corporation (IFC), reflecting this new interest in assessing and improving the positive externalities of investments. However, the diverse and heterogeneous contributions of investors on the topic of impact, together with the widespread adoption of the SDGs, have resulted in practices becoming confused and a great deal of questions as to the rigour of methodologies used in impact investing procedures.

*Given the plethora of initiatives and methodologies, we believe it is essential to support the sector's growth by offering an explanation of boundaries and strategies. Indeed, there is clearly an urgent need to formalise the definition and measurement of impact, and how it is incorporated into the decision-making framework for investments.*

Of course, financial regulators are also raising these issues as they relate to savings protection and trustworthy investment reporting. Questions are increasingly being raised regarding the rigour of the commitments and methodologies offered by practitioners in the financial sector, as witnessed by the forthcoming application of the European Union's Disclosure Regulation, and the recent publication by the French regulator (*l'Autorité des marchés financiers* - AMF) of a policy relating to the transparency of information to be communicated to unitholders of UCIs wishing to include non-financial criteria in their investment management. Such questions are legitimate, but the response must also take account of the objective difficulties raised by this integration.

With this in mind, in 2019 FIR and France Invest jointly issued a call for candidates to participate in a working group. The aim is to mobilise investors and fund managers to reach a formalised definition of impact investing based on their professional practice, and to share the key findings. This is therefore a bottom-up approach and not an academic exercise. This working group brought together 52 investors and fund managers from the listed and unlisted sectors.<sup>3</sup>

This document presents a summary of the different themes examined by the working group and the conclusions reached by the experts involved.

Given the rapidly changing environment, the proliferation of initiatives underway, and the complexity of the impact issue, this document is intended as a work in progress. The working group may see fit to reconvene to update this initial summary.

<sup>1</sup> These figures should be treated with caution as they are dependent on the definition of impact.

<sup>2</sup> Details of the market initiatives and existing methodologies for impact investing in the appendices.

<sup>3</sup> Please see the appendices for a list of participants.

# WHAT IS IMPACT INVESTING?

**Impact** refers to the positive social and/or environmental externalities expected from investments (the “why” or an “outcomes” approach). It is measured in relation to specific impact goals that have been defined ex-ante and are based on the intentionality of investors or, where applicable, of the companies in which they invest. Impact themes are as diverse as impact investors. However, examples of impacts are: job creation in areas with high unemployment; providing access to essential services for low-income populations (access to education, healthcare, electricity); a reduction in net GHG emissions by unit of output; etc. This report aims to provide a more precise definition of impact.

Building on the groundwork already carried out by the Impact Commission of France Invest (the France Invest Impact Charter<sup>4</sup>), the working group’s deliberations were focussed on the three main characteristics of impact investing: intentionality; additionality; and Impact measurement and its integration in the investment process. This effort echoes the work of the G8<sup>5</sup> Social Impact Investment Taskforce and the Global Impact Investing Network (GIIN)<sup>6</sup>.

## ► INTENTIONALITY

Intentionality is defined by the GIIN as the investor’s intention to contribute to the generation of a measurable social or environmental benefit. The explicit aim of impact investors is to respond to an issue of sustainable development. This is what differentiates impact investing from other types of socially responsible investing, which are based on a generic process for integrating ESG criteria, possibly taking some account of the impact. As the Impact Charter of France Invest highlights, the investor now has **two goals**: to generate a financial return and an impact. This intentionality must relate to all of a fund’s investments (systematic approach) and apply at the moment an investment decision is taken (ex-ante).

*In contrast, intentionality does not consist in:*

- Claiming positive impacts after they have been generated, despite not having declared an intention to generate these impacts in advance.
- Launching a fund labelled as an “impact fund” when the impact strategy covers only part of the fund’s portfolio.

## ► ADDITIONALITY

Additionality is the specific and direct action or contribution of the investor that enables the investee company or the project financed to increase the net positive impact generated by its activities. It is the answer to the question: what difference would it have made if the asset had not been financed by this specific investor? Additionality is the concrete manifestation of intentionality. It may be financial (e.g. financing assets with little or no financial market coverage) and/or non-financial (e.g. active support for companies to achieve greater social and/or environmental impacts).

*In contrast, the following does not qualify as additionality:*

- A financial or non-financial contribution similar to that found in generic socially responsible management that integrates ESG criteria without the precise intentionality of generating an impact.
- A position as a passive or sleeping shareholder.
- A solely financial contribution, such as that made by an index fund or a passive co-investment fund.

<sup>4</sup> <https://www.franceinvest.eu/club/commission-impact>

<sup>5</sup> [https://www.economie.gouv.fr/files/files/PDF/RapportSII/Fce\\_vdef\\_28082014.pdf](https://www.economie.gouv.fr/files/files/PDF/RapportSII/Fce_vdef_28082014.pdf)

<sup>6</sup> <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

## ► IMPACT MEASUREMENT

Impact measurement is the process of measuring the social and/or environmental externalities of investments against the investor's intended impact goals. Impact goals are by definition positive, whether they seek to increase a positive externality (time-wise or relative to a benchmark scenario) or to significantly reduce a negative externality of the company. Impact may be measured on a qualitative or quantitative basis, and may relate to the impact of products and services offered by the company, and in some instances, to the significant impact of these processes.<sup>7</sup>

**The impact outcomes** must be reported and should be used by the investor in making investment decisions.

The following do not represent a robust form of impact measurement:

- Claiming/appropriating excessive outcomes without transparency regarding the real additionality contributed by the investor.  
*For example: investing in a listed pharmaceutical company and claiming that the impact of the investment is the number of vaccines produced (or even lives saved) per euro invested.*
- Presenting alignment with the SDGs as an adequate measure of impact in itself.  
*For example: presenting the proportion of turnover of investee companies aligned with the SDGs as a measure of impact.*
- Presenting an impact measurement approach that has not advanced beyond the stage of identifying the potential impact (no qualitative or quantitative measurement).  
*For example: a description of the issues.*
- Omitting details of the time horizon for the impacts presented in an annual report.  
*For example: aggregating the impact from several years without clear details.*

There are strong links between these three criteria, particularly intentionality and additionality; these links are summarised in the chart below.

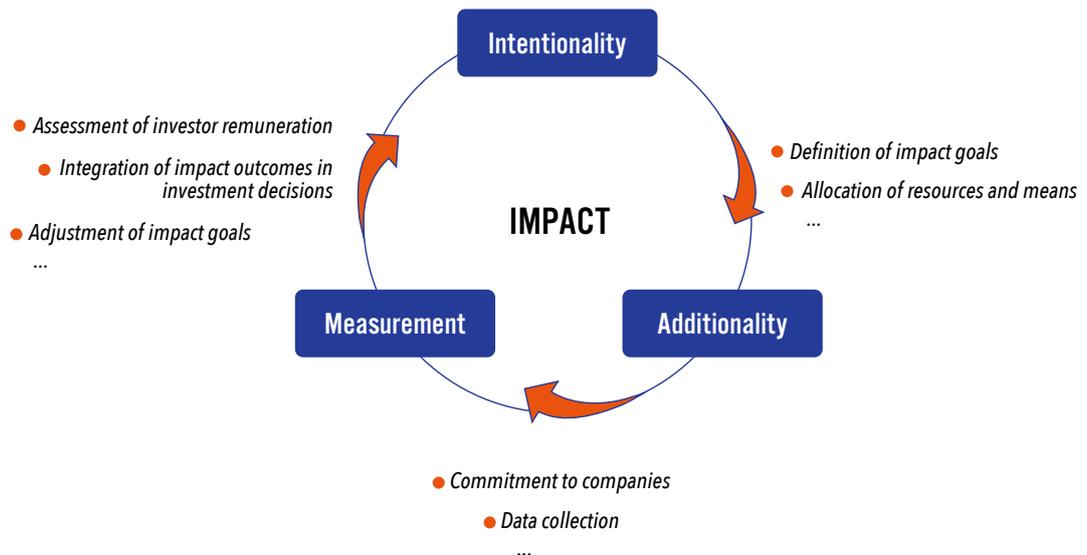


Chart 1 – Links between intentionality, additionality and impact measurement Source: Impact working group.

<sup>7</sup> Details regarding scope are presented in section III.

# THE CORE CHARACTERISTICS OF AN IMPACT INVESTING APPROACH

The synopses prepared by the working group concluded that an impact investing strategy must exhibit nine core characteristics; the maturity of the impact theme, and the availability of methodologies and data required for calculating impact metrics may mean that these characteristics are present to a greater or lesser extent.

## ► INTENTIONALITY

- 1. Impact thesis:** this should be clearly defined and result in an investment policy that is aligned with the targeted impact goals. Wherever possible, these impact goals should contribute to achieving the SDGs or other recognised goals.
- 2. Impact strategy:** this should be formally implemented across the entire investment cycle and adapted to the asset class; the impact goals should be defined ex-ante and be accompanied by the necessary means. In particular, evidence of such an impact strategy can be found in the proactive selection of companies based on the impacts expected from investment. In order to ensure the **consistency** of investments and effective **steering of the positive and negative externalities**, the impact strategy should be based on **advanced mapping** of the impact themes and externalities.
- 3. Appropriate governance:** there should be clear definition of the roles of the various teams and governance bodies, and the resources allocated to implement the impact strategy (impact committee, impact expert on the board of directors of the company or fund, etc.).

## ► ADDITIONALITY

- 4.** The additionality strategy should be **integrated with the investment process** of the fund and **cover most of the portfolio assets**.<sup>8</sup> It should form part of an active management strategy to which resources are allocated. In some instances, there may be an assumption of additionality.
- 6. Commitment** of the investment management teams to work alongside the managers of the investee company to maximise impact, reduce any negative externalities, and help the investee company to improve its impact outcomes.

*Some examples:*

- *Investments with a social goal or directed into R&D projects that will struggle to find market financing.*
- *The investor decides to allocate funds to projects, sectors or geographical areas with little or no financing options, enabling impact projects to increase their funding levels (e.g.: investments in emerging markets or seed funding for unlisted companies).*

- 5. Long-term** investment horizon to enable the company to operate on a long-term basis. It should be assessed in light of standard practices for each asset class. The effectiveness of this long-term management should be measured.
- This commitment is characterised by three requirements:
  - The commitment is an integral part of **the investment strategy**
  - It must be **measured in light of the impact goals pursued by the investor**
  - **An assessment of the means committed and the outcomes obtained in the investee company is essential**, and should be linked to the measurement of the company's impacts

<sup>8</sup> In contrast to intentionality, the additionality strategy does not have to be systematic (i.e. not necessary to cover 100% of the portfolio) as it may prove difficult to implement in some instances.

## ► IMPACT MEASUREMENT AND ITS USE

### 7. Impact measurement metrics must be used.

Metrics should be defined as follows:

- Where possible, metrics should be used for **outcomes, impacts, or outputs**<sup>9</sup> and be derived from the impact life cycle, as is the case in the example below relating to the financing of an installation project for photovoltaic panels (see Chart 2).
- Metrics should indicate the intensity or extent of the impact (What impact? At what level?), as well as the target (beneficiary) of the impact.

*For example: a university developing a scholarship programme for students from underprivileged backgrounds or deprived regions. Target: students from deprived backgrounds. Extent of the impact: proportion of scholarship students to rise from 40% to 60% by 2023.*

- Wherever possible, metrics should be derived from a comparison to a base or benchmark scenario to place them in context.

*For example: a new wind farm in France with forecast production of 30 GWh per annum facilitates a reduction of up 1,530 tCO<sub>2</sub>e versus a benchmark scenario that corresponds to average emission levels from a standard energy mix, taking into account the full life cycle.<sup>10</sup>*

- Metrics must be based on transparent methodologies regarding the assumptions used and potential margins of error.
- Wherever possible, they should be based on standard methodologies recognised within Europe or internationally.<sup>11</sup>
- They should be quantitative, or qualitative if necessary in certain situations.

Metrics serve **three purposes**: they are used to inform decision-making, as a tool for steering companies in the portfolio, and to reflect impact outcomes in reporting.

### 8. Robust, honest and transparent impact reporting:

- Reporting should provide information on the roll-out of the impact strategy at each stage of the investment process: company selection, time spent in the portfolio and exit from the portfolio.
- Reporting should cover: the relevance and precision of the outcome metrics based on their position in the impact lifecycle (outcomes, operation); the investor's contribution to the impact outputs (additionality, holding period); the rigour of the data (scope, justification for the choice of quantitative or qualitative data); the time period covered by impact measurement; justification for the decision to consolidate or not; and the methodologies used for the calculation and any limits / difficulties encountered.
- An independent review of impact performance and the associated reporting (by an independent governance body or external experts) is highly recommended. The Greenfin Label and the system of second-party opinions for green bonds are examples of this type of independent review.

### 9. The impact strategy should also be linked to performance remuneration.

In principle, where a variable remuneration plan is in place, there should be a mechanism to determine all or part of the remuneration of the investor or fund manager on the basis of impact criteria and/or impact outcomes.

In the same vein, the investor may also set up a financial incentive plan for investee company managements that is directly linked to the realisation of impacts.

*For example: a substantial stock option plan directly linked to the achievement of impact outcomes.*

On a subsidiary level, a system to share some of the management fees or financial incentives with philanthropic ventures, in particular those focused on the issue of impact investing, may also be implemented. However, this type of mechanism is of a different nature and should not be seen as a substitute for the alignment of financial interest described above.



Chart 2 – Impact life cycle for a photovoltaic project Source: FIR – France Invest.

<sup>9</sup> An output metric may be applied with the required transparency in certain situations.

<sup>10</sup> Source: EDF, Actu Environnement.

<sup>11</sup> See appendices for industry standards.

# SCOPE AND POSITION STATEMENTS ON METHODOLOGIES

## ► THE DIFFERENCES BETWEEN IMPACT INVESTING, SRI, ESG AND SOLIDARITY-BASED FINANCE

There is a broad range of strategies and terminologies in existence today, and we provide a definition of these below. In particular, ESG investing represents a different type of approach to the intentionality of an impact strategy, although the two are not contradictory.

The term **ESG** is used in both the listed and unlisted segments of the market, and primarily refers to criteria used by investors to evaluate the internal operations of companies in which they invest (the “how” or “means” approach). ESG analysis can be applied to all companies, irrespective of the nature of their activities. ESG performance is generally assessed against managerial or sector standards, frequently with reference to risk management or from a value creation perspective. The goal is usually to identify and reduce negative externalities generated by the issuer's operations, products or services. Examples of the themes analysed are: waste management (E), working conditions (S), or the risk of corruption (G). ESG criteria can and should be integrated with all investments.

**Socially responsible investment** is an approach based on the inclusion of ESG criteria. There is a French label for socially responsible investment (SRI) funds in the listed segment. The goal of SRI is to combine economic performance with a positive social and environmental impact by financing companies across all sectors that contribute to sustainable development.<sup>12</sup>

**Solidarity-based finance**<sup>13</sup> refers to the various financial mechanisms for contributing capital to projects not covered by traditional financing channels. It refers to savings invested in solidarity-based financing instruments. In France, Finansol is a specialised body that certifies solidarity-based financing products and monitors trends in social enterprise savings. The sector includes French solidarity-based funds (*fonds solidaires*, known as 90/10 funds). These funds invest between 5% and 10% of assets under management in securities issued by certified social enterprises or associations, in particular those targeting the underprivileged (entities in this sub-category qualify as impact investments), with the remaining 90% to 95% invested in traditional securities on listed markets (equities, bonds, etc.), which must at least follow an SRI management approach.

## ► POSITION STATEMENTS ON METHODOLOGIES

The working group wishes to share a number of position statements on methodologies, which inform all results presented in the remainder of the report:

- The **principles proposed by the working group can be applied to all asset classes** (equities, bonds, private equity, real estate, infrastructure and project financing) even if each asset class has its own specific operational approach (*see Chart 3*).

- **We do not distinguish between listed and unlisted investments** upfront, but the working group is aware that investors in unlisted securities have several comparative advantages. These include the integration of impacts into their investment processes over longer time horizons, greater proximity to the governance bodies of investee companies, and broader access to pure play companies,<sup>14</sup> which are primarily in the unlisted segment.

<sup>12</sup> SRI label definition

<sup>13</sup> <https://www.finansol.org/de-quoi-parle-t-on/>

<sup>14</sup> A company with operations focused primarily on the resolution of a social or environmental issue

- Intentionality is based on the investor's intention and not that of the company.

*For example: impact investors in developing countries cover a vast range of local companies (SMEs in particular) which are starved of financing and make a strong contribution to local development, often without any element of intentionality as regards their impact.*

- **We do not apply a pro rata allocation based on financial contribution, nor a materiality threshold.**

However, we require an attempt at transparency regarding the additionality of investors to justify any causal link between their investments and the impact of the investee companies.

*Examples of good practices:*

- *For a listed investment: active participation in defining impact measurement via direct communication with the management team, reporting the fund management team's working hours spent with the investee company managers and the measurable impact of active dialogue between the two sides (commercial relationship).*
- *For an unlisted investment: position on governance bodies and definition of an impact action plan (including impact KPI) with the investee management teams.*

- **We do not specify one particular methodology for impact measurement.** However, reference to recognised tools is recommended and transparency is required on whichever methodologies are used. We include a summary of existing market methodologies in the appendices.

- This work forms part of the investment framework and implies the prerequisite of a targeted **financial return**, which may vary from investor to investor. The various requirements of impact investing that are explained in the following section must therefore be closely interwoven with the investor's financial targets in order to arrive at an **investment process that fully integrates financial and non-financial factors.**

- In order to avoid any **confusion between impact and additionality**, within the framework of impact investing, we decided that for the purposes of this initial consideration:

- Additionality relates to the impact of the investor on the investee company.
- Impact measurement is focused on the generation of measurable externalities at the investee company. These impacts shall preferably be greater than a given benchmark scenario (additionality).

*Examples of good practices: comparison of the impact performance of the investee company before and after investment, and against a sector benchmark where one is available.*

### Common base

## Generation of positive impacts and competitive financial returns

### Specific features of each asset class

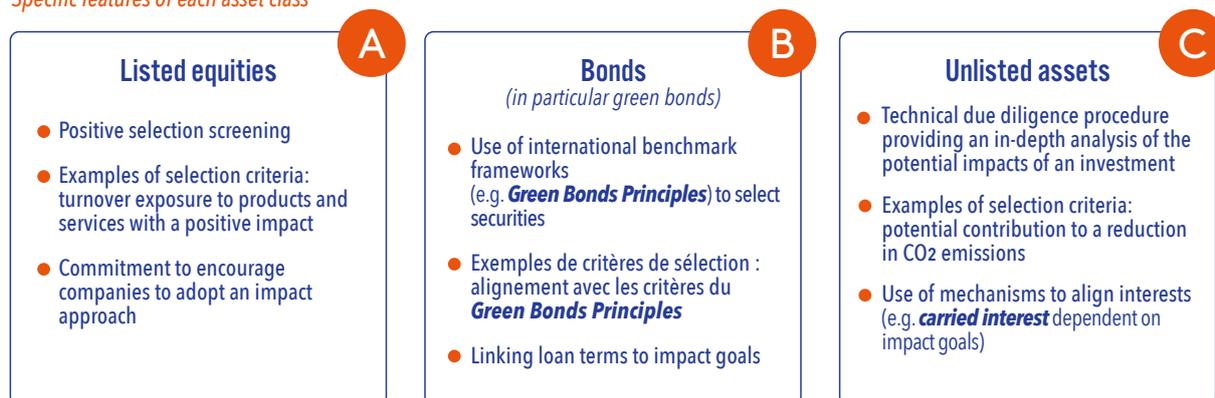


Chart 3 – Examples of intentionality in different asset classes (intentionality working group, FIR-France Invest)

# PROPOSAL: COMPLEX ISSUES THAT REMAIN OPEN

## ► NET IMPACT MEASUREMENT

The working group is not currently able to formalise a clear position on net impact for two reasons:

- There is not currently a robust and recognised methodology for net impact measurement (positive externalities less negative externalities). This reflects the complexity of a methodology for measuring net impact. We therefore prefer to wait for the work on methodologies currently underway to reach a more advanced stage before taking a position. However, investors should be aware of the negative externalities that may be generated by their investments and ensure that these are minimised, which is in keeping with regulatory developments (the “do no significant harm” principle in the EU Taxonomy Regulation and the principal adverse impacts disclosures required by Regulation (EU) 2019/2088 on sustainability-related disclosures).  
We also hope that academic research and innovative service-provider metrics will fill these gaps on measurement.
- Net impact underlies a debate on one of the working group’s position statements on methodology. Within the investment impact framework, impact is always considered to be positive as it is sought by the investor (intentionality). So net impact should be the combination of a positive impact (sought by the investor) and a negative externality (not chosen by the investor). It therefore represents the combination of a KPI for impact and a KPI derived from mapping negative externalities.

## ► IMPACT SCOPE AT THE INVESTEE COMPANY LEVEL

The chosen scope generally covers the impact related to the company’s products and services. It may also cover the impact of processes if there is a significant and intentional impact that is connected to the company’s mission / strategy (e.g. implementation of a circular production and distribution model, significant proportion of employees in work reintegration programmes, etc.). Determining materiality with regard to impact is complex, and the cut-off point is sometimes difficult to define. We do not have a clear recommendation on the issue, but provide the following examples for the purposes of illustration:

- If impact measurement is based on managerial practices, it is important to compare it with a benchmark scenario and sector or national trends, where these are relevant. As an example, a reduction in GHG emissions is commendable, but does not represent a sufficiently positive impact if it is below the benchmark scenario (say global warming of +1.5°C). The same applies to an increase in the proportion of employees with disabilities if this remains below legal requirements or sector norms.
- The concepts of best in class and best in universe that are frequently used as criteria by SRI and ESG funds are not an appropriate measure of impact.
- Similarly, the positive impact generated by the company must be significant and measured with regard to all negative externalities linked to its operations, products or services. Renewable energy production that accounts for less than 50% in an energy mix dominated by fossil fuel or generating a few percentage points of turnover from the sale of electric vehicles does not constitute a positive impact.
- Initiatives based on ESG practices that do not demonstrate significant positive externalities are excluded from the impact scope, e.g. improving waste management recycling at the company level, or improving gender equality on governance boards at the fund level.
- Any impacts generated by instruments aimed at financing projects that would have been implemented anyway without the allocated funds require qualification.

## ► AGGREGATION OF IMPACT METRICS

There is strong demand for standardised impact KPI to address the following issues:

- Aggregation of impacts at the portfolio level for improved assessment and management
- Greater consistency and comparability between investments and funds
- Aggregation at the client level

This demand is understandable, but does present obstacles. A systematic and general response is not possible, as impacts are generally very specific and characterised by a diversity of approaches, which is also their strength.

One part of the metric will often benefit from the greatest level of individualisation possible, in order to capture the reality of the situation and reflect the investor's specific impact goals. In practice, impact investors often combine aggregated metrics and benchmark tools (with the potential for some form of harmonisation, particularly in the environment area) with customised metrics for a more detailed analysis of specific company-level or sub-category impacts.

# THE CHALLENGES FOR FINANCIAL PRACTITIONERS AND REGULATORS

**Growth in impact investing** is undoubtedly a **major investment trend**. It reflects strong demand from institutional and private investors. It can contribute a new and exemplary dimension to investment decisions or the construction of a portfolio of financial assets. It is more than a simple screening process to eliminate the worst performing companies on non-financial issues, and attempts to define an explicit and measurable goal (intentionality, additionality). It endeavours to bridge the gap between the financial aspect of the investee asset (long term, commitment, support, measurement). It may therefore be an effective tool for a more patient form of finance whose environmental, social and governance utility is more easily discernible to all stakeholders.

In this context, the issue of the rigour of the impact approach followed by institutional investors and asset managers is crucial. **It is vital to ensure that impact investing does not become a catchall** covering a range of ambiguous, incomprehensible, flaky or even duplicitous concepts for subscribers. For this reason, **this document attempts to define in a pragmatic way, the minimum requirements for an authentic and robust impact investment strategy.**

In addition to its educational value, the FIR and France Invest believe that this framework may usefully serve as a standard benchmark for the investment processes of an impact strategy. Explicitly referencing this framework will allow each practitioner to underline the intended authenticity and rigour of their strategy.

Notwithstanding this desire, it is clear that the measurement and additionality of impact may be confronted with objective difficulties, in particular, with regard to the nature of the asset (listed or unlisted), the size of the company, the impact theme chosen and the availability of data for the calculation. **The impact investment market is still in its infancy.** Innovations in potential methodology frameworks are becoming apparent. It would be a shame to try and provide a detailed and uniform regulatory framework covering all elements of impact investing at the current time.

To prevent any temptation of impact washing, in our opinion, it would currently be more effective for the regulator to **look to consolidate the requirements of a common approach** that has the support of the investment professionals sincerely committed to this issue, by providing its contribution, and await **the gradual expansion of the methodology framework for impact investing** and the development of more robust measurement tools as data becomes more readily available.

The FIR and France Invest remain available to continue to contribute to these joint endeavours. Their members will be consulted again for their expert advice on the matters raised in this document and a new position statement issued in a year.

---

## APPENDIX I

### LIST OF THE WORKING GROUP PARTICIPANTS

---

The working group is composed of 52 participants, of which 41 are FIR members and 11 are France Invest members. It is split into three sub-groups:

**Intentionality** - 12 participants

Co-heads: **Nathalia Millan** of Tikehau Capital for France Invest, **Lise Moret** of AXA IM for the FIR.

**Additionality** - 12 participants

Co-heads: **Morgan Carval** of Arkéa Capital for France Invest, **Antoine de Salins** of I Care & Consult for the FIR.

**Measurement** - 32 participants

Co-heads: **Isabelle Combarel** of Swen Capital Partners for France Invest, **Marie-Geneviève Loys-Carreiras** of BNP Paribas AM for the FIR.

**Déndo Azema** - Fonds de Garantie

**Catherine Bellamy** - Vigeo Eiris

**Alexandra Bestel** - MAIF

**Typhaine de Borne** - Harmonie Mutuelle

**Béryl Bouvier di Nota** - OFI AM

**Morgan Carval** - Arkéa Capital

**Fatoumata Cissé** - Investisseurs et Partenaires

**Jean Coatmellec** - Swen Capital Partners

**Isabelle Combarel** - Swen Capital Partners

**Grégoire Cousté** - FIR

**Chloé Del Rio** - Swen Capital Partners

**Perrine Dufronc** - La Française AM

**Sonia Fasolo** - La Financière de l'Échiquier

**Pablo Felmer-Roa** - 2° Investing Initiative

**Julien Foll** - AXA IM

**Anne Gerset** - Makesense

**Isabelle Guénard-Malaussène** - Finance@Impact

**Benjamin d'Hardemare** - Planetic

**Anne-Claire Imperiale** - Sycomore AM

**Nicolas Jacob** - Oddo BHF AM

**Nicolas de Jenlis** - Deloitte

**Benoît Leandri** - Schroders

**Aliénor Legendre** - Ecofi Investissements

**Karine Leymarie** - MAIF

**Frédéric Lowe** - La Banque Postale AM

**Marie-Geneviève Loys-Carreiras** - BNP Paribas AM

**Clarisse Macé** - EthiFinance

**Émilie Marbot** - I Care & Consult

**Alice-Mary Meggs** - Groupama AM

**Simon Messenger** - 2° Investing Initiative

**Nathalia Millan** - Tikehau Capital

**Samuel Monteiro** - Investisseurs et Partenaires

**Lise Moret** - AXA IM

**Naoko Nakatani** - Groupe Renault

**Cédric Nicard** - Horizon AM

**Élodie Nocquet** - Better Way

**Luc Olivier** - La Financière de l'Échiquier

**Julie Olivier** - Swen Capital Partners

**Jean-Bernard Off** - Caisse d'Assurance Vieillesse des Pharmaciens

**Emmanuel Parmentier** - Indefi

**Coline Pavot** - La Financière de l'Échiquier

**Jean-Marie Péan** - OFI AM

**Valentin Pernet** - Oddo BHF AM

**Silvia Pignato** - Aviva Investors

**Thiên-Minh Polodna** - FIR

**Camille Pons Cabrita** - Aviva Investors

**Nathalie Rebondy** - Schroders

**Natalia Rey** - Swen Capital Partners

**Antoine de Salins** - I Care & Consult

**Pierre Schoeffler** - La Française AM

**Emmeline Stein** - 2° Investing Initiative

**Jérôme Tendeau** - Amundi

**Pascale Thumerelle**

**Anne-Laure Tremblay** - Clarity AI

**Geoffroy de Vienne** - Comité Intersyndical de l'Épargne Salariale

Booklet produced with the support of I Care & Consult and Better Way



## APPENDIX II

### MARKET INITIATIVES AND METHODOLOGIES ON IMPACT

#### — The Impact Management Project (IMP) <sup>15</sup>

The IMP convenes a community of over 2,000 practitioners and a network of 13 organisations (PRI, OECD, UNEP FI, UN Global Compact, etc.). It has been publicly supported by the G7 since July 2019. In 2016, it launched a project to build agreement on the key aspects of the measurement, management and reporting of impacts, with the aim of reaching a consensus on global standards by 2021.

This work is divided into three main areas:

1. Formalising processes for managing impact (practice)
2. Designing a framework and standardised data for measuring and reporting impact (performance)
3. Constructing techniques for comparing impact (benchmarking)

The project as a whole addresses investors, asset managers and companies, and proposes a methodology that provides broad coverage of the aspects of impact management.

Impact is considered to be an outcome caused by an organisation. An impact can be positive or negative, intended or unintended. Everything we do has impacts on people and the planet.

Impacts fall into three categories:

1. Acting to avoid negative externalities
2. Contributing a benefit to stakeholders
3. Contributing to solutions

A methodology framework has been designed to analyse impact across five dimensions: What, Who, How Much, Contribution, Risk.

Impact dimension	Impact questions each dimension seeks to answer
□ What	<ul style="list-style-type: none"> <li>•What outcome is occurring in the period?</li> <li>•Is the outcome positive or negative?</li> <li>•How important is the outcome to the people (or planet) experiencing them?</li> </ul>
○ Who	<ul style="list-style-type: none"> <li>•Who experiences the outcome?</li> <li>•How underserved are the affected stakeholders in relation to the outcome?</li> </ul>
≡ How Much	<ul style="list-style-type: none"> <li>•How much of the outcome is occurring - across scale, depth and duration?</li> </ul>
+ Contribution	<ul style="list-style-type: none"> <li>•Would this change likely have happened anyway?</li> </ul>
△ Risk	<ul style="list-style-type: none"> <li>•What is the risk to people and planet that impact does not occur as expected?</li> </ul>

Chart 4 – The five impact dimensions Source: Impact Management Project.

<sup>15</sup> <https://impactmanagementproject.com/>

## — The Operating Principles for Impact Management (OPIM) <sup>16</sup>

The OPIM were published in February 2019 by the International Finance Corporation (IFC). They represent management principles for companies / organisations seeking to intentionally generate a positive environmental and/or social impact that is measurable with their investments, in parallel to a financial return. The nine principles ensure that impact considerations are integrated throughout the investment life cycle.

### INVESTING FOR IMPACT: OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

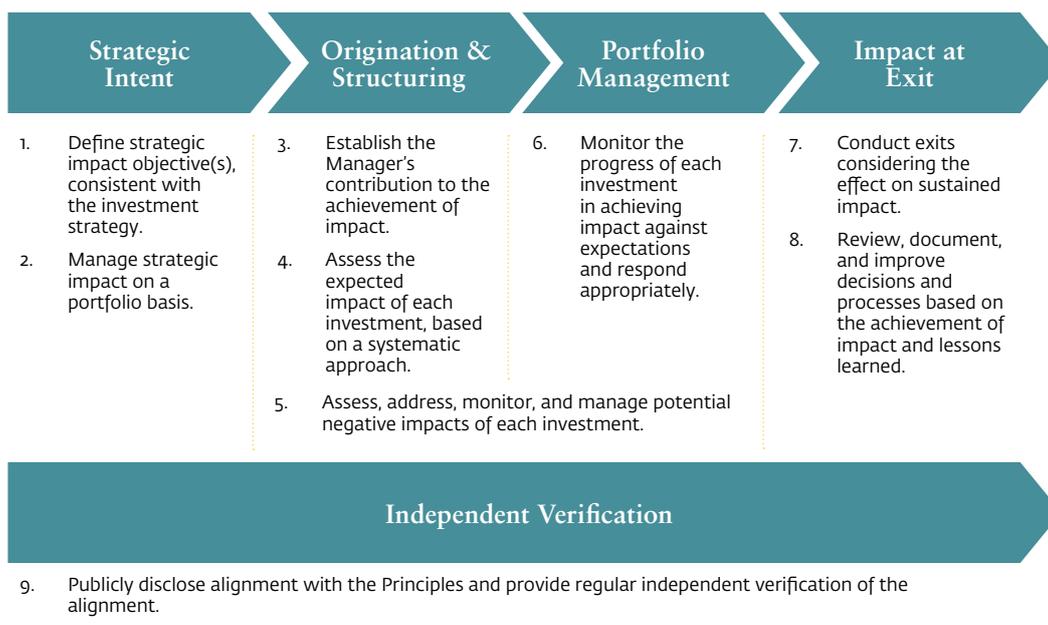


Chart 5 – The OPIM Source: *Investing for Impact: Operating Principles for Impact Management*

## — The IRIS+ system <sup>17</sup>

The IRIS (2008) and IRIS+ (2019) systems were created by the GIIN (Global Impact Investing Network) to provide investors with a consistent basis to efficiently measure and manage their impacts. It consists of a catalogue of metrics (numerical or qualitative) available to investors so they know what to measure and how, depending on their impact goal or investment theme.

IRIS+ Core Metrics Sets are available by impact theme<sup>18</sup> or SDG. They must be collectable, decision-relevant and aggregable at portfolio level.

IRIS+ metrics provide support for users in mapping their impacts across the five dimensions of impact of the IMP.

<sup>16</sup> <https://www.impactprinciples.org/>

<sup>17</sup> <https://iris.thegiin.org/standards/>

<sup>18</sup> Agriculture, Air, Biodiversity & Ecosystems, Climate, Diversity & Inclusion, Education, Employment, Energy, Financial Services, Health, etc.

## — Social Return on Investment (SROI)

In 2014, the SROI Network (Social Value UK) launched a tool aimed at measuring and evaluating economic, social and environmental impacts made possible by a project / organisation for social ends. The social and environmental outcomes are expressed as a monetary value in order to calculate a **cost/benefits** ratio where this makes sense (a ratio of 3/1 indicates that an investment of EUR 1 generates social value of EUR 3). Money is solely a measurement unit, a practical way of expressing value creation.

SROI is aimed at investors looking to reflect the full impact life cycle (outcome and impact KPI).

The methodology is based on seven principles and the six stages detailed below, which are based on the theory of change, the attribution of a value to outcomes, and the calculation of an SROI.

### Les 6 étapes d'un SROI

- 1 • Définir son champ d'application et identifier les principales parties prenantes.** Il est important de délimiter clairement le champ de votre analyse SROI, les personnes impliquées dans le processus et la façon dont elles le seront.
- 2 • Exposer le changement.** Tout en commençant à travailler avec les parties prenantes, vous allez créer une carte des impacts, mettant en évidence la relation entre les contributions (« inputs »), réalisations (« outputs ») et les résultats (« outcomes »).
- 3 • Attester les résultats et leur attribuer une valeur.** Cette étape comprend la recherche de données montrant les résultats obtenus et leur valorisation.
- 4 • Déterminer l'impact.** Après avoir démontré et monétisé les résultats, on neutralise tous les changements dont la source est extérieure à l'activité.
- 5 • Calculer le SROI.** Cette étape consiste à additionner tous les bénéfices, à en déduire les effets négatifs et à comparer résultat et investissement. C'est aussi le moment où l'on peut recourir à des analyses de sensibilité.
- 6 • Rendre compte, utiliser et intégrer.** Cette dernière étape est essentielle et consiste à partager les conclusions du SROI avec les parties prenantes, à répondre à leurs éventuelles questions, à vérifier l'information, et à créer les bases nécessaires à une évaluation régulière.

*Chart 6 – The stages in SROI. Source: The Guide to Social Return on Investment*

---

## — Methodology for Standardizing and Comparing Impact Performance (GIIN)<sup>19</sup>

In November 2020, the Global Impact Investing Network (GIIN) published a first version of a new methodology for public consultation, which attempts to answer two critical questions in relation to impact investing:

- How does the impact compare to the impact generated by other impact investments?
- How much impact does an impact investment generate relative to the magnitude of the existing social or environmental issue?

The proposed methodology can be broken down into four main stages:

- 1.** Define the parameters of analysis, grouping investments on the basis of their sector, theme or strategic objective.
- 2.** Collect standardised data on the outputs and outcomes of the impact lifecycle of the investments following the methodologies outlined in the report.
- 3.** Develop and apply an analytical process that enables standardisation of the collected data.
- 4.** Use the results as tools to aid decision-making at each stage of the investment process.

<sup>19</sup> [https://thegiin.org/assets/Methodology%20for%20Standardizing%20and%20Comparing%20Impact%20Performance\\_webfile.pdf](https://thegiin.org/assets/Methodology%20for%20Standardizing%20and%20Comparing%20Impact%20Performance_webfile.pdf)

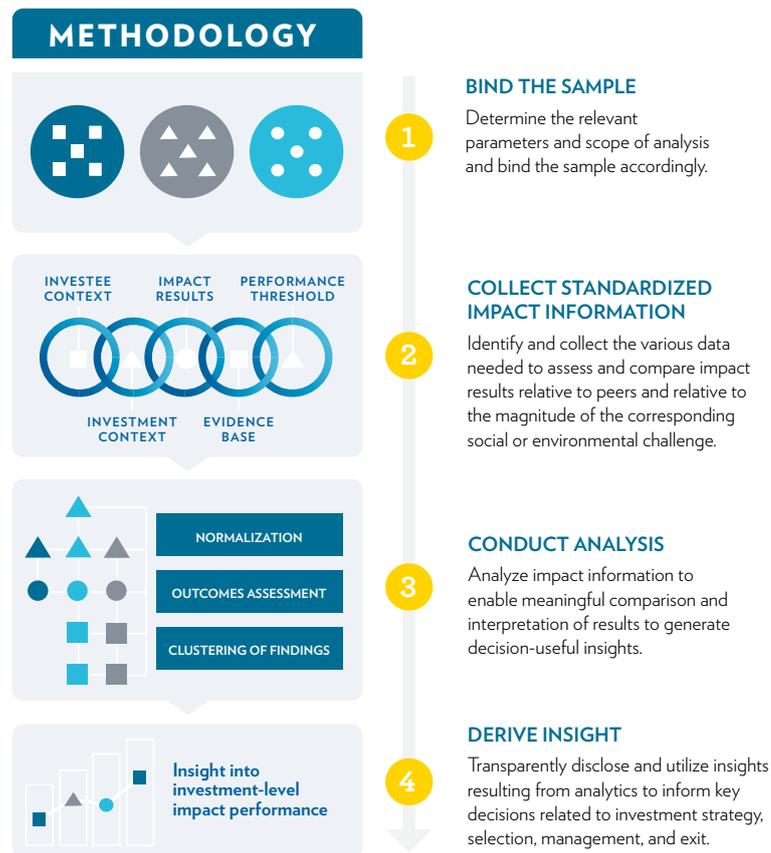


Figure 7 - Les quatre piliers de la méthodologie. Source : GIIN

Other resources are also available (non-exhaustive list):

#### Databases and methodologies:

Initiative / organisation name:  
**World Benchmark Alliance**

Description: An initiative bringing together governmental and non-governmental organisations whose mission is to develop standards and pool information to measure and compare the performance of the private sector in its response to the SDGs.  
Source: <https://www.worldbenchmarkingalliance.org/>

Initiative / organisation name:  
**Impact-Weighted Accounts Project**

Description: Academic research of Harvard Business School to develop accounting methodologies that reflect the social and environmental performance of assets.  
Source: <https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx>

#### Assessment and rating tools:

Initiative / organisation name:  
**SDG Action Manager**

Description: A tool developed by the United Nations Global Compact and B Lab to help companies manage their impacts in response to the SDGs.  
Source: <https://www.unglobalcompact.org/take-action/sdg-action-manager>

Nom initiative / organisation:  
**B Impact assessment**

Description: A tool developed by B Lab that allows companies to measure their impacts.  
Source: <https://bimpactassessment.net/>

Initiative / organisation name:  
**GIIRS Rating**

Description: An impact rating awarded to funds based on an analysis of their management practices and the B Impact Assessment of their investments  
Source: <https://b-analytics.net/giirs-funds>

Initiative / organisation name:  
**The CARE (Comprehensive Accounting in Respect of Ecology) model**

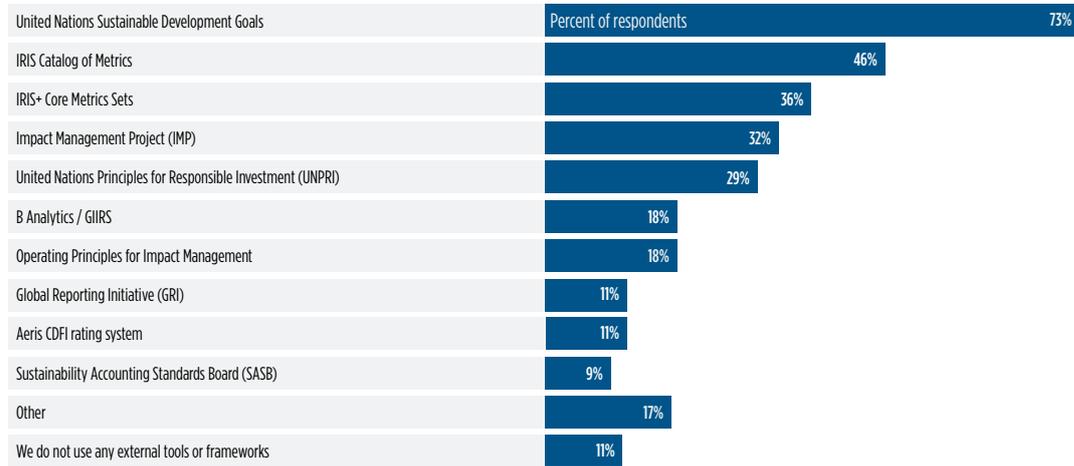
Description: A sustainable accounting model that includes social and environmental issues in the financial statements.  
Source: <https://www.chaire-comptabilite-ecologique.fr/Natural-capital-visibility-in-financial-accounting-Method-3-Extended-Version?lang=en>

## — Latest trends in impact measurement and management

In the most recent member survey by the GIIN, respondents indicated the extent to which they use the various impact analysis frameworks, with the SDGs, IRIS and the IMP holding the top three positions.

Figure 36: Overall use of tools, frameworks, and systems

n = 294; respondents could select multiple answer options.



Note: 'Other' includes various external tools and frameworks, both broad and sector-specific, including the Impact Multiple of Money, CERISE-SPI4, SPI4-Alinus, GRESB, TruCost, HIPS0, Lean Data's 60 Decibels, Progress out of Poverty Index, GOGLA, IPAR, and MESIS. Some respondents also described general frameworks such as theory of change or logic frameworks as well as various proprietary measurement and management systems.

Chart 8 – Use of impact tools and standards Source: GIIN

The GIIN recently published its second edition of the State of Impact Measurement and Management Practice: <https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>.

This report highlights growing investor interest in this subject, and particularly for benchmarks with new initiatives such as the [World Benchmarking Alliance](#), the availability of in-depth data for some sectors, and the Harvard initiative on [impact-weighted accounts](#).

